PureTech Health plc
Annual report and accounts 2018

PureTech Health

Developing BIG medicines

PureTech Health

PureTech Health, plc (HQ: Boston, MA; LSE: PRTC) ("PureTech Health", "PureTech" or the "Company") is an advanced biopharmaceutical company developing medicines for dysfunctions of the Brain-Immune-Gut (BIG) axis across its affiliates and its own internal labs. The Company's focus is driven by deep insights into the connection amongst these three systems that make up the BIG axis and their resulting roles in diseases that have proven resistant to established therapeutic approaches. By harnessing this emerging field of human biology, PureTech Health is developing new categories of medicines with the potential to have great impact on people with serious diseases.

PureTech's entrepreneurial, non-binary, and capital-efficient innovation engine is led by a team with a proven track record of developing new therapeutics and building shareholder value. Together, this team has achieved numerous significant milestones by progressing therapeutic candidates through human proof-of-concept to regulatory clearance and forging strategic relationships with major pharmaceutical companies, leading academic scientists and institutions.

Dedicated to tackling some of the most important health issues facing society in order to improve patients' lives and generate significant value for PureTech's shareholders, PureTech Health is pioneering new frontiers in medicine with:

- an impressive track record of execution – including one United States Food and Drug Administration (FDA)-cleared product (Gelesis' PLENITY™) and one actively seeking FDA clearance (Akili's AKL-T01) – with several high value catalysts expected over the next 12 to 18 months;
- multiple novel clinical stage platforms and programmes that have cleared key safety and/or efficacy regulatory hurdles;
- a strong capital base with $425.0 million in group cash and short-term investments as at 31 December 2018[1];
- a proven and seasoned management team of business leaders with an outstanding Board of actively-engaged industry pioneers and academic stalwarts and an extensive network of leading scientific experts from around the world;
- relationships with leading pharmaceutical companies or their investments arms, including Amgen Ventures, Boehringer Ingelheim, Bristol-Myers Squibb, Eli Lilly, Janssen Biotech Inc., Merck Ventures, Novartis, and Roche;
- an innovative and entrepreneurial culture that attracts and retains top talent and is poised to bring ground-breaking new medicines to patients; and
- a strong and growing IP portfolio of more than 500 patents and patent applications providing long periods of exclusivity for innovative product candidates.

1 Group cash and short-term investments includes consolidated cash and short-term investments plus the cash and short-term investment position of Independent Affiliates (resTORbio and Akili) which are not included in our consolidated statement of financial position.

Highlights of the Year – 2018

2018 PureTech cash and short-term investments

$177.7m[1]

2017: $126.7m
2016: $192.1m
2015: $255.5m
2014: $53.2m

2018 consolidated cash and short-term investments

$250.9m[1]

2017: $188.7m
2016: $281.5m
2015: $313.7m
2014: $62.7m

2018 group cash and short-term investments (APM)

$425.0m[1,2]

2017: $242.1m
2016: $281.5m
2015: $313.7m
2014: $62.7m

In 2018, PureTech Health made significant clinical progress across its Affiliates division, which includes seven clinical-stage programmes and three preclinical programmes focused on the biological processes associated with the Brain-Immune-Gut (BIG) axis. Clinical developments included the following:

- Gelesis filed an application with the United States Food and Drug Administration (FDA) for review of its lead product candidate in weight management. In the April 2019 post-period, Gelesis received FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis also filed PLENITY for marketing authorisation in Europe in the first quarter of 2019 and expects to receive feedback in 2019.
- Akili also filed an application with FDA in 2018 for review of its lead product candidate in paediatric attention deficit/hyperactivity disorder (ADHD). Also in 2018, Akili successfully completed a Phase 2 study of AKL-T03 in depression and a proof-of-concept study of AKL-T03 in multiple sclerosis. Full analyses are underway, and – based on the results of the studies – both programmes are expected to advance into larger studies in 2020.
- resTORbio announced positive results from a Phase 2b study of its proprietary target of rapamycin complex 1 (TORC1) inhibitor, RTB101. In the March 2019 post-period, resTORbio announced a positive end of Phase 2 meeting with the FDA and the planned initiation of a global Phase 3 programme for RTB101 in 2019. In the April 2019 post-period, resTORbio announced the initiation of a Phase 1b/2a trial of RTB101 alone or in combination with sirolimus, in Parkinson's disease.
- Karuna initiated a Phase 2 study of KarXT (Karuna-Xanomeline-Trospium), its lead product candidate, for the treatment of psychosis in schizophrenia, with results anticipated by the end of 2019. Karuna is using a proprietary co-formulation of KarXT that successfully demonstrated tolerability at a dose level exceeding those shown to be efficacious in previous studies of xanomeline alone.
- Vedanta Biosciences advanced two clinical-stage product candidates. In October, the company announced results from a successful Phase 1a/1b study of lead candidate VE303 in recurrent *Clostridium difficile* (rCDI). A Phase 2 study of VE303 was initiated in December 2018, and results are anticipated in early 2020. In November, Vedanta Biosciences' partner Janssen Biotech, Inc. also initiated a Phase 1 clinical study of inflammatory bowel disease (IBD) candidate VE202. Results are anticipated in the second half of 2019.
- Follica made significant progress towards the initiation of a pivotal study in androgenetic alopecia, which is anticipated to begin in 2019 following the completion of an ongoing optimisation study.
- Sonde has expanded development of its proprietary technology in neurodegenerative disease, respiratory and cardiovascular disease, and other health and wellness conditions.

PureTech Health also announced the formation of its internal labs, with a focus on tissue selective immunomodulation. Key developments included the following:

- In July, PureTech Health announced a collaboration with Roche to advance PureTech's milk-derived exosome platform technology for the oral administration of Roche's Locked Nucleic Acid (LNA) antisense oligonucleotide platform, designed to facilitate the oral administration of complex payloads. PureTech Health receives up to $36 million in upfront payments, research support, and preclinical milestones and is eligible to potentially receive over $1 billion in development milestones.
- Also in July, PureTech's central nervous system (CNS) lymphatics programme was published as the cover story in *Nature*. The publication by our collaborator Jonathan Kipnis, PhD, revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline. The same programme was also published in *Nature Neuroscience* in September, highlighting the key role of brain lymphatics in neuroinflammatory conditions like multiple sclerosis.
- In the April 2019 post-period, PureTech Health presented posters detailing its immuno-oncology programmes at the American Association for Cancer Research (AACR) Annual Meeting. The posters detailed PureTech's development of first-in-class, fully-human monoclonal antibodies (mAbs) targeting Galectin-9 (LYT-200) and immunosuppressive γδ1 (gamma delta) T cells (LYT-210). LYT-200 and LYT-210 are unique mAbs targeting foundational, novel mechanisms of tumoural immune escape and immunosuppression in cancer, and have been tested as single agents, as well as in combination with anti-PD1 in preclinical murine and human-derived *ex vivo* models. Also in the April 2019 post-period, PureTech Health entered into a partnership with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under the terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Amount of funding secured for affiliates

$274.0m[3,4]

2017: $102.9m
2016: $98.2m
2015: $74.6m
2014: $8m

Cumulative number of patents and patent applications

545[5]

2017: 521[6]
2016: 288
2015: 209
2014: 111

Number of partnerships entered

5[3]

2017: 8
2016: 6
2015: 4
2014: 2

Affiliates attracted $274 million in equity investments and non-dilutive funding, including $242 million from third parties:

- Karuna received gross proceeds of approximately $124 million in preferred stock financings in 2018 and in the 2019 post-period. A $42 million Series A round, including the issuance of $22 million in shares upon conversion of debt into equity, was announced in August 2018. In the 2019 post-period, Karuna completed an $82 million Series B financing round, including the issuance of $7 million in shares upon conversion of debt into equity. Proceeds will be used to advance Karuna's lead product candidate, KarXT (Karuna-xanomeline-trospium chloride), which is being evaluated in a Phase 2 study in patients with schizophrenia and the expansion into other therapeutic areas, including a non-opiate pain indication.
- Akili completed a $68 million financing round in 2018 to advance its pipeline of prescription digital treatment candidates. In the March 2019 post-period, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with Autism Spectrum Disorder), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own a newly created R&D and commercial platform and receives upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.
- resTORbio completed an initial public offering (IPO) on NASDAQ in 2018, raising gross proceeds of $97.8 million. In the March 2019 post-period, resTORbio completed another offering raising gross proceeds of approximately $50 million.
- Gelesis completed a $30 million financing round in March 2018 to support commercial-stage manufacturing, product launch preparations, company operations and the clinical advancement of its pipeline of additional product candidates for gastrointestinal disorders, including type 2 diabetes and non-alcoholic steatohepatitis/non-alcoholic fatty liver disease (NASH/NAFLD).
- Vor completed a $42 million Series A round in the February 2019 post-period to advance its lead cell therapy product candidate for the treatment of acute myeloid leukaemia (AML).
- Vedanta Biosciences announced a $27 million Series C financing in December 2018 to advance its clinical pipeline of microbiome-derived product candidates.
- Sonde completed a $16 million Series A round, including the issuance of $6 million in shares upon conversion of debt into equity, in the April 2019 post-period to expand its capability across additional health conditions and device types and to fund commercialisation activities.
- Alivio was awarded a $3.3 million grant in September 2018 from the US Department of Defense to support Alivio's preclinical research and development activities for product candidate, ALV-107, which is being advanced for the treatment of interstitial cystitis/bladder pain syndrome (IC/BPS) with Hunner's lesions. ALV-107 is also being advanced under a partnership with Purdue Pharma LP, which was announced in the January 2019 post-period. Under the terms of the agreement, Alivio will receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones.

The Group continued to build on its leading intellectual property position, with more than 500 owned and licensed patents and patent applications as of 31 December 2018, including the issuance of:

- A first-in-class US patent broadly covering compositions and therapeutic methods related to Vor's technology platform for the treatment of haematological malignancies, including acute myeloid leukaemia (AML).
- Two key US patents broadly covering compositions of matter and other aspects of Alivio's inflammation-targeting technology platform.
- Broad coverage in the US and Australia for methods of assessing mental and physical conditions from human speech for Sonde's vocal biomarkers technology.

1 Vor's fundraising of $42.0 million, Karuna's fundraising of $82.0 million, and Sonde's fundraising of $16 million occurred in the 2019 post-period and are therefore not included in these figures.
2 Group Cash is an alternative performance measure (APM) which includes $174.1 million of cash reserves and short-term investments from our Independent Affiliates (resTORbio and Akili). These Independent Affiliates are not included in the consolidated statement of financial position. Therefore Group Cash is considered to be more representative of the Group's cash available to advance product candidates within its Independent Affiliates which could ultimately result in value accretion for the Group.
3 Number represents figure for the relevant fiscal year only and is not cumulative.
4 This number includes the issuance of $22 million in shares upon conversion of debt into equity as part of Karuna's Series A financing round. Of the $22 million converted into equity, $2 million came from the $8 million Wellcome Trust award. Excluded from the amount of funding secured for affiliates is $12 million in milestone payments made to Vedanta Biosciences from Janssen Biotech, Inc as part of an ongoing collaboration.
5 This number does not include issued patents or patent applications exclusively licensed or owned by Independent Affiliates, resTORbio and Akili.
6 This number does not include issued patents or patent applications exclusively licensed or owned by Independent Affiliate, resTORbio.

Affiliate pipeline

For Internal R&D pipeline, see page 6

Our affiliate pipeline — continued

			PRTC Ownership[2]	Preclinical / Phase 1 / Phase 2 / Phase 3/Pivotal / FDA Filing / Clearance/Approval
Brain	AKILI	Targeting and activating specific neural systems in the brain to treat cognitive dysfunction	Akili* **35.1%**	
	KARUNA PHARMACEUTICALS	Targeting muscarinic receptors in the brain while overcoming GI tolerability issues for the treatment of neuropsychiatric disorders	Karuna[R] **35.9%**	
	SONDE	Developing vocal biomarkers to monitor and diagnose neurological, immune and other conditions	Sonde **55.8%**	
Immune	resTORbio	Inhibiting TORC1 for conditions of ageing, e.g., immunosenescence and neurodegeneration	resTORbio* **27.8%**	
	VEDANTA BIOSCIENCES	Modulating the immune system via the gut microbiome to address immune-mediated diseases	Vedanta **63.0%**	
	follica	Enabling follicle neogenesis and skin rejuvenation through immune response to wounding	Follica[R] **62.3%**	
	VOR BIOPHARMA	Selectively targeting cancer cells while sparing normal cells using modified HSCs	Vor **30.2%**	
	ALIVIO THERAPEUTICS	Site specific inflammation targeting that spares non-inflamed tissue in GI and other systems	Alivio **82.8%**	
Gut	GELESIS	Developing mechanotherapeutics to treat obesity, GI disorders and repair the gut barrier	Gelesis[R] **19.7%**	FDA Cleared
	entrega	Enabling the delivery of biologics via the gut epithelium to local and distal sites of the body	Entrega **73.9%**	

Potential value-driving catalysts expected over the next 12 months[1]:

- 1 potential FDA clearance
- 1 potential CE mark
- 2 Phase 2 readouts
- 1 Phase 1 readout
- 2 Phase 3 initiations
- 3 Phase 2 initiations
- 1 Phase 1 initiation
- Multiple financings and strategic transactions

1 Company expectations.

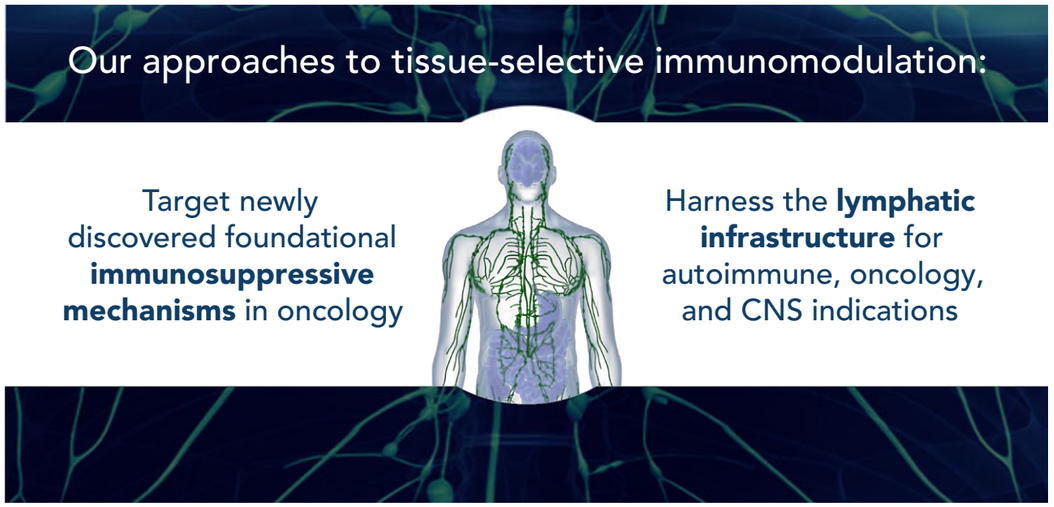
2 Relevant ownership interests were calculated on a diluted basis as of 31 December 2018 (Vor: 14 February 2019, resTORbio: 22 March 2019, Karuna: 8 April 2019, Sonde: 11 April 2019), including issued and outstanding shares, outstanding options and warrants, and written commitments to issue options, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

* Independent affiliate

[R] PureTech Health has a right to royalty payments as a percentage of net sales from Gelesis, Karuna, and Follica.

Overview

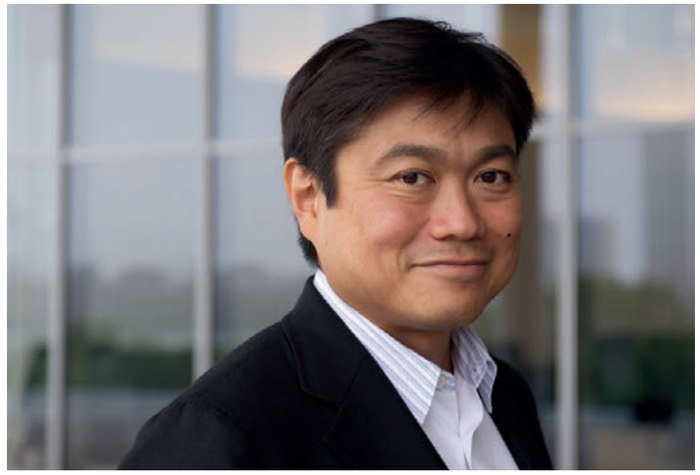
Internal R&D Pipeline: Focusing on the BIG axis through the lens of tissue-selective immunomodulation



Our programmes	Discovery	Lead Optimisation	IND-Enabling	Clinical
LYT-200 Anti-Galectin-9 MAb			**Solid tumours**	Expect to file IND H1 2020
LYT-210 Anti-Delta-1 MAb			**Solid tumours**	
Lymphatic therapeutics programme #1		Roche		Collaboration with Roche
Lymphatic therapeutics programme #2		Boehringer Ingelheim		Collaboration with Boehringer Ingelheim
Lymphatic therapeutics programme #3 (CNS)				

Letter from the Chairman

"Reflecting on PureTech's most ambitious year yet, it has been a pleasure to observe the growth in value across the breadth and depth of its programmes."



Reflecting on PureTech's most ambitious year yet, it has been a pleasure to observe the growth in value across the breadth and depth of its programmes. First-ever late stage milestones, including filings for regulatory review of two first-in-class therapeutics and multiple other clinical advances, have complemented the expansion and validation of our internal R&D activity, which we see as a major driver of long-term, sustainable growth.

Scientific excellence, value-driving partnerships, and prudent stewardship of growth are the heart of biopharma development. As Chairman, I have found it rewarding to watch PureTech Health continue to deliver on all these fronts, burnishing its credentials as one of the most productive and innovative biopharma companies in the industry with a management team that leads with a highly effective combination of vision and practicality.

Our Board of Directors includes some of the most seasoned and experienced healthcare experts, and I thank them for another year of steady oversight and thoughtful counsel. Their guidance and commitment to the highest standards of governance enable PureTech Health to focus on its core mission of delivering bold ideas to transform healthcare.

To that end, PureTech Health has fostered the development of multiple exceptional technologies, drawing on its emergence as a major global hub of expertise around the Brain-Immune-Gut (BIG) axis. This biological framework continues to gain momentum as the key to understanding the human body's response to the external environment via adaptive, inherently modifiable systems.

PureTech Health has already achieved remarkable things in this field through its Affiliate division and is breaking new scientific ground to address indications with significant unmet need. In April 2019, Gelesis achieved a truly exciting milestone as it received clearance from the United States Food and Drug Administration (FDA) for its first product, PLENITY™, a new and highly differentiated aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, in conjunction with diet and exercise. Akili also is seeking clearance from FDA for its digital medicine that is designed for the targeted activation of specific neural systems in the brain to treat cognitive dysfunction in paediatric ADHD without pharmacological intervention – a treatment that is the first of its kind.

Internal R&D programmes, meanwhile, have rapidly advanced by leveraging the Group's considerable expertise in the BIG axis. Drawing on these insights, the PureTech Health team is identifying promising technologies, including the exciting prospect of intervening in a wide range of diseases by modulating immunity at a local level, such as via the immune-cell highway of the lymphatic system.

Within PureTech Health lies the vision, talent and organisational capability to seize opportunities where others do not think to look, and I thank our shareholders for supporting and enabling that vision. Every year, the PureTech Health team's success validates its daring and transformative spirit and takes the company to new heights. I very much look forward to the advances and milestones that lie ahead in 2019.

Joichi Ito
Chairman

16 April 2019

Letter from the Chief Executive Officer

"At PureTech Health, our vision is to pioneer new frontiers in medicine. In the past year, I'm pleased to report that we have taken major strides toward that goal, delivering significant value for both the business and patients as we continued to pursue breakthroughs in harnessing the Brain-Immune-Gut (BIG) axis, the heart of PureTech's R&D strategy."

At PureTech Health, our vision is to pioneer new frontiers in medicine. In the past year, I'm pleased to report that we have taken major strides toward that goal, delivering significant value for both the business and patients as we continued to pursue breakthroughs in harnessing the Brain-Immune-Gut (BIG) axis, the heart of PureTech's R&D strategy. We have demonstrated repeatedly that our talented team can turn momentous discoveries in the lab into novel therapeutic candidates designed to have maximum impact for patients – and then guide those candidates successfully through clinical study and into regulatory review.

Our most important affiliate milestone to date came in April 2019, when Gelesis received clearance from the US Food and Drug Administration to market its first product, PLENITY[1], a first-in-class aid for weight management.

PLENITY is the only prescription weight management product to be cleared for use by overweight adults with a BMI as low as 25 kg/m^2 (the beginning of the overweight range) through 40 kg/m^2, whether or not they have other weight-related health issues. That broad label makes PLENITY a brand new option for adults with overweight or obesity who may forego treatment due to the side effects or surgical nature of other available therapies.

Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020.

PLENITY's clearance was a landmark moment for PureTech Health, as it showcased our ability to identify unique and transformational technologies and bring them all the way from concept to FDA clearance. It also has the potential to deliver significant value to our shareholders.

Another example of a frontier we are pioneering is Akili, which has developed a ground-breaking approach to leverage the plasticity of the brain and central nervous system (CNS) for therapeutic effect across multiple neurology and psychiatry conditions, including attention-deficit hyperactivity disorder (ADHD), major depressive disorder (MDD), multiple sclerosis (MS), and autism spectrum disorders (ASD), through the activation of specific neural systems in the brain through precisely targeted sensory and motor stimuli.

As you will see throughout this report, these are just two examples of the excellent progress at PureTech Health as we advance ground-breaking science stemming from our focus on the BIG axis across our affiliates and our internal labs. Our nimble, entrepreneurial structure and commitment to unbiased drug development allows us to move resources quickly to capitalise on exciting ideas – and to move resources away from programmes where emerging data suggests they will not deliver the high bar for patient impact we set for our programmes.

Among our milestones in 2018:

- Our Internal division secured validating partnerships with two major pharmaceutical companies. We are now engaged in collaborative research with Roche to advance our milk-derived exosome technology. PureTech Health receives up to $36 million in upfront fees, R&D support and early preclinical payments; total payments in development milestones could exceed $1 billion. PureTech is also eligible to receive royalties on product sales under this partnership with Roche. Another partnership with Boehringer Ingelheim (BI), announced in April 2019, opens the potential for broad validation of our lymphatic targeting platform. The approach will be paired with BI's immuno-oncology therapies. Our scientific concept is that the body will direct therapies – once wrapped in the lymphatic targeting technology – into the lymphatic vasculature around the gut, offering a far more targeted way to ferry drugs directly to sites of immune cell education and trafficking. PureTech Health stands to receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales. This partnership has the potential to improve the efficacy of important cancer drugs – and potentially a wide array of other therapeutics – for patients worldwide.
- Our affiliates also secured significant partnerships: Vedanta Biosciences announced a clinical trial collaboration to evaluate Bristol-Myers Squibb's PD-1 immune checkpoint inhibitor OPDIVO® (nivolumab) in combination with VE800, a patented and rationally-defined human bacterial consortium, in patients with advanced or metastatic cancers. Also, Alivio Therapeutics announced a deal in January 2019 with Purdue Pharma to advance Alivio's non-opioid therapy under development for the treatment of interstitial cystitis/bladder pain syndrome (IC/BPS). Alivio will receive up to $14.75 million in upfront fees and is eligible for future milestone and royalty payments. Purdue also has an option to invest in Alivio's next equity financing. This is another example of significant validation of an exciting new technology developed and advanced rapidly toward the clinic through the PureTech Health model. Additionally, in the March 2019 post-period, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the commercialisation of two of Akili's digital medicine product candidates in Japan and Taiwan. Under the terms of the agreement, Akili receives upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.
- Our affiliates raised $274 million[2] in financing transactions, including $242 million from third party investors. In the 2019 post-period, our affiliates have raised $140 million[3], of which $121.2 million was from third party investors.
- Our affiliates and collaborators published cutting-edge research in the top-tier journals, including multiple in *Nature*, *Nature Neuroscience*, *Science Translational Medicine*, *Nature Communications*, and *Obesity*, and were invited to present at top scientific conferences like AACR, ObesityWeek, ENDO, and EASL.
- Our affiliates were granted foundational IP with broad US patents in fields including oncology (Vor), inflammation (Alivio) and digital medicine (Akili and Sonde).

"These successes advancing a portfolio of therapeutics built on our unique expertise around the BIG axis made 2018 an incredibly rewarding year for our team. We approach 2019 more energetic than ever about delivering on our vision."

Daphne Zohar with Paul Biondi, Senior Vice President, Strategy and Business Development at Bristol-Meyers Squibb, during the annual PureTech Health BIG Summit.

All this activity is ultimately directed toward delivering new medicines to patients, so I am especially pleased to have reported the conclusion of several successful clinical trials.

We are exceedingly proud of the achievements of our Affiliates, and of how we've leveraged those achievements to the benefit of all our operations. We are applying similar strategies and unbiased scientific rigour to identify, discover and develop promising new medicines in our Internal division, which is centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders. Our lead candidate for the potential treatment of pancreatic, colorectal and other cancers is moving rapidly toward the clinic, and we expect to file an IND in the first half of 2020 and we have been reviewing a few promising clinical-stage compounds that leverage our insights into these recently appreciated foundational immune mechanisms. We are fortunate to have the scientific leadership of our Chief Scientific Officer Joe Bolen, a leading immunologist who has successfully brought dozens of oncology and autoimmune medicines through the clinic, including several to FDA approval. Joe highlights the potential of our internal R&D efforts on the next page.

These successes advancing a portfolio of therapeutics built on our unique expertise around the BIG axis made 2018 an incredibly rewarding year for our team. We approach 2019 more energetic than ever about delivering on our vision, and as part of our ongoing evolution, we may also consider evaluating capital markets opportunities in the United States.

I'd like to thank the incredibly dedicated PureTech Health team, as well as our Directors and collaborators, for the terrific progress we've made this year. I am also appreciative for the support of our new and existing shareholders as we advance our shared vision of bringing high-value, first-in-class therapies to patients in need.

Daphne Zohar
Chief Executive Officer

16 April 2019

1 Important safety information regarding PLENITY can be found at www.myplenity.com.

2 This number includes an issuance of $22 million in shares upon conversion of debt into equity as part of Karuna's Series A financing round. Of the $22 million converted into equity, $2 million came from the $8 million Wellcome Trust award. Excluded from the amount of funding secured for affiliates is $12 million in milestone payments made to Vedanta Biosciences from Janssen Biotech, Inc as part of an ongoing collaboration.

3 This number includes an issuance of $7 million in shares upon conversion of debt into equity as part of Karuna's Series B financing round, all of which came from the Wellcome Trust award announced in June 2018. It also included an issuance of $7.3 million and $6 million in shares upon conversion of debt into equity as part of Vor's Series A financing round and Sonde's Series A-2 financing round, respectively.

Letter from the Chief Scientific Officer

"There's never been a more exciting time to be in drug development, and there are few places more rewarding to do that work than PureTech Health, where I believe we have created something special: an innovative yet critical and scientifically creative culture that has made us a true trailblazer."

There's never been a more exciting time to be in drug development, and there are few places more rewarding to do that work than PureTech Health, where I believe we have created something special: an innovative yet critical and scientifically creative culture that has made us a true trailblazer.

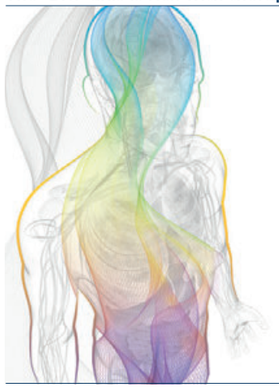
Our affiliates have advanced our work targeting the Brain-Immune-Gut (BIG) axis through a variety of highly differentiated approaches, building a compelling evidence base for our key thesis that we can develop powerful new medicines by harnessing and modulating the crosstalk between these biological systems. PureTech Health is now moving to seize an even more defined leadership position by focusing internal R&D on a critical part of this axis: tissue-selective immunomodulation, which involves regionally directing and tuning the immune response according to medical need.

Our internal R&D focuses on two core areas. First, we seek to leverage the underappreciated and undeniably powerful lymphatic infrastructure to develop new modalities for treating autoimmune, oncology, and central nervous system (CNS) indications. Second, we are targeting newly discovered immunosuppressive mechanisms in oncology. Our goal with both programmes – as with all our R&D – is to develop and deliver novel therapies that will truly make a difference to patients living with incredibly difficult diseases. As excited as we get by advances in the lab, we are always thinking about that goal: leveraging our insights to develop transformational therapies that will improve patients' quality of life.

One of our core research priorities involves modulating foundational immune mechanisms to treat cancer, and we were pleased to have debuted our programmes with two accepted abstracts at the prestigious American Association for Cancer Research 2019 Annual Meeting.

Our lead programme in this category is LYT-200, an antibody designed to target Galectin-9, a protein that mediates multiple pathways of immunosuppression in tumours. Exciting preclinical data indicate that targeting Galectin-9 activates T cells in the patient's tumours – and significantly extends survival in animal models of pancreatic cancer. These data suggest that LYT-200 has strong single-agent activity; we intend to test it both as a monotherapy and potentially in

The 'BIG' axis is rich with therapeutic opportunity



Brain	The CNS, immune system, and lymphatic system form an interconnected adaptive network to respond to acute environmental change.
Immune	The lymphatic system is a 'global' channel for immune cell trafficking. The CNS-immune network is heavily influenced by diet and the GI tract microbiome.
Gut	Approximately 70 per cent of immune cells and 500 million neurons converge in the GI tract. The mesenteric lymph nodes are the major interface between the gut and immune system.

combination with existing immuno-oncology therapies. We are moving rapidly through additional preclinical work on LYT-200 and expect to file an IND in the first half of 2020.

Just behind LYT-200 in our internal pipeline is LYT-210, an anti-Delta-1 antibody to target the gamma-delta T cell class, which is connected to immunosuppression in the tumour microenvironment. We believe this approach has strong potential in solid tumours such as pancreatic, colon and breast cancers, which harbour immunosuppressive gamma-delta T cells. Our preclinical data show that by targeting those cells, LYT-210 spurs activation of anti-tumour T cells. We believe LYT-210 can modulate both innate and adaptive immune responses and generate strong anti-tumour activity.

A second core research priority involves leveraging new insights into the lymphatic system to develop first-in-class therapeutics.

For years, the vast network of lymphatic vasculature that extends throughout our bodies was overlooked, dismissed as a relatively unimportant cousin of the circulatory system. Conventional wisdom held that there was no lymphatic vasculature in the brain – until one of our scientific collaborators proved otherwise.

We now know that the lymphatic system plays a crucial role in programming immune cells for specific functions and trafficking them to specific tissues. The mesenteric lymph nodes around the intestine, for instance, programme as many as 70 per cent of circulating adaptive immune cells, which suggests potentially huge systemic ramifications from their dysfunction. Intervening in this process could give us a potentially powerful tool for modulating the immune system to develop therapeutics for gastrointestinal, CNS and autoimmune diseases, as well as immunotherapies for cancer.

Our rigorous focus on the lymphatic system also gives us an exciting new lens for exploring disease states and identifying new modalities of treatment. For example, we are advancing approaches to mask drugs as fats through our proprietary lymphatic targeting platform. Enabling the body to process therapeutics like fat may make it possible to bypass the primary metabolism of the liver and give the drug access to the mesenteric lymph nodes, the crucial 'regional immune centres', which could shunt the 'disguised' drug straight into systemic circulation. It's a prospect we're progressing with great excitement.

This approach recently received significant external validation when we announced a partnership with Boehringer Ingelheim to affix our lymphatic targeting platform to their GI-directed immunotherapies. The drug, now masked as a fat, should enter the lymphatic vasculature and from there, be ferried directly into the gut – and into direct contact with the tumour cells it's targeting. We are hopeful that this approach could improve the efficacy and reduce the toxicity of cancer drugs – and eventually, a wide array of other therapeutics – for patients worldwide.

Our selection of technologies has been highly strategic and informed by some of the most exceptional science I've seen in my career. Our CNS lymphatics technology was published as a cover story in *Nature* in 2018. The publication revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's and Huntington's. A subsequent publication in *Nature Neuroscience* then identified the direct connection between the brain and the meningeal lymphatic system, which point to a novel pathway to potentially address debilitating neuroinflammatory diseases such as multiple sclerosis. These publications built on the discovery of lymphatic vessels in the brain by our collaborator Dr Jonathan Kipnis. We hold an exclusive license to this technology platform and look forward to taking these recent discoveries into therapeutic development.

I am truly excited to continue moving forward our innovative R&D, with the urgent goal of delivering powerful new therapies to patients. Thanks to the foundation we've laid this past year, PureTech Health is positioned to deliver the next generation of immune modulating medicines. I look forward to sharing additional updates as we advance.

Dr Joseph Bolen
Chief Scientific Officer

16 April 2019

Letter from the Chief Financial Officer

"In my prior position as a portfolio manager, I spent significant time evaluating companies in search of the most compelling mix of talent, technology, and need...In my first year on the team I have only grown more impressed with PureTech's capabilities and the depth of its value-creating activities."

In my prior position as a portfolio manager, I spent significant time evaluating companies in search of the most compelling mix of talent, technology, and need. When I met the team at PureTech Health in 2017, the Company immediately struck me as unique for its new R&D model and its genuinely novel technologies. This strength was further bolstered by the calibre of the team and the active involvement of a wide-ranging and expert scientific advisory network.

These are some of the most insightful and informed researchers and innovators in the world, pulling together to identify breakthrough opportunities. I joined the team in early 2018, drawn by their passion, experience, and commitment to maximising patient impact. In my first year on the team I have only grown more impressed with PureTech's capabilities and the depth of its value-creating activities.

Our affiliate structure, expert advisors, high-value partnerships, and nimble spirit of entrepreneurship enable us to capture and evaluate new technologies in a highly capital-efficient manner. We have demonstrated an ability to translate these technologies into promising therapeutic options for complex chronic diseases that could move the standard-of-care from management to prevention or potential cure.

In less than four years since listing, PureTech Health has taken multiple technologies to an advanced stage, a great achievement for any therapeutics developer, but even more remarkable for having occurred in such a capital efficient way and across a number of highly differentiated R&D programmes through our Affiliate division.

The PureTech Health team benefits from the strength of its operations and portfolio, creating a critical mass of expertise, creativity, and experience that continues to deliver value across the organisation. We see this value reflected every day in our culture, research excellence and entrepreneurial climate. This virtuous cycle has resulted in an internal R&D pipeline that has put us on the map as a pre-eminent Brain-Immune-Gut (BIG) axis biopharma of note.

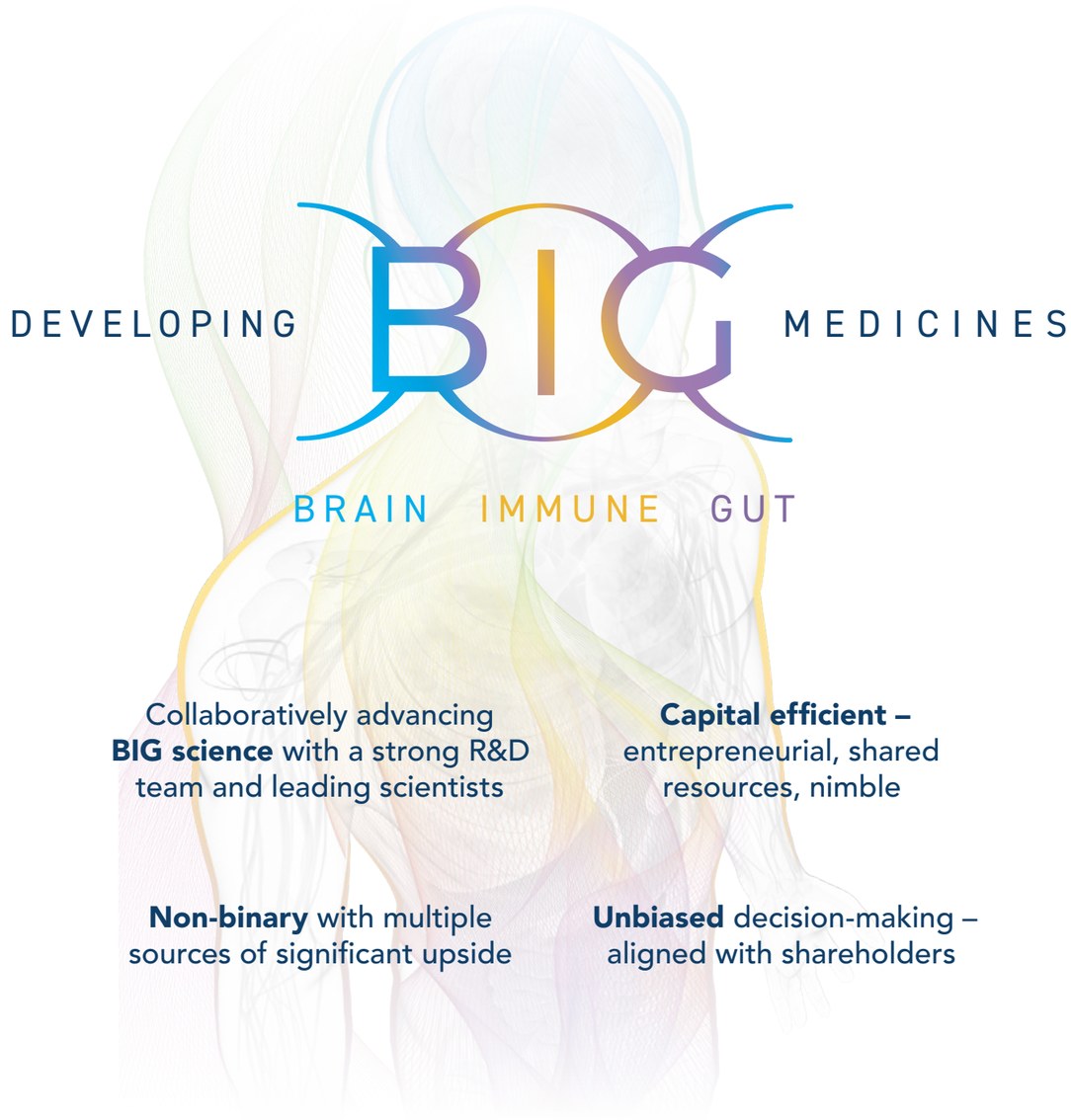
With a strong capital base, PureTech Health is in an excellent position to deliver additional meaningful catalysts across its Affiliate and Internal divisions in the foreseeable future. In April 2018, PureTech Health successfully raised gross proceeds of approximately $100 million (£72 million) through a placing. As discussed in the Highlights of this report, our affiliates raised an aggregate sum of $274.0 million last year. The Group's cash reserves at 31 December 2018 were $425.0 million (30 June 2018: $416.9 million), of which $177.7 million (30 June 2018: $196.7 million) was held on a PureTech Health parent company level.

I look forward to the exciting milestones ahead and am proud to work with this team in building the capabilities and successes of a remarkable organisation. Special thanks to our shareholders, both long-term and new; we welcome your continued support in the years ahead.

Dr Joep Muijrers
Chief Financial Officer

16 April 2019

PureTech Health R&D Model – Capital efficient, non-binary, and unbiased



How PureTech Health is building value for investors

"PureTech's proven track record has resulted in deep intellectual insights and financial resources that support two ways to advance new medicines."

PureTech Health, which is comprised of PureTech Health plc and its affiliates[1] (together, "the Group," or "the Company"), was founded with a vision to advance breakthrough science into promising new medicines for patients. Each programme was historically housed in an independent corporate entity, and cash was raised as needed from internal resources and validating third-party investors. Over the years, the Group has successfully executed against this vision by progressing BIG (Brain-Immune-Gut) medicines for serious diseases through human proof-of-concept to regulatory clearance. At the same time, the Group has also forged strategic relationships with major pharmaceutical companies and leading academic scientists and institutions. All of this has been achieved in a capital-efficient manner while maintaining significant ownership in each entity.

PureTech's proven track record has resulted in deep intellectual insights and financial resources that support two ways to advance new medicines. The first path is through the affiliates, which includes one product that has been cleared by the US Food and Drug Administration (FDA) (Gelesis' PLENITY™), as well as multiple other product candidates that have demonstrated clinical proof-of-concept. The affiliates have access to 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. PureTech's advantageous position of having significant ownership in the affiliates creates near- to mid-term value as well as a source of non-dilutive funding at the parent company level.

The second path is through PureTech's internal labs. Derived from PureTech's deep understanding of the BIG axis, these programmes are centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders, with a near-term focus on targeting newly-discovered, foundational immunosuppressive mechanisms in oncology and novel approaches that harness the lymphatic infrastructure. To date, PureTech Health has announced four of the programmes that have been consolidated into this internal pipeline, including two programmes inspired by the gut-immune interface that enable oral administration of a range of therapeutics (formerly known as Glyph and Calix), an immuno-oncology programme (formerly known as Nybo) and a central nervous system (CNS) lymphatics programme.

The Company will continue its sourcing activities to identify and review additional innovative approaches and clinical stage assets, that will also focus around tissue-selective immunomodulation to further grow this Internal pipeline. Equity investors can only access these internal programmes through shareholding on a PureTech Health parent company level.

PureTech's affiliates and internal pipeline are connected through a shared focus on the BIG axis and a mission to address some of the greatest medical needs. Together with a seasoned management team, an outstanding Board, and leading scientific advisors, the Company has made exceptional progress in 2018 across both divisions towards executing this vision.

Affiliates

PureTech's affiliates have made excellent progress over the course of 2018, with multiple programmes advancing in clinical development and approaching commercialisation.

Clinical stage affiliates

In 2018, Gelesis and Akili filed applications with the US FDA for review of their lead product candidates in weight management and paediatric attention deficit/hyperactivity disorder (ADHD), respectively. In the April 2019 post-period, Gelesis received FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020. Gelesis also filed PLENITY for marketing authorisation in Europe in the first quarter of 2019 and expects to receive feedback in 2019.

Building on its success with PLENITY, Gelesis also advanced its broad pipeline of additional product candidates based on its novel mechanobiology platform in 2018. Gelesis200, a hydrogel optimised for weight loss and glycaemic control in people with type 2 diabetes and prediabetes, is currently being evaluated in a Phase 2 study that is expected to read out in 2020. Gelesis also completed preclinical work on its third product candidate, GS300, which is being evaluated for the treatment of non-alcoholic steatohepatitis (NASH) and non-alcoholic fatty liver disease (NAFLD). A proof-of-concept study is expected to begin in 2019. Preclinical work on GS400 for inflammatory bowel disease (IBD) and intestinal mucositis is ongoing, and a pivotal study of GS500 in chronic idiopathic constipation (CIC) is expected to begin in 2020. To support this ongoing clinical and preclinical work and build towards commercialisation prior to FDA clearance, Gelesis completed a $30 million raise in March 2018.

1 As used herein, "affiliates" means Gelesis, Akili, resTORbio, Karuna, Vedanta, Sonde, Follica, Alivio, Vor, and Entrega. resTORbio and Akili are referred to herein as independent affiliates as they were deconsolidated in the Group's financial statements in 2018. PureTech Health maintains an equity stake in all four independent affiliates, but it no longer holds a majority equity position or majority board control in each of these independent companies.

In addition to filing with the US FDA for review of lead product candidate AKL-T01 in paediatric ADHD, Akili progressed a number of other product candidates from its industry-leading pipeline of digital medicines to treat cognitive deficiency and improve symptoms associated with medical conditions across neurology and psychiatry. In late 2018, Akili successfully completed a Phase 2 study of AKL-T03 in major depressive disorder (MDD) and a proof-of-concept study of AKL-T03 in multiple sclerosis. Based on the results of these studies, Akili plans to initiate larger clinical studies in both indications in 2020. Results of a successful pilot study of Akili's AKL-T02, a third product candidate being evaluated in children with autism spectrum disorder (ASD) with co-occurring ADHD, were published in December. Early-stage clinical evaluation of Akili's technology platform in additional indications is also underway, including in Parkinson's disease, traumatic brain injury, ICU delirium, and lupus. In addition to this clinical work, Akili is developing complementary and integrated clinical monitors and measurement-based care applications. To further advance development and deployment of its pipeline, Akili completed a $68 million financing in 2018.

In the March 2019 post-period, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with Autism Spectrum Disorder), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own a newly created R&D and commercial platform and receives upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.

resTORbio continued to advance its lead product candidate, RTB101, a selective inhibitor of the target of rapamycin complex 1 (TORC1), for the improvement of the function of the ageing immune system. Following its January 2018 IPO on NASDAQ, resTORbio announced positive topline results from its dose-ranging Phase 2b clinical trial of RTB101 in elderly patients at increased risk of morbidity and mortality associated with respiratory tract infections (RTIs). Additional 24-week data from the Phase 2b study was released in the second half of 2018, and in the March 2019 post-period, resTORbio announced a positive end of Phase 2 meeting with the FDA. The initiation of a global Phase 3 programme for RTB101 is expected to begin in the second quarter of 2019. In the April 2019 post-period, resTORbio also initiated a Phase 1b/2a study in Parkinson's disease.

Karuna has also completed work in 2018 to advance its pipeline based on the targeting of muscarinic cholinergic receptors for the treatment of psychosis and cognitive impairment across central nervous system (CNS) disorders, including schizophrenia, psychosis in Alzheimer's disease, and pain. In October, Karuna announced the initiation of a Phase 2 study of KarXT (Karuna-Xanomeline-Trospium), its lead product candidate, for the treatment of psychosis in schizophrenia, with results anticipated by the end of 2019. Karuna is using a proprietary co-formulation of KarXT in its Phase 2 study that successfully demonstrated tolerability at a dose level exceeding those shown to be efficacious in previous studies of xanomeline alone. Additionally, Karuna plans to initiate a Phase 1b experimental pain study in healthy volunteers and clinical work towards treating Alzheimer's disease psychosis later this year. In August 2018, Karuna successfully completed a $42 million Series A financing round, including the issuance of $22 million in shares upon conversion of debt into equity, and in the 2019 post-period the company also completed an $82 million Series B, including the issuance of $7 million in shares upon conversion of debt into equity.

During the past year, Vedanta Biosciences rapidly advanced its pipeline of rationally-defined bacterial consortia-based product candidates to address immune-mediated diseases, including results from one clinical study and the initiation of two additional studies. In October, the company announced results from a successful Phase 1a/1b study of lead candidate VE303 in recurrent *Clostridium difficile* (rCDI). A Phase 2 study of VE303 was initiated in December, and results are anticipated in 2020. In November, Vedanta Biosciences also initiated a Phase 1 clinical study of inflammatory bowel disease (IBD) candidate VE202 with Janssen Biotech, Inc., which licensed VE202 from Vedanta Biosciences in 2015 as part of a collaboration that has development and commercialisation milestone payments of up to a total of $339 million, in addition to royalty payments. Top-line results from this study are anticipated in the second half of 2019. In December, the company announced a clinical collaboration to evaluate Bristol-Myers Squibb's programmed death-1 (PD-1) immune checkpoint inhibitor Opdivo (nivolumab) in combination with Vedanta Biosciences' VE800, a rationally-defined human bacterial consortium, in patients with advanced or metastatic cancers. Vedanta Biosciences will maintain control of its VE800 programme, including global R&D and commercial rights, and a Phase 1b/2 study is expected to begin mid-2019. Preclinical research supporting the identification and development of VE800 was published in one of the top scientific journals *Nature* in the January post-period. Vedanta Biosciences also announced a $27 million financing round in December to advance its clinical pipeline of microbiome-derived product candidates. Vedanta Biosciences anticipates the initiation of a Phase 1b/2 study of product candidate VE416 in food allergy in 2019.

Sonde 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. Sonde has made its scalable cross-platform mobile research app and administrator interface available to academic collaborators and study participants. Sonde generated and analysed voice data from over 14,000 subjects for the detection of depression, suicidality, asthma, congestive heart failure, and Parkinson's disease. In the April 2019 post-period, Sonde completed a $16 million Series A round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand its capability across additional health conditions and device types and to fund commercialisation activities.

Follica has made good progress towards the initiation of a pivotal study in androgenetic alopecia. The company expects to begin a pivotal study in 2019 following the completion of an ongoing optimisation study.

Preclinical affiliates

Alivio, Vor, and Entrega have all made significant progress towards human clinical trials in 2018.

Alivio advanced its inflammation-targeting immunomodulation platform towards the clinic, which received two US patents broadly covering

Strategic report

"PureTech Health has also made progress advancing its pipeline of internal programmes centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders."

compositions of matter and other aspects of the inflammation-targeting microfibre materials with embedded molecules of interest. Alivio's pipeline includes candidates for interstitial cystitis/bladder pain syndrome (IC/BPS), inflammatory pouchitis, and inflammatory bowel disease (IBD), and the platform technology has been validated in multiple preclinical models, including in models of osteoarthritis, the results of which were published in one of the leading scientific journals, *Nature Communications*, in April. Additionally, Alivio's work in IC/BPS with Hunner's lesions was awarded a $3.3 million US Department of Defense (DoD) Technology/Therapeutic Development grant in September, which supports preclinical research and development activities for product candidate, ALV-107. ALV-107 is also being advanced under a partnership with Purdue Pharma LP, which was announced in the January 2019 post-period. Under the terms of the agreement, Alivio will receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Purdue also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology.

Vor has also progressed its engineered haematopoietic stem cell (HSC) therapy platform, and in November the company was granted a first-in-class patent broadly covering this technology platform for the treatment of haematological malignancies. This foundational patent is the first of its kind in the immuno-oncology field and it broadly covers compositions and therapeutic methods related to using novel modified HSCs to enable targeted immunotherapies. In the February post-period, Vor announced a $42 million Series A financing round, the proceeds from which will be used to advance Vor's lead candidate for the treatment of acute myeloid leukaemia (AML) towards the clinic, and to further build its pipeline to treat haematologic malignancies.

Entrega has continued to progress its platform for the oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally. Entrega's research collaboration with Eli Lilly progressed over the past year as they worked to apply Entrega's peptide delivery technology to certain Lilly therapeutic candidates. Entrega has also generated proof-of-concept data demonstrating delivery of therapeutic peptides into the bloodstream of large animals, with additional formulation work in large animals ongoing.

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

Internal R&D

PureTech Health has also made progress advancing its pipeline of internal programmes centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders.

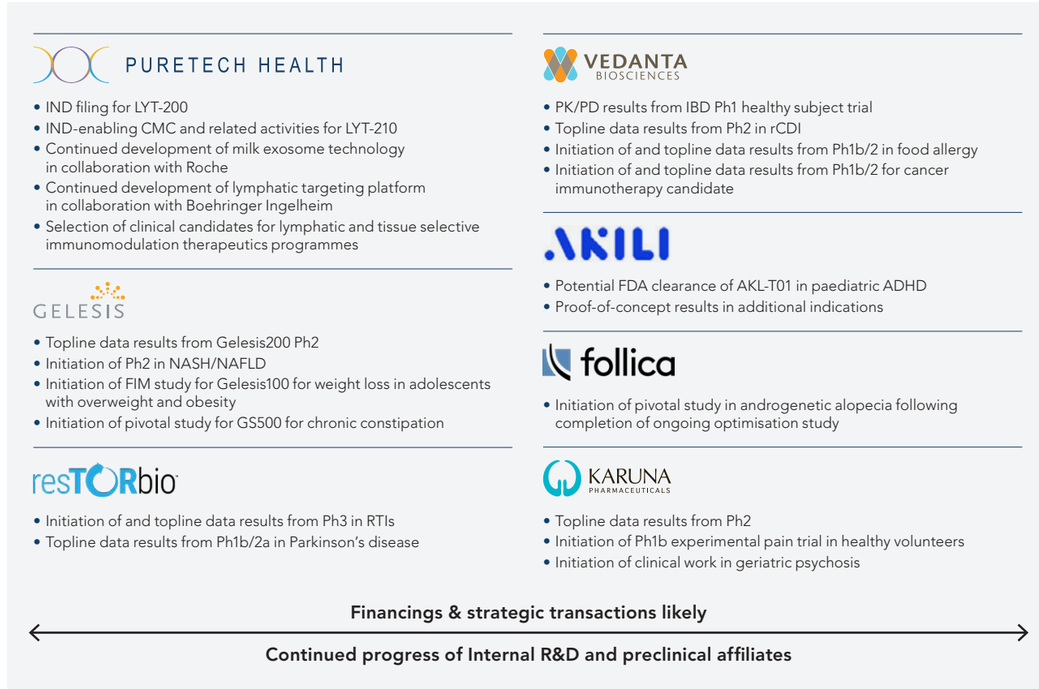
PureTech's lead internal programme is an immuno-oncology approach focused on developing two first-in-class, fully human monoclonal antibodies that are aimed at countering fundamental mechanisms of immunosuppression in cancer. LYT-200 is a human IgG4 directed against Galectin-9 which exerts immunosuppression by binding to multiple partners, facilitating a tumour-permissive microenvironment. LYT-200 has the potential to target difficult to treat cancers that do not respond well to approved checkpoint inhibitors, such as pancreatic cancer, cholangiocarcinoma, and certain types of colon cancer. The programme has rapidly progressed to select and characterise the lead clinical candidate. Preclinical pharmacology efficacy/mode of action studies have been executed, with toxicology and analytics under way, to enable the filing of an investigational new drug (IND) application in the first half of 2020. The second immuno-oncology candidate, LYT-210, is directed against immunosuppressive γδ T cells, which have a distinct phenotype, as well as functional properties to make them uniquely targetable in cancer. PureTech Health has demonstrated that targeting immunosuppressive γδ T cells in multiple aggressive solid tumours that do not respond to checkpoint inhibitors re-activates effector T cells. In the April 2019 post-period, PureTech Health presented two posters detailing LYT-200 and LYT-210 development and preclinical efficacy data at the prestigious American Association for Cancer Research (AACR) 2019 Annual Meeting.

PureTech Health has also progressed its milk exosome-based technology, which is designed to facilitate the oral administration of complex payloads such as nucleic acids, peptides and small molecules. In July, the Company announced a multiyear collaboration with Roche to advance this technology for the oral administration of Roche's LNA antisense oligonucleotide platform. Under the terms of the agreement, PureTech Health receives up to $36 million, including upfront payments, research support and early preclinical milestones. PureTech Health is also eligible to receive development milestone payments of over $1 billion, in addition to sales milestones and royalties.

PureTech Health is also developing a lymphatic targeting approach that uses the body's natural lipid transport mechanisms to substantially enhance the transport of orally-administered drugs into the lymphatic system. This proprietary platform achieves this by reversibly attaching a dietary fat to the drug of interest via a linker optimised to release the drug at the site of interest.

"In the April 2019 post-period PureTech Health announced a collaboration with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using this lymphatic targeting platform."

Numerous upcoming milestones are expected to drive PureTech's value in 2019 and 2020



PureTech Health has successfully extended this approach to encompass new drugs and linker chemistries, which have demonstrated promising selective lymphatic targeting in preclinical studies. Successful pharmacokinetic studies in large animals are supportive of translation of this technology into higher species. In the April 2019 post-period PureTech Health announced a collaboration with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using this lymphatic targeting platform. Under terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Foundational science underlying another internal programme centred around the central nervous system (CNS) lymphatics system was published by our collaborator in July as the cover story in the prestigious scientific journal *Nature*. The research revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline. In September, additional research from our collaborator was featured in *Nature Neuroscience* that identified the physical connection between the brain's fluid reservoirs and the meningeal lymphatics, through which immune cells traffic out of the central nervous system (CNS). The publication also demonstrated that modulation of this trafficking pattern has the potential to improve symptoms in many neuroinflammatory conditions, such as multiple sclerosis (MS).

By Order of the Board

Stephen Muniz
Company Secretary

16 April 2019

Strategic report

Gelesis

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Mechanotherapeutics for GI-Related Diseases	Obesity, NAFLD, NASH, IBD, CIC						FDA Clearance

Developing mechanotherapeutics to treat obesity, GI diseases and repair the gut barrier

Founded by PureTech Health, Gelesis is developing first-in-class hydrogel therapeutics based on a novel platform technology to treat obesity and other chronic diseases related to the gastrointestinal (GI) pathway. Gelesis' proprietary approach is designed to act mechanically in the GI pathway to potentially alter the course of chronic diseases. In April 2019, Gelesis received clearance from the US Food and Drug Administration for its first product, PLENITY™ (Gelesis100), a first-in-class aid for weight management in adults with a Body Mass Index of 25-40 kg/m^2, when used in conjunction with diet and exercise[1].

Additionally, Gelesis is conducting a proof-of-concept study for its second candidate, Gelesis200, which is optimised for weight loss and glycaemic control in patients with type 2 diabetes and prediabetes. Novel hydrogel mechanotherapeutics based on the Gelesis platform technology are also being advanced through a pipeline with preclinical studies in other GI-related conditions where gut barrier dysfunction and gut permeability potentially play a role, such as non-alcoholic fatty liver disease (NAFLD), non-alcoholic steatohepatitis (NASH), and inflammatory bowel disease (IBD). Gelesis has also completed a pilot study in chronic idiopathic constipation (CIC) and plans to initiate a pivotal study in 2020.

As of 31 December 2018, PureTech's percentage ownership of Gelesis was approximately 19.7 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options and warrants to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential

- In the US, more than two thirds of adults are overweight or have obesity. Globally there are more than 1.9 billion adults 18 years of age or older who are overweight or have obesity.
- Obesity-related conditions, such as heart disease, stroke, type 2 diabetes, NASH/NAFLD and certain types of cancer, are some of the leading causes of preventable death.
- Previously approved oral therapies for weight loss have risk/benefit profiles that impact their overall utility.

Innovative approach for solving the problem

- Given challenges associated with pharmacological and invasive surgical treatments for obesity, Gelesis designed an approach with an oral, non-invasive, non-systemic mechanism of action and a highly favourable safety and efficacy profile.
- Gelesis' product candidates work in the GI tract and pass through the body without being absorbed. They are synthesised from two naturally derived food ingredients (citric acid and cellulose) that form a novel, patent-protected three-dimensional structural composition and occupies volume in the stomach and small intestine to promote satiety and fullness.
- Because Gelesis' technology acts mechanically and is not systemically absorbed, the product candidates are treated as devices for regulatory approval purposes.

Intellectual property

- Gelesis' platform has broad intellectual property coverage worldwide, including 172 applications in eleven (11) families of patents, several of which are issued in the US and numerous foreign jurisdictions, including the EU, Canada, Japan, Russia, and South Korea.
- The filings cover pharmaceutical composition of matter, methods of use, and methods of making polymer hydrogels for use in weight management and glycaemic control, as well as predicting weight loss and treating obesity.

Team

- The Gelesis team has extensive expertise in obesity research and materials science to develop and commercialise its product candidates.
- Gelesis was developed and is led by Mr Yishai Zohar (previously PureTech Health). The team includes Dr David Pass, (previously Boehringer Ingelheim), Dr Harry Leider (previously Walgreens), Dr Hassan Heshmati (previously Sanofi), Dr Elaine Chiquette (previously Amylin), and Dr Alessandro Sannino (inventor of Gelesis' technology platform).
- Key advisors include Dr Caroline Apovian (Boston Medical Center), Dr Louis J Aronne (Weill-Cornell Medical College), Dr Lee M Kaplan (Massachusetts General Hospital), Dr Arne Astrup (University of Copenhagen), Dr Ken Fujioka (Scripps Clinic), Dr Allan Geliebter (St Luke's-Roosevelt Hospital), Dr James Hill (University of Colorado, Past President of the Obesity Society (TOS)), Dr Angelo Tremblay (Laval University), Dr John LaMattina (previously Pfizer), Mr Elon Boms (Launch Capital), Dr Raju Kucherlapati (Abgenix (acquired by Amgen), Millennium Pharmaceuticals (acquired by Takeda)), and Paul Fonteyne, MBA (Chairman of Boehringer Ingelheim USA).

Milestones achieved

- Gelesis has received FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise.[1]
- Gelesis has submitted a CE Mark application for Gelesis100 in the European Union.
- Gelesis announced expanded data from its Gelesis Loss of Weight (GLOW) clinical study, a pivotal multi-centre, double-blind, placebo-controlled study of Gelesis100.
- Gelesis presented three posters at ENDO 2019, the premier event in endocrine science and medicine. Two of the presentations shared expanded clinical data from the pivotal GLOW study of Gelesis100, and a third highlighted preclinical data suggesting a different product candidate derived from Gelesis' proprietary hydrogel platform can restore gut barrier function in mice with severe gut wall injury.
- Gelesis presented one poster at the 2019 annual EASL meeting (The International Liver Congress) suggesting that the Company's proprietary hydrogel formulation, Gel-B (GS300 prototype), prevents harmful effects of a high-fat diet on the liver.
- Gelesis completed a $30 million financing round in March 2018.
- To date, Gelesis has completed seven clinical trials with more than 550 people treated with either Gelesis100 or Gelesis200 and their prototypes, demonstrating no increased safety risks over placebo and no serious adverse events.

External validation

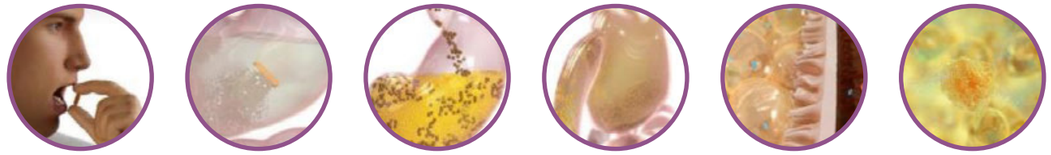
- The pivotal weight loss data from Gelesis' GLOW clinical study were published in the journal *Obesity* and the paper was selected as an Editor's Choice manuscript. The data were also presented as three posters, one receiving a special recognition award, and an oral session at ObesityWeek 2018, the annual combined congress of the American Society for Metabolic and Bariatric Surgery and The Obesity Society.

Expected milestones

- Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020.
- Gelesis anticipates potential CE mark approval for PLENITY in the European Union.
- Gelesis plans to initiate a first in man study of Gelesis100 for weight loss in adolescents with overweight or obesity in 2020.
- Gelesis plans to initiate a pivotal study of GS500 for chronic constipation in 2020.
- Gelesis expects to initiate proof-of-concept studies for NASH/NAFLD in 2019.
- Results are anticipated from the Gelesis200 LIGHT-UP study for weight loss and glycaemic control in people with prediabetes or type 2 diabetes in 2020.

1 Important Safety Information: PLENITY is contraindicated in patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium oxide. PLENITY may alter the absorption of medications. Read Sections 6 and 8.3 of the Instructions for Use carefully. Avoid use in patients with the following conditions: esophageal anatomic anomalies, including webs, diverticuli, and rings; suspected strictures (such as patients with Crohn's disease); or complications from prior gastrointestinal (GI) surgery that could affect GI transit and motility. Use with caution in patients with: active GI conditions such as gastro-esophageal reflux disease (GERD), ulcers, or heartburn. Overall, the most common treatment related adverse events (TRAEs) were GI-related TRAEs with 38 per cent of adults in the PLENITY group and 28 per cent of adults in the placebo group experiencing a GI-related TRAE. The overall incidence of AEs in the PLENITY group was no different than the placebo group. Rx Only. For the safe and proper use of PLENITY, refer to the Instructions for Use.

Gelesis hydrogels in the gastrointestinal tract



Gelesis hydrogel capsules administered with water prior to a meal

Particles released and expand in stomach by absorbing water

Particles mix homogeneously with food enhancing fullness due to increased volume and elasticity of stomach contents

Particles maintain their 3D structure throughout the digestion process and are cleared with the digested food to the small intestine

Particles are designed to restore & protect the mucosa and epithelial barrier in the intestines

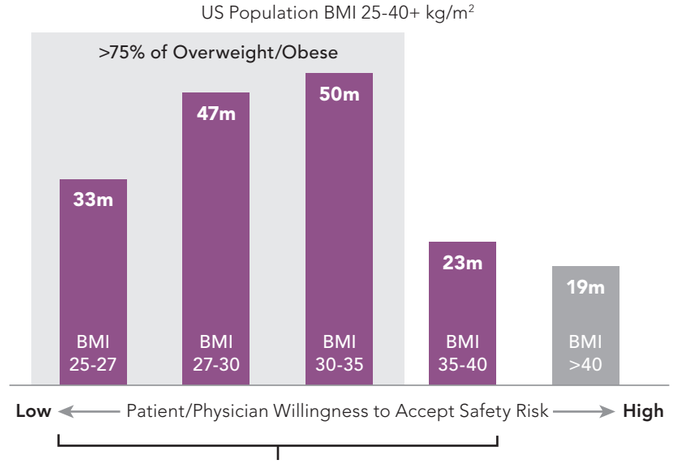
Particles degrade in the large intestine, water is released and reabsorbed by body, and remnants are eliminated from body

The Gelesis platform is targeting multiple significant GI-related diseases

Product	Research Focus	Preclinical	Clinical	Pivotal	FDA Clearance	Next Milestone
PLENITY™ (GELESIS100)	Weight Loss in Overweight and Obese Patients	Completed	FLOW Completed	GLOW* Completed	Cleared by FDA	US launch and EU regulatory clearance
GELESIS100*	Weight Loss in Adolescent Overweight and Obese Patients					Initiation of FIM Study 2020
GELESIS200*	Weight Loss and Glycaemic Control in Patients with Type 2 Diabetes and Pre-diabetes		LIGHT-UP Ongoing			Data Readout 2020
GS300*	NAFLD/NASH	Ongoing				POC Study Start 2019
GS400*	Mucositis/IDD	Ongoing				
GS500*	Chronic Constipation (CIC)		Pilot Clinical Study Completed			Pivotal Study Initiation 2020

* Products are investigational and have not been cleared by the FDA for use in the United States.

PLENITY is a first-ever prescription weight management option for a large and underserved group



Current Rx options have challenges related to safety, tolerability and label limitations

So prescription therapies are largely limited to highest risk high BMI patients (60 per cent of use in 25 per cent of the population)

The weight loss they offer is not generally satisfying for higher BMI patients

PLENITY™ (Gelesis100) indicated to aid in weight management in overweight and obese adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise.

Strategic report

Akili

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Targeting and activating specific neural systems in the brain to treat cognitive dysfunction	ADHD, ASD, MS, MDD, Neurodegeneration, Cognitive Dysfunction[1]						

Digital medicine platform for the treatment and assessment of cognitive dysfunction

Founded by PureTech Health as part of its cognition initiative, Akili is combining scientific and clinical rigour with the ingenuity of the tech industry to reinvent medicine. Akili is pioneering the development of treatments with direct therapeutic activity, delivered not through a traditional pill but via a high-quality action video game experience. Akili is a leader in the digital therapeutics field and is a founding member of the Digital Therapeutic Alliance.

Akili is advancing a broad pipeline of programmes to potentially treat cognitive deficiency and improve symptoms associated with medical conditions across neurology and psychiatry, including attention-deficit hyperactivity disorder (ADHD), major depressive disorder (MDD), autism spectrum disorders (ASD), multiple sclerosis (MS), and various other inflammatory diseases. Akili is also developing complementary and integrated clinical monitors and measurement-based care applications.

As of 31 December 2018, PureTech's percentage ownership of Akili was approximately 35.1 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options and warrants to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential

- Cognitive dysfunction is a key feature of ADHD, ASD, MS, Alzheimer's disease, and MDD, including attentional dysfunction in ADHD, processing speed in patients with MS and related deficits. The markets for treatment of these conditions are currently only partially served by centrally-acting drugs with challenging safety profiles or by in-person behavioural therapy.
- There are approximately 5.4 million paediatric ADHD patients in the US, and Akili believes that this market – and other markets where Akili's cognitive-dysfunction targeting products may act as a stand-alone medical treatment, add-on therapy, or digital biomarker – represent significant opportunities for Akili.

Innovative approach for solving the problem

- Akili's platform is based on a new patented technology that deploys sensory and motor stimuli that targets and activates the neurological systems known to play a key role in certain cognitive functions, including attentional control. By improving neural processing at the functional level, symptoms and impairments related to cognitive deficiencies can be improved. The treatment is delivered through an immersive action video-game, resulting in non-invasive, patient-friendly medicine that can be used at home.
- By leveraging medical-grade science and consumer-grade entertainment, Akili is seeking to produce a new type of medical product that can potentially offer safe and effective scalable and personalised treatment and better monitoring for patients across a range of mental health and neurological conditions.
- Notably, Akili is building and will own a newly created global R&D and commercial platform specifically designed for digital therapeutics that is flexible and scalable. The platform will allow Akili to continually engage with patients, care givers, and key stakeholders in the healthcare system to improve their experience and access.

Intellectual property

- Akili has broad intellectual property coverage worldwide, currently owning or having exclusive rights to a total of three (3) issued patents and ninety-nine (99) patent applications in twenty-seven (27) families of patent filings.
- Akili's IP portfolio covers digital intervention that targets interference processing through a proprietary mechanism with adaptive algorithms to treat cognitive disorders and improve symptoms associated with neurological and psychiatric conditions, including ADHD, Parkinson's disease, ASD, MS, and various inflammatory diseases. The IP estate also covers novel adaptive algorithms and reward structures invented by Akili to apply to various neural targeting algorithms.
- In September 2018, Akili announced an exclusively licensed new digital technology from the Regents of the University of California integrating neural systems that target cognitive function combined with physical activity. The technology, which is currently being studied in multiple clinical trials, is delivered through a novel motion-capture video game experience and holds potential to improve cognitive function in patients with a wide range of medical conditions.
- The company has also actively filed utility patents on other neural-targeting algorithm platforms invented at Akili in collaboration with neuroscience advisors, and design patents for their various video game delivery mechanics.

Team

- Akili's cross-disciplinary team has expertise in neuroscience, clinical trials in related disorders, video game design, data science, and consumer entertainment.
- Akili was developed and is run by Dr Eddie Martucci (previously PureTech Health) and team members, Mr Matthew Omernick (previously LucasArts And DreamWorks), Mr LeRoux Jooste (previously Ocata Therapeutics, Antares Pharma, and Cephalon), and Mr Scott Kellogg (previously PureTech Health, Sontra Medical, and UltraCision). Rob Perez (previously CEO of Cubist) is Executive Chairman. The Akili management team has recently been expanded to include Santosh Shanbhag (previously Vertex), Jacqueline Studer (previously IDEXX, Allscripts and GE Healthcare IT), and Dr Anil Jina (previously Pfizer, Sanofi and Shire).
- In 2018, Akili established a Clinical Advisory Committee comprised of distinguished medical and healthcare professionals who have made significant contributions to advancing their respective fields and includes Dr Carmen Bozic (Biogen), Dr Adam Gazzaley (UCSF), Dr Scott Kollins (Duke University), Dr Philip Ninan (East Carolina University and eMindScience), Dr Bennett Shapiro (PureTech Health Board, previously Merck and University of Washington).
- Akili continues to work with its advisory board members who are world-leaders in their fields, including from UCSF, University of Geneva, SUNY Upstate Medical University, University of Pennsylvania School of Medicine and Duke University.

Milestones achieved

- Akili filed its lead product candidate, AKL-T01, with the US FDA for review and has successfully completed studies targeting cognitive dysfunction in depression and separately MS for AKL-T03, with full analysis underway.
- In August 2018, Akili completed a $68 million financing round, with participation from Temasek, Baillie Gifford, Amgen, M Ventures, JAZZ Ventures, Canepa Advanced Healthcare Fund, Brooklands Capital Strategies and others.
- In March 2019, Akili entered into a strategic partnership with Shionogi, valued at up to $125 million, to bring its novel paediatric digital medicines to key markets in Asia.

External validation

- With Akili's partnership with Shionogi a digital therapeutic is being valued, for the first time, as a standalone treatment like a molecule and Akili will retain full control over the commercial access and distribution platform.
- Akili has relationships with two major biopharma companies' investment affiliates: M Ventures and Amgen Ventures, in addition to a strong group of venture investors with expertise in neuroscience, medical devices, and drug development.

Expected milestones

- Akili is seeking clearance from FDA for its lead product candidate in paediatric ADHD, with clearance potentially in 2019.
- Akili is currently conducting multiple clinical trials across a variety of patient populations, including ASD, MDD, MS, and Parkinson's disease.
- Akili expects to advance AKL-T03 into larger studies in 2020 targeting cognitive dysfunction in depression and separately MS.

1 See page 21 for a description of the current phase for each indication.

Total Treatment Systems (TTS)

Integrated suite of medical device products for patients, caregivers, and doctors

Treatments

Potential for first-in-class FDA-cleared products for the treatment of disease

If cleared by the FDA:

- Class II medical devices
- Prescribed as standalone or in association with other treatments
- Payment/economic model similar to today's drug medicine

Healthcare Solutions ('HCS')

Integrated applications for behaviour and symptom management

- Can be used in association with or independent from Akili treatments
- Rich data repository for patients on Akili treatments AND non-Akili treatments

Akili pipeline

Research focus	Programme	Indication	Feasibility	Phase 2 P.O.C.	Phase 3 Pivotal	FDA Filing	Regulatory clearance
Behavioural	AKL-T01	Paediatric ADHD[1]					
	AKL-T02	Paediatric Autism[2]					
Mood & affective	AKL-T03	Major Depressive Disorder[3]					
	AKL-T04	Major Depressive Disorder					
Immune	AKL-T03	Multiple Sclerosis					
Other		Parkinson's/MCI					
		Traumatic Brain Injury					

Research focus	Programme		In Development	Clinical Trials	Released
Health care solutions apps	AKL-X03	Physician Portal			
	AKL-X01 AKL-S01 AKL-M01	ADHD Caregiver App AD Screen Cog Monitor			

1 Davis et al., *PLoSONE*. 2018, 13(1):e0189749
Kollins et al., *JAACAP*. 2018 Oct. V57(10) S172
NCT02828644. No data published yet
NCT03649074. On-going
NCT03844269. On-going

2 Yerys et al. *Journal of Autism and Developmental Disorders*. 2018 Dec.

3 Anguera et. al. *Depression and Anxiety*. Jan. 2017

Karuna

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Selective Muscarinic Receptor Targeting for CNS Disorders	Schizophrenia, Alzheimer's Disease Psychosis, Pain						

Targeting muscarinic receptors in the brain while overcoming GI tolerability issues

Founded by PureTech Health, Karuna is targeting muscarinic cholinergic receptors for the treatment of psychosis and cognitive impairment across central nervous system (CNS) disorders, including schizophrenia and Alzheimer's disease psychosis, as well as pain.

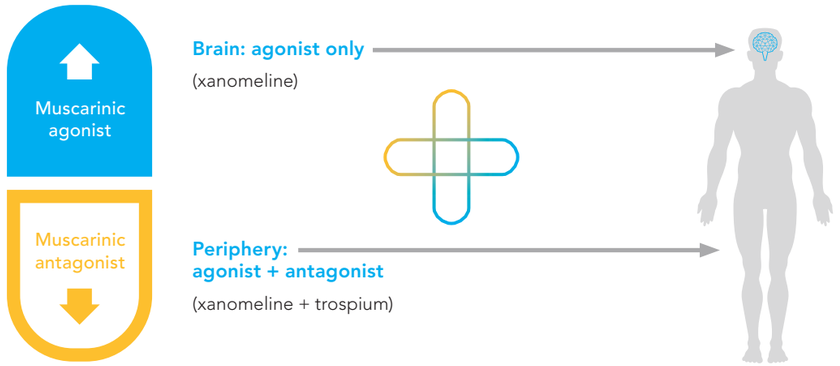
KarXT (Karuna-Xanomeline-Trospium) is Karuna's lead investigational product candidate. It consists of xanomeline, a novel muscarinic acetylcholine receptor agonist that has demonstrated efficacy in placebo-controlled human trials in schizophrenia and Alzheimer's disease, and trospium chloride, an FDA-approved and well-established muscarinic receptor antagonist that has been shown not to measurably cross the blood-brain barrier. KarXT is designed to selectively stimulate M1/M4 muscarinic receptors in the brain without stimulating muscarinic receptors in peripheral tissues to significantly improve tolerability.

KarXT is being evaluated in a Phase 2 study in people with schizophrenia experiencing acute psychosis. Karuna has a worldwide exclusive license for xanomeline and has a patent portfolio more broadly covering selective muscarinic targeting enabled by the KarXT approach.

As of 1 April 2019, PureTech's percentage ownership of Karuna was approximately 35.9 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential	• Psychosis and cognitive impairments are debilitating features of schizophrenia and Alzheimer's disease and other mental illnesses that affect tens of millions of people, but there are no existing medicines that sufficiently and safely treat psychosis and cognition impairments. • Antipsychotics are the mainstay therapy; however, drugs currently in use all rely on the same fundamental mechanism of action and, despite widespread use, the prognosis for patients remains poor – 70 per cent don't live independently, 80-90 per cent don't maintain full time employment, and tragically 5 per cent end their life with suicide. • Current antipsychotics only address psychosis, also known as positive symptoms (e.g. hallucinations and delusions), but patients often experience residual positive symptoms throughout their lives; while negative and cognitive symptoms are left untreated. There are no approved treatments for the negative (e.g. apathy, loss of motivation) or cognitive symptoms (e.g. changes in working memory and attention) of schizophrenia, or the treatment of psychosis associated with Alzheimer's disease. • Current antipsychotics are associated with serious side effects, including potentially irreversible movement disorders (tardive dyskinesia), metabolic dysfunction, glucose intolerance, weight gain, sedation, and cardiovascular mortality in the elderly. • There is a desperate need for new treatments in schizophrenia that could address the positive, negative, and cognitive symptoms and are free of the problematic safety issues with existing medicines. • In addition to clinical data, xanomeline has shown potent activity preclinically in a number of models of analgesia, demonstrating the potential of KarXT to treat a variety of pain indications, including acute, inflammatory and neuropathic pain, and addressing the need for non-opioid pain medications.
Innovative approach for solving the problem	• Xanomeline, a muscarinic agonist that Karuna exclusively licensed, was previously studied (by Eli Lilly & Co) in randomised, double-blind, placebo-controlled trials in schizophrenia and Alzheimer's disease, demonstrating efficacy in the treatment of psychosis and beneficial effects on cognition. To PureTech's knowledge, xanomeline is the only muscarinic agonist that has demonstrated human efficacy in either schizophrenia or Alzheimer's disease. • Eli Lilly discontinued development of xanomeline given tolerability issues associated with the activation of peripheral muscarinic receptors (but did not observe the serious side effects associated with the current antipsychotics). • By pairing xanomeline with trospium chloride, a muscarinic antagonist that does not measurably cross the blood-brain barrier and has been approved in the US and Europe for the treatment of overactive bladder, Karuna believes KarXT could potentially alleviate the tolerability issues seen with xanomeline while maintaining the excellent efficacy profile previously demonstrated. In Karuna's Phase 1 tolerability proof-of-concept study, KarXT was significantly better tolerated than xanomeline plus placebo and no serious or severe adverse events were reported.
Intellectual property	• Karuna has broad intellectual property coverage worldwide, including exclusive rights to six (6) patent applications which cover pharmaceutical compositions of its clinical candidate and methods of use for the treatment of disorders ameliorated by muscarinic receptor activation.
Team	• Karuna has assembled a seasoned team, including some of the pre-eminent neuroscience drug research and development experts • In August 2018, Dr Steven Paul (former President of Lilly Research Laboratories and Co-founder of Sage and Voyager) was appointed Chief Executive Officer and Chairman of the Board of Karuna. Dr Andrew Miller (previously PureTech Health) is Founder and Chief Operating Officer. • Key advisors include Dr Jeff Jonas (Chief Executive Officer at Sage Therapeutics), Dr Edmund Harrigan (previously Senior Vice President at Pfizer), Dr Alan Breier (Indiana University School of Medicine and previously Chief Medical Officer at Eli Lilly), and Dr Atul Pande (previously Senior Vice President at GlaxoSmithKline).
Milestones achieved	• In October 2018, Karuna announced the initiation a Phase 2 study in schizophrenia. The dose selection to be carried forward into Phase 2 is supported by results from Karuna's Phase 1 dose-ranging study that enrolled 69 healthy volunteers and successfully demonstrated tolerability at dose levels exceeding those shown to be efficacious in previous studies of xanomeline alone. The co-formulation also achieved exposure levels equivalent to or higher than the separate dosage forms used previously. • Current treatments are associated with severe side effects, including sedation, extrapyramidal side effects such as motor rigidity, tremors and slurred speech, and significant weight gain, sometimes resulting in the complications of diabetes, hyperlipidaemia, hypertension and cardiovascular disease. The clinical benefit of current antipsychotics is further limited by poor adherence to medication regimens. • Xanomeline has been dosed in studies enrolling over 800 patients and has demonstrated efficacy in reducing psychosis and shown beneficial effects on cognition in placebo-controlled human trials in both Alzheimer's disease and schizophrenia.
External validation	• In April 2019, Karuna completed an $82 million Series B financing round, including the issuance of $7 million in shares upon conversion of debt into equity. • In August 2018, Karuna completed a $42 million Series A financing round, including the issuance of $22 million in shares upon conversion of debt into equity. • Karuna licensed xanomeline from Eli Lilly, and company advisors and management include the former Chief Medical Officer and former Executive Vice President of Research and Development from Eli Lilly. • Karuna received a second Wellcome Trust Translational Fund Award for up to $8 million. The funding is being used to further advance clinical development of KarXT through the Phase 2 study in patients with schizophrenia.
Expected milestones	• Karuna expects to read out topline results from its Phase 2 clinical study in schizophrenia by the end of 2019. • Karuna expects to initiate an experimental medicine study evaluating the effect of KarXT on induced pain in healthy volunteers in 2019.

KarXT: Selectively targeting muscarinic receptors in the brain

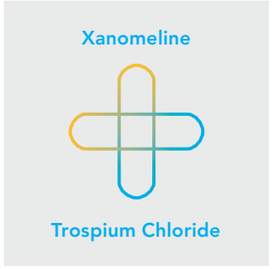


KarXT: Ideal muscarinic combination

Strong IP portfolio covering composition and methods of use of muscarinic combinations

Xanomeline

- Exclusively licensed from Eli Lilly
- Studied in >800 subjects and 150 for 6+ months
- Human PoC in double-blind, placebo-controlled trials in schizophrenia and Alzheimer's



Trospium Chloride

- Generic, marketed drug for treatment of overactive bladder used since the 1960s
- No metabolic overlap with xanomeline
- Does not measurably enter the brain

Karuna Pipeline

Programme	Indication	Preclinical	Phase 1	Phase 2	Phase 3
KarXT	Schizophrenia				
	Pain		Phase 1b experimental pain trial in healthy volunteers expected in 2019		
	Geriatric Psychosis				

Vedanta Biosciences

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Microbiome-Derived Immune Modulators for Immune and Infectious Disease	Infections, Autoimmune Disorders, Food Allergy, Immuno-Oncology						

Modulating the immune system via the gut microbiome

Founded by PureTech Health as part of its microbiome initiative, PureTech's Vedanta Biosciences is developing a new category of therapies for immune-mediated diseases based on a rationally-defined consortia of human microbiome-derived bacteria. Vedanta Biosciences is a leader in the microbiome field with capabilities and deep expertise to discover, develop, and manufacture live bacteria drugs. These include what is believed to be a leading IP position with the largest collection of human microbiome-associated bacterial strains, a suite of proprietary assays to select pharmacologically potent strains, vast proprietary datasets from human interventional studies, and facilities for cGMP-compliant manufacturing of rationally-defined bacterial consortia in powder form. Vedanta Biosciences' pioneering work, in collaboration with its scientific co-founders, has led to the identification of human commensal bacteria that induce a range of immune responses – including induction of regulatory T cells, CD8+ T cells, and Th17 cells, among others. These advances have been published in leading peer-reviewed journals, including *Science* (multiple), *Nature* (multiple), *Cell*, and *Nature Immunology*. Vedanta Biosciences has harnessed these biological insights and its capabilities to generate a clinical pipeline of programmes in infectious disease, autoimmune disease, allergy, and immuno-oncology.

Unlike faecal transplants or single strain approaches to microbiome modulation, Vedanta Biosciences uses pure, clonal cell banks to produced defined collections, or consortia, of bacterial strains designed to effect durable therapeutic changes in a patient's gut microbiota. This bypasses the need to rely on direct sourcing of faecal donor material of inconsistent composition.

As of 31 December 2018, PureTech's percentage ownership of Vedanta Biosciences was approximately 63.0 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential

- Despite profound survival improvements in some patients, checkpoint inhibitors (PD-1/PDL-1, CTLA-4) are only effective in 20-30 per cent of patients. Common tumour types where checkpoint inhibitors are utilised include lung, bladder, skin, and renal cancers. Vedanta Biosciences' immuno-oncology product candidate, VE800, is designed to act in combination with approved checkpoint inhibitors and potentially other immunotherapies to safely improve their efficacy.
- Food allergies are a growing US public health concern – they affect eight per cent of children and have an annual economic cost near $25 billion. Current treatment options primarily centre around allergen avoidance. Desensitisation regimens in development have limited efficacy, are risky, and require treatment for life. Vedanta Biosciences' product candidate, VE416, is being developed to safely induce permanent tolerance to food allergens including peanut allergy.
- Inflammatory bowel disease (IBD) is estimated to affect over one million people in the US and four million worldwide, and other autoimmune diseases affect over 20 million people in the US. Many of the existing interventions are limited by toxicities and systemic immune suppression. Vedanta Biosciences' collaborator, Janssen Biotech Inc., is advancing a product candidate, VE202, designed to modulate the activity of regulatory T cells and thereby potentially treat IBD.
- The Center for Disease Control and Prevention (CDC) considers C. *difficile* infections one of the most urgent bacterial threats. C. *difficile* infections account for nearly 15,000 deaths each year in the US alone. Existing interventions include antibiotics such as vancomycin or metronidazole, which have the undesirable side effect of damaging the gut microbiome and leaving patients vulnerable to re-infection. A related intervention, faecal transplantation, is an experimental procedure which is exceedingly difficult to standardise and scale and is fraught with potential safety issues. Vedanta Biosciences' lead, orally-administered live biotherapeutic product candidate, VE303, is designed to restore colonisation resistance against gut pathogens, including C. *difficile*, following recurrence.

Innovative approach for solving the problem

- Unlike faecal transplants, which require use of donors and are untargeted, inherently variable procedures, Vedanta Biosciences' approach is based on bacterial consortia therapeutics, which are defined drug compositions produced from clonally isolated bacteria that can trigger targeted immune responses. Unlike reductionistic approaches such as single strain probiotics, defined consortia can robustly shift the composition of the gut microbiota and provide colonisation resistance against a range of intestinal infectious pathogens. These therapeutics can also stimulate a range of immune responses ranging from immunoregulatory responses, which hold potential in the treatment of autoimmune and allergic diseases, to immunopotentiating responses, which hold potential in cancer and vaccination.
- Vedanta Biosciences' collaborators have pioneered the fields of innate immunity, Th17, and regulatory T cell biology. These discoveries, which have formed the leading scientific foundation for Vedanta Biosciences, have been reported in seminal scientific papers and published in leading journals such as *Science*, *Nature* and *Cell*, demonstrating that the gut microbiome influences important processes related to the proper functioning of the immune system and resistance to infection.
- Vedanta Biosciences' novel product candidates are administered in a lyophilised powder in a capsule dosage form, designed to have specific effects on the immune system, with the aim of restoring the balance of the microbiome in the gut to treat immune and infectious diseases safely and effectively.

Intellectual property

- Vedanta Biosciences has broad intellectual property coverage worldwide, currently owning or having exclusive rights to one hundred and eight (108) patent applications and issued patents in sixteen (16) families of patent filings, including seven (7) patents that issued in 2018.
- Vedanta Biosciences' IP estate positions the company as a leader in the microbiome field.
- Vedanta Biosciences' IP portfolio includes foundational patents covering compositions and therapeutic uses of products containing microbiome bacteria belonging to Clostridium clusters IV and XIVa, which are among the most abundant colonisers of the human intestine and play an important role in human health, including regulating inflammatory responses and other immune responses.
- The IP estate includes issued patents in the major pharmaceutical markets (US, Europe, and Japan). These patents provide coverage through at least 2031, with priority filing dates as early as 2010.

Team

- Dr Bernat Olle (previously PureTech Health) serves as Chief Executive Officer, Dr Bruce Roberts (previously Sanofi-Genzyme) serves as Chief Scientific Officer, and Mr Dan Couto (previously ContraFect Corp) serves as Chief Technical Officer and head of manufacturing.
- Scientific co-founders and advisory board members include some of the world's leading immunologists, including Dr Ruslan Medzhitov (Yale and Howard Hughes Medical Institute (HHMI)), Dr B Brett Finlay (University of British Columbia and HHMI), Dr Kenya Honda (inventor of Vedanta Biosciences' IBD product candidate; Keio University and RIKEN), Dr Dan Littman (NYU School of Medicine, Howard Hughes Medical Institute; member of the Board of Pfizer), Dr Alexander Rudensky (Sloan Kettering and HHMI), and Dr Jeremiah Faith (Mount Sinai School of Medicine).

Milestones achieved

- Vedanta Biosciences initiated the Phase 2 study for its lead, orally-administered, live biotherapeutic product (LBP) candidate for recurrent *Clostridium difficile* infection (rCDI), VE303, in December 2018. Dose selection for this study was based on the results from the Phase 1a/1b study in healthy volunteers, which demonstrated safety, tolerability, and proof of mechanism for VE303. Specifically, the Phase 1a/1b showed that VE303 treatment resulted in rapid, durable, dose-dependent colonisation and accelerated gut microbiota restoration after antibiotics.
- Preclinical data announced at the Society for Immunotherapy of Cancer's (SITC) 33rd Annual Meeting showed that VE800 elicited an anti-tumour immune response as a monotherapy and also enhanced the effects of checkpoint inhibitors. Additionally, the results describe a mechanism of action for VE800 as the robust interferon-gamma producing CD8+ (cytotoxic) T cell response was elicited via activation of dendritic cells.
- Vedanta Biosciences announced the initiation of a Phase 1 clinical study in healthy volunteers of VE202, its orally-administered LBP candidate for inflammatory bowel disease (IBD). The study is being conducted by Janssen Research & Development, LLC. In conjunction with the initiation of this study, Vedanta Biosciences will receive $12 million from Janssen in milestone payments as part of its ongoing collaboration.
- In December 2018, Vedanta Biosciences completed a $27 million financing round with participation from the Bill & Melinda Gates Foundation, Bristol-Myers Squibb, Rock Springs Capital, Invesco Asset Management, Seventure Partners, and PureTech Health.

External validation

- In January 2019, important research that underlies Vedanta's proprietary oral immuno-oncology product candidate, VE800, was published in one of the top scientific journals, *Nature*. The research revealed a new mechanism by which human microbiota induce an important immune cell that is key to the body's ability to generate anti-tumour immunity.
- Additional data on Vedanta Biosciences' microbiome technologies has been featured in high impact academic journals such as *Nature*, *Science*, and *Cell*.
- Vedanta Biosciences announced a clinical collaboration with Bristol-Myers Squibb to evaluate VE800 in combination with Bristol-Myers Squibb's programmed death-1 (PD-1) immune checkpoint inhibitor Opdivo (nivolumab) in patients with advanced or metastatic cancers. Bristol-Myers Squibb is a strategic equity investor in Vedanta Biosciences. Under the terms of the agreement, Vedanta Biosciences will maintain control of its VE800 programme, including global R&D and commercial rights.
- As part of the collaboration with Janssen Biotech, Vedanta Biosciences has received $24 million in payments and is entitled to milestone payments up to $339 million, plus royalties.
- Vedanta Biosciences received funding from the Crohn's & Colitis Foundation to advance its new microbiome-derived therapeutic programme for the treatment and potential interception of IBD.
- Vedanta Biosciences has exclusively licensed key intellectual property from Keio University to develop and commercialise microbiome-derived cancer immunotherapies based on live biotherapeutics.

Expected milestones

- PK/PD results are anticipated in the second half of 2019 from the Phase 1 healthy subject study of VE202.
- Initiation of a Phase 1b/2 clinical study of VE416 for peanut allergy is expected in 2019.
- Initiation of a Phase 1b/2 clinical study of VE800 in combination with Bristol-Myer-Squibb's Opdivo in patients with metastatic or advanced cancers is anticipated in 2019.
- Clinical efficacy results for VE303, VE800, and VE416 are anticipated in 2020.

Vedanta Pipeline

Programme		Indication	Preclinical	Manufacturing	Phase 1	Phase 2	Clinical Readout
VE303*	CARB-X	C. *difficile*					Early 2020 Ph 2 RCT efficacy (n = 146)
VE202	janssen	Inflammatory Bowel Disease					H2 2019 Ph 1 safety, PK/PD in healthy volunteers
VE416		Food Allergy					H1 2020 Ph 1/2 RCT efficacy (n = 40)
VE800*	Bristol-Myers Squibb	Cancer Immunotherapy Indication #1					Mid-2020 Ph 1/2 preliminary efficacy (n = 156)
VE800*	Bristol-Myers Squibb	Cancer Immunotherapy Indication #2					

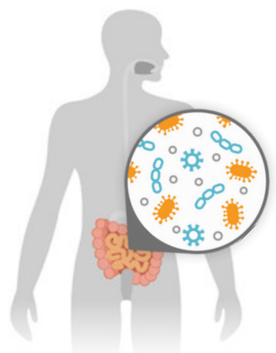
* Vedanta retains 100 per cent of global R&D and commercial rights to VE800 and VE303

The Human Microbiome Plays Key Roles in Preventing Infection and Driving Immune Responses

10-100 trillion bacteria

1-10x as many bacteria as there are human cells

100x genes in microbiome outnumber human genes 100 to 1



Regulate Metabolism

Prevent Infections

Educate Immune System

Immune and infectious diseases can arise or worsen when microbiome balance is altered

resTORbio

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Novel therapeutics for the treatment of ageing-related disease	Immunosenescence and Ageing-Related Disorders, Clinically Symptomatic Respiratory Illness						

Selectively inhibiting TORC1 for conditions of ageing, including immunosenescence and neurodegeneration

Founded by PureTech Health, resTORbio is developing innovative medicines that target the biology of ageing to prevent or treat ageing-related disorders. resTORbio's lead programme selectively inhibits the target of rapamycin complex 1 (TORC1), an evolutionary conserved pathway that contributes to the decline in function of multiple organ systems, including the immune, cardiovascular, and central nervous systems.

resTORbio's lead product candidate, RTB101, is an oral, selective, and potent inhibitor of TORC1. RTB101 inhibits the phosphorylation of multiple targets downstream of TORC1. Inhibition of TORC1 has been observed to extend lifespan and healthspan in ageing preclinical species and to improve immune, cardiac and neurologic functions, suggesting potential benefits in several ageing-related diseases.

As of 22 March 2019, PureTech Health owns 9,800,396 shares of resTORbio, which is equal to approximately 27.8 per cent of the outstanding shares of resTORbio.

Patient need and market potential

- Immunosenescence, the age-dependent decline in immune function, is associated with a decreased ability to fight infections, an increase in cancer incidence, and a decline in organ function in the elderly. With a rapidly ageing population, there is an urgent need to address these and other ageing-related diseases.
- Respiratory Tract Infections (RTIs) are the second leading cause of hospitalisation in people aged 85 and over, and fourth for those 65 and older.
- The majority of RTIs are caused by unknown viruses, with few therapies to treat them.
- The very elderly (age 80 and over) is the fastest growing population in the US.
- resTORbio intends to leverage learnings from its clinical study in RTIs to expand its programme into additional ageing-related indications.

Innovative approach for solving the problem

- mTOR is a protein serine/threonine kinase that regulates multiple cell functions, including cell growth and metabolism, via two complexes: TORC1 and TORC2.
- TORC1 inhibition has been shown in preclinical models to have many beneficial effects on ageing, including increased lifespan, while TORC2 inhibition in preclinical models has been associated with adverse events, including decreased lifespan, hyperglycaemia, and hypercholesterolemia.
- resTORbio's product candidate, RTB101, selectively inhibits TORC1s and may therefore have therapeutic potential to ameliorate multiple ageing-related conditions. Preclinical data suggests that TORC1 inhibitors may enhance immune response to vaccines and improve tendon stiffening, cardiac dysfunction, cognitive dysfunction, ageing-related mobility issues, and laminopathies.

Intellectual property

- resTORbio has broad intellectual property coverage worldwide, having exclusive rights to a patent portfolio licensed from Novartis International Pharmaceutical Ltd. directed to composition of matter of RTB101 and its salts, formulations of everolimus, and methods of using RTB101 in combination with everolimus to enhance the immune response, among treatment of other diseases and conditions.

Team

- Mr Chen Schor (previously Teva Pharmaceuticals) serves as Chief Executive Officer, Dr Joan Mannick (previously Novartis Institute of Biomedical Research) serves as Chief Medical Officer, and Ms Meredith Manning (previously Shire) serves as Chief Commercial Officer.
- The Board of Directors consists of Mr Chen Schor, Mr Jonathan Silverstein (OrbiMed), JD, Mr Paul Fonteyne (previously Boehringer Ingelheim), Ms Lynne Sullivan (Biogen), Mr David Steinberg (Longwood Fund), Dr Jeffrey Chodakewitz (previously Vertex Pharmaceuticals), and Mr Michael Grissinger (previously Johnson & Johnson).

Milestones achieved

- In April 2019, resTORbio announced the initiation of a Phase 1b/2a trial of RTB101 alone or in combination with sirolimus, in Parkinson's disease.
- In March 2019, resTORbio announced a positive End-of-Phase 2 meeting with the FDA and planned initiation of a global Phase 3 programme for RTB101.
- In October 2018, resTORbio announced additional positive results from its Phase 2b study of RTB101, as well as results from pre-specified analyses for any infection and urinary tract infections (UTIs). The data demonstrated decreased incidence of laboratory-confirmed RTIs with severe symptoms, total infections, and UTIs.
- In July 2018, resTORbio announced positive topline results from its Phase 2b study of RTB101. The Phase 2b study successfully identified dose and patient populations with high unmet need for planned Phase 3 clinical trials.

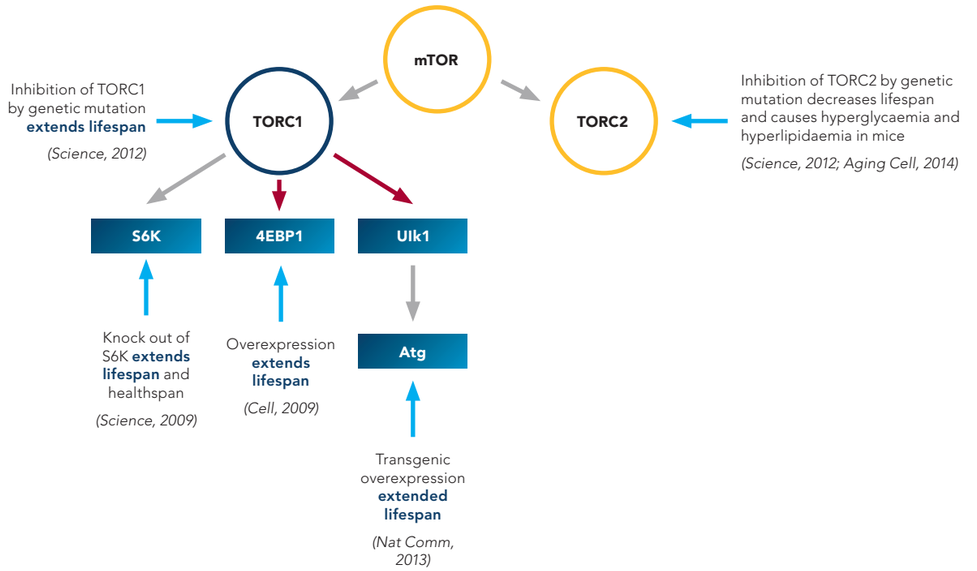
External validation

- In July 2018, the results of resTORbio's Phase 2a study of its TORC1 programme were published in leading scientific journal, *Science Translational Medicine*. The results from the Phase 2a study showed that inhibition of TORC1 with RTB101 alone or in combination with everolimus improved immune function and reduced the incidence of all infections, including RTIs, in people aged 65 and older.

Expected milestones

- resTORbio expects to initiate a Phase 3 study of RTB101 in clinically symptomatic respiratory illness in the second quarter of 2019, with data expected in 2020, pending trial enrolment.

Selective inhibition of TORC1 may have therapeutic benefit for the treatment of ageing-related diseases



resTORbio Pipeline

Research focus	Programme	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
Current Indications	**RTB101**	**Clinically Symptomatic Respiratory Illness**					**Announced positive End-of-Phase meeting in 1Q19**
	RTB101+ sirolimus	**Parkinson's disease**					**Initiated Phase 1b/2a 2Q19***
Potential Indications*	RTB101	Urinary Tract Infections					
	RTB101 RTB101 + rapalog	Heart Failure with Preserved Ejection Fraction					
Discovery	Additional TORC1 Inhibitor	Undisclosed					
	Additional Ageing-Related Target	Undisclosed					

* For heart failure with preserved ejection fraction, Parkinson's disease and certain other infections, we may be required to file an investigational new drug application, or IND, prior to initiating Phase 2 clinical trials. We expect to have the ability to initiate these Phase 2 clinical trials without the need to conduct prior Phase 1 trials.

Sonde

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Vocal Biomarkers for Detecting, Monitoring, and Managing Physical and Mental Health	Broadly applicable to diseases affecting brain, respiratory, or muscle function						

Developing vocal biomarkers spanning neurological, respiratory, and other conditions

Founded by PureTech Health, Sonde is developing a voice-based technology platform to monitor and diagnose psychological and physical medical conditions. Sonde's proprietary technology works by sensing and analysing subtle changes in the voice to create a range of persistent brain, muscle, and respiratory health measurements that provide a more complete picture of health in just seconds.

To date, Sonde has collected voice data from over 14,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into Alzheimer's, respiratory, and cardiovascular disease, as well as other health and wellness conditions.

Sonde's Vocal Biomarker programme has demonstrated the potential to effectively screen and monitor for disease using information obtained from an individual's voice on commonly-owned devices and it has the potential to fundamentally change the way mental and physical health is monitored and diagnosed.

As of 11 April 2019, PureTech's percentage ownership of Sonde was approximately 55.8 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential

- The lag between onset of disease and accurate diagnosis and beginning of treatment can be measured in years for many high-burden health conditions, including depression, Alzheimer's disease, multiple sclerosis, Parkinson's disease, and cardiovascular and respiratory diseases, to name just a few. High-tech devices that continuously stream sensor data are ubiquitous, but there remains a major gap in converting this information into broadly actionable health insights. Near-continuous health information, powered by Sonde's technology, has the potential to improve diagnosis, monitoring, and treatment of high-cost conditions, broadly improving outcomes and care efficiency.
- Development of effective therapies for central nervous system diseases and disorders is hampered by the high cost and inherent variability of these diseases and the reference diagnostic measures used to characterise them. Objective digital tools that can augment and perhaps one day replace the current clinical endpoints with novel measures that can be quantified with more meaningful accuracy and less burden can improve patient enrolment and drug development for a range of important conditions.
- Despite having no independent diagnostic value, the clinical thermometer has guided individuals with simple information that helps them make informed decisions like when to stay home to avoid potential infection spread with a low-grade fever or when to seek medical attention when high fevers indicate risk of more serious complications without treatment. Vocal biomarker measurements providing similar objective measures of changes in general brain, respiratory, and muscle health have the potential to similarly inform decision making about when and how to adjust behaviours and utilise care options to maximise our health.

Innovative approach for solving the problem

- Sonde's proprietary technology is being developed to enable a range of consumer devices such as smartphones and smart speakers to provide effective disease screening and management solutions based on an analysis of seconds of voice capture. By tailoring the information produced from these objective voice measures to correlate with existing screening and diagnostic measures that integrate seamlessly with patient care flows and individuals' daily lives, Sonde is creating services to address a range of health care needs from depression to respiratory to cardiovascular and ageing-related conditions.

Intellectual property

- Sonde has broad intellectual property coverage worldwide, currently owning or having exclusive rights to seventeen (17) patent applications, including three (3) issued patents in five (5) families of patent filings. Sonde has filed several patent applications covering a number of facets of its technology in addition to the IP that was licensed from MIT.

Team

- Sonde is led by Dr Jim Harper (previously MIT), Dr Eric Elenko (PureTech Health), and Mr Yogendra Jain (previously Alliance).
- Key advisors include Dr Maurizio Fava (MGH), Dr Ian Gotlib (Stanford University), Dr Helen Christensen (Black Dog Institute and Professor of Mental Health at the University of New South Wales), Dr Aimee Danielson (MedStar Georgetown University Hospital), Dr Julien Epps (University of New South Wales), Dr Robert Horvitz (PureTech Health, Nobel Laureate, HHMI, MIT), and Thai Lee, MBA (SHI International Corporation).

Milestones achieved

- Sonde completed a $16 million Series A financing, including the issuance of $6 million in shares upon conversion of debt into equity, in the April 2019 post-period to expand its capability across additional health conditions and device types and to fund commercialisation activities.
- To date, Sonde has collected data from over 14,000 volunteers gathered for detection of depression, suicidality, and Parkinson's disease.
- Sonde has expanded development of its proprietary technology in neurodegenerative disease, respiratory and cardiovascular disease, and other health and wellness conditions.
- Sonde's vocal biomarker technology discovery platform uses scaling with corporate, clinical, and academic collaborators, and Sonde study participants.
- Sonde's technology has demonstrated best-in-class accuracy for measuring depression in individuals from brief samples of speech.

External validation

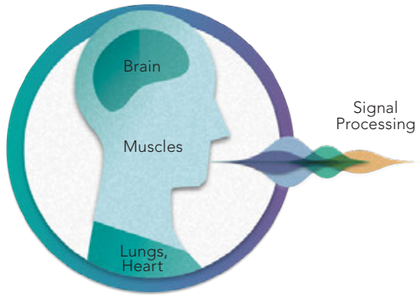
- Sonde is collaborating with the University of New South Wales (UNSW) and Black Dog Institute to create the first mobile device-based automatic assessment of depression from acoustic speech. UNSW was awarded a Linkage Project, funded by the Australian Government through the Australian Research Council (ARC) for international collaboration and partnership in research and innovation. The Linkage Project aims to support long-term strategic research alliances between organisations in order to apply knowledge to highly technological and high-risk problems.
- Pilot studies using Sonde's core technology have also demonstrated the potential to detect and objectively measure symptoms in a range of important conditions including depression, mild traumatic brain injury (mTBI), concussion, cognitive impairment, and Parkinson's disease.
- To increase efforts to accelerate understanding and use of vocal biomarker technology for mental and physical health, Sonde has entered into collaborative partnerships with leading institutions, including UMass Memorial Medical Center, Yale University, Partners MGH and multiple other ex-US hospitals, clinics and academic medicine centres.

Expected milestones

- Results are anticipated from ongoing collaborations with Yale University, University of New South Wales, Black Dog Institute, UMass Memorial Medical Center, Partners Massachusetts General Hospital, and multiple ex-US hospitals, clinics, and academic medical centres.

Voice is a Powerful Vital Sign That Sonde is Harnessing to Address Major Disease Measurement Needs

Changing Disease Physiology Alters Acoustic Features & Their Temporal Coordination



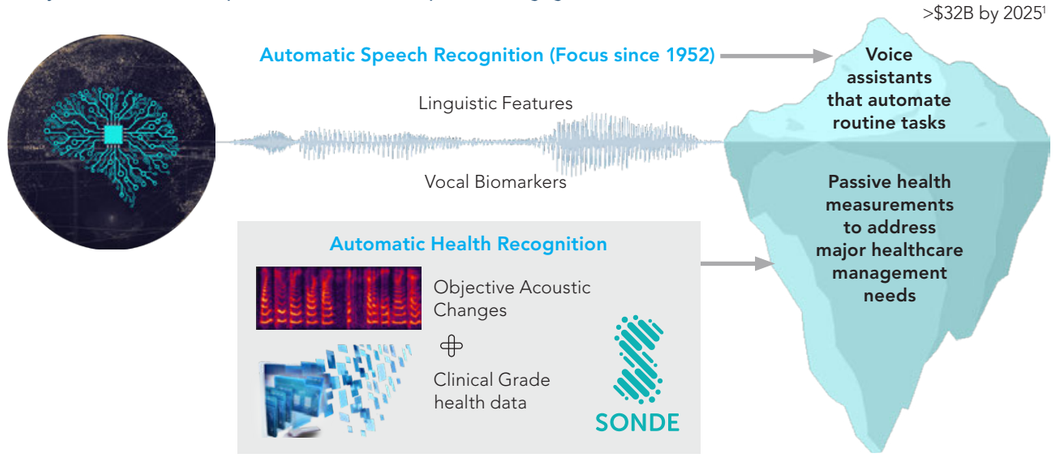
Major Acoustic Feature Categories

- **Prosody** (Melody)
- **System** (Vocal Tract Movements)
- **Source** (Vocal Fold Dynamics)

Individual Feature Examples (from ~thousands)

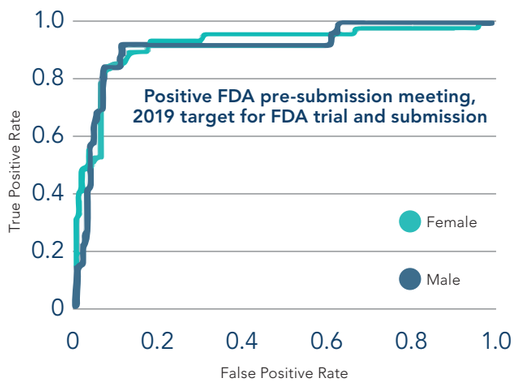
- Pitch Slope
- Phone Duration Dynamics
- Intensity/Energy
- Spectral features
- Formant Frequencies/Tracking
- Mel Frequency Cepstral Coefficients (MFCCs)
- Vocal Tract Coordination
- Harmonic to Noise Ratio (HNR)
- Cepstral Peak Prominence (CPP)

Ability to Understand and Respond to Just 6 Seconds of Speech Is Changing Our World



Sonde Has Real-World Proof of Feasibility In Some of Health Care's Most Challenging Measurement Problems

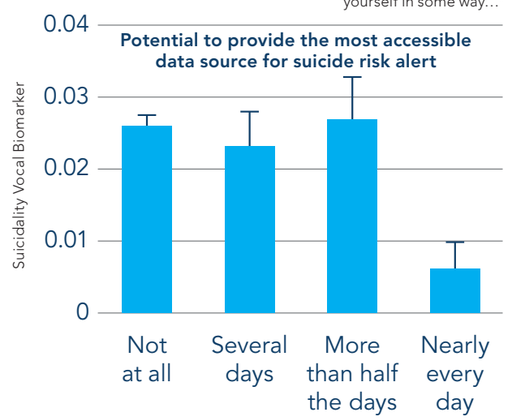
Depression Screening Example[2]



Performance on par with gold standard clinical screening instrument (smartphones, 6 seconds of speech, no baseline, >4K individuals)

Suicidal Thought Example

"Thoughts that you would be better off dead, or of hurting yourself in some way…"



Up to 4x vocal biomarker change in most severe category (smartphones, 6-30 seconds of speech, >2K individuals)

1 Grand view research, inc. 2018

2 Sonde models, single manufacturer initial results

Alivio

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Targeted Disease Immunomodulation for Acute and Chronic Inflammatory Disorders	Inflammatory Diseases, IC/BPS, Inflammatory Pouchitis, IBD						

Site specific inflammation targeting that spares non-inflamed tissue in GI and other systems

Founded by PureTech Health, Alivio Therapeutics is pioneering targeted disease immunomodulation as a novel strategy to treat a range of chronic and acute inflammatory disorders. Targeted disease immunomodulation involves tuning the immune system exclusively at the site of disease in the body, with minimal impact on the rest of the immune system. This long sought-after approach has the potential to treat a range of chronic and acute inflammatory disorders, including ones that would otherwise be difficult to treat. Based on the research of Dr Jeffrey Karp, Professor of Medicine at Harvard Medical School and Brigham and Women's Hospital, and Dr Robert Langer, David H Koch Institute Professor at MIT, Alivio's proprietary inflammation-targeting platform is designed to administer therapeutics to the sites of inflammation, while sparing normal tissues from unnecessary drug exposure. The technology is also engineered to respond dynamically to inflammation, releasing the enclosed therapeutics based on the degree of inflammation present. Alivio's pipeline includes candidates for interstitial cystitis/ bladder pain syndrome (IC/ BPS), inflammatory pouchitis, and inflammatory bowel disease (IBD).

The technology platform has been published in multiple peer-reviewed journals, including *Science Translational Medicine* and *Nature Communications*, and the technology is the first of its kind to demonstrate reproducible targeting of immunomodulatory compounds to inflamed tissue in preclinical models, having been validated in multiple labs and in ten different preclinical models of inflammation where the inflammation occurred in different parts of the body (e.g., the GI system, the bladder, joints, skin, etc.). With this platform, Alivio aims to address the dozens of conditions where inflammation is a central part of the underlying disease pathology, but where targeted and effective treatment options are lacking.

As of 31 December 2018, PureTech's percentage ownership of Alivio was approximately 82.8 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of convertible promissory notes.

Patient need and market potential
- There is a substantial opportunity for targeted therapies that selectively reduce disease associated inflammation without leading to broad immunosuppression or other systemic effects.
- Results in preclinical models suggest the Alivio technology could be applied to diseases such as IBD, inflammatory arthritis, organ transplantation, and interstitial cystitis. These diseases collectively impact tens of millions of patients in the US alone and have limited treatment options.

Innovative approach for solving the problem
- Alivio's inflammation-targeted technology platform is designed to help immunomodulatory compounds specifically target inflamed tissue and become bioavailable based on signals from the diseased tissue on the severity of the local inflammation.
- The innovative properties of Alivio's technology may enable currently approved drugs to be used in existing as well as new indications with a better safety profile and improved efficacy. The technology also has the potential to allow drugs with challenging pharmacokinetics or safety profiles to come to market when they would not otherwise have done so.

Intellectual property
- Alivio has broad intellectual property coverage worldwide, currently owning or having exclusive rights to twenty-seven (27) patent applications in eight (8) families of patent filings, two of which patent applications were allowed in the US in 2018.
- Alivio's IP estate covers composition of matter, novel formulations, and methods of using nanostructured gels for the delivery of therapeutic agents.

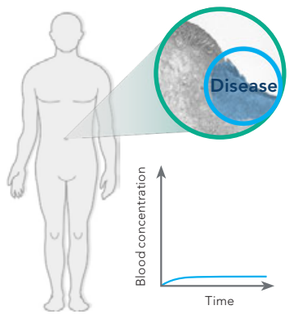
Team
- The Alivio team has strong backgrounds in biomaterials, preclinical model development, and analytical chemistry.
- Scientific co-founders include Dr Robert Langer (PureTech Health and MIT) and Dr Jeffrey Karp (BWH and Harvard Medical School).

External validation
- In September 2018, Alivio announced a $3.3 million US Department of Defense (DoD) Technology/Therapeutic Development Award. The funds will support Alivio's preclinical research and development activities for product candidate, ALV-107, for treatment of interstitial cystitis/ bladder pain syndrome (IC/BPS) with Hunner's lesions.
- In January 2019, Alivio entered into a partnership with Purdue Pharma LP to advance Alivio's product candidate ALV-107, a non-opioid product candidate for IC/BPS, through clinical development with an option exercisable by Purdue to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology. Under the terms of the agreement, Alivio will receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones.

Expected milestones
- Alivio expects to initiate a clinical study for its lead product, ALV-306, in pouchitis in 2020.

Alivio Therapeutic Platform

Medicines that Act in the Inflamed Tissue without Causing Systemic Immunosuppression



Alivio's Medicines
- **Target Inflammation in the Diseased Tissue** by binding to inflamed tissue
- **Minimal Systemic Immunosuppression** by staying within the diseased tissue and not circulating in the blood

Benefits
- Drugs that are First-in-Indication
- Enable New MOA Approaches
- Superior Safety Profile

Multiple High Impact Papers

Science Translational Medicine
Zhang et al. 2015
Gajanayake et al. 2014

Nature Communications
Joshi et al. 2018

New Class of Medicines with Precise Structural Design
- Patented[1], structurally-designed medicines designed to bind & respond to inflammation
- Multiple dosage forms validated, including oral capsules & liquid suspensions

1 US #9,974,859; US #9,962,339 & multiple other patent applications

Follica

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Regenerative Biology Platform for Androgenetic Alopecia and Aesthetic-related indications	Androgenetic Alopecia, Epithelial Ageing, and other aesthetic indications						

Enabling follicle neogenesis and skin rejuvenation through immune response to wounding

Founded by PureTech Health, Follica's regenerative biology platform is based on seminal findings from the University of Pennsylvania that demonstrated the creation of skin organs (hair follicles) in adult mammals after abrasion. This technology is being applied to treat androgenetic alopecia and other aesthetic-related indications. Follica's technology is the first, to PureTech's knowledge, designed to create new follicles and hair through disruption of the skin, followed by treatment to enhance the effect. Follica completed three human clinical studies of patients with androgenetic alopecia to demonstrate hair growth and new hair follicle formation and has been optimising its device and conducting tests in androgenetic alopecia and other aesthetic indications.

Follica has preclinical data which show the potential for next-generation proprietary compounds to further enhance the effect of new hair follicle formation. Follica completed its clinical-stage development of a next-generation device and drug combination product for androgenetic alopecia, which is currently in an optimisation study. Further phases of preclinical testing are also ongoing towards the prioritisation and development of next-generation, proprietary compounds based on Follica's intellectual property. Follica's pivotal study is expected to commence following the completion of the optimisation study.

As of 31 December 2018, PureTech's percentage ownership of Follica was approximately 62.3 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options and warrants to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of convertible promissory notes.

Patient need and market potential
- Androgenetic alopecia represents the most common form of hair loss in men and women, with an estimated 65 million people who are eligible for treatment in the US alone.
- Only two drugs, both with limited regrowth efficacy, are currently approved for the treatment of androgenetic alopecia. The most effective current approach for the treatment of hair loss is hair transplant surgery, comprising a range of invasive procedures.
- As a result, Follica believes that there is significant unmet need for safe, effective, non-surgical treatments which grow new hair.
- Follica's regenerative biology platform has applications beyond hair growth to other ageing-related conditions and wound healing.

Innovative approach for solving the problem
- Follica's approach is based on generating an "embryonic window" in adults via a series of micro skin abrasions, creating new hair follicles from epithelial stem cells, and enhancing the effects through the application of specific compounds.

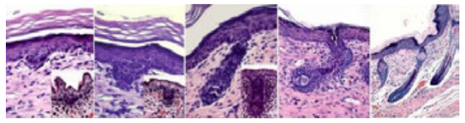
Intellectual property
- Follica's regenerative biology programme has broad worldwide intellectual property coverage, including ninety-two (92) patent applications, including thirty-three (33) issued patents, in ten (10) families of patent filings, which are company-owned or exclusively licensed.
- The intellectual property covers composition of matter and methods of treatment including combination therapies employing disruption approaches and active agents, as well as devices to promote hair follicle regeneration.

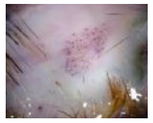
Team
- Follica is led by Jason Bhardwaj (previously Bain & Company) and team members Jonathan Bissett (previously NeoSync) and David Chastain (previously Cambridge Consultants and Continuum).
- Key advisors include Dr R Rox Anderson (Director of MGH Wellman Labs and Inventor of CoolSculpting by Zeltiq), Dr George Cotsarelis (University of Pennsylvania Medical School and Founder of Kythera), and Dr Ken Washenik (Bosley Medical Group and previously Aderans Research Institute).

Milestones achieved
- Follica conducted three clinical studies of patients with androgenetic alopecia, which demonstrated hair follicle neogenesis via biopsy following skin disruption, and hair growth through target area hair count. One of these studies demonstrated that skin disruption alone was safe and generates not only new hair follicles but also terminal (visible, thick hairs). Follica is further developing and testing compounds that enhance these effects.
- The product concept originated from ground-breaking science demonstrating new mammalian skin formation in adult mice following abrasion. The results were published in the top tier medical science journal, *Nature*.

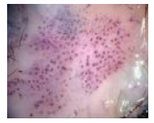
Expected milestones
- Follica's pivotal study in androgenetic alopecia is expected to begin in 2019 following the completion of an ongoing optimisation study.

Significant translation of exciting science





Control
Mean: 38 new hairs



Wnt (transgenic)
Mean: 100 new hairs

1. Targeted skin disruption activates new hair growth (murine)

Follica findings
- Hair growth effect **demonstrated in humans** (3 studies FOL-001 to -003)
- **Clinically significant hair growth** demonstrated with tolerable, safe procedure
- Proprietary device developed and optimal paradigm designed based on clinical data

Near-term clinical development of a "game changing" platform

2. Stimulating Wnt pathway amplifies new hair growth effect

Follica findings
- **Small molecule** shown to amplify new hair growth during healing
- Short-term use, **systemically safe** options identified

Future pipeline to further amplify effect

Source: Ito M., Cotsarelis G., et al. Wnt-dependent de novo hair follicle regeneration in adult mouse skin after wounding. *Nature*. 2007

Entrega

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Engineered Hydrogels to Enable Oral Delivery of Peptides	Metabolic Disease, Endocrine Disorders						

Enabling the delivery of biologics via the gut epithelium to local and distal sites of the body.

Founded by PureTech Health, Entrega is focused on the oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally. The vast majority of biologic drugs (including peptides, proteins, and other macromolecules) are currently administered by injection, which can present challenges for healthcare delivery and compliance with treatment regimes. Oral administration thus represents an ideal delivery approach for this increasingly large class of therapies reshaping many areas of medicine, including the treatment of diabetes.

Entrega's technology platform is an innovative approach to oral delivery which uses a proprietary, customisable hydrogel dosage form to control local fluid microenvironments in the GI tract to both enhance absorption and reduce the variability of drug exposure. To validate its technology, Entrega generated proof-of-concept data demonstrating delivery of therapeutic peptides into the bloodstream of large animals.

As of 31 December 2018, PureTech's percentage ownership of Entrega was approximately 73.9 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential	• The total global biologics market could be close to $400 billion by 2025. • Injectable formulations can be limited in their therapeutic potential as a result of issues with compliance, and they can be difficult and potentially unsafe to deliver to patients.
Innovative approach for solving the problem	• The Entrega platform is designed to enable oral delivery of biologics, vaccines and other forms of medication that are not efficient in reaching the bloodstream when taken orally.
Intellectual property	• Entrega has broad intellectual property coverage worldwide, including nineteen (19) patent applications in six (6) families of patent filings. • Entrega's patent portfolio covers oral drug devices, drug formulations, compositions of matter, methods of use, and methods of making hydrogel dosage forms for delivery of active agents.
Team	• The Entrega team is comprised of experts in drug formulation and drug delivery engineering. • Key advisors include Dr Robert Langer (PureTech Health and MIT), Dr Colin Gardner (previously TransForm Pharmaceuticals, Johnson & Johnson, and Merck), Dr Samir Mitragotri (Wyss Institute at Harvard University, previously UC Santa Barbara), Mr Rob Armstrong (Boston Pharmaceuticals and previously Eli Lilly), and Mr Howie Rosen (previously ALZA Corporation).
Milestones achieved	• Entrega has generated proof-of-concept data demonstrating successful delivery of peptides in large animals.
External validation	• Entrega received $5 million in equity and research funding from Eli Lilly to investigate the application of its peptide delivery technology to certain Lilly therapeutic candidates.

Vor

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Unleashing Targeted Immunotherapy for Heme Malignancies	Haematological malignancies including Acute Myeloid Leukaemia (AML)						

Selectively targeting cancer cells while sparing normal cells using modified HSCs

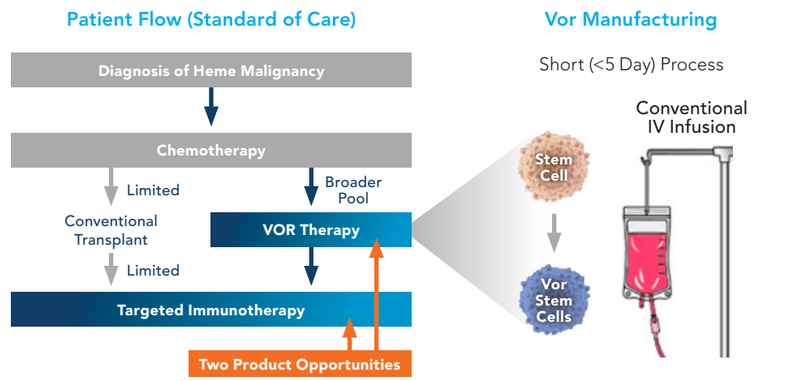
Founded by PureTech Health, Vor is developing cell therapies with broad potential for treating cancer. Vor's key differentiation is a focus on technologies that can selectively target cancer cells without impacting normal cells. Engineered cells, such as chimeric antigen receptor (CAR) T cells, are now FDA-approved drugs for treating haematologic malignancies. However, these and similar technologies target both cancer and normal cells, causing substantial toxicities and limiting their potential. Vor is taking a fundamentally novel approach for targeting cancer selectively by developing engineered haematopoietic stem cells (HSCs). Vor's engineered HSCs generate healthy, functional cells that are protected from depletion by cancer-targeted therapies.

Vor's platform is broad and can potentially be used to vastly improve the therapeutic window of several targeted immunotherapies, such as T cell engagers, antibody drug conjugates, and CAR T cells and others, expanding the reach beyond B-cell malignancies to other myeloid leukaemias, such as acute myeloid leukaemia, as well as enhancing the effectiveness of other therapies such as antibody-drug conjugates or conventional antibodies targeted against leukaemias. When combined with targeted therapies, this technology could potentially enable transformative outcomes in patients with otherwise grim prognoses.

As of 14 February 2019, PureTech's percentage ownership of Vor was approximately 30.2 per cent on a diluted basis. This calculation includes issued and outstanding shares as well as options to purchase shares, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

Patient need and market potential	• The prognosis for relapsed and refractory blood-borne malignancies is very poor and can be measured in a few short months, depending on patient-specific risk factors. Specifically for AML, only about 30 per cent of patients survive past 12 months following a first relapse. • Targeted immunotherapies, including T cell engagers, antibody drug conjugates, and CAR T cells, have been successfully applied to treat B-cell malignancies. However, these therapies cause substantial on-target toxicities, making aggressive cell surface antigen-targeted therapy in non-B-cell malignancies not viable. More specifically, extending the applicability of extremely potent targeted immunotherapies, like CAR T cells, beyond B-cell malignancies has been difficult due to challenges in selectively targeting cancer cells without affecting healthy normal cells. • There is a need for new approaches that could enable successful treatment of blood-borne malignancies by overcoming on-target toxicities – Vor's approach has the potential to address this need. • Vor's technology may also be used to substantially improve the safety profile of existing targeted immunotherapies (including CAR T technology) for several blood-borne malignancies.
Innovative approach for solving the problem	• Vor is advancing a new approach to selectively protect healthy normal cells from targeted therapies that are being used to treat haematologic malignancies. It also enables new targeted therapies to be developed that otherwise would be too toxic to consider developing. • Vor's technology addresses the toxic effects of on-target toxicity to healthy tissue via haematopoietic stem cell transplantation (HSCT) with engineered haematopoietic stem cells (HSCs). • Vor's engineered HSCs generate healthy, functional haematopoietic cells that are protected from depletion by cancer-targeted therapies. This enables maximal targeted immunotherapy doses to be administered without fear of on-target toxicity. • HSCT, which is a standard procedure for many patients, can be performed prior to the targeted therapy, or the targeted therapy can be used prior to the HSCT. • In this way, the population of potential target antigens can expand beyond tumour-specific antigens or B-cell antigens.
Intellectual property	• Vor has broad intellectual property coverage worldwide relating to compositions of matter and methods of using modified haematopoietic stem cells to broaden the number of potential antigens that can be targeted safely by engineered cell therapies. • Vor's IP portfolio currently consists of seventeen (17) patent applications in four (4) families, including a patent that issued in 2018. This includes IP licensed exclusively from Columbia University as well as IP owned by Vor.
Team	• In February 2019, Dr Kush Parmar (5AM Ventures) joined the Board of Directors as Executive Chairman. Additional board members include Dr Bharatt Chowrira (PureTech Health) and Dr Josh Resnick (RA Capital Management). Dr Aleks Radovic-Moreno (PureTech Health) serves as operations lead. • Advisors include Dr Siddhartha Mukherjee (Columbia University and Pulitzer Prize Winning Author, *The Emperor of All Maladies*), Dr Joseph Bolen (PureTech Health, previously President and Chief Scientific Officer at Moderna and Chief Scientific Officer at Millennium), Dr Hans-Peter Kiem (Fred Hutchinson Cancer Research Center), Dr Dan Littman (NYU School of Medicine, Howard Hughes Medical Institute; member of the Board of Pfizer), Dr Derrick Rossi (Harvard Medical School; Founding CEO of Convelo Therapeutics; Co-founder of Moderna Therapeutics, Intellia Therapeutics, Magenta Therapeutics, and Stelexis Therapeutics), and Dr Justin Stebbing (Imperial College London; published over 600 peer-reviewed papers).
Milestones achieved	• Vor has achieved *ex vivo* proof-of-concept for its technology. • Vor received validation of its technology in engineered humanised mouse models. • Vor has been granted foundational intellectual property which covers its therapeutic approach.
External Validation	• In February 2019, Vor completed a $42 million financing round led by 5AM Ventures and RA Capital Management, with participation from Johnson & Johnson Innovation – JJDC, Novartis Institutes for BioMedical Research, Osage University Partners, and PureTech Health.

Vor Therapy in Practice



PureTech's Internal R&D

Internally-funded, immunology-focused pipeline

PureTech Health has been advancing research and development projects around tissue-selective immunomodulation for the past two years. This work reached an inflection point earlier in 2018, generating compelling preclinical data, and key intellectual property, and was consolidated into a separate Internal division which was announced together with a partnership with Roche in July.

PureTech's approaches to tissue selective immunomodulation are two-fold: targeting newly discovered foundational immunosuppressive mechanisms in oncology, and harnessing the lymphatic infrastructure for autoimmune, oncology, and CNS indications. 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.

LYT200, LYT210

Mechanism	Indication(s)	Preclinical	Phase 1	Phase 2	Phase 3	FDA filing	Clearance/ Approval
Monoclonal antibodies targeting foundational immune modulators	Solid tumours						

A monoclonal antibody-based therapeutic approach to pancreatic cancer and other solid tumours

PureTech Health is developing two first-in-class, fully human antibodies which are aimed at countering fundamental mechanisms of immunosuppression. PureTech's therapeutic candidates are designed to address cancers that are suboptimally treated with currently available standard of care and immunotherapies because the body's natural defences are compromised by persistent tumour immune evasion. These antibodies have the potential to be used as single agents in addition to being used in combinatorial approaches (e.g., with checkpoint inhibitors).

LYT-200 is a human IgG4 antibody directed against galectin-9, a global immunosuppressor. Galectin-9 exerts immunosuppression by binding to multiple partners and facilitating a tumour-permissive microenvironment. LYT-210 is directed against immunosuppressive γδ T cells which are upregulated in multiple solid tumours and have a distinct phenotype as well as functional properties to make them uniquely targetable in cancer. Both antibodies have shown excellent physical and functional properties, and exciting proof-of-concept data has been generated in both mouse and human cancer preclinical models.

An IND filing is anticipated for LYT-200 in the first half of 2020, and PureTech Health expects to soon confirm its lead IgG1 human candidate for LYT-210, followed by IND-enabling studies.

Patient need and market potential

- With a five-year survival rate at less than seven per cent, pancreatic cancer is the third leading cause of cancer death.
- Globally, approximately 400,000 people are diagnosed with pancreatic cancer each year, with more than 90 per cent diagnosed at an advanced/metastatic stage.
- Colorectal cancer (CRC) is among the largest cancer burdens in the world today with approximately 700,000 people being diagnosed globally each year. Median survival of patients with unresectable metastatic CRC remains less than three years. Death from CRC is expected to nearly double within the next 20 years. Current immunotherapies are only efficacious in a small proportion of CRC patients (less than 15 per cent) whose tumours demonstrate mismatch repair deficiency. Hence novel, more broadly effective therapeutic strategies to engage the patients' immune system are needed.
- Currently approved immunotherapies have been generally unsuccessful in this disease setting due to a highly immunosuppressive environment that wards off the body's natural defences.
- PureTech's galectin-9/gamma delta T-cell programme aims to address this underlying issue and the great unmet need in malignancies, particularly those with dismal prognoses that derive little benefit from current standards of care.

Innovative approach for solving the problem

- Preclinical models validating PureTech's therapeutic concept show survival extensions in gold-standard animal models of pancreatic cancer that are superior to those previously observed in literature using approved treatments.
- PureTech's approach is differentiated from traditional checkpoint inhibitors in immuno-oncology, yet it has potential synergies with existing immunotherapies and current standards-of-care. It may also have broader applicability in the immuno-oncology space, with research underway expanding this initial work in pancreatic cancer and other solid tumours, including CRC, cholangiocarcinoma, gastric and breast cancers.

Intellectual property

- PureTech Health has broad intellectual property coverage for this antibody-based immunotherapy technology, including exclusive rights to fifteen (15) patent applications in four (4) families of patent filings that are exclusively licensed from or co-owned with New York University which cover antibodies that target immunosuppressive T-cells and methods of use for the treatment of solid tumours.

Milestones achieved

- In April 2017, PureTech Health publicly disclosed these programmes (originally called "Nybo") concurrent with a publication in *Nature Medicine*.
- PureTech Health has developed fully human monoclonal antibodies to target newly discovered immunosuppressive mechanisms in pancreatic cancer and other solid tumours. Proof-of-concept data has been generated in both mouse and human cancer preclinical models.

External validation

- PureTech's gamma delta T-cells/galectin-9 technology is exclusively licensed from the NYU School of Medicine and is based on the pioneering work of Dr George Miller, Director of S. Arthur Localio Laboratories and Director of the Cancer Immunology Programme at NYU School of Medicine. Part of the body of data supporting this approach was published in *Nature Medicine* and builds upon Dr Miller's work previously published in *Cell*.

Expected milestones

- PureTech Health expects to file an IND for its lead candidate, LYT-200, in the first half of 2020.

Harnessing lymphatic infrastructure

Lymphatic targeting platform

PureTech Health is developing a lymphatic targeting 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. Nearly all dietary lipids (such as triglycerides) are absorbed from the small intestine into lymphatic vessels (lacteals), and these vessels transport lipids and immune cells to the mesenteric lymph nodes in the gut before entering systemic circulation. To access this absorption pathway, a triglyceride is reversibly attached to a drug of interest via a linker optimised to release the drug at the site of interest.

An important benefit of the lymphatic trafficking route is the potential ability to target the mesenteric lymph nodes, as 70 per cent of the body's immune cells are found in these lymph nodes. PureTech's approach is to manipulate the body's immune "headquarters" through the gut, via an orally-administered treatment. An additional advantage of the lymphatic transport strategy is that uptake of the drug into the lymphatic system avoids "first pass metabolism" of the drug by the liver.

One of the liver's key functions is to break down certain compounds, and this can severely limit how much of some drugs survive the journey from the stomach to the main circulatory system.

This platform has been optimised to enable the therapeutic to integrate into the body's natural lipid absorption pathways and subsequently be released at the site of interest. Relative to other approaches using more simplistic hydrophobic modifications, the PureTech Health platform demonstrates one to two orders of magnitude improvement in lymphatic transport and target location exposure. This was achieved by re-imagining the therapeutic to include actual dietary lipid components – triglycerides – to more closely integrate within the natural lipid absorption pathway. PureTech Health has successfully extended the lymphatic targeting platform to encompass more than twenty potential drugs as well as a range of new linker chemistries, which have demonstrated promising lymphatic targeting in preclinical studies, frequently directing above 20 per cent of the orally administered dose into the lymph. Successful pharmacokinetic studies in large animals are supportive of translation of this technology into higher species.

In the April 2019 post-period, PureTech Health entered into a partnership with Boehringer Ingelheim (BI) to advance BI's immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under the terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Intellectual property

PureTech Health has broad intellectual property coverage for this technology, currently owning or having exclusive rights to twenty nine (29) patent applications in seven (7) families of patent filings that are licensed from Monash University, which intellectual property is directed to compositions of matter, methods of use, and methods of treatment that cover classes of pro-drugs as well as the broad platform technologies.

Milk-derived exosomes

PureTech's novel milk exosome-based technology may be uniquely positioned to facilitate the oral administration of complex payloads such as nucleic acids, peptides, and small molecules, by harnessing our growing understanding of the biology at the gut-immune interface. Milk exosomes represent a versatile engineerable platform to potentially resolve the long-standing challenge of oral bioavailability of macromolecules and complex small molecules.

Exosomes, which are composed of a multitude of components spanning lipids, proteins and nucleic acids, have been recognised as key players in intercellular communication and the transport of macromolecules between cells and tissues. Mammalian cell-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 polymer-based approaches that are being used and tested in the clinic. However, most sources of mammalian exosomes are not suitable or viable as vehicles for oral administration of therapeutics due to their lack of stability under the harsh physiologic conditions associated with transit through the gastrointestinal tract. The milk-derived exosomes that form the basis for PureTech's technology have evolved naturally and specifically to accomplish the task of oral transport of complex biological molecules through this environment.

PureTech Health is continuing to build on the expertise developed for isolating milk exosomes and potentially expand the scope of complex payloads that might leverage its current approach for targeting of biologic payloads to the lymphatics. Building on these advances, in July 2018, PureTech Health announced a multiyear collaboration with Roche to advance this technology for the oral administration of Roche's LNA antisense oligonucleotide platform. Under the terms of the agreement, PureTech Health will receive up to $36 million, including upfront payments, research support and early preclinical milestones. PureTech Health is also eligible to receive development milestone payments of over $1 billion, in addition to sales milestones and royalties. PureTech Health retains the rights to other applications spanning all complex small molecules, peptide/proteins, and nucleic acid-based therapeutics (such as mRNA, siRNA, and other non-LNA antisense oligonucleotide-based approaches).

Intellectual property

PureTech Health has broad intellectual property coverage for this platform technology, currently owning or having exclusive rights to twenty (20) patent applications in ten (10) families of patent filings that are licensed from 3P Biotechnologies and the University of Nebraska, which intellectual property is directed to compositions of matter, methods of use, and methods of treatment that cover classes of therapeutics as well as the broad platform technologies.

CNS Lymphatics

PureTech Health is pursuing an approach to address neurodegenerative and neuroinflammatory conditions by harnessing the recently discovered lymphatic system in the brain.

In July 2018, the foundational science that underlies PureTech's internal CNS lymphatics technology was published as the cover story in the prestigious scientific journal *Nature*. The publication revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with ageing, including Alzheimer's disease, Huntington's disease, Parkinson's disease, and age-associated cognitive decline. An additional *Nature Neuroscience* publication in September 2018 highlighted the key role of brain lymphatics in neuroinflammatory conditions such as multiple sclerosis. More recently, the role of meningeal lymphatics has been validated by other research groups as a key mediator in the clearance of macromolecules such as tau-related proteins and α-synuclein, from the CNS, which speaks to the potentially important role played by this system in tauopathies and Parkinson's disease respectively.

The approach is based on the work of PureTech Health collaborator Jonathan Kipnis, PhD, Harrison Distinguished Teaching Professor and Chair, Department of Neuroscience, and Director, Centre for Brain Immunology and Glia, at the University of Virginia (UVA) School of Medicine. Exclusively licensed from the UVA Licensing & Ventures Group, the technology will be developed by PureTech Health in collaboration with Dr Kipnis to potentially address debilitating and devastating CNS disorders.

Intellectual property

PureTech Health has broad intellectual property coverage, currently having exclusive rights to fifteen (15) patent applications in five (5) families of patent filings that are licensed from the University of Virginia and which cover compositions of matter, methods of use, and methods of treatment across the platform technology.

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.

Risk	Impact	Mitigation
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.	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.	Before making any decision to develop any technology, extensive due diligence is carried out by the Group that 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 deployment is generally 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 continue to guide 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.	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.	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.

Risk	Impact	Mitigation
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.	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.	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.	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.	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.	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.	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.

Risk	Impact	Mitigation
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.	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.	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.	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.	The Group retains significant cash in order to support funding of its affiliate companies and its Internal division. 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 affiliate 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.	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.	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 held a referendum on the UK's continuing membership of the EU, whereby the UK electorate voted to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU and the ratification of the outcome of those negotiations by the UK and EU parliaments will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements.

Although the Board has considered the potential impact of Brexit as part of its risk management, given that the Group principally operates in the United States and holds substantially all assets in US dollars, the Group does not believe there is significant risk associated with Brexit.

Viability

PureTech Health plc Viability Statement

In accordance with the provision of C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the prospects of the Group over a three year period into the first quarter of 2022. This period is deemed appropriate as it progresses the Group's pipeline, with meaningful outcomes for key affiliates and programmes.

The Group's funding would be used to fund its growth stage affiliate programmes through their next value milestones in conjunction with the Company's external partners; advance one or more of the Group's internal programmes to human clinical testing by the end of 2020; invest in the development of new high-impact product candidates; and fund the Company's head office costs into the first quarter of 2022. This budget projection is conservative as it does not include potential inflows of cash.

The Directors confirm they have a reasonable expectation that the Group will continue to operate and meet its obligations as they fall due over the period of the assessment. In making this statement the Directors carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

This assessment was made in consideration of the Group's strong financial position, current strategy and management of principal risks facing the Group. The following facts support the Directors' view of the viability of the Group:

- The Group has significant influence over the direction of its affiliates and programmes.
- The Group's business model is structured so that the Group is not reliant on the successful outcomes of any one affiliate or programme.

In addition, the fact that the affiliates and programmes are currently in the research and development stage means that these affiliates and programmes are not reliant on cash inflows from sales of products or services during the period of this assessment. This also means that the Group is not highly susceptible to conditions in one or more market sectors in this timeframe. Although engaging with collaboration partners is highly valuable to the Group from a validation and, in some cases, funding perspective, the Group is not solely reliant on cash flows from such sources over the period of assessment.

The PureTech Health-level year end 2018 cash balance of $177.7 million is highly liquid and forecast to support infrastructure costs, pipeline development activities and the necessary funding of its affiliates to reach significant development milestones over the period of the assessment.

The Board reviews the near-term liquidity of the Group and regularly considers funding plans of the affiliates and its Internal division in its assessment of long-term cash flow projections.

While the review has considered all of the principal risks identified by the Group, the Board is focused on the pathway to regulatory approval of each affiliate and programme product candidate. Further, the Board has considered milestone funding based on existing collaboration and partnership arrangements, and the ability of each affiliate and programme to enter new collaboration agreements, which could all be expected to generate cash in-flows but were not included in the assessment. Additionally, given that affiliate and programme investment decisions are largely discretionary, there is management control on reducing discretionary spending if unforeseen liquidity risks arise.

The Directors note the Group's ownership stakes in the affiliates and programmes are expected to be illiquid in nature, with the exception of resTORbio, which is publicly traded on NASDAQ. The Group anticipates holding these ownership stakes through the achievement of significant milestones or other liquidity events. It is also expected that certain of these subsidiaries may not be successful and could result in a loss of the amounts previously invested with no opportunity for recovery. However, even in this scenario, the Group's liquidity is expected to remain sufficient to achieve remaining milestone events and fund infrastructure costs.

The Directors have concluded, based on the Group's strong financial position and readily available cash reserves (inclusive of short-term investments), that the Group is likely to be able to fund the requirements of the infrastructure and pipeline development activities and the amounts considered necessary for growth stage affiliates to reach significant development milestones over the period of the assessment. Therefore, there is a reasonable expectation that the Group has adequate resources and will continue to operate over the period of the assessment.

Key Performance Indicators – 2018

The key performance indicators below measure the Group's performance against its strategy

Cumulative number of patents and patent applications[1]

545

2017: 521[2]
2016: 288
2015: 209
2014: 111

Progress

The Group continued to aggressively pursue patent protection for its technologies during 2018.

Number of partnerships entered[3]

5

2017: 8
2016: 6
2015: 4
2014: 2

Progress

In 2018, the Group entered into research and development partnerships with Roche, Bristol-Myers Squibb, University of Nebraska, University of Virginia, and University of California, San Francisco.

Number of theme-based technologies evaluated[3]

1449

2017: 951
2016: 918
2015: 776
2014: 521

Progress

The Company continued to identify and review innovative technologies that form the basis of its internal pipeline. Current sourcing activities (including diligence and experiments) are centred on immunology candidates, including clinical stage assets, that may complement PureTech's focus on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders.

Amount of funding secured for affiliates[3,4]

$274.0m

2017: $102.9m
2016: $98.2m
2015: $74.6m
2014: $8m

Progress

Karuna, Gelesis, Akili, Vedanta Biosciences, resTORbio and Alivio raised funds in the form of financings and non-dilutive grants in 2018, including $242.4 million by third-party financial and strategic investors.

Number of project stage programmes created

1

2017: 1
2016: 3
2015: 3
2014: 2

Progress

As a part of its internal R&D, PureTech Health advanced its CNS lymphatics technology, which is designed to address neurodegenerative and neuroinflammatory conditions by harnessing the recently discovered lymphatic system in the brain.

1 This number does not include issued patents or patent applications exclusively licensed or owned by independent affiliates resTORbio and Akili.
2 This number does not include issued patents or patent applications exclusively licensed or owned by independent affiliate resTORbio.
3 Number represents figure for the relevant fiscal year only and is not cumulative.
4 This number includes the issuance of $22 million in shares upon conversion of debt into equity as part of Karuna's Series A financing round. Of the $22 million converted into equity, $2 million came from the $8 million Wellcome Trust award. Excluded from the amount of funding secured for affiliates is $12 million in milestone payments made to Vedanta Biosciences from Janssen Biotech, Inc. as part of an ongoing collaboration.

Financial Review

During 2018, PureTech Health continued to prudently deploy its cash reserves to advance both its affiliate and internal pipeline. The Company has progressed research and clinical activities across the pipeline in line with its forecasted expectations and continues to invest in infrastructure to support the potential launches (pending regulatory approval) of both Gelesis100 for the treatment of obesity and AKL-T01 for the treatment of paediatric ADHD.

Additionally, the Company continued to attract capital both at PureTech Health and the Affiliates division. $97.5 million (net) proceeds were raised at the PureTech Health level as part of the Company's offering in April 2018 which will be used to advance both the Affiliates and Internal divisions. In addition to the PureTech raise, $242.4 million was attracted from third-party, validating, financial and strategic investors across the Group in 2018, resulting in total attracted capital for the Group of $274.0 million. This included resTORbio's initial public offering (IPO), which generated $97.8 million of gross proceeds (including PureTech's $3.5 million investment).

Additionally, PureTech Health has continued to develop its Internal division focusing on the Brain-Immune-Gut (BIG) Axis. As a result, the Company entered into a multiyear collaboration agreement with Roche to advance PureTech's milk-derived exosome platform technology. Under the terms of the agreement, PureTech Health will receive up to $36.0 million, including upfront payments, research support, and early preclinical milestones. PureTech Health will be eligible to potentially receive development milestone payments of over $1.0 billion and additional sales milestones and royalties for an undisclosed number of products.

The Affiliates division also had key events in 2018. Akili and Gelesis filed applications with the FDA for review of their lead product candidates and Gelesis received FDA clearance for PLENITY as an aid for weight management in April 2019. resTORbio completed its IPO on NASDAQ and Gelesis, Vedanta, Akili and Karuna each completed major equity financings in 2018.

The Group continues to source and develop new ideas as well as execute on pipeline opportunities. In addition, PureTech Health continues to evolve shared functions to support the increased level of activities of its Internal division and Affiliates division.

Financial Highlights

	2018 $ millions	2017 $ millions
Cash Reserves		
Group Cash Reserves – Alternative Performance Measure (APM)[1,2]	**425.0**	242.1
Consolidated Cash Reserves[2]	**250.9**	188.7
PureTech Health Level Cash Reserves[2]	**177.7**	126.7
Results of Operations		
Revenue	**20.7**	2.5
Operating Loss	**(104.0)**	(115.4)
Adjusted Operating Loss[3]	**(88.6)**	(100.8)
Loss for the Period	**(70.7)**	(75.1)
Adjusted Loss for the Period (APM)[4]	**(85.4)**	(99.6)

1 Group Cash Reserves is an alternative performance measure (APM) which includes cash reserves held at deconsolidated affiliates of $174.0 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 the full breadth of its operations, as the cash held at deconsolidated affiliates not included in Consolidated Cash Reserves 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 and long-term investments, but does not include future committed tranches of previously closed financings which will be received in future periods. 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 $12.6 million (2017 – $11.8 million), depreciation of $2.5 million (2017 – $1.6 million), amortisation of $0.3 million (2017 – $0.5 million) and impairment of tangible assets of nil (2017 – $0.6 million). 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 fair value accounting income of $22.6 million (2017 – charge of $71.7 million) and finance cost – subsidiary preferred shares of $0.1 million (2017 – $9.5 million) and share of net loss of associates accounted for using the equity method of $11.5 million (2017 – $17.6 million). Adjusted Loss for the Period is also adjusted for the non-cash gain from the deconsolidation of subsidiary of $41.7 million (2017 – $85.0 million) and a Loss on investments held at fair value of $20.3 million for the year ended 31 December 2018, compared to a Gain on available for sale investments of $57.3 million for the year ended 31 December 2017. 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.

Revenue

Revenue for 2018 relates primarily to Vedanta's collaboration agreement and grant awards, the Internal division's Roche agreement and Entrega's research agreement. Future revenues may be earned under existing and license and collaboration agreements, including pursuant to the Roche agreement. Management evaluates opportunities to enter new license and collaboration agreements with the aim of balancing the value of these partnerships and retaining ownership in our programmes to achieve meaningful milestones. Revenue from license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event-driven. Furthermore, grant revenues are typically associated with specific deliverables that have finite timelines. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Consolidated Group's overall revenue trend.

Operating Expenses

Adjusted Operating Expenses (before the impact of the non-cash items noted in Footnote 3 of the Results of Operations Schedule above) increased by 5.7 per cent on a year-over-year basis. The largest driver of the increase was related to an increase in General and Administrative Spending, which is a result of the pre-launch preparations for Akili and additional costs related to Vedanta Biosciences as well as PureTech Health, which grew in line with expectations. Adjusted Research & Development Expense (APM)[1] increased by 5.0 per cent on a year-over-year basis.

The Group carried out development activities to advance its Affiliates division and Internal division by initiating new clinical trials, expanding its current clinical studies and increasing headcount, which resulted in an increase of $5.7 million, or 8.0 per cent, in research and development expenses for the year ended 31 December 2018, compared to the year ended 31 December 2017.

General and administrative expenses increased by $1.1 million, or 2.3 per cent, for the year ended 31 December 2018, compared to the year ended 31 December 2017. The slight year-over-year increase in general and administrative expenses reflects the ability of the Group to leverage its existing infrastructure.

The 2017 Adjusted Operating Expenses included resTORbio, which was deconsolidated as of November 2017, and six months of expense for Akili, which was deconsolidated as of 8 May 2018. Excluding these two entities in both periods, Adjusted Operating Expenses increased by 37.2 per cent, which included a 44.0 per cent increase to research and development expenses and a 26.8 per cent increase to general and administration costs. Research and development expense growth excluding these two subsidiaries was mainly driven by Vedanta Biosciences, Karuna and the Internal division.

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

Net finance income/(cost)

The Consolidated Group's results of finance activities before consideration of the items noted in Footnote 4 in the Results of Operations Schedule above increased by $2.2 million to $3.4 million for the year ended 31 December 2018, compared to $1.2 million for the year ended 31 December 2017. The income in both periods is related to interest received on short-term investments held at PureTech Health and certain subsidiaries. The Consolidated Group, as described below, has adopted a conservative cash management policy and invested the significant cash reserves generated since the IPO in US Treasuries, which resulted in $3.4 million and $1.7 million of income from interest earned on these securities for the years ended 31 December 2018 and 2017, respectively.

On 1 January 2018 the Consolidated Group adopted IFRS 9. Under IFRS 9, the Consolidated Group reassessed certain financial instruments and whether it qualified for fair value accounting, and concluded that it did qualify. As a result of the adoption of IFRS 9, there was a cumulative effect adjustment to equity of $12.2 million. The net finance income in 2018 was mainly attributable to fair value adjustments associated with third-party financial instruments, including preferred stock, convertible notes, and warrants held at the subsidiary level. Consistent with IAS 39, when the Consolidated Group realises a change in the value of the subsidiaries that are consolidated for accounting purposes, income or expense will be recognised when there are external preferred shareholders. The Consolidated Group continues to hold certain financial instruments at amortised cost, resulting in modest costs categorised as Finance cost – subsidiary preferred shares. These costs are expected to be insignificant in future periods.

The income generated within Finance income/(costs) – fair value accounting during 2018 is a result of the reduction of the fair value liability, which is primarily attributable to a decrease in the third-party liability for Akili. The third-party liability attributable to the Akili shares decreased as a result of the proceeds from the Series C financing having first order liquidation preference, decreasing the fair value of the other outstanding preferred securities. Excluding Akili, the fair value of liabilities decreased by $7.8 million, attributable to the growth in the underlying value of the subsidiaries.

1 Adjusted Research & Development Expenses is an alternative performance measures (APM) which represents the Research & Development Expense stated before the effect of non-cash items, including a share-based payment of $7.3 million (31 December 2017: $4.2 million), depreciation of $1.4 million (31 December 2017: $1.5 million), and impairment of tangible assets of nil (31 December 2017: $0.6 million). Non-cash items are excluded due to the fact that the Group's businesses require the cash investment in order to operate and continue with their R&D activities. Adjusted Research & Development Expense is therefore considered to be an appropriate alternative performance measure, as it is more representative of the research spending of the Group.

The balance of subsidiary preferred stock held by external parties, and therefore the related balance of the aggregate liquidation preference, decreased during the first half of 2018 due to the deconsolidation of Akili and the asset sale of The Sync Project to Bose Corporation, which was partially offset by new issuances of Series 2 Growth Preferred Stock by Gelesis.

Refer to note 15 in the financial statements for more information.

During the year ended 31 December 2018, the Group realised a year-over-year increase of $94.3 million as it recognised finance income of $22.6 million, compared to a finance cost of $71.7 million for the year ended 31 December 2017. The increase resulted from the change in fair value of the Group's preferred shares and convertible note liabilities.

Deconsolidation of Akili Interactive Labs

In May 2018, Akili completed the first closing of its Series C Preferred Stock financing, which reduced PureTech's voting ownership percentage of Akili to 44.7 per cent (from 53.7 per cent), triggering deconsolidation. Although PureTech Health no longer controls Akili, PureTech Health maintains significant influence over the Company's strategy and the direction of the Company by virtue of its large, albeit non-majority, ownership stake and continued representation on Akili's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1, Series A-2, and Series B Preferred Stock (collectively the "Akili Preferred Stock") held in Akili, resulting in a gain of $41.7 million. The Akili Preferred Stock was classified as an Investment held at fair value upon deconsolidation. On 9 August 2018, Akili completed a second closing of its Series C Preferred Stock financing, which raised an additional $13.0 million. This resulted in PureTech's voting ownership decreasing to 41.9 per cent.

PureTech Health does not hold common stock in Akili and therefore is not subject to equity method accounting under IAS 28. PureTech Health will continue to account for the Akili Preferred Stock as an Investment held at fair value until such time that Akili Preferred Stock is converted to common stock.

Refer to note 5 in the financial statements for further information.

Financial Position

Cash and short-term investments make up a significant portion of the Consolidated Group's current assets of $259.8 million for the year ended 31 December 2018, compared to $198.1 million for the year ended 31 December 2017. Amounts that cannot be immediately deployed have been used to purchase US Treasuries with durations of less than two years. The consolidated cash reserves, consisting of cash, cash equivalents and US Treasuries, which are classified as both long and short term, were $250.9 million at 31 December 2018, compared to $188.7 million for the year ended 31 December 2017. Of this amount, $177.7 million (31 December 2017 – $126.7 million) of cash reserves is held at the PureTech Health level to fund activities of the Group, including supporting future activities, progressing affiliate programmes toward meaningful milestone events, funding the internal pipeline and maintaining an appropriate infrastructure.

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

- Investments held at fair value and Investments in associates increased by $38.4 million to $169.8 million, primarily driven by the deconsolidation of Akili but partially offset by the fair value decrease and equity method accounting of the Series A Preferred Stock in resTORbio, which was converted to common stock at the time of resTORbio's IPO. PureTech holds 9,800,396 shares of resTORbio's common stock, which is publicly traded on NASDAQ.
- Current Liabilities decreased by $8.1 million, or 3.0 per cent, to $265.8 million for the year ended 31 December 2018, compared to $273.9 million for the year ended 31 December 2017, which is primarily attributable to the change in fair value of the preferred shares and convertible notes held by subsidiaries, partially offset by additional issuances of these financial instruments during the year ended 31 December 2018.

Financial Position

	2018 $ millions	2017 $ millions
Non-current assets	**182.0**	141.7
Current assets	**259.8**	198.1
Total assets	**441.8**	339.8
Non-current liabilities	**9.0**	6.4
Total current liabilities	**265.8**	273.9
Total liabilities	**274.8**	280.3

As noted above, the Group increased spending as expected. The Directors anticipate that the Consolidated Group's funds are sufficient to continue to progress both the deconsolidated affiliates and Affiliates division programmes to meaningful milestone events, and to invest in the Internal division into the first quarter of 2022.

Cash Flows

The Group's net cash used in operating activities reflects the payment of operating expenses, which, with the exception of its non-cash charges highlighted in footnotes 3 and 4 of the Results of Operations Schedule above, are primarily cash based.

The net cash outflow from investing activities during 2018 relates to investments in US Treasuries with durations of less than two years as well as the deconsolidation of Akili's cash balance as of 8 May 2018 which totalled $13.4 million. In addition, PureTech Health invested $3.5 million in resTORbio's IPO and the Consolidated Group expended $2.0 million for property and equipment.

The net cash inflow from financing activities during 2018 primarily relates to the April 2018 offering completed by PureTech Health, where the Company issued 45,000,000 ordinary shares at 160 pence per share, which were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are trading on the Main Market for listed securities of the London Stock Exchange plc. The placing represented a discount of approximately 3.0 per cent to the closing price of the Company's ordinary shares on 12 March 2018. Existing shareholder Invesco Asset Management Limited participated in the offering, purchasing 14,365,000 ordinary shares at the placing price of 160 pence per share. Based on the exchange rates at the time of the completion of the transaction, the gross proceeds of £72 million translated into $101.2 million. There were approximately $3.7 million of transaction costs associated with the offering, resulting in net proceeds of $97.5 million. In addition to the PureTech Offering, Gelesis received $8.5 million as part of its Series 2 Growth Preferred financing.

Offsetting the two aforementioned cash inflows was an outflow of $1.1 million related to distribution to third-party Sync preferred shareholders as a result of the asset purchase by Bose Corporation.

The Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly-rated, short duration vehicles, primarily US Treasuries with maturities under 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 2018, the Group had $2.0 million of cash reserves held in Euros. These cash reserves are used to fund the operation of Gelesis' Italian manufacturing and research and development subsidiary. The Directors believe it is prudent to have these cash reserves denominated in Euro to fund operations.

Cash Flows

	2018 $ millions	2017 $ millions
Operating Cash Flows	**(72.8)**	(88.7)
Investing Cash Flows	**(39.6)**	83.7
Financing Cash Flows	**156.9**	14.7

Chairman's overview

"We believe that good corporate governance is essential for building a successful and sustainable business."

Dear Shareholder

I am pleased to introduce our Corporate Governance Report. This section sets out our governance framework and the work of the Board and its committees.

As a Board we are responsible for ensuring there is an effective governance framework in place. This includes setting the Company's strategic objectives, ensuring the right leadership and resources are in place to achieve these objectives, monitoring performance, ensuring that sufficient internal controls and protections are in place and reporting to shareholders. An effective governance framework is also designed to ensure accountability, fairness and transparency in the Company's relationships with all of its stakeholders, whether shareholders, employees, partners, the government or the wider patient community. We believe that good corporate governance is essential for building a successful and sustainable business.

The Board is committed to the highest standards of corporate governance and undertakes to maintain a sound framework for the control and management of the Group. In this report we provide details of that framework. The key constituents necessary to deliver a robust structure are in place and, accordingly, this report includes a description of how the Company has applied the principles and provisions of the Governance Code and how it intends to apply those principles in the future.

The Board looks forward to being able to discuss these matters with our shareholders at the Group's AGM or indeed at any other time during the year.

Joichi Ito
Chairman

16 April 2019

Board of Directors

(alphabetically)

PureTech Health is led by a seasoned and accomplished Board of Directors and management team with extensive experience in maximising shareholder value, discovering scientific breakthroughs, and delivering products to market.

Joichi Ito
Chairman of the Board of Directors

Joichi "Joi" Ito, PhD, is the director of the MIT Media Lab and the chairman of PureTech Health's Board of Directors. He is an activist, entrepreneur, venture capitalist and scholar focusing on the ethics and governance of technology, tackling complex problems such as climate change and redesigning the systems that support scholarship and science. As director of the MIT Media Lab and a professor of the practice in media arts and sciences, he supports researchers at the MIT Media Lab to deploy design, science and technology such AI, blockchain and synthetic biology to transform society in substantial and positive ways.

Together with The Venerable Tenzin Priyadarshi, Dr Ito teaches Principles of Awareness, a class devoted to explaining the contribution that awareness and focus can bring to the creativity process. Dr Ito is a member of the 2017 class of the American Academy of Arts and Sciences and a Visiting Professor of Law from Practice at the Harvard Law School, where he and professor Jonathan Zittrain teach The Ethics and Governance of Artificial Intelligence. Dr Ito previously served as board chair and chief executive of Creative Commons. He serves on the boards of the John S. and James L. Knight Foundation, the John D. and Catherine T. MacArthur Foundation and The New York Times Company. In Japan, he was a founder of Digital Garage and helped establish and later became CEO of the country's first commercial Internet service provider. Dr Ito also was an early investor in numerous companies, including Flickr, Last fm, littleBits, Optimus Ride, FormLabs, Kickstarter and Twitter.

In 2011, he received a Lifetime Achievement Award from the Oxford Internet Institute. He received an honorary Doctor of Letters degrees from The New School in New York City in 2013 and two years later, an honorary Doctor of Humane Letters degree from Tufts University. In 2017, he received the IRI Medal. He earned a PhD from Keio University Graduate School of Media and Governance in 2018 for his thesis, "The Practice of Change," which is being edited into a book to be published by MIT Press. He serves as a distinguished researcher at the Keio Research Institute at SFC's Internet and Society Laboratory. Dr Ito is co-author with Jeff Howe of Whiplash: How to Survive Our Faster Future (Grand Central Publishing, December 2016), and he writes a monthly column for *WIRED* magazine.

Raju Kucherlapati, PhD
Independent Non-Executive Director, Scientific Advisory Board Member

Raju Kucherlapati, PhD, is the Paul C. Cabot Professor of Genetics and Professor of Medicine at Harvard Medical School and is an independent non-executive director at PureTech Health and sits on PureTech's Scientific Advisory Board. He was a founder and formerly a board member of Abgenix (acquired by Amgen for $2.2 billion) and Millennium Pharmaceuticals (acquired by Takeda for $8.8 billion). He was the first scientific director of the Harvard-Partners Center for Genetics and Genomics. He is a fellow of the American Association for the Advancement of Science and a member of the National Academy of Medicine. He was a member of the presidential commission for the study of bioethical issues during the Obama administration.

Dr Kucherlapati's laboratory was a part of the Human Genome Programme that was responsible for mapping and sequencing the human genome. He developed methods for modifying mammalian genes that lead to gene targeting in mice. He has developed many mouse models for human disease, including a large set of models for human colorectal cancer. He was involved in successfully cloning many human disease genes with a focus on human syndromes with significant cardiovascular involvement. His laboratory was a part of the Cancer Genome Atlas (TCGA) programme that uses genetic/genomic approaches to understand the biology of cancer. He is a promoter of personalised/precision medicine. Dr Kucherlapati served on the editorial board of the *New England Journal of Medicine* and was editor-in-chief of the journal *Genomics*.

John LaMattina, PhD
Independent Non-Executive Director

John LaMattina, PhD, is an independent non-executive director at PureTech Health and was previously president of Pfizer Global Research and Development and senior vice president of Pfizer. During his 30-year career at Pfizer, Dr LaMattina held positions of increasing responsibility for Pfizer Central Research, including vice president of US Discovery Operations in 1993, senior vice president of Worldwide Discovery Operations in 1998, and senior vice president of Worldwide Development in 1999.

During Dr LaMattina's leadership tenure, Pfizer discovered and/or developed a number of new medicines to treat cancer, AIDS, pain, smoking addiction, rheumatoid arthritis and neurological disorders. He is the author of numerous scientific publications and US patents. In addition, Dr LaMattina is the author of "*Drug Truths: Dispelling the Myths About Pharma R&D*" and "*Devalued and Distrusted: Can the Pharmaceutical Industry Restore Its Broken Image.*" Dr LaMattina was awarded an Honorary Doctor of Science degree from the University of New Hampshire in 2007 and in 2010 was the recipient of the American Chemical Society's Earle B. Barnes Award for leadership in chemical research management.

Dr LaMattina received a BS in chemistry from Boston College in 1971 and received a PhD in organic chemistry from the University of New Hampshire in 1975. He then moved on to Princeton University as a National Institutes of Health Postdoctoral fellow in the laboratory of Professor E. C. Taylor. Dr LaMattina also serves on the Board of Directors of Ligand Pharmaceuticals, Zafgen, Immunome, Vedanta Biosciences and Gelesis (chairman). He is the author of the Drug Truths blog at Forbes.com.

Robert Langer, ScD
Co-Founder & Non-Executive Director, Scientific Advisory Board Member

Robert S. Langer, ScD, is a co-founder and non-executive director at PureTech Health and sits on PureTech's Scientific Advisory Board and the Boards of Alivio and Entrega. He is one of 10 Institute Professors at MIT; being an institute professor is the highest honour that can be awarded to a faculty member at MIT. Dr Langer has written more than 1,400 articles. He also has over 1,300 issued and pending patents worldwide. Dr Langer's patents have been licensed or sublicensed to over 350 pharmaceutical, chemical, biotechnology and medical device companies. He is the most cited engineer in history (h-index 263 with over 278,000 citations according to Google Scholar). He served as a member of the US Food and Drug Administration's SCIENCE Board, the FDA's highest advisory board, from 1995-2002 and as its chairman from 1999-2002.

Dr Langer has received over 220 major awards. He is one of four living individuals to have received both the United States National Medal of Science (2006) and the United States National Medal of Technology and Innovation (2011). He also received the 1996 Gairdner Foundation International Award, the 2002 Charles Stark Draper Prize, considered the equivalent of the Nobel Prize for engineers, the 2008 Millennium Prize, the world's largest technology prize, the 2012 Priestley Medal, the highest award of the American Chemical Society, the 2013 Wolf Prize in Chemistry, the 2014 Breakthrough Prize in Life Sciences, and the 2014 Kyoto Prize. In 2015, Dr Langer received the Queen Elizabeth Prize for Engineering. Among numerous other awards he has received are the Dickson Prize for Science (2002), the Heinz Award for Technology, Economy and Employment (2003), the Harvey Prize (2003), the John Fritz Award (2003) (given previously to inventors such as Thomas Edison and Orville Wright), the General Motors Kettering Prize for Cancer Research (2004), the Dan David Prize in Materials Science (2005), the Albany Medical Center Prize in Medicine and Biomedical Research (2005), the largest prize in the US for medical research, induction into the National Inventors Hall of Fame (2006), the Max Planck Research Award (2008), the Prince of Asturias Award for Technical and Scientific Research (2008), the Warren Alpert Foundation Prize (2011), the Terumo International Prize (2012), the Benjamin Franklin Medal in Life Science (2016), and the Kabiller Prize in Nanoscience and Nanomedicine (2017). In 1998, he received the Lemelson-MIT prize, the world's largest prize for invention for being "one of history's most prolific inventors in medicine." In 1989, Dr Langer was elected to the National Academy of Medicine, in 1992 he was elected to both the National Academy of Engineering and to the National Academy of Sciences, and in 2012 he was elected to the National Academy of Inventors.

Forbes Magazine (1999) and *BioWorld* (1990) have named Dr Langer as one of the 25 most important individuals in biotechnology in the world. *Discover Magazine* (2002) named him as one of the 20 most important people in this area. *Forbes Magazine* (2002) selected Dr Langer as one of the 15 innovators worldwide who will reinvent our future. *Time Magazine* and *CNN* (2001) named Dr Langer as one of the 100 most important people in America and one of the 18 top people in science or medicine in America (America's Best). *Parade Magazine* (2004) selected Dr Langer as one of six "Heroes whose research may save your life." Dr Langer has received 34 honorary doctorates. He received his bachelor's degree from Cornell University in 1970 and his ScD from the Massachusetts Institute of Technology in 1974, both in chemical engineering.

Dame Marjorie Scardino
Senior Independent Director

Dame Marjorie Scardino is the senior independent director of PureTech's Board of Directors. She served as chief executive of *The Economist* for 12 years and then from 1997 through 2012 was the chief executive of Pearson plc, the world's leading education company and the owner of Penguin Books and The Financial Times Group. Prior to that, she was a lawyer and she and her husband founded a weekly newspaper in Georgia which won a Pulitzer Prize. At the end of 2017, she stepped down from serving and chairing The MacArthur Foundation for 12 years and became the Chairman of the London School of Hygiene and Tropical Medicine.

Until the end of 2018, she was on the board of Twitter, where she was the senior independent director and was a member of the board of IAG (the holding company of British Airways, Iberia and other airlines). Non-profit boards she sits on are The Carter Center and The Royal College of Arts. Dame Marjorie has received a number of honorary degrees, and in 2003 was dubbed a Dame of the British Empire. She is also a member of the Royal Society of the Arts in the UK and the American Association of Arts and Sciences.

Dr Bennett Shapiro
Non-Executive Director

Ben Shapiro, MD, is a co-founder and non-executive director at PureTech Health. He was previously executive vice president of worldwide research at Merck, where he was responsible for all basic and preclinical research and licensing activities worldwide, a programme that resulted in FDA registration of some 25 drugs and vaccines. Previously, he was professor and chairman of the Department of Biochemistry at the University of Washington and is the author of over 120 papers on the molecular regulation of cellular behaviour. He has been a Guggenheim Fellow, a fellow of the Japan Society for the Promotion of Science, a visiting professor at the University of Nice, France and has served on many institutional advisory boards and scientific review panels, as well as on the board of various life science companies including Momenta, Celera and Ikaria. He currently is a board director of VBL Therapeutics and the Drugs for Neglected Disease Initiative.

* Biographies for our Executive Directors, Daphne Zohar and Stephen Muniz, can be found on page 50.

Christopher Viehbacher
Independent Non-Executive Director

Chris Viehbacher is the Managing Partner of Gurnet Point Capital, a Boston based investment fund associated with the Bertarelli family and has a $2 billion capital allocation. He is the former CEO and member of the Board of Directors of Sanofi and was also the Chairman of the Board of Genzyme in Boston. Prior to joining Sanofi, Mr Viehbacher spent 20 years with GlaxoSmithKline in Germany, Canada, France and, latterly, the US as President of GSK North America. Mr Viehbacher currently serves on the Boards of Axcella, BeforeBrands Boston Pharmaceuticals Crossover, Innocoll, Macrolide, Nuvelution, and Vedanta Biosciences. He is also a Trustee of Northeastern University and a member of The Board of Fellows at Stanford Medicine.

Mr Viehbacher has been a strong advocate for the healthcare industry. Current and past advocacy roles include: former co-chair with Bill Gates of the CEO Roundtable on Neglected Diseases; past-chairman of the CEO Roundtable on Cancer; chairman of the Board of the Pharmaceutical Research and Manufacturers of America in Washington; and President of the European Federation of Pharmaceutical Industries and Associations in Brussels.

In the past, Mr Viehbacher has served on various advisory groups at MIT, Duke University and Queen's University at Kingston, Ontario. He has received the Pasteur Foundation Award for outstanding commitment to safeguarding and improving health worldwide and received France's highest civilian honour, the Legion d'Honneur.

Robert Horvitz, PhD**
Board Advisor & Scientific Advisory Board Chair

H Robert Horvitz, PhD, is a board advisor and Scientific Advisory Board chair of PureTech Health. He received the Nobel Prize in Physiology or Medicine and is the David H. Koch Professor of Biology at Massachusetts Institute of Technology, an investigator of the Howard Hughes Medical Institute, neurobiologist (Neurology) at Massachusetts General Hospital, a member of the MIT McGovern Institute for Brain Research and the MIT Koch Institute for Integrative Cancer Research. He is cofounder of multiple life science companies, including Epizyme (EPZM), Mitobridge (acquired by Astellas) and Idun Pharmaceuticals (acquired by Pfizer), and was a member of the Board of Scientific Advisors of the Novartis Institute for Biomedical Research.

Dr Horvitz is a member of the Board of Trustees of the Massachusetts General Hospital and is chairman of the Board of Trustees of the Society for Science and the Public. He previously served as president of the Genetics Society of America. Dr Horvitz is a member of the US National Academy of Sciences, the US National Academy of Medicine and the American Philosophical Society, and is a foreign member of the Royal Society of London. He is a fellow of the American Academy of Arts and Sciences and of the American Academy of Microbiology.

Dr Horvitz received the US National Academies of Science Award in Molecular Biology, the Charles A. Dana Award for Pioneering Achievements in Health; the Ciba-Drew Award for Biomedical Science; the General Motors Cancer Research Foundation Alfred P. Sloan, Jr. Prize; the Gairdner Foundation International Award; the March of Dimes Prize in Developmental Biology; the Genetics Society of America Medal; the Bristol-Myers Squibb Award for Distinguished Achievement in Neuroscience; the Wiley Prize in the Biomedical Sciences; the Peter Gruber Foundation Genetics Prize; the American Cancer Society Medal of Honour; the Alfred G. Knudson Award of the National Cancer Institute; and the UK Genetics Society Mendel Medal. He has received honorary doctoral degrees from the University of Rome, Cambridge University, Pennsylvania State University and the University of Miami.

** Dr Horvitz is not a member of the PureTech Health Board of Directors but is rather an advisor to the Board and the Chairman of the Scientific Advisory Board. He attends all Board of Directors meetings as an observer.

Management team

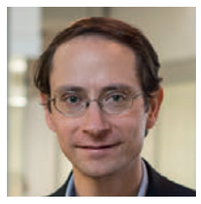
(alphabetically)

Joseph Bolen, PhD
Chief Scientific Officer

Joseph Bolen, PhD, is chief scientific officer at PureTech Health where he works with the Company's discovery and preclinical team to identify and pursue promising new technologies. Dr Bolen has more than 30 years of industry and research experience and has been at the forefront of cancer and immunology research. He began his career at the NIH, where he contributed to the discovery of a class of proteins known as tyrosine kinase oncogenes as key regulators of the immune system. Dr Bolen most recently oversaw all aspects of research and development for Moderna Therapeutics as president and chief scientific officer. Previously, he was chief scientific officer and global head of oncology research at Millennium: The Takeda Oncology Company. Prior to joining Millennium in 1999, Dr Bolen held senior R&D positions at Hoechst Marion Roussel, Schering-Plough, and Bristol-Myers Squibb. Dr Bolen graduated from the University of Nebraska with a BS degree in Microbiology & Chemistry and a PhD in Immunology and conducted his postdoctoral training in Molecular Virology at the Kansas State University Cancer Center.

Bharatt Chowrira, PhD, JD
President and Chief of Business and Strategy

Bharatt Chowrira, JD, PhD, has been the president and chief of business and strategy at PureTech Health since March 2017. Prior to joining PureTech Health, Dr Chowrira was the president of Synlogic, a biopharmaceutical company focused on developing synthetic microbiome-based therapeutics, from September 2015 to February 2017, where he oversaw and managed corporate and business development, alliance management, financial, human resources, intellectual property and legal operations. Prior to joining Synlogic, Dr Chowrira was the chief operating officer of Auspex Pharmaceuticals from 2013 to 2015, which was acquired by Teva Pharmaceuticals in the Spring of 2015. Previously, he was president and chief executive officer of Addex Therapeutics from 2011 to 2013, a biotechnology company publicly-traded on the SIX Swiss Exchange. Prior to that Dr Chowrira held various leadership and management positions at Nektar Therapeutics (COO), Merck & Co (VP), Sirna Therapeutics (GC; acquired by Merck &Co) and Ribozyme Pharmaceuticals (chief patent counsel). Dr Chowrira is currently a member of the board of directors of Akili Interactive, Karuna Therapeutics, Vedanta Biosciences, and Vor Biopharma. Dr Chowrira received a JD from the University of Denver's Sturm College of Law, a PhD in Molecular Biology from the University of Vermont College of Medicine, an MS in Molecular Biology from Illinois State University and a BS in Microbiology from the UAS, Bangalore, India.



Eric Elenko, PhD
Chief Innovation Officer

Eric Elenko, PhD, is the chief innovation officer at PureTech Health where he has led the development of a number of affiliates, including Akili Interactive, Gelesis, Karuna Therapeutics, and Sonde Health. Prior to joining PureTech Health, Dr Elenko was a consultant with McKinsey and Company where he advised senior executives of both Fortune 500 and specialty pharmaceutical companies on a range of issues such as product licensing, mergers and acquisitions, research and development strategy and marketing. Dr Elenko received his BA in Biology from Swarthmore College and his PhD in Biomedical Sciences from University of California, San Diego.

Joep Muijrers, PhD
Chief Financial Officer

Joep Muijrers, PhD, is the chief financial officer at PureTech Health. Dr Muijrers has two decades of experience in corporate and capital finance, specifically focused on public market investment, M&A, portfolio management, strategic asset allocation, financial and regulatory reporting, and fundraising. Prior to joining PureTech Health, he was a portfolio manager and partner at LSP (Life Sciences Partners), a trans-Atlantic investor group with exclusive focus on life sciences. At LSP, Dr Muijrers was responsible for investing in publicly-traded companies, a strategy that generated a total return in excess of 900 per cent, more than twice the return of the Nasdaq Biotechnology Index during the same period (Q2 2008 – Q1 2018). Notable investments included companies that were acquired by large pharma (Ablynx, Colucid, InterMune, Kite Pharma, NeuroDerm) and/or became leaders in their respective areas of activity (Evotec, Genmab, GW Pharmaceuticals, MorphoSys, Neurocrine). Prior to joining LSP, he held the position of director corporate finance and capital markets at Fortis Bank, currently part of ABN AMRO. Dr Muijrers holds a PhD degree in Molecular Biology from the European Molecular Biology Laboratory (EMBL) in Heidelberg, Germany and a Master's degree in Biochemistry from the University of Nijmegen, The Netherlands.

Stephen Muniz, JD
Chief Operating Officer and a Member of the Board of Directors

Stephen Muniz, JD, is the chief operating officer and a member of PureTech Health's Board of Directors. Prior to joining PureTech Health, Mr Muniz was a partner in the corporate department of Locke Lord LLP, where he practiced law for 10 years. Mr Muniz's practice at Locke Lord LLP focused on the representation of life science venture funds as well as their portfolio companies in general corporate matters and in investment and liquidity transactions.

Prior to joining Locke Lord LLP, Mr Muniz was a law clerk to Hon. Raya Dreben at the Massachusetts Appeals Court. He was also a Kauffman Entrepreneur Fellow, a programme sponsored by the Kauffman Foundation. Mr Muniz also sits on the board of directors of Entrega, Follica, and Gelesis. Mr Muniz has a BA in Economics and Accounting from The College of the Holy Cross and a JD from the New England School of Law where he graduated summa cum laude. Mr Muniz was Valedictorian of the 1997 New England School of Law Commencement and has been awarded the Amos L. Taylor Award for Excellence in Scholarship, the New England Scholar Award and the NESL Trustee Scholar Award.

Ms Daphne Zohar
Founder and Chief Executive Officer

Daphne Zohar is the founder and chief executive officer of PureTech Health and a member of the Board of Directors. PureTech Health is an advanced biopharmaceutical company developing novel medicines for dysfunctions of the brain-immune-gut (BIG) axis. The Company has developed deep insights into the connection between these systems and the resulting role in diseases that have proven resistant to established therapeutic approaches. By harnessing this emerging field of human biology, PureTech Health is developing new categories of medicines with the potential to have great impact on people with serious diseases.

PureTech Health is advancing a rich pipeline of innovative therapies with an unbiased, non-binary, and capital efficient R&D model across its affiliates and its internal labs. PureTech's affiliates include seven clinical-stage platforms with two product candidates that have been filed with the US Food and Drug Administration (FDA) for review and other novel preclinical programmes. The PureTech Health pipeline includes ground-breaking platforms and therapeutic candidates that were developed in collaboration with some of the world's leading experts. PureTech's internal research and development is centred on tissue-selective immunomodulation for the treatment of oncology, autoimmune, and CNS-related disorders, with a near-term focus on targeting newly-discovered, foundational immunosuppressive mechanisms in oncology and novel approaches that harness the lymphatic infrastructure.

Ms Zohar created PureTech Health, assembling a leading team to help implement her vision for the Company. Ms Zohar has been recognised as a top leader and innovator in biotechnology by a number of sources, including *EY*, *BioWorld*, *MIT's Technology Review*, *The Boston Globe*, and *Scientific American*. She is an Editorial Advisor to *Xconomy*.

The Board

Roles and responsibilities of the Board

The Board is responsible to shareholders for the overall management of the Group as a whole. The main roles of the Board are:

- creating value for shareholders;
- providing business and scientific leadership to the Group;
- approving the Group's strategic objectives;
- ensuring that the necessary financial and human resources are in place to meet strategic objectives;
- overseeing the Group's system of risk management; and
- setting the values and standards for both the Group's business conduct and governance matters.

The Directors are also responsible for ensuring that obligations to shareholders and other stakeholders are understood and met and that communication with shareholders is maintained. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. All Directors are equally accountable to the Company's shareholders for the proper stewardship of its affairs and the long-term success of the Group.

The Board reviews strategic issues on a regular basis and exercises control over the performance of the Group by agreeing on budgetary and operational targets and monitoring performance against those targets. The Board has overall responsibility for the Group's system of internal controls and risk management. Any decisions made by the Board on policies and strategy to be adopted by the Group or changes to current policies and strategy are made following presentations by the Executive Directors and other members of management, and only after a detailed process of review and challenge by the Board. Once made, the Executive Directors and other members of management are fully empowered to implement those decisions.

Except for a formal schedule of matters which are reserved for decision and approval by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive Officer who is supported by other members of the senior management team. The schedule of matters reserved for Board decision and approval are those significant to the Group as a whole due to their strategic, financial or reputational implications.

The Company's schedule of matters reserved for the Board includes the following matters:

- approval and monitoring of the Group's strategic aims and objectives;
- approval of the annual operating and capital expenditure budget;
- changes to the Group's capital structure, the issue of any securities and material borrowing of the Group;
- approval of the annual report and half-year results statement, accounting policies and practices or any matter having a material impact on future financial performance of the Group;
- ensuring a sound system of internal control and risk management;
- approving Board appointments and removals, and approving policies relating to directors' remuneration;
- strategic acquisitions by the Group;
- major disposals of the Group's assets or subsidiaries;
- approval of all circulars, prospectuses and other documents issued to shareholders governed by the Financial Conduct Authority's (FCA) Listing Rules, Disclosure Guidance and Transparency Rules or the City Code on Takeovers and Mergers;
- approval of terms of reference and membership of Board committees;
- considering and, where appropriate, approving directors' conflicts of interest; and
- approval, subject to shareholder approval, of the appointment and remuneration of the auditors.

The schedule of matters reserved to the Board is available on request from the Company Secretary or within the Investors section of the Group's website at www.puretechhealth.com.

The Board delegates specific responsibilities to certain committees that assist the Board in carrying out its functions and ensure independent oversight of internal control and risk management. The three principal Board committees (Audit, Remuneration and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group. Each committee has its own terms of reference which set out the specific matters for which delegated authority has been given by the Board.

The terms of reference for each of the committees are fully compliant with the provisions of the Governance Code. All of these are available on request from the Company Secretary or within the Investors section of the Group's website at www.puretechhealth.com.

Board size and composition

As at 31 December 2018 and up to the date of approval of this Annual Report, there were nine Directors on the Board: the Non-Executive Chairman, two Executive Directors and six Non-Executive Directors. The biographies of these Directors are provided on pages 46 to 50. There were no changes to the composition of the Board during 2018.

The Company's policy relating to the terms of appointment and the remuneration of both Executive and Non-Executive Directors is detailed in the Directors' Remuneration Report on pages 72 to 78.

The size and composition of the Board is regularly reviewed by the Nomination Committee to ensure there is an appropriate and diverse mix of skills and experience on the Board.

The Board may appoint any person to serve as a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the following AGM and then shall be eligible for election by the shareholders. In accordance with the Governance Code, all of the Directors will be offering themselves for election at the AGM to be held on 29 May 2019, full details of which are set out in the notice of meeting accompanying this Annual Report.

Non-Executive Directors

The Company's Non-Executive Directors are Mr Joichi Ito (Chairman), Dr Raju Kucherlapati, Dr John LaMattina, Dr Robert Langer, Dame Marjorie Scardino, Dr Bennett Shapiro, and Mr Christopher Viehbacher. The Non-Executive Directors provide a wide range of skills and experience to the Group. Each Non-Executive Director has significant senior level experience as well as an extensive network in each of their own fields, an innovative mindset and

independent judgement on issues of strategy, performance and risk, and is well placed to constructively challenge and scrutinise the performance of management. In addition, most of our Non-Executive Directors also serve as members of one or more boards of directors of the Group's affiliate companies and are key drivers for the Group's Internal division.

Senior Independent Director

The Company's Senior Independent Director is Dame Marjorie Scardino. A key responsibility of the Senior Independent Director is to be available to shareholders in the event that they may feel it inappropriate to relay views through the Chairman or Chief Executive Officer. In addition, the Senior Independent Director serves as an intermediary between the rest of the Board and the Chairman where necessary. Further, the Senior Independent Director will lead the Board in its deliberations on any matters on which the Chairman is conflicted.

The roles of Chairman and Chief Executive Officer

The Company's Chairman is Mr Joichi Ito. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman is responsible for the leadership and conduct of the Board and for ensuring effective communication with shareholders.

The Chairman facilitates the full and effective contribution of Non-Executive Directors at Board and Committee meetings, ensures that they are kept well informed and ensures a constructive relationship between the Executive Directors and Non-Executive Directors. The Chairman also ensures that the Board committees carry out their duties, including reporting back to the Board either orally or in writing following their meetings at the next Board meeting.

The role of the Chief Executive Officer, Ms Daphne Zohar, is to lead the execution of the Company's strategy and the executive management of the Group. She is responsible, amongst other things, for the development and implementation of strategy and processes which enable the Group to meet the requirements of shareholders, for delivering the operating plans and budgets for the Group's businesses, for monitoring business performance against key performance indicators (KPIs) and reporting on these to the Board and for providing the appropriate environment to recruit, engage, retain and develop the high quality personnel needed to deliver the Group's strategy.

Independence

The UK Corporate Governance Code requires that at least 50 per cent of the Board of a UK premium listed company, excluding the Chairman, consists of Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. The Board regards Dr Kucherlapati, Dr LaMattina, Dame Marjorie Scardino and Mr Viehbacher as Independent Non-Executive Directors for the purposes of the UK. Corporate Governance Code. In reaching this determination, the Board duly considered (i) their directorships and links with other Directors through their involvement in other subsidiary companies; and (ii) their equity interests in PureTech and/or the affiliate companies.

The Board is satisfied that the judgement, experience and challenging approach adopted by each of these Directors should ensure that they each make a significant contribution to the work of the Board and its committees. Therefore, the Board has determined that Dr Kucherlapati, Dr LaMattina, Dame Marjorie Scardino and Mr Viehbacher are of independent character and judgement, notwithstanding the circumstances described at (i) and (ii) above. Accordingly, 50 per cent of the Company's Board, excluding the Chairman, consists of Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement.

The Governance Code also requires that, on appointment, the Chairman meets the independence criteria set out in the Governance Code. The Board considers Mr Ito to have been independent in character and judgement on his appointment as Chairman.

Board support, indemnity and insurance

The Company Secretary, Mr Stephen Muniz, is responsible to the Board for ensuring Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on governance and relevant regulatory matters. All Directors have access to the impartial advice and services of the Company Secretary.

There is also an agreed procedure for Directors to take independent professional advice at the Company's expense. In accordance with the Company's Articles of Association and a contractual Deed of Indemnity, the Directors have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred to third parties as a result of their office. The indemnity would not provide any coverage where a Director is proved to have acted fraudulently or with wilful misconduct. The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Board meetings and decisions

The Board meets regularly during the year, as well as on an ad hoc basis as required by business need. The Board meets regularly during the year, as well as on an ad hoc basis as required by business need. Ms Zohar chaired the meeting which Mr Ito did not attend. The Board had seven scheduled meetings in 2018, and details on attendance are set forth in the table below:

Director	Number of Board Meetings Attended
Daphne Zohar	7/7
Joichi Ito	6/7
Raju Kucherlapati	7/7
John LaMattina	7/7
Robert Langer	6/7
Marjorie Scardino	6/7
Bennett Shapiro	7/7
Christopher Viehbacher	7/7
Stephen Muniz	7/7

The Board also acted by unanimous written consent twice in 2018.

At each meeting of the Board, there was a closed session held in which only the Chairman and the Non-Executive Directors participated.

The schedule of Board and Committee meetings each year is, so far as is possible, determined before the commencement of that year and all Directors or, if applicable, all Committee members, are expected to attend each meeting.

Supplementary meetings of the Board and/or the Committees are held as and when necessary. Each member of the Board receives in advance of each scheduled meeting detailed Board packages, which include an agenda based upon matters to be addressed and appropriate presentation and background materials. If a Director is unable to attend a meeting due to exceptional circumstances, he or she will nonetheless receive the meeting materials and discuss the materials with the Chief Executive Officer.

The Chairman, Chief Executive Officer and senior management team work together to ensure that the Directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This information includes quarterly management accounts containing analysis of performance against budget as well as a summary of the operational performance of each of the Group's businesses against its goals. Additional information is provided as appropriate for the topics being addressed at the meeting. At each meeting, the Board receives presentations from the Chief Executive Officer and, by invitation, other members of senior management as required. This ensures that all Directors are in a position to monitor effectively the overall performance of the Group, and to contribute to the development and implementation of its strategy.

The majority of Board meetings are held at the Group's offices in Boston, Massachusetts, US, which gives members of the Company's senior management team, as well as the senior management of the affiliate companies, the opportunity to formally present to the Board on new technology development and business strategies.

Most Directors also serve on the boards of directors of the Group's affiliate companies. These affiliate company boards of directors meet regularly during the year, as well as on an ad hoc basis as required by business need. This service enables the Directors to have deep understanding of the businesses and contribute significantly to the strategy and oversight of these businesses.

Directors' conflicts of interest

Each Director has a statutory duty under the Companies Act 2006 (the CA 2006) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company. This duty is in addition to the continuing duty that a director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested. The Company's Articles of Association permit the Board to authorise conflicts or potential conflicts of interest. The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest. In deciding whether to authorise any conflict, the Directors must have regard to their general duties under the CA 2006 and their overriding obligation to act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the Directors are able to impose limits or conditions when giving authorisation to a conflict or potential conflict of interest if they think this is appropriate. The authorisation of any conflict matter, and the terms of any authorisation, may be reviewed by the Board at any time. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

Induction, awareness and development

In preparation for the IPO, all Directors received an induction briefing from the Company's legal advisors on their duties and responsibilities as Directors of a publicly quoted company. The Directors also received presentations from the Company's corporate brokers prior to the Company's initial public offering. In addition, in order to ensure that the Directors continue to further their understanding of the challenges facing the Group's affiliate companies and Internal division, the Board periodically receives the presentations and reports covering the business and operations of each of the Group's affiliate companies as well as its Internal division.

Board effectiveness and performance evaluation

The Board periodically reviews its effectiveness and performance. The Board seeks the assistance of an independent third party provider at least once every three years in its evaluation in compliance with the Governance Code, and will otherwise carry out an internally facilitated Board evaluation led by the Senior Independent Director, assisted by the Company Secretary, covering the effectiveness of the Board as a whole, its individual Directors and its Committees.

In January 2019, the Company engaged Dr Tracy Long, an independent third-party advisor, to conduct an evaluation of effectiveness of the Company's Board. The evaluation focused on the Board's strengths and challenges as identified by the Directors in questionnaires provided to Dr Long. Dr Long initially held a number of pre-briefings with the Directors. A workshop was thereafter led by Dr Long during which the Directors exchanged ideas on how the Board could optimise its contribution to the success of PureTech and prepare for the future. It was concluded that the Board is effectively carrying out its duties.

In consultation with Dr Long, the Directors also evaluated the following:

- shareholder and stakeholder relationships and communication channels;
- clarity of the role and objectives of the Board, and the quality of its debate and decision making;
- the leadership of the Chairman, and encouragement of individual and collective contribution;
- the roles and relationships between Executive and Non-Executive Directors;
- the Board's composition, its blend of voices, and succession planning;
- management's use of formal and informal Board time; and
- use and reporting of Committees and the governance framework.

The Board will continue to consult with Dr Long as it implements the concepts discussed in the workshop. A summary of the results of the review, together with Dr Long's observations and recommendations, will be prepared and shared with members of the Board.

In addition to the above, the Non-Executive Directors, led by the Senior Independent Director, will periodically appraise the Chairman's performance, following which the Senior Independent Director will provide feedback to the Chairman. The performance of each of the Directors on the Board will be reviewed by the Chairman as deemed necessary. The performance of Executive Directors will be reviewed by the Board on an ongoing basis, as deemed necessary, in the absence of the Executive Director under review.

Committees of the Board

The Board has three committees: the Nomination Committee, the Audit Committee and the Remuneration Committee. The composition of the three committees of the Board and the attendance of the members throughout the year is set out in the respective committee reports contained in this Annual Report. The terms of reference of each committee are available on request from the Company Secretary and within the Investors section of the Group's website at www.puretechhealth.com.

Internal Control

The Board fully recognises the importance of the guidance contained in the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Group's internal controls were in place during the whole of 2018, were reviewed by the Audit Committee of the Board of Directors and were considered to be effective throughout the year ended 31 December 2018.

The Board is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal control as critical to the success of the Group; however, it recognises that such systems are designed to manage rather than eliminate risk of failure and can provide only reasonable and not absolute assurance against material misstatement or loss. The key elements of the Group's internal control system, all of which have been in place during the financial year and up to the date these financial statements were approved, are as follows:

Control environment and procedures

The Group has a clear organisational structure with defined responsibilities and accountabilities. It adopts the highest values surrounding quality, integrity and ethics, and these values are communicated clearly throughout the whole organisation. Detailed written policies and procedures have been established covering key operating and compliance risk areas. These policies and procedures are reviewed and the effectiveness of the systems of internal control is assessed periodically by the Board.

Identification and evaluation of risks

The Board actively identifies and evaluates the risks inherent in the business, and ensures that appropriate controls and procedures are in place to manage these risks. The Board obtains an update regarding its Internal division and all affiliate companies on a regular basis, and reviews the performance of the Group and its Internal division and affiliate companies on a quarterly basis, although performance of business units may be reviewed more frequently if deemed appropriate.

The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 36 to 38.

Information and financial reporting systems

The Group evaluates and manages significant risks associated with the process for preparing consolidated accounts by having in place systems and controls that ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and regularly receives details of actual performance measured against the budget.

Principal risks and uncertainties

The operations of the Group and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. Risks are formally reviewed by the Board at least annually and appropriate procedures are put in place to monitor and, to the extent possible, mitigate these risks.

A summary of the key risks affecting the Group and the steps taken to manage these risks is set out on pages 36 to 38.

Relations with stakeholders

The Company is committed to a continuous dialogue with shareholders as it believes that this is essential to ensure a greater understanding of and confidence amongst its shareholders in the medium and longer term strategy of the Group and in the Board's ability to oversee its implementation. It is the responsibility of the Board as a whole to ensure that a satisfactory dialogue takes place.

The Board's primary shareholder contact is through the Chief Executive Officer. The Chairman, the Senior Independent Director and other Directors, as appropriate, make themselves available for contact with major shareholders and other stakeholders in order to understand their issues and concerns.

The Company plans to use the AGM as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held at 3.00 pm on 29 May 2019 at DLA Piper UK LLP, 160 Aldersgate Street, London EC1A 4HT, is enclosed with this report. Details of the resolutions and the explanatory notes thereto are included with the Notice. To ensure compliance with the Governance Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution. In addition, to encourage shareholders to participate in the AGM process, the Company proposes to offer electronic proxy voting through the Registrar's website and through the CREST service. The results of all proxy voting will be published on the Group's website after the AGM. Shareholders who attend the AGM will have the opportunity to ask questions.

The Group's website at www.puretechhealth.com is the primary source of information on the Group. The website includes an overview of the activities of the Group, details of its businesses, and details of all recent Group announcements.

Political expenditure

It is the Board's policy not to incur political expenditure or otherwise make cash contributions to political parties and it has no intention of changing that policy.

Corporate and Social Responsibility

Policy statement

PureTech Health aims to conduct its business in a socially responsible manner, to contribute to the communities in which it operates and to respect the needs of its employees and all of its stakeholders.

The Group is committed to growing the business while ensuring a safe environment for employees as well as minimising the overall impact on the environment.

PureTech endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships.

Our business ethics and social responsibility

PureTech seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. The Group is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates, and ensuring its Directors and staff have due regard to the interest of all of its stakeholders including its shareholders, its employees, its partners, the government and the wider patient community.

The Group takes a zero tolerance approach to bribery and corruption and implements and enforces effective systems to counter bribery. The Group is bound by the laws of the UK, including the Bribery Act 2010, and has implemented policies and procedures based on such laws.

The Group's management and employees are fundamental to its success, and as a result the Group is committed to encouraging their ongoing development with the aim of maximising the Group's overall performance. Emphasis is placed on staff development through work-based learning, with senior members of staff acting as coaches and mentors.

Greenhouse gas emissions

Given the overall size of the Group, we consider the direct environmental impact of the Group as relatively low. However, we firmly recognise our responsibility to ensure that our business operates in an environmentally responsible and sustainable manner.

The Group complies with all current regulations on emissions, including greenhouse gas (GHG) emissions, where such regulation exists in our markets.

Though the Group's day-to-day operational activities have a relatively limited impact on the environment, the Company does recognise that the more significant impact occurs indirectly through the nature and operations of its affiliate companies.

The Group therefore considers it important that its affiliate companies also comply with existing applicable environmental, ethical and social legislation. These affiliate companies should also demonstrate that an appropriate strategy is in place to meet future applicable legislative and regulatory requirements and that these affiliate companies can operate to specific industry standards, striving for best practice.

For the 2018 year, we have included our voluntary reporting of GHG emissions, as well as wider details on the Group's environmental impact. The reporting period is the same as the Group's financial year.

Organisation boundary and scope of emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within the Group's consolidated financial statement.

An operational control approach has been used in order to define our organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which the Group is responsible.

Methodology

For the Group's reporting, the Group has employed the services of a specialist adviser, Verco, to quantify and verify the GHG emissions associated with the Group's operations.

The following methodology was applied by Verco in the preparation and presentation of this data:

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI GHG Protocol);
- application of appropriate emission factors to the Group's activities to calculate GHG emissions;
- implementation of the new Scope 2 reporting methods – application of location-based and market-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents).

Absolute Emissions

The total Scope 1, 2 and 3 GHG emissions from the Group's operations in the year ending 31 December 2018 were:

- 1,378.7 tonnes of CO_2 equivalent (tCO_2e) using a 'location-based' emission factor methodology for Scope 2 emissions;
- 1,378.7 tonnes of CO_2 equivalent (tCO_2e) using a 'market-based' emission factor methodology for Scope 2 emissions.

This is the third year of reporting for the Group so we show a comparison between FY2018, FY2017 and FY2016. The Group's total employee number has increased considerably between years.

Overall, there has been an increase in total emissions. There have been increases across all three scopes. Scope 3 emissions have had the most significant increase which is due to there being more employees, more business travel (especially air travel), and more commuting. Scope 2 emissions have doubled due to an increase in consumption. Scope 1 has increased due to increased use of natural gas at the Company's office headquarters.

Intensity Ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes of CO_2 equivalent per employee and tonnes of CO_2 equivalent per square metre of the occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of the Group's offices and the day-to-day activities of the employees.

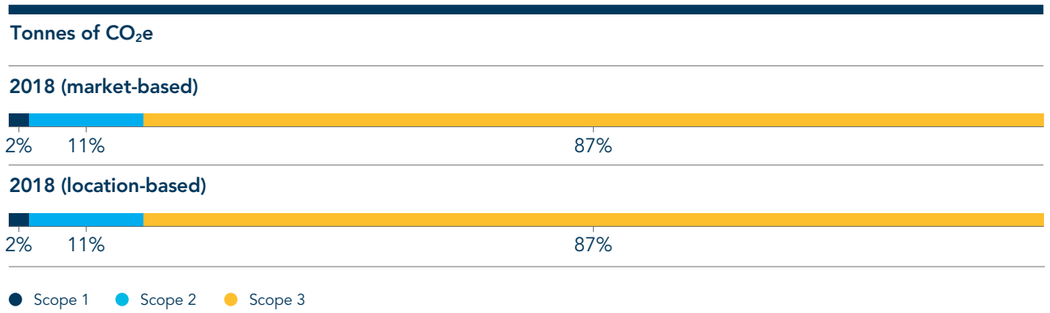
For 2018, the intensity metrics have increased from 0.07 tCO_2e per m^2 to 0.09 tCO_2e per m^2 for both the location-based method and the market-based method. The employee number metrics have decreased from 1.58 tCO_2e per FTE to 0.78 tCO_2e per FTE using the location-based method and the market-based method.

Target and Baselines

Given the comparatively low GHG impact of the Group's operations, the Group's objective is to maintain or reduce its GHG emissions per employee and per square meter of office space each year and will report each year whether it has been successful in this regard.

Key figures

Breakdown of emissions by scope



GHG emissions	2018			2017			2016		
	Tonnes CO_2e	**Tonnes CO_2e per m^2**	**Tonnes CO_2e per FTE**	Tonnes CO_2e	Tonnes CO_2e per m^2	Tonnes CO_2e per FTE	Tonnes CO_2e	Tonnes CO_2e per m^2	Tonnes CO_2e per FTE
Scope 1[1]	**33.3**	**0.02**	**0.15**	25.1	0.01	0.76	24.4	0.01	0.29
Scope 2[2]	**145.5**	**0.07**	**0.64**	120.1	0.06	0.82	75.8	0.04	0.90
Scope 2[3]	**145.6**	**0.07**	**0.64**	120.2	0.06	0.82	92.1	0.04	1.10
Subtotal (location-based)	**178.8**	**0.09**	**0.78**	145.2	0.07	1.58	100.2	0.05	1.19
Subtotal (market-based)	**178.8**	**0.09**	**0.78**	145.3	0.07	1.58	116.5	0.06	1.39
Scope 3[4]	**1,199.9**	**—**	**—**	791.9	—	—	505.7	—	—
Scope 3[5]	**1,199.9**	**—**	**—**	791.9	—	—	509.2	—	—
Total GHG emissions (Location-based Scope 2)	**1,378.7**	**—**	**—**	937.0	—	—	605.9	—	—
Total GHG emissions (Market-based Scope 2)	**1,378.7**	**—**	**—**	937.2	—	—	625.7	—	—

1 Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.
2 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.
3 Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.
4 Scope 3 being all indirect emissions (not in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (location-based)
5 Scope 3 being all indirect emissions (not in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (market-based)

Employee diversity, employment policies and human rights

The Group seeks to operate as a responsible employer and has adopted standards which promote corporate values designed to help and guide employees in their conduct and business relationships. The Group seeks to comply with all laws, regulations and rules applicable to its business and to conduct the business in line with applicable established best practice.

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise. The Group, including affiliate companies, has 225 full-time employees (as at 31 December 2018). A breakdown of staff by gender can be seen in the adjacent illustrations.

The Group supports the rights of all people as set out in the UN Universal Declaration of Human Rights and ensures that all transactions the Group enters into uphold these principles.

Breakdown of staff by gender

The following is a breakdown of the Company's staff by gender as of 31 December 2018.[1]

Director	Female	Male
Staff	8 (67%)	4 (33%)
Senior Management	5 (38%)	8 (62%)
Board of Directors	2 (22%)	7 (78%)

1 Does not include employees of affiliate companies. The Group, including affiliate companies, has 225 full-time employees (as at 31 December 2018).

Directors' Report for the year ended 31 December 2018

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2018.

Certain disclosure requirements for inclusion in this report have been incorporated by way of cross reference to the Strategy report and the Directors' Remuneration Report, which should be read in conjunction with this report.

The Company was incorporated on 8 May 2015 as a public company limited by shares in the UK with its registered office situated at 5th Floor, 6 St Andrew Street, London, EC4A 3AE, United Kingdom. The Company was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 24 June 2015.

Directors

The membership of the Board can be found below and biographical details of the directors can be found on pages 46 to 50 and are deemed to be incorporated into this report.

Descriptions of the terms of the service contracts of the directors is set forth on page 76 of this report.

All directors shall retire from office and will offer themselves for reappointment by the members at the Company's upcoming AGM.

Details of the interests of directors in the share capital of the Company as of 31 December 2018 are set out in the Directors' Remuneration Report on page 76 and note 24 to the financial statements, page 131. There have been no changes in such interests from 31 December 2018 to 16 April 2019.

Results and dividends

The Group generated a loss for the year ended 31 December 2018 of $70.7 million (2017 $75.1 million – as adjusted, see note 1 on page 102).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017 nil).

Share capital

As at 31 December 2018, the ordinary issued share capital of the Company stood at 282,493,867 shares of £0.01 each. Details on share capital are set out in note 14 to the financial statements, page 116.

The Company's issued ordinary share capital comprises a single class of ordinary shares. Details on movements in issued share capital can be found in note 14 to the financial statements, page 116.

Rights of ordinary shares

All of the Company's issued ordinary shares are fully paid up and rank pari passu in all respects and there are no special rights with regard to control of the Company. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, which are governed by the Articles of Association and relevant UK legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or in voting rights.

Substantial shareholders

As at 16 April 2019, the Company had been advised that the shareholders listed on page 59 hold interests of 3 per cent or more in its ordinary share capital (other than interests of the Directors which are detailed on page 76 of the Directors' Remuneration Report). Other than as shown, so far as the Company (and its Directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company.

Relationship Agreement

In accordance with Listing Rule 9.8.4(14) R, the Company has set out below a statement describing the relationship agreement entered into by the Company with its principal shareholder.

On 18 June 2015, the Company entered into a Relationship Agreement with Invesco Asset Management Limited (Invesco), which came into force at the Company's IPO. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Invesco.

If any person acquires control of the Company or the Company ceases to be admitted to the Official List, the Relationship Agreement may be terminated by Invesco. If Invesco (together with its associates) ceases to hold 30 per cent or more of the voting rights over the Company's shares, the Relationship Agreement shall terminate save for certain specified provisions.

The Relationship Agreement provides that Invesco undertakes to use all reasonable endeavours to procure that its associates and any person with whom it is acting in concert shall:

- conduct all agreements, arrangements, transactions and relationships with any member of the Group on an arm's length basis and on a normal commercial basis and in accordance with the related party transaction requirements of Chapter 11 of the Listing Rules;
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or precluding or inhibiting any member of the Group from carrying on its business independently of Invesco, its associates and any person with whom it is acting in concert;
- not propose or procure the proposal of a shareholder resolution which is intended to, or appears to be intended to, circumvent the proper application of the Listing Rules; and
- not exercise any of its voting rights attaching to the shares held by it to procure any amendment to the Articles of Association of the Company which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement.

The Directors believe that the terms of the Relationship Agreement enable the Company to carry on its business independently from Invesco and its affiliates, and ensure that all transactions and relationships between the Company and Invesco are, and will be, at arm's length and on a normal commercial basis.

The Company has and, in so far as it is aware, Invesco and its associates have, complied with the independence provisions set out in the Relationship Agreement from the date of the agreement, through the relevant period under review.

The ordinary shares owned by Invesco rank pari passu with the other ordinary shares in all respects.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board of Directors. Details of the matters reserved for the Board can be found in the Corporate Governance Report on page 51.

Articles of Association

The Articles of Association of the Company can only be amended by special resolution at a general meeting of the shareholders. No amendments are proposed at the 2019 AGM.

Directors' liabilities (Directors' indemnities)

As at the date of this report, the Company has granted qualifying third party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its affiliate companies have been and continue to be covered by directors' and officers' liability insurance.

See further description of indemnity and insurance on page 52.

Political donations

No political contributions/donations for political purposes were made by the Company or any affiliate company in the Group to any political party, politician, elected official or candidate for public office during the financial year ended 31 December 2018 (2017 nil).

Charitable Donations

No charitable contributions/donations for charitable purposes were made by the Company during the financial year ended 31 December 2018 (2017 nil).

Significant agreements

There are no agreements between the Company or any affiliate company in the Group and any of its employees or any Director which provide for compensation to be paid to an employee or a Director for loss of office as a consequence of a takeover of the Company.

Compliance with the UK Corporate Governance Code

The Directors are committed to a high standard of corporate governance and compliance with the best practice of the Governance Code published in April 2016. The UK Corporate Governance Code is available at the Financial Reporting Council website at www.frc.org.uk.

The Directors consider that the Company has, throughout the year ended 31 December 2018, applied the main principles and complied with the provisions set out in the UK Corporate Governance Code.

Further explanation as to how the provisions set out in the UK Corporate Governance Code have been applied by the Company is provided in this Report, the Nomination Committee Report and the Audit Committee Report.

Financial instruments

The financial risk management and internal control processes and policies, and exposure to the risks associated with financial instruments can be found in note 21 to the financial statements and the Corporate Governance section of the Annual Report on page 54.

Sustainable development and environmental matters

The Corporate and Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes.

The following have served as Directors of the Company during the 2018 financial year.

Mr Joichi Ito	Non-Executive Chairman
Ms Daphne Zohar	Chief Executive Officer
Dame Marjorie Scardino	Senior Independent Director
Dr Bennett Shapiro	Non-Executive Director
Dr Robert Langer	Non-Executive Director
Dr Raju Kucherlapati	Independent Non-Executive Director
Dr John LaMattina	Independent Non-Executive Director
Mr Christopher Viehbacher	Independent Non-Executive Director
Mr Stephen Muniz	Chief Operating Officer and Company Secretary

Shareholder	%
Invesco Asset Management Limited	31.9
Lansdowne Partners International Limited	9.7
Baillie Gifford & Co	9.0
Jupiter Asset Management Ltd.	6.5
Recordati SA	3.4

Details of the Company's policies and performance, as well as disclosures concerning GHG emissions, are provided in the Corporate and Social Responsibility section on pages 55 to 57.

Related party transactions

Details of related party transactions can be found in note 24 of the financial statements on pages 130 to 131.

Issuances of equity by major subsidiary undertaking

On 31 January 2018, resTORbio, Inc., an affiliate of PureTech, announced the closing of its IPO of 6,516,667 shares of common stock at a public offering price of $15.00 per share, which included the exercise in full by the underwriters of their option to purchase up to 850,000 additional shares. The gross proceeds from the offering were $97.8 million, before deducting underwriting discounts and commissions and estimated offering expenses. The shares commenced trading on the Nasdaq Global Select Market on 26 January 2018 under the ticker symbol TORC. PureTech purchased 233,333 shares of resTORbio common stock in the IPO.

On 18 February 2018, The Sync Project was acquired by Bose Corporation as part of a strategic decision to move that technology to a more consumer-facing path.

On 1 March 2018, Gelesis, an affiliate of PureTech, successfully completed a $30.0 million financing round from existing investors, including $5.0 million from PureTech and $18 million from Invesco. Proceeds of the financing will be used to support commercial-stage manufacturing, product launch preparations, company operations, and the clinical advancement of the Gelesis pipeline of additional product candidates for gastrointestinal disorders.

On 8 May 2018, Akili, an affiliate of PureTech, successfully completed a $55 million Series C financing round from both new and existing investors. Proceeds from the financing will be used to advance Akili's pipeline of prescription digital treatment candidates, including the progression of AKL-T01 through key regulatory milestones and commercial preparations. Akili also plans to use these funds to advance product candidates in multiple sclerosis (MS) and depression to potential registration trials and to broaden its product pipeline. As a result of this financing, PureTech no longer holds a majority of the voting stock of Akili and therefore Akili has been deconsolidated from PureTech's financial statements.

On 1 August 2018, Karuna Therapeutics, an affiliate of PureTech, successfully completed a $42 million Series A financing round, including the issuance of $22 million in shares upon conversion of outstanding debt into equity. Proceeds from the financing will be used to advance its lead product candidate, KarXT, including the initiation of a Phase 2 trial in patients with schizophrenia in the third quarter of 2018 and the expansion into other therapeutic areas, including a non-opiate pain indication.

On 9 August 2018, Akili, an affiliate of PureTech, announced the expansion of its Series C financing, raising $13 million in additional funding.

On 21 December 2018, Vedanta Biosciences, an affiliate of PureTech, successfully completed a $27 million Series C financing round from new and existing investors, including $5 million from PureTech and $5 million from Invesco. Proceeds from the financing will be used to advance Vedanta Biosciences' pipeline of microbiome-derived product candidates, including a Phase 1/2 study of VE416 in food allergy, a Phase 1b/2 study of VE800 and Opdivo (nivolumab) in advanced or metastatic cancers, and the recently initiated Phase 2 study of VE303 in recurrent *Clostridium difficile* infection (rCDI).

See also equity issuances described in Subsequent Events below.

Future business developments

Information on the Company and its Internal division and affiliate companies' future developments can be found in the Strategic Report on pages 14 to 17.

Risk and internal controls

The principal risks the Group faces are set out on pages 36 to 38. The Audit Committee's assessment of internal controls are laid out on page 65.

Subsequent Events

On 12 February 2019, Vor Biopharma, an affiliate of PureTech, successfully completed a $42 million Series A financing round from new and existing investors. Proceeds from the financing will be used to advance Vor's lead engineered haematopoietic stem cell (HSC)-based candidate for the treatment of acute myeloid leukaemia (AML) towards the clinic, and to further build its pipeline to treat haematologic malignancies.

On 15 March 2019, Karuna Therapeutics, an affiliate of PureTech, successfully completed a $68 million Series B financing round from new and existing investors, including the issuance of $5 million in shares upon conversion of debt into equity, and $5 million from PureTech. Proceeds from the financing will be used to advance the development of KarXT into several new indications, including geriatric psychosis and pain; to progress new formulations of KarXT; expand the pipeline; and to continue to build company infrastructure.

On 1 April 2019, Karuna Therapeutics announced the expansion of its Series B financing, raising $12 million in additional funding. On 8 April 2019, Karuna further expanded its Series B financing, issuing $2 million in shares upon conversion of debt into equity.

On 11 April 2019, Sonde Health, an affiliate of PureTech, completed a $16 million series A round, including the issuance of $6 million in shares upon conversion of debt into equity. Proceeds will be used to expand its capability across additional health conditions and device types and to fund commercialisation activities.

On 16 April 2019, PureTech Health entered into a partnership with Boehringer Ingelheim to advance immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under terms of the agreement, PureTech Health will receive up to $26 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

On 14 April 2019, Gelesis announced FDA clearance for PLENITY™ as an aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise.

Research and Development

Information on the Group's research and development activities can be found in the Strategic Report on pages 14 to 17.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence into the first quarter of 2022. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM will be held at 3.00 pm on 29 May 2019 at DLA Piper UK LLP, 160 Aldersgate Street, London EC1A 4HT.

The Notice of the Meeting, together with an explanation of the items of business, will be contained in a circular to shareholders to be dated 24 April 2019.

Pension schemes

Information on the Company's 401K Plan can be found in the Annual Report on Remuneration on page 72.

Disclosure of information under Listing Rule 9.8.4R

For the purposes of LR 9.8.4R, the information required to be disclosed can be found in the sections of the Annual Report and Financial Statements listed in the table below.

Listing Rule Requirement	Location in Annual Report
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	N/A
Information required in relation to the publication of unaudited financial information.	N/A
Details of any long-term incentive schemes.	Directors' Remuneration Report, page 72
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	N/A
Details of any non-pre-emptive issues of equity for cash.	Financial Review, page 41
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	N/A
Details of parent participation in a placing by a listed subsidiary.	Directors' Report, page 60
Details of any contract of significance in which a Director is or was materially interested.	N/A
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	Invesco Relationship Agreement, page 58
Details of any provision of services by a controlling shareholder.	N/A
Details of waiver of dividends or future dividends by a shareholder.	N/A
Where a shareholder has agreed to waive dividends, details of such waiver, together with those relating to dividends which are payable during the period under review.	N/A
Board statements in respect of relationship agreement with the controlling shareholder.	Invesco Relationship Agreement, page 58

Whistleblowing, anti-bribery and corruption

The Group seeks at all times to conduct its business with the highest standards of integrity and honesty. The Group also has an anti-bribery and corruption policy which prohibits the Group's employees from engaging in bribery or any other form of corruption. In addition, the Group has a whistleblowing policy under which staff are encouraged to report to the Chief Executive Officer or the Chief Operating Officer any alleged wrongdoing, breach of legal obligation or improper conduct by or on the part of the Group or any officers, Directors, employees, consultants or advisors of the Group.

Appointment of auditor

KPMG LLP, the external Auditor of the Company, was appointed in 2015 and a resolution proposing their reappointment will be proposed at the forthcoming AGM.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the CA 2006.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

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

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

By Order of the Board

Stephen Muniz
Company Secretary

16 April 2019

Report of the Nomination Committee

Marjorie Scardino
Chairman, Nomination Committee

Committee responsibilities

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement Directors and Committee members, and makes appropriate recommendations to the Board on such matters. A full copy of the Committee's Terms of Reference is available on request from the Company Secretary and within the Investor's section on Company's website at www.puretechhealth.com.

Committee membership

The Nomination Committee consisted of Dr Robert Langer, who served as the committee's Chairman, Mr Joichi Ito and Dr Bennett Shapiro until 7 February 2018, when the Board of Directors changed the composition of the committee, appointing Dame Marjorie Scardino as Chairman, and designating Dr Langer and Mr Ito as its other members. Dr Shapiro stepped off of the Nomination Committee as of such date. The biographies of the Committee members can be found on pages 46 to 48.

The Governance Code requires that a majority of the members of a nomination committee should be independent Non-Executive Directors.

In making their determination for the year 2018, the Board regarded Dame Marjorie Scardino and Dr Langer as meeting the independence criteria set out in the Governance Code as it is applied to their service on the Nomination Committee. In reaching this determination for Dame Marjorie Scardino and Dr Langer, the Board duly considered (i) their directorships and links with other Directors through their involvement in other affiliate companies; (ii) their equity interests in PureTech Health and/or the affiliate companies; and (iii) the circumstance that Dr Langer is a founding Director of the Company.

The Board also duly considered the extent to which these matters may impact their service on the Nomination Committee. After such consideration, the Board has determined Marjorie Scardino and Dr Langer to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement in their service on the Nomination Committee.

The Committee meets as required to initiate the selection process of, and make recommendations to, the Board with regard to the appointment of new Directors. During 2018, the Nomination Committee met one time to review the structure, size and composition of the Board in light of the requirements of the Governance Code. Dame Marjorie Scardino, Dr Langer and Mr Ito participated in that meeting. The Chief Executive Officer and the Chief Operating Officer were invited to and attended the meeting.

Diversity policy

Diversity within the Company's Board is essential in maximising its effectiveness, as it enriches debates, business planning and problem solving. The Company approaches diversity in its widest sense so as to recruit the best talent available, based on merit and assessed against objective criteria of skills, knowledge, independence and experience. The Committee's primary objective is to ensure that the Company maintains the strongest possible leadership.

There are currently two women on the Company's Board.

Board and Committee evaluation

Information regarding the evaluation of the Board and its Committees can be found on pages 53 to 54.

Action plan for next year

In the year ahead, the Nomination Committee will continue to assess the Board's composition and how it may be enhanced.

Report of the Audit Committee

Mr Christopher Viehbacher
Chairman, Audit Committee

Committee responsibilities

The Audit Committee monitors the integrity of the financial statements of the Group, and reviews all proposed annual and half-yearly results announcements to be made by the Group with consideration being given to any significant financial reporting judgements contained in them. The Committee also advises the Board on whether it believes the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee also considers internal controls, compliance with legal requirements, the FCA's Listing Rules, Disclosure Guidance and Transparency Rules, and reviews any recommendations from the Group's Auditor regarding improvements to internal controls and the adequacy of resources within the Group's finance function. A full copy of the Committee's Terms of Reference is available on request from the Company Secretary and within the Investor's section on the Company's website at www.puretechhealth.com.

Committee membership

The Committee consists of three independent Non-Executive Directors, Mr Christopher Viehbacher, Dr Raju Kucherlapati and Dame Marjorie Scardino, with Mr Viehbacher as Chair. Mr Viehbacher has experience as a Chartered Accountant and has held numerous senior executive positions in his career. The Board has deemed this to be recent and relevant financial experience qualifying him to be Chairman of the Committee. The biographies of the Committee members can be found on pages 46 to 48. The Committee met four times during the year, with Mr Viehbacher and Dr Kucherlapati attending all four meetings and Dame Marjorie Scardino attending three of the four meetings. The Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the external Auditor were invited to and attended all of the meetings. When appropriate, the Committee met with the Auditor without any members of the executive management team being present.

Activities during the year

The activities undertaken by the Committee were the normal recurring items, the most important of which are noted below.

Significant issues considered in relation to the financial statements

The Committee considered, in conjunction with management and the external auditor, the significant areas of estimation, judgement and possible error in preparing the financial statements and disclosures, discussed how these were addressed and approved the conclusions of this work. The principal areas of focus in this regard were:

Carrying amount of parent's investment in affiliates and related party receivables

The significant issue is the recoverability of the investment by the Company, due to its materiality in the context of the total assets of the Company. The carrying value of investments in affiliates and related party receivables is supported by the market capitalisation of the Group. Therefore, there is no evidence of impairment. The Committee was satisfied with the conclusion reached.

Determination of the accounting and valuation of investment in associates

It has been determined that the Group no longer has control as defined in IFRS 10 but has maintained significant influence over some of its subsidiaries, and due to the fact that Group holds a variety of instruments in these entities, which have varying risks and rights, there is significant judgement in relation to the accounting for these instruments. It has been determined that where the instruments held are preferred shares these will be accounted for as financial assets and held at fair value rather than equity accounted for as associates. This is due to the fact that the preferred shares are determined not to have equity like features. The valuation of these financial assets also includes a significant level of judgement and external valuation specialists are utilised in this process. The Committee believes that the Group considered the pertinent terms and accurate accounting of each of the financial instruments (and sought external expertise as well).

Valuation of preferred shares, convertible loan notes and warrants measured at fair value through profit/loss

An area of material judgement in the Group's financial statements and, therefore, audit risk relates to the valuation of the preferred shares, convertible loan notes and warrants measured at fair value through profit/ loss, which at year end had a carrying value totalling $242.6 million (2017 – $254.9 million). The Group considered the underlying economics of the valuations of the affiliates, and sought external expertise in determining the appropriate valuation of the liabilities. These valuations rely, in large part, on the valuation of the Group programmes and determine the amount of gain (loss) on the financial instruments.

Financial instrument classification and determination of embedded derivatives

As part of the Group's strategy to finance the affiliate companies, it creates financial instruments commensurate with the economics of each transaction. Often these arrangements contain terms that can make it difficult to determine whether the financial instrument should be classified as debt or equity on the Group's statement of financial position. The Group considered the pertinent terms and underlying economics of the valuations of the financial instruments and sought external expertise as well and has appropriately classified them as debt or equity. The Committee believes that the Group considered the pertinent terms and underlying economics of each of the financial instruments, as well as the advice of external experts, and has appropriately classified them as debt or equity.

Revenue recognition

There is a significant level of judgement in relation to revenue recognition as a result of the complex nature of the customer contracts which the Group enters into and in particular considerations in relation to the accounting application of IFRS 15. The Committee believes that the Group considered the accurate revenue recognition accounting of their customer contracts.

Regulatory compliance

Ensuring compliance for FCA regulated businesses also represents an important control risk from the perspective of the Committee. The Group engages with outside counsel and other advisors on a regular basis to ensure compliance with legal requirements.

Review of Annual Report and Accounts and Half-yearly Report

The Committee carried out a thorough review of the Group's 2018 Annual Report and Accounts and its 2018 Half-yearly Report resulting in the recommendation of both for approval by the Board. In carrying out its review, the Committee gave particular consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. It did this primarily through consideration of the reporting of the Group's business model and strategy, the competitive landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its affiliate companies during the year.

Going concern

At least annually, the Committee considers the going concern principle on which the financial statements are prepared. As a business which seeks to fund the development of its Internal division, as well as support its affiliate companies with further capital, the business model is currently inherently cash consuming.

Following the initial public offering which occurred in June 2015, and including funds raised on 4 April 2018, funds raised through equity financings, and receipt of milestone payments since the IPO, the Group has sufficient cash reserves to continue to provide capital to its existing programmes and to create and fund project stage programmes and independent growth stage affiliates into the first quarter of 2022, assuming broadly our expected level of required funding of the Company's Internal division and affiliate companies and other operating expenditures.

Therefore, while an inability of the Internal division and affiliate companies to raise funds through equity financings with outside investors, strategic arrangements, licensing deals or debt facilities may require the Group to modify its level of capital deployment into its Internal division and affiliate companies or to more actively seek to monetise one or more affiliate companies, it would not threaten the viability of the Group overall.

Compliance

The Committee has had a role in supporting the Group's compliance with the Governance Code, which applies to the Group for the 2018 financial year. The Board has included a statement regarding the Group's longer-term viability on page 39. The Committee worked with management and assessed that there is a robust process in place to support the statement made by the Board.

Similarly, the Committee worked with management to ensure that the current processes underpinning its oversight of internal controls provide appropriate support for the Board's statement on the effectiveness of risk management and internal controls.

Risk and internal controls

The principal risks the Group faces are set out on pages 36 to 38.

The Committee has directed that management engage in a continuous process to review internal controls around financial reporting and safeguarding of assets. Management has determined areas where controls would need to scale up to meet the increased complexity and growth objectives of the Group, which included more robust budgeting processes and tracking of stock incentive grants. The Committee believes that the Group has adequate controls and appropriate plans to evolve the control structure in anticipation of increased complexity of the business model and operations.

The Group has a formal whistleblowing policy. The Committee is satisfied that the policy has been designed to encourage staff to report suspected wrongdoing as soon as possible, to provide staff with guidance on how to raise those concerns, and to ensure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

Internal audit

The Group does not maintain a separate internal audit function. This is principally due to the size of the Group where close control over operations is exercised by a small number of executives. In assessing the need for an internal audit function, the Committee considered the risk assessment performed by management to identify key areas of assurance and the whole system of internal financial and operational controls.

External audit

The Group has engaged KPMG LLP as its Auditor since 2015. The current audit partner is Charles le Strange Meakin who has been the audit partner of the Group since 2015.

The effectiveness of the external audit process is dependent on appropriate risk identification. In December, the Committee discussed the Auditor's audit plan for 2018. This included a summary of the proposed audit scope and a summary of what the Auditor considered to be the most significant financial reporting risks facing the Group together with the Auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the carrying value of parent's investment in subsidiaries and related party receivables, the valuation of preferred shares, warrants, and convertible notes measured at fair value through profit/ loss, the classification and measurement of financial instruments, the determination and valuation of investments in associates, revenue recognition, and ensuring there has been regulatory compliance for those parts of the business covered by FCA regulations.

Appointment and independence

The Committee advises the Board on the appointment of the external Auditor and on its remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with the external Auditor. The Committee keeps under review the cost-effectiveness and the independence and objectivity of the external Auditor. Controls in place to ensure this include monitoring the independence and effectiveness of the audit, a policy on the engagement of the external Auditor to supply non-audit services, and a review of the scope of the audit and fee and performance of the external Auditor.

Non-audit work

The Committee approves all fees paid to the Auditor for non-audit work. Where appropriate, the Committee sanctions the use of KPMG LLP for non-audit services in accordance with the Group's non-audit services policy.

Directors' Remuneration Report for the year ended 31 December 2018

Dr John LaMattina
Chairman, Remuneration Committee

The Directors' Remuneration Report is split in three sections, namely:

- This Annual Statement: summarising and explaining the major decisions on Directors' remuneration in the year;
- The proposed Directors' Remuneration Policy: setting out the basis of remuneration for the Group's Directors, which is subject to shareholder approval and will apply immediately after the 2019 AGM if so approved, on pages 68 to 71; and
- The Annual Report on Remuneration: setting out the implementation of the current Remuneration Policy in the year ended 31 December 2018 on pages 72 to 78.

The Company makes the Directors' Remuneration Policy subject to a binding vote of its shareholders every three years (sooner if changes are made to the Policy) and the Annual Report on Remuneration subject to an annual advisory vote of its shareholders.

The current Directors' Remuneration Policy was last approved at the 2016 AGM, and will therefore be subject to a binding vote of the Company's shareholders at the forthcoming AGM on 29 May 2019. If approved, such approval will be effective until the Company's AGM in 2022. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming 2019 AGM.

Overview of our Remuneration Policy

The success of PureTech Health depends on the motivation and retention of its highly skilled workforce with significant expertise across a range of science and technology disciplines as well as its highly-experienced management team.

Therefore PureTech's Remuneration Policy is an important part of its business strategy. Prior to PureTech's Admission, the Company undertook an independent review of its Remuneration Policy to ensure that it would strike a balance between market practice and remuneration levels in the relevant sector, which is largely US based, and the corporate governance expectations resulting from the Company's UK listing.

Renewal of Remuneration Policy at the 2019 AGM

The current Directors' Remuneration Policy was approved at the 2016 AGM and will expire at the 2019 AGM, at which time shareholders will be asked to approve a new Policy. The current Policy was designed prior to the IPO and aimed to support the recruitment, retention and incentivisation of the Company's employees, all of whom are based in the United States. The Policy was also designed to take account of the corporate governance requirements of our UK listing. As a result, it contains features which are in line with UK best practice, but some of which are unusual in the United States, for example:

- Equity awards are delivered 100 per cent in performance shares;
- Equity awards vest after 3 years;
- Executive Director pension arrangements are the same as for all employees; and
- Clawback and malus provisions are in place for all incentive arrangements.

In 2018, in preparation for the upcoming Policy vote, the Committee undertook its first review of remuneration since the 2016 AGM. The review highlighted a number of issues with the current Policy, including the fact that total remuneration at PureTech is significantly below market levels at the Company's US sector comparators of similar size. This positioning of our remuneration represents a risk which the Committee is keen to address. However, after fully considering the results of the review and our strategic goals for 2019, the Committee decided to extend the life of the current Policy at the AGM, for the time being. However, the Committee intends to consult with shareholders during 2019 and potentially seek changes to the Policy in the future.

As a result, no changes are proposed to the maximum levels set out in the Policy, or to the performance framework. Some minor changes have been made to reflect best practice drafting, and a 2-year holding period for future long-term incentive grants has been introduced to reflect prevailing UK best practice.

The Committee believes this Remuneration Policy currently provides an appropriate framework within which to incentivise and motivate our senior management team.

Committee membership

The Remuneration Committee consists of Dr Bennett Shapiro, Dr Raju Kucherlapati and Dr John LaMattina, with Dr John LaMattina serving as Chairman of the Committee. The biographies of the Committee members can be found on pages 46 to 47. The Committee met two times during the year, with Dr Kucherlapati and Dr LaMattina in attendance for both of the meetings and Dr Shapiro in attendance for one of the two meetings. The Committee also acted by unanimous written consent during the year. The Chief Executive Officer and the Chief Operating Officer were invited to and attended all of the meetings. However, no Executive was permitted to participate in discussions or decisions about his or her personal remuneration.

Performance and reward in 2018

During 2018 PureTech Health continued to deliver strong performance and this has been reflected in the annual bonus outcomes. The value of the Group's affiliate companies and its internal programmes increased significantly from 31 December 2017 to 31 December 2018. This increase is due in large part to (i) the initial public offering of resTORbio, (ii) the execution of a collaboration agreement with Roche, (iii) the Group's affiliates raising in excess of $274 million, (iv) the raising of $100 million into PureTech, (v) the completion of clinical studies with positive results and (vi) Gelesis and Akili each submitting applications to the FDA for clearance. This increase in value together with management's operational performance at PureTech and within the Internal division and affiliate companies, resulted in both Executive Directors satisfying the performance goals set at the beginning of 2018. See highlights of 2018 on pages 2 to 3.

The year ahead

For 2019, the following key decisions have been made in relation to how the Policy will be implemented:

- Base salaries, which have not been subject to major review since 2015 and are below market against comparable peers, will be realigned to market levels;
- The annual bonus target and maximum will remain at 50 per cent and 100 per cent of base salary, respectively; and
- Grants of PSP awards in 2019 will be of the same quantum and vesting terms as in 2018, and will be subject to a new two-year post-vesting holding period.

The Committee recommends that shareholders vote to approve the Directors' Remuneration Policy and the Annual Report on Remuneration.

Objectives of the Remuneration Policy

In the construction of the Group's senior executive Remuneration Policy, the Committee paid particular regard to the market practice of US peer companies to ensure that packages are competitive, recognising the predominantly US market in which the Group competes for talent. At the same time the structure of the packages was designed to be in line with UK corporate governance best practice.

The key aims of the Remuneration Policy are to:

- promote the long-term success of the Group;
- attract, retain and motivate high calibre senior management and focus them on the delivery of the Group's long-term strategic and business objectives;
- be simple and understandable, both externally and internally;
- achieve consistency of approach across senior management within the Group to the extent appropriate and informed by relevant market benchmarks; and
- encourage widespread equity ownership across the executive team to ensure a long-term focus and alignment of interest with shareholders.

At the 2019 AGM, shareholders will be asked to approve the Policy set out below. This Policy is substantially the same as that approved by the Company's shareholders at the Company's 2016 AGM. No changes have been made to maximum remuneration levels or the operation of the variable elements of remuneration. However, some changes have been made to reflect best practice:

- PSP awards will be subject to a new two-year holding period; and
- the Committee will have greater discretion to adjust pay-out and vesting levels on annual bonus and PSP awards.

Consideration of shareholder views

The Committee will carefully consider shareholder feedback received in relation to the AGM each year. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the annual review of the Remuneration Policy.

The Company will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Remuneration Policy or its implementation. Details of votes cast for and against the resolution to approve the prior year's remuneration report and any matters discussed with shareholders during the year will be set out in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Group

To ensure a coherent cascade of the Remuneration Policy throughout the organisation, no element of remuneration is operated solely for Executive Directors and all elements of remuneration provided to the Executive Directors are generally operated for other employees. In addition, the Committee considers the general base salary increase for the broader employee population when determining the annual salary increases for the Executive Directors. Employees (other than senior executives) have not been consulted in respect of the design of the Group's Remuneration Policy, although the Committee will keep this under review.

Directors' Remuneration Policy

Summary of Remuneration Policy

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Base salary	To recognise the market value of the employee and the role.	Normally reviewed annually. Salaries are benchmarked periodically primarily against biotech, pharmaceutical and specialty finance companies listed in the US and UK. The committee also considers UK-listed general industry companies of similar size to PureTech as a secondary point of reference.	There is no prescribed maximum base salary or annual salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account relevant market movements. Current salary levels are set out in the Annual Report on Remuneration	Not applicable.
Pension	To provide a market competitive level of contribution to pension.	The company operates a 401k Plan for its US Executive Directors.	Under the 401k Plan, Company contributions are capped at the lower of 3 per cent of base salary or the maximum permitted by the US IRS ($19,000 for 2019).	Not applicable.
Benefits	To provide a market competitive level of benefits.	Includes: private medical and dental cover, disability, life insurance. Additional benefits may also be provided in certain circumstances, such as those provided to all employees.	Cost paid by the company.	Not applicable.
Annual Bonus Plan (ABP)	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. Paid in cash. The Committee has discretion to adjust payout levels if it considers the formulaic outcome inappropriate taking into account the underlying financial performance of the Company, share price performance, the investment return to shareholders during the year, and such other factors as it considers appropriate.	Up to 100 per cent of base salary.	Performance period: Normally one year. Payments are normally based on a scorecard of strategic and/or financial measures. Up to 50 per cent of base salary normally payable for the achievement of 'target' performance and 100 per cent of base salary payable for the achievement of stretch performance. Recovery and withholding provisions are in place.
Long-term incentives	To drive and reward sustained performance of the Group and to align the interests with those of shareholders.	The Company can make long-term incentive awards with the following features: • performance shares. • vesting is dependent on the satisfaction of performance targets and continued service. • performance and vesting periods are normally three years. Awards granted from 2019 onwards will be subject to a two-year post-vesting holding period during which vested shares cannot be sold other than to settle tax. The Committee may also adjust vesting levels of performance–related awards to override formulaic outcomes, taking into account similar factors as apply in relation to annual bonus awards, but by reference to the performance period.	400 per cent of salary. (500 per cent of salary exceptional limit). Participants may benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest. Individual award sizes are set out in the Annual Report on Remuneration.	Performance period: Normally three years. Up to 25 per cent of an award vests at threshold performance (0 per cent vests below this), increasing to 100 per cent pro-rata for maximum performance. Normally, at least half of any award will be measured against TSR targets with the remainder measured against relevant financial or strategic measures. Recovery and withholding provisions are in place.
Share ownership/ Holding Period	Further aligns executives with investors, while encouraging employee share ownership.	The Committee requires that Executive Directors who participate in a long-term incentive plan operated by the Company retain half of the net shares vesting under any long-term incentive plan until a shareholding requirement is met.	Minimum of 200 per cent of base salary.	None.
Non-Executive Directors	To provide fee levels and structure reflecting time commitments and responsibilities of each role, in line with those provided by similarly-sized companies and companies operating in our sector.	Remuneration provided to Non-Executive Directors is operated in line with the terms set out in the Articles of Association. Cash fees, normally paid on a quarterly basis, are comprised of the following elements: • Base fee. • Additional fees. Additional remuneration is payable for additional services to PureTech such as the Chairmanship of a Committee, membership on a Committee, and participation on the board of directors of a subsidiary business. Additional remuneration is also payable for services provided beyond those services traditionally provided as a director, and can be provided for a material increase in time commitment. Fees are reviewed annually and take into account: • the median level of fees for similar positions in the market; and • the time commitment each Non-Executive Director makes to the Group. Taxable benefits may be provided and may be grossed up where appropriate.	Any remuneration provided to a Non-Executive Director will be in line with the limits set out in the Articles of Association.	None.

Notes:

1 A description of how the Company intends to implement the Policy set out in this table is set out in the Annual Report on Remuneration.

2 For non-US Executive Directors, the 401k Plan may not be an appropriate pension arrangement. In such cases an alternative pension arrangement may be offered. Any such arrangement would take account of market levels of pension provision in the relevant geography, and normally any Company contribution would be limited to 15 per cent or less of base salary.

3 For those below Board level, a lower annual bonus opportunity and PSP award size may apply. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance-related pay.

4 The choice of the performance metrics for the annual bonus scheme reflect the Committee's belief that incentive compensation should be appropriately challenging and linked to the delivery of the Company's strategy. Further information on the choice of performance measures and targets is set out in the Annual Report on Remuneration.

5 The performance conditions applicable to the PSP (see Annual Report on Remuneration) are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders while providing the Company with tools to successfully recruit and retain employees in the US.

6 The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee and, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.

7 While current Policy is that PSP awards vest after three years subject to continued service and performance targets, the Committee will consider developments in practice when setting future long-term incentive grant policies in addition to the existing shareholding guidelines.

8 For the avoidance of doubt, the Company reserves the right to honour any commitments entered into in the past with current or former Directors (such as the vesting/exercise of share awards) notwithstanding that these may not be in line with the Remuneration Policy. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

9 Executive Directors may participate in any HMRC tax-advantaged all-employee share scheme.

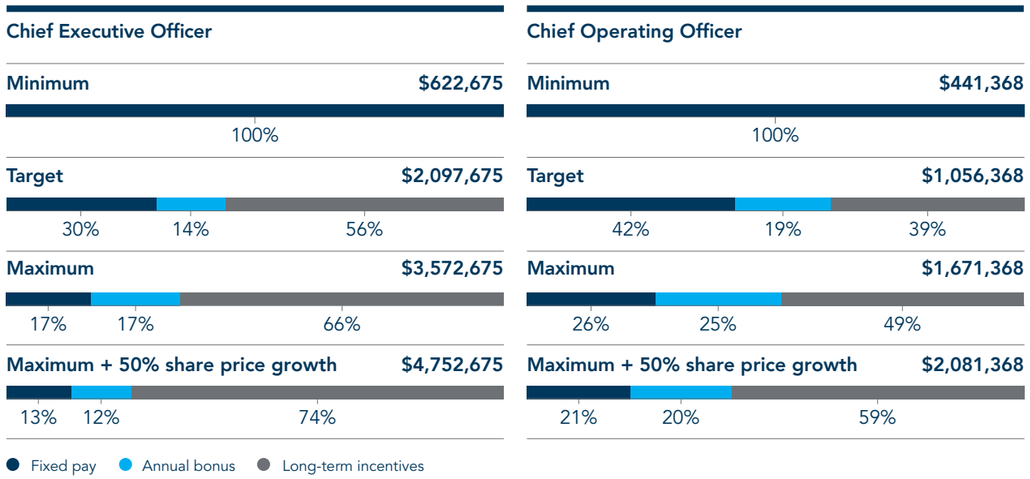
Recovery and withholding provisions

Recovery and withholding provisions (''clawback and malus'') may be operated at the discretion of the Remuneration Committee in respect of awards granted under the Performance Share Plan and in certain circumstances under the Annual Bonus Plan (including where there has been a material misstatement of accounts, or in the event of fraud, gross misconduct or conduct having a materially detrimental effect on the Company's reputation).

The issue giving rise to the recovery and withholding must be discovered within three years of vesting and there is flexibility to recover overpayments by withholding future incentive payments and recovering the amount directly from the employee.

Reward scenarios

The charts below show how the composition of 2019 remuneration for the Chief Executive Officer and the Chief Operating Officer varies at different levels of performance under the Policy set out above, as a percentage of total remuneration opportunity and as a total value.



Notes:

1 The minimum performance scenario comprises the fixed elements of remuneration only, including:
- Salary for FY2019 as set out in the Annual Report on Remuneration.
- Pension and benefits as disclosed for FY2018 in the Annual Report on Remuneration.

2 The On-Target level of bonus is taken to be 50 per cent of the maximum bonus opportunity (50 per cent of base salary), and the On-Target level of PSP vesting is assumed to be 50 per cent of the face value of the PSP award (i.e. 200 per cent of base salary for the CEO and 100 per cent of base salary for the Chief Operating Officer). These values are included in addition to the components/values of Minimum remuneration.

3 Maximum assumes full bonus pay-out (100 per cent of base salary only) and the full face value of the proposed PSP awards (i.e. 400 per cent of base salary for the CEO and 200 per cent of base salary for the Chief Operating Officer), in addition to fixed components of Minimum remuneration.

4 No share price growth has been factored into the calculations of minimum, target and maximum compensation. The "maximum +50 per cent share price growth" calculations are based on the assumption that the share price will appreciate by 50 per cent between the date of grant and the date of vesting.

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at or above mid-market level.

Additionally, salary may be provided at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 100 per cent of salary and long-term incentive awards would be limited normally between 100 per cent to 500 per cent of salary determined by the Remuneration Committee at its discretion. Depending on the timing of the appointment, the Committee may deem it appropriate to set annual bonus performance conditions for such appointee that are different than those applicable to the incumbent Executive Directors. A PSP award can be made shortly following an appointment.

In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer if required in order to facilitate, in exceptional circumstances, the recruitment of the relevant individual. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For appointment of an Executive Director who was employed by the Company prior to the appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For any Executive Director appointment, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

If appropriate, the Committee may agree on recruitment of a new executive with a notice period in excess of 12 months but to reduce this to at most 12 months over a specified period.

Service contracts

Executive Directors' service contracts do not provide for liquidated damages, longer periods of notice on a change of control of the Company or additional compensation on an Executive Director's cessation of employment with the Group, except as discussed below.

The Committee's Policy is to offer service contracts for Executive Directors with notice periods of no more than 12 months, and typically between 60 to 180 days.

Service contracts provide for severance pay following termination in the case that employment is terminated by the Company without 'cause', or by the employee for 'good reason'. In this case severance pay as set out in the contract is no greater than 12-months' base salary and is aligned to the duration of any restrictive covenants placed on the employee. Service contracts may also provide for the continuation of benefits but for no longer than a 12-month period post termination.

Service contracts also provide for the payment of international tax in non-US jurisdictions if applicable to the Executive Director. They also can provide for garden leave and, if required by applicable law, the recovery and withholding of incentive payments.

Policy on termination of employment

The Policy on termination is that the Company does not make payments beyond its contractual obligations and the commitments entered into as part of any incentive plan operated by the Company. In addition, Executive Directors will be expected to mitigate their loss. The Committee ensures that there have been no unjustified payments for failure.

An Executive Director may be eligible for an annual bonus payment for the final year in which that Director served as an employee. If so, any such annual bonus payment will be subject to performance testing and a pro-rata reduction will normally be applied based on the time served during the relevant financial year.

The default treatment for any share-based entitlements under the PSP is that any unvested outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, or at the discretion of the Remuneration Committee, 'good leaver' status can be applied. In these circumstances a participant's awards will vest subject to the satisfaction of the relevant performance criteria and, ordinarily, on a time pro-rated basis, with the balance of the awards lapsing. The Committee also has discretion to permit the early vesting at the date of cessation of employment, again based on performance and ordinarily on a time pro-rated basis.

In addition, the Company can pay for any administrative expenses, legal expenses or outplacement services arising from the termination where considered appropriate.

External appointments

The Board can allow Executive Directors to accept appropriate outside commercial Non-Executive Director appointments provided that the duties and time commitment required are compatible with their duties and time commitment as Executive Directors.

Non-Executive Directors

Non-Executive Directors are appointed as a Non-Executive Director of the Company by a letter of appointment. These letters usually provide for a notice period of one month from the Company and the Non-Executive Director prior to termination.

Annual Report on Remuneration

Implementation of the Remuneration Policy for the year ending 31 December 2019

Base salary

The Committee reviewed the base salary levels for the Executive Directors in January 2019. As part of this review, the Committee engaged an independent remuneration consultant, Aon, plc., to benchmark the salaries of the Executive Directors against the salaries for such positions in peer companies in the US and UK. This is the first such review of remuneration in the last 3 years, and it highlighted a significant difference between the remuneration levels of PureTech executives and those at our competitor companies. For example, base salary levels are below the median of our closest competitors and total remuneration levels are below the lower quartile. As a result of this exercise, the Committee has decided to increase the salaries of the CEO and COO to bring them closer to their peers. The table below shows the base salaries for both Executive Directors:

		2018 Base salary	2019 Base salary
Daphne Zohar	Chief Executive Officer	**$536,857**	$590,000
Stephen Muniz	Chief Operating Officer	**$359,392**	$410,000

Pension

The Group will continue to contribute under the 401k Plan subject to the maximum set out in the Policy table.

Benefits

Benefits provided will continue to include private medical, disability and dental cover.

Annual bonus

For 2019, the operation of the annual bonus arrangement will be similar to that operated in 2018. The maximum annual bonus will continue to be 100 per cent of base salary for both Executive Directors. The 2019 annual bonus will be based on financial and strategic measures, clinical development milestones, successful development of new programmes with novel approaches to large unmet medical needs, and the submission of applications for approvals to regulatory agencies. Bonus outcomes will be disclosed in the FY2019 Annual Report and Accounts.

Long-term incentives

Awards under the PSP will be made to both Executive Directors in 2019. The CEO will receive a PSP award with a face value of 400 per cent of base salary. The Chief Operating Officer will receive an award with a face value of 200 per cent of base salary.

The PSP awards will be subject to the performance conditions described below. As a clinical-stage biopharma company, the Company believes that TSR is an appropriate and objective measure of the Company's performance. In addition, measuring TSR on both an absolute and relative basis rewards our management team for absolute value creation for our shareholders whilst also incentivising outperformance of the market.

Further detail of the planned performance condition is set out below:

- 50 per cent of the shares under award will vest based on the achievement of absolute TSR targets.
- 25 per cent of the shares under award will vest based on the achievement of a relative TSR performance condition.
- 25 per cent of the shares under award will vest based on the achievement of strategic targets.

The minimum performance target for the absolute TSR portion of the award will be TSR equal to 7 per cent per annum, whilst the maximum target will be TSR equal to 15 per cent per annum. Strategic measures will be based on the achievement of project milestones and other qualitative measures of performance. Relative TSR will be measured against the constituent companies in the FTSE SmallCap Index (excluding Investment Trusts) and the MSCI Europe Health Care Index.

The Committee believes that this combination of measures is appropriate. TSR measures the success of our management team in identifying and developing medical solutions whilst strategic targets help incentivise our management team through the stages which ultimately result in successful products.

Full disclosure of the strategic targets will be made retrospectively.

Non-Executive Directors

A summary of current fees is as follows:

	FY2018	FY2019	% increase
Chairman fee	**$125,000**	$125,000	0%
Basic fee	**$75,000**	$75,000	0%
Additional fees:			
Chairmanship of a committee	**$10,000**	$10,000	0%
Membership of a committee	**$5,000**	$5,000	0%
Membership of a subsidiary board	**$0 to $10,000**	$0 to $10,000	0%

As our Board of Directors consists of leading experts with the experience of successfully developing technologies and bringing them to market, this gives rise to the possibility that the intellectual property we seek to acquire has been developed by one of our Non-Executive Directors and/or that our Non-Executive Directors provide technical or otherwise specialised advisory services to the Company above and beyond the services typically provided by a Non-Executive Director. In such exceptional circumstances, our Remuneration Policy provides us with the flexibility to remunerate them with equity in the relevant subsidiary company as we would any other inventor of the intellectual property or provider of technical advisory services. This practice is in line with other investors in the life sciences sector. If the Company is unable to offer market-competitive remuneration in these circumstances, it risks forfeiting opportunities to obtain intellectual property developed by our Non-Executive Directors and/or foregoing valuable advisory services. The Company believes foregoing such intellectual property and/or advisory services would not be in the long-term interest of our shareholders. Accordingly, subsidiary equity grants may be made to Non-Executive Directors upon the occurrence of the exceptional circumstances set out above.

Single total figure of remuneration for each Director

The table below sets out remuneration paid in relation to the 2018 financial year with a comparative figure for the 2017 financial year.

		2018 and 2017 Remuneration						
					Performance			
	Year	Basic Salary/ Fees	Benefits[1]	Annual Bonus Plan	Share Plan (Vested)[2]	Pension	Other payments	Total
Executive Directors								
Daphne Zohar	**2018**	**$536,857**	**$24,425**	**$348,957**	**$1,221,381**	**$8,250**		**$2,139,870**
	2017	$525,815	$25,075	$262,908	—	$8,100		$821,898
Stephen Muniz	**2018**	**$359,392**	**$23,118**	**$233,605**	**$407,941**	**$8,250**		**$1,032,306**
	2017	$351,244	$23,802	$175,622	—	$8,100		$558,768
Non-Executive Directors								
Joi Ito	**2018**	**$140,000**	**—**	**—**	**—**	**—**		**$140,000**
	2017	$150,000	—	—	—	—		$150,000
Raju Kucherlapati	**2018**	**$100,000**	**—**	**—**	**—**	**—**		**$100,000**
	2017	$110,000	—	—	—	—		$110,000
John LaMattina	**2018**	**$100,000**	**—**	**—**	**—**	**—**		**$100,000**
	2017	$105,000	—	—	—	—		$105,000
Robert Langer	**2018**	**$110,000**	**—**	**—**	**—**	**—**		**$110,000**
	2017	$110,000	—	—	—	—		$110,000
Marjorie Scardino	**2018**	**$90,000**	**—**	**—**	**—**	**—**		**$90,000**
	2017	$90,000	—	—	—	—		$90,000
Bennett Shapiro	**2018**	**$104,167**	**—**	**—**	**—**	**—**		**$104,000**
	2017	$125,000	—	—	—	—		$125,000
Christopher Viehbacher	**2018**	**$95,000**	**—**	**—**	**—**	**—**		**$95,000**
	2017	$95,000	—	—	—	—		$95,000
TOTAL	**2018**	**$1,630,416**	**$47,543**	**$582,562**	**—**	**$16,500**		**$2,277,021**
TOTAL	2017	$1,662,059	$48,877	$438,908	—	$16,200		$2,166,044

Notes:

1 Benefits comprise the following elements: private medical, disability and dental cover and parking.

2 The shares underlying the vested 2016 Performance Share Plan awards will be issued after the finalisation of this report. As a result, the share price on the date of issuance is not known at the date of this report and the figures shown above for the PSP awards have been valued using a share price of £1.71, which was the average share price during the last three months of 2018, and an exchange rate of GBP 1 : USD 1.287, which was the average exchange rate over the last three months of 2018.

Annual bonus outcome for 2018

For the 2018 annual bonus, targets were set for a balanced scorecard at the beginning of the year. The 2018 targets were focused on (i) financial and strategic goals designed to incentivise the team to complete important deals, execute strategic partnerships and operate within the Company's 2018 budget, (ii) clinical development goals designed to incentivise the team to generate valuable clinical data in support of the Company's programmes, (iii) innovation goals designed to incentivise the team to create innovative programmes, obtain patent protection for its technologies, obtain publication of the technologies in top tier medical and science journals and establish state of the art laboratory and operations teams, and (iv) commercial goals designed to incentivise the team to take all steps necessary to commercially launch products. During 2018, management performed well against these targets. The table below sets out the performance assessment and associated bonus outcomes:

Target Goals – Maximum 100% Achievement

Performance Measures Category	Achievement	Percentage of Target Attained
Financial/Strategic Goals	The Financial and Strategic Goals were achieved in 2018. This resulted in a performance outcome of 60 per cent which is at the target level. A description of performance in 2018 is set out below: The Company raised funding through a $100 million offering enabling it to further fund its affiliates and accelerate development of its internal programmes. The Company also entered into a collaboration agreement with Roche as described on page 2. The Company's affiliates raised approximately $274 million in funding which will enable the affiliates to continue toward their respective development milestones. The Company was able to generate more than $11 million in non-dilutive grant funding for its affiliates. The Company also operated within 10 per cent of its Board approved 2018 Budget, which further supported the achievement of this goal.	60%
Clinical Development Goals	The Clinical Development Goals were achieved in 2018. This resulted in a performance outcome of 25 per cent which was at the target level. A description of performance in 2018 is set out below: The Group met the primary endpoint of resTORbio's Phase 2 clinical trial, completed Karuna's formulation studies and initiated Karuna's Phase 2 clinical trial. The Group also initiated Vedanta's Phase 2 clinical trial in C. *difficile* and Vedanta's Phase 1 clinical trial in IBD. The Committee also recognised that the team successfully managed the above clinical trials within prescribed timelines.	25%
Innovation Goals	The Innovation Goals were achieved in 2018. This resulted in a performance outcome of 10 per cent which was at the target level for this category. A description of performance in 2018 is set out below: The Company successfully developed programmes in its internal immune-focused pipeline. The Company also had patents issued covering several of the affiliate technologies and filed patent applications covering many others. The Company also established proof of concept data in several programmes and had several programmes published in top-tier peer reviewed scientific journals.	10%
Commercial Goals	The Commercial Goals were achieved in 2018. This resulted in a performance outcome of 20 per cent which was slightly above the target level for this category. A description of performance in 2018 is set out below: The Company successfully submitted applications to the US FDA for clearance of the Gelesis and Akili technologies.	20%

In addition to the target goals described above, the maximum of which may be attained is 100 per cent, the Company also had stretch goals which involved raising capital and entering into business development transactions. Bonuses for this element are based on stretch targets. The capital raise of $100 million exceeded the target goal for capital raising and the economics of the Roche collaboration exceeded the target economics for business development transactions. Based on pre-specified stretch goals (which are commercially sensitive given the nature of our business), the Company achieved 30 per cent beyond its target goals.

The CEO was eligible for a target bonus equal to 50 per cent of her 2018 salary. The Company attained 100 per cent of its target goals plus an additional 30 per cent in stretch goals. As a result, the CEO was awarded a 2018 bonus equal to 130 per cent of her target bonus, which is 65 per cent of her 2018 salary.

The COO was eligible for a target bonus equal to 50 per cent of his 2018 salary. The Company attained 100 per cent of its target goals plus an additional 30 per cent in stretch goals. In addition to the Company's goals, the COO's personal operational performance is considered in the award of his bonus. The Company concluded that the COO's personal performance was in line with the Company's performance and, as a result, the COO was awarded a 2018 bonus equal to 65 per cent of his 2018 salary.

In summary, the bonus outcome was calculated as follows:

	(A) Maximum percentage of salary	(B) Percentage achieved	Actual (A) x (B)
Target goals	50%	115%[1]	50%
Stretch goals	50%	30%	15%
Total			65%

1 Capped at 100 per cent.

Long-term incentive awards vesting in the year

The 2016 PSP awards granted on 20 May 2016 will vest in 2019. Following an assessment of the performance condition, the Remuneration Committee determined that the awards will vest at 50 per cent of the maximum as follows:

	Scheme	Basis of award granted	Shares awarded	Shares vested	Shares lapsed	Value of vested awards[1]
Daphne Zohar	PSP 2016	400% of salary	1,109,959	554,979	554,980	$1,221,381
Stephen Muniz	PSP 2016	200% of salary	370,726	185,363	185,363	$407,941

1 Shares have been valued using a share price of £1.71, which was the average share price over the last three months of 2018, and an exchange rate of GBP 1 : USD 1.287, which was the average exchange rate over the last three months of 2018.

The outcome of the performance condition relating to these awards is set out below:

Measure and weighting	Threshold	Maximum	Achievement	Vesting (% of each element)
Absolute TSR (50%)	7% p.a.	15% p.a.	below threshold	0%
Net Asset Value growth (25%)	7% p.a.	15% p.a.	achieved[1]	100%
Strategic measures (25%)	See description below		achieved	100%

1 The achievement for Net Asset Value (NAV) growth has not been disclosed because PureTech's NAV is commercially sensitive and has not been disclosed in our Annual Report and Accounts since 2017. However, the Remuneration Committee confirms that NAV growth exceeded the 15 per cent p.a. maximum target. Although the NAV achievement is currently commercially sensitive, the Remuneration Committee will keep this under review and will disclose the NAV achievement in a future Annual Report on Remuneration once it ceases to be commercially sensitive. This issue does not apply to PSP awards granted since 2018 because NAV is no longer used as a performance measure due to its commercial sensitivity.

The strategic measures over the three year period were focussed on (i) financial achievements, (ii) clinical development goals, (iii) innovation goals related to obtaining patent protection for its technologies, obtaining publication of the technologies in top tier medical and science journals and establishing state of the art laboratory and operations teams, and (iv) commercial goals related to the Company's efforts to commercially launch products. During the three year period, achievements satisfying these goals included substantially increasing the value of the Company's affiliates, raising more than $481 million in capital into the Company's affiliates, executing 19 partnerships, prosecuting more than 330 owned and licensed patents and patent applications, executing an initial public offering of the Company's affiliate, resTORbio, Inc., augmenting the management team with a seasoned CSO, CFO and President and Chief of Business and Strategy and developing validating clinical data across the Company's affiliates.

Long-term incentive awards granted during the year

	Scheme	Basis of award granted	Shares awarded	Share price at date of grant[1]	Face value of award	% of face value vesting at threshold performance	Vesting determined by performance over
Daphne Zohar	PSP 2018	400% of salary	1,035,628	156 pence	$2,147,428	25%	Three financial years to 31 December 2020
Stephen Muniz	PSP 2018	200% of salary	346,644	156 pence	$718,784	25%	

1 The share price at the date of grant is based on the 3-day average closing price immediately prior to the grant of the award.

The PSP awards granted in 2018 are subject to (i) achievement of absolute TSR targets (50 per cent of the awards), (ii) achievement of TSR targets as compared to TSR performance of the constituent companies in the FTSE SmallCap Index (excluding Investment Trusts) and the MSCI Europe Health Care Index (25 per cent of the awards) and (iii) achievement of targets based on strategic measures (25 per cent of the awards), measured over the three year period to 31 December 2020.

The minimum performance target for the absolute TSR portion of the award is TSR equal to 7 per cent per annum, whilst the maximum target is TSR equal to 15 per cent per annum. The minimum performance target for the relative TSR portion of the award is TSR equal to the median of the index, whilst the maximum target will be TSR equal to the upper quartile of the index. Strategic measures will be based on the achievement of project milestones and other qualitative measures of performance. The Committee believes that this combination of measures and the higher weighting on TSR is appropriate. TSR measures the success of our management team in identifying and developing medical solutions whilst strategic targets help incentivise our management team through the stages which ultimately result in successful products.

Full disclosure of the strategic targets will be made retrospectively.

Payments for Loss of Office

There were no payments for Loss of Office during 2018.

Payments to past Directors

No payments to past Directors were made during 2018.

Directors' shareholdings

Directors are required to maintain share ownership equal to a minimum of 200 per cent of base salary. Both Executive Directors satisfy this requirement. The Company does not currently operate post-employment shareholding requirements but will review its Policy on these as part of its review of the Policy in 2019.

The table below sets out Directors' shareholdings which are beneficially owned or subject to a service condition.

	Director Shareholdings (audited)					
	Total Share Awards not subject to Service Conditions		Share awards subject to performance and service conditions		Total	
Director	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Daphne Zohar (Zohar LLC + Trusts)[1]	**11,890,157**	11,777,100	**2,398,021**	2,585,409[2]	**14,288,178**	14,362,509
Stephen Muniz	**2,786,170**	2,718,336	**801,683**	893,599[3]	**3,587,853**	3,611,935
Joi Ito	**1,395,579**	1,350,356	**—**	45,223	**1,395,579**	1,395,579
Raju Kucherlapati	**2,459,831**	2,437,220	**—**	22,611	**2,459,831**	2,459,831
John LaMattina	**1,495,332**	1,429,721	**—**	22,611	**1,495,332**	1,452,332
Robert Langer	**2,944,134**	2,917,223	**—**	22,611	**2,944,134**	2,939,834
Marjorie Scardino	**787,710**	665,610	**—**	122,101	**787,710**	787,710
Ben Shapiro	**2,629,974**	2,607,363	**—**	22,611	**2,629,974**	2,629,974
Chris Viehbacher (Trust)[4]	**1,025,646**	854,705	**—**	170,941	**1,025,646**	1,025,646

1 A portion of Ms Zohar's shareholding in the Company is indirect. As of 31 December 2018, (i) 2,378,032 ordinary shares are held by the Zohar Family Trust I, a US-established trust of which Ms Zohar is a beneficiary and trustee (ii) 2,378,031 ordinary shares are held by the Zohar Family Trust II, a US-established trust of which Ms Zohar is a beneficiary (in the event of her spouse's death) and trustee and (iii) 7,134,094 ordinary shares are held by Zohar LLC, a US-established limited liability company. Ms Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC.

2 Includes the following RSUs, which are subject to performance conditions: 1,362,393 (2017) and 1,035,628 (2018). Does not include 554,980 shares which are issuable pursuant to the RSU award granted to Ms Zohar covering the financial years 2016, 2017 and 2018. Such shares will be issued to Ms Zohar in 2019 provided that certain of the shares will be withheld for payment of customary withholding taxes.

3 Includes the following RSUs, which are subject to performance conditions: 455,039 (2017) and 346,644 (2018). Does not include 185,363 shares which are issuable pursuant to the RSU award granted to Mr Muniz covering the financial years 2016, 2017 and 2018. Such shares will be issued to Mr Muniz in 2019 provided that certain of the shares will be withheld for payment of customary withholding taxes.

4 All of Mr Viehbacher's shareholding in the Company is held through his trust, Viehbacher 2015 GRAT u/a/d 22 May 2015.

Directors' service contracts

Detail of the service contracts of current Directors is set out below:

Executive Directors	Notice period	Contract date	Maximum potential termination payment	Potential payment on change of control/liquidation
Daphne Zohar	180 days	18 June 2015	12 months' salary	Nil
Stephen Muniz	60 days	18 June 2015	12 months' salary	Nil

Contracts for the above Executive Directors will continue until terminated by notice either by the Company or the Executive Director.

Non-Executive Directors	Notice period	Contract date	Contract expiration date
Joi Ito	1 month	5 June 2018	5 June 2021
Raju Kucherlapati	1 month	5 June 2018	5 June 2021
John LaMattina	1 month	5 June 2018	5 June 2021
Robert Langer	1 month	5 June 2018	5 June 2021
Marjorie Scardino	1 month	5 June 2018	5 June 2021
Bennett Shapiro	1 month	5 June 2018	5 June 2021
Christopher Viehbacher	1 month	5 June 2018	5 June 2021

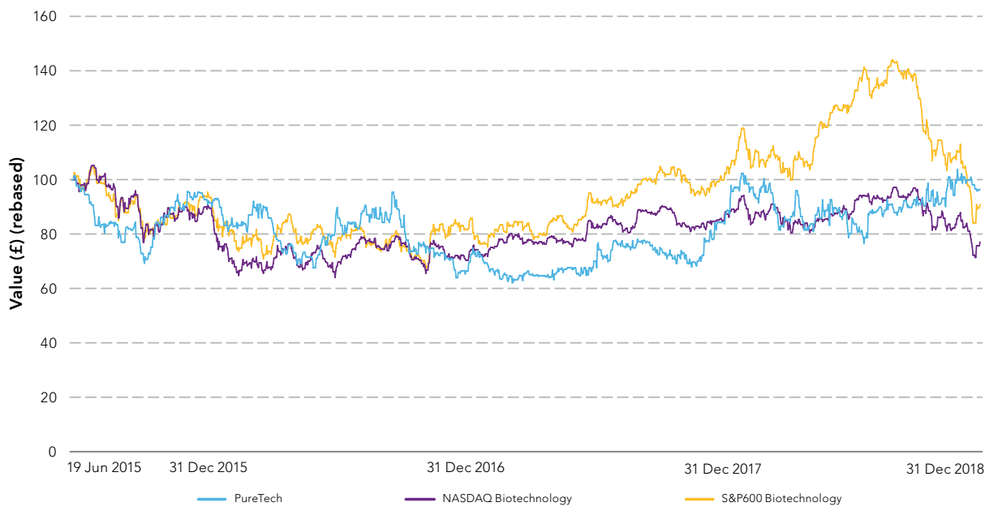
The Company and the Non-Executive Directors listed above intend to enter into new contracts prior to their expiration.

TSR performance graph and table

The graph shows the Company's performance, measured by total shareholder return (TSR), compared with the NASDAQ Biotechnology Index and S&P600 Biotechnology Index since the Company's IPO. The Committee considers these to be relevant indices for TSR comparison as they are broad-based measures of the performance of the biotechnology industry.

This graph shows the value, by 31 December 2018, of £100 invested in PureTech on 18 June 2015, compared with the value of £100 invested in the NASDAQ Biotechnology and S&P600 Biotechnology indices on a daily basis.

Total shareholder return
Source: FactSet



The other points plotted are the values at intervening financial year-ends.

Chief Executive Officer's Remuneration History

Year	Incumbent	Role	Single figure of total remuneration	Annual bonus pay-out against maximum	PSP Vesting against maximum opportunity
2015	Daphne Zohar	Chief Executive Officer	$955,599	100%	n/a
2016	Daphne Zohar	Chief Executive Officer	$747,634	38.75%	n/a
2017	Daphne Zohar	Chief Executive Officer	$821,898	50%	n/a
2018	**Daphne Zohar**	**Chief Executive Officer**	**$2,139,870**	**65%**	**50%**

Percentage change in remuneration of CEO and employees

The table below shows the change in the Chief Executive Officer's remuneration from 2017 to 2018 compared to the change in remuneration of all full-time employees across the Group who were employed throughout 2017 and 2018:

	Base salary	Benefits	Annual bonus
CEO	2%	1%	33%
Employees[1]	11%	2%	23%

1 Does not include employees of affiliate companies.

Relative importance of spend on pay

The following table sets out the percentage change in overall spend on pay, distributions to shareholders and profit in 2018 compared to 2017:

	2018	2017	% change
Staff costs[1]	**$9,831,202**	$8,749,566	12%
Distributions to Shareholders	**—**	—	—
Profit before tax and exceptional items	**$(13,817,956)**	$(12,889,482)	7%

1 Does not include employees of subsidiary companies or non-cash stock compensation charges.

Details of the Remuneration Committee, advisors to the Committee and their fees

The Remuneration Committee consists of Dr LaMattina, Dr Shapiro and Dr Kucherlapati, with Dr LaMattina serving as the Chairman of the Committee. The Committee received independent remuneration advice from Aon plc. This independent advisor was appointed by and is accountable to the Committee and provides no other services to the Company. The terms of engagement between the Committee and Aon are available from the Company Secretary on request. The Committee also consults with the Chief Executive Officer and Chief Operating Officer. However, no Executive is permitted to participate in discussions or decisions about their personal remuneration. During the year fees in respect of remuneration advice from Aon amounted to £38,666. Aon is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

Statement of voting at general meeting

The table below sets out the proxy results of the vote on the Group's Remuneration Report at the Group's 2018 AGM:

Resolutions	For	%	Against	%	Withheld	Total votes cast
To approve the Directors' Remuneration Report	209,827,359	99.57	902,586	0.43%	100	210,729,945

The table below sets out the proxy results of the vote on the Group's Remuneration Policy at the Group's 2016 AGM:

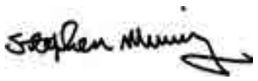
Resolutions	For	%	Against	%	Withheld	Total votes cast
To approve the Directors' Remuneration Policy	179,963,800	99.94	105,260	0.06%	5,633,235	180,069,060

Statement of voting at AGM

The Company's AGM will be held at 3.00 pm on 29 May 2019 at DLA Piper UK LLP, 160 Aldersgate Street, London EC1A 4HT. Information regarding the voting outcome will be disclosed in next year's annual report on remuneration.

This report has been prepared by the Remuneration Committee and has been approved by the Board. It complies with the CA 2006 and related regulations. This report will be put to shareholders for approval at the forthcoming AGM.

On behalf of the Board of Directors



Stephen Muniz
Company Secretary
16 April 2019

KPMG

Independent auditor's report

to the members of PureTech Health plc

1. Our opinion is unmodified

We have audited the financial statements of PureTech Health plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statements of Comprehensive Loss, Consolidated Statements of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statements of Cash Flows, Company Balance sheet, Company statement of changes in Equity, Company statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 7 September 2015. The period of total uninterrupted engagement is for the four financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	$1m (2017: $1m) 0.8% (2017: 0.85%) of total expenses	
Coverage	100% (2017: 100%) of Group loss before tax	
Key audit matters		**vs 2017**
Recurring risks	Valuation of preferred shares, convertible loan notes and warrants measured at fair value through profit/loss.	◀▶
	Classification and measurement of preferred shares, convertible loan notes and warrants	◀▶
Event driven	**New:** Determination of the accounting and valuation of investments held as financial assets	▲
	New: Revenue recognition	▲
	Valuation of investment and related party receivables held by the Parent Company	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation preferred shares, convertible loan notes and warrants measured at fair value through profit/loss. ($242.6m; 2017: $254.9m) Refer to page 64 (Audit Committee Report), page 97 (accounting policy) and pages 122 to 127 (financial disclosures).	*Subjective valuation:* The Group finances its operations partly through financial instruments such as preferred shares, convertible loan notes and warrants, some of which have been determined to contain embedded derivatives and are determined to be financial liabilities held at fair value through profit/loss. Determining the fair value of the warrants, convertible loan notes and the preferred shares, where the accounting policy choice has been taken to fair value through profit/loss, involves a significant level of judgement around the assumptions used, and internal and external factors that may impact the assumptions. The fair value of the financial instruments are derived using an Option Pricing Model (OPM) or Probability Weighted Return Model (PWERM) analysis or a hybrid of the two which include a significant levels of judgement around the key assumptions such as subsidiary valuations, volatility, expected time to the conversion event, forecast exit dates and scenarios and applicable probability weighting. The valuation methodologies utilised to determine the subsidiary valuations are based on net present values from discounted cash flows (DCFs), recent third party funding, or market approach valuations. Where the valuation is driven by a DCF, there is an inherent uncertainty involved in forecasting the trading of such companies and the significant level of judgement required to determine the assumptions used in the DCFs such as discount rate, revenue and EBIT forecasts and probability of success and the valuations are sensitive to changes in these assumptions.	Our procedures included: *Our valuation expertise:* Where valuations had been prepared by an external expert on behalf of the Group we engaged our own valuation specialists to assist us in assessing certain assumptions and methodologies used in the valuations. We used our own valuation specialists to assist us in critically assessing key inputs utilised within the OPM and PWERM analysis. We used publicly available comparable Company data to critically assess the volatility assumption. *Assessing valuer's credentials:* We assessed the expertise and independence of the external experts. *Benchmarking assumptions:* The Group's internal data such as strategic plans, forecasts and budgets and actual results are utilised for inputs such as exit dates and scenarios and probability of exit scenarios. Procedures performed include comparing to prior periods for consistency, understanding key changes and critically assessing current progress against milestones set and assessing where there is an impact on the forecast exit date and assessing whether the assumptions used are consistent with the strategic plans. *Methodology choice:* We critically assessed the appropriateness of the valuation model used for each subsidiary based on the specific circumstances relevant to each company such as the stage of development, the industry in which it operates and also the likely exit date or commercialisation date. We compared the approach taken to that used in the prior year; understanding and challenging changes made and challenged where changes should have been made.

2. Key audit matters: including our assessment of risks of material misstatement — continued

	The risk	Our response
Valuation of preferred shares, convertible loan notes and warrants measured at fair value through profit/loss. ($242.6 million; 2017: $254.9m) Refer to page 64 (Audit Committee Report), page 97 (accounting policy) and pages 122 to 127 (financial disclosures).	Where there is a valuation which utilises a PWERM analysis there is significant judgement in relation to both the scenarios chosen as well as the weighting of those scenarios. For valuations based on recent third party funding rounds, the relatively low number of investors partaking in funding rounds means that there is a risk that recent funding rounds on which the fair value is based are not sufficiently at arm's length to ensure an independent market valuation which is representative of fair value. The effect of these matters is that, as part of our risk assessment, we determined that the fair values of the financial instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 21) disclose the sensitivity estimated by the Group.	We critically assessed the appropriateness of the assumptions underlying the forecasts, including assumptions over projected revenue including forecast product commercialisation or license date and royalty rates where applicable, operating costs, EBIT margin terminal values and the probability of success factors where applicable. In doing this we used our knowledge of each subsidiary and its industry with reference to both internal management information and externally derived data and benchmarks, including market size data, royalty rates and competitor analyses based on information from public material. *Benchmarking assumptions:* We critically assessed the appropriateness of the discount rates applied, against the assumptions used in the prior year, with specific focus (where applicable) on: the Company specific risk premium (including appropriateness of the probability of success where applicable). We consider against the stage of development of the Company where capital rates of return are utilised. We critically challenged the appropriateness of the comparable companies utilised in the market based valuation approach by using our own valuations experts to source confirming and disconfirming evidence. We assessed the appropriateness of the probabilities assigned to the scenarios given the stage of the Company in its life cycle. *Third party funding rounds valuation:* Where valuations are based on the implied value from the most recent third party investment we assessed the accuracy of the data used including agreeing to related contracts and capitalisation tables. We evaluated the independence of the funding rounds on which the valuation was based by looking at the number of external investors included within the funding round and the significance of their investments. For a sample of external investors we considered the directors of those investors for any potential overlap with PureTech Health plc. *Assessing transparency:* We assessed the adequacy of the Group's disclosures in relation to the key assumptions related to the valuations. *Sensitivity analysis:* We assessed the sensitivity analysis disclosure for appropriateness which included the term, risk free rate and volatility input into the OPM. Our results We found the valuation of preferred shares, convertible loan notes and warrants measured at fair value through profit/loss to be acceptable.

2. Key audit matters: including our assessment of risks of material misstatement — continued

	The risk	Our response
Classification and measurement of preferred shares, convertible loan notes and warrants. ($242.6m; 2017: $254.9m) Refer to page 64 (Audit Committee Report), page 97 (accounting policy) and pages 122 to 127 (financial disclosures).	*Accounting treatment* The Group finances its operations and subsidiaries partly through financial instruments such as preferred shares, convertible loan notes and warrants. There is a significant level of judgement in relation to assessing the terms of the instruments to identify whether the instruments meets the criteria to be classified as debt or equity in the issuer. There is also judgement in assessing the terms of the contracts to determine any host instrument and whether there are any separable embedded derivatives; and determining the impact on the non-controlling interest calculation of the debt versus equity classification of the shares in issue at the subsidiaries. Due to these factors, for new financial instruments issued in the year, this has been determined to be a significant risk.	Our procedures included: *Accounting analysis:* Assessing the conclusions reached by the Group in relation to the debt versus equity classification of the issued financial instruments by considering the key terms and features of the contracts and applying and interpreting the relevant accounting standards; Assessing whether the financial instruments contained embedded derivatives by considering the key terms of the contracts, identifying a host contract, and assessing whether each feature met the definition of an embedded derivative and whether they should be bifurcated; Assessing the Group's classification of whether any separable embedded derivative should be liability or equity classified based on the terms of the related contracts; Where the Group classified the entire hybrid contract at fair value through profit or loss, we evaluated whether certain embedded derivatives required separate measurement by critically assessing the key terms and features of those derivatives; Challenging the Group's assessment of the implications of the debt versus equity classification of the preferred shares issued at subsidiary level on the measurement of NCI in the Group by inspecting the source documentation to identify the key features which would determine the classification and then considering the impact of this classification on the measurement of the NCI calculation; *Assessing transparency:* Assessing whether the Group's disclosures were consistent with the conclusions reached in relation to both the classification of the financial instruments and the determination of whether there are embedded derivatives within the host contracts; Our results We found the classification and measurement of preferred shares, convertible loan notes and warrants to be acceptable.

2. Key audit matters: including our assessment of risks of material misstatement — continued

	The risk	Our response
Determination of the accounting and valuation of investment in associates ($83.5m; 2017: not applicable) Refer to page 64 (Audit Committee Report), page 96 (accounting policy) and pages 107 and 108 (financial disclosures).	*Accounting treatment:* The Group has entities it controls and therefore consolidates under IFRS 10. As the entities progress they require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control which results in them no longer being able to consolidate the entity. Due to the fact that the Group holds a variety of instruments in the entities, which have varying risks and rights, there is significant judgement in relation to whether the shares are accounted for IAS 28 Investments in Associates and Joint Ventures or as a financial asset per IFRS 9 Financial Instruments and therefore held at fair value. *Subjective valuation:* There is a significant level of judgement in relation to determining the fair value of this financial asset. The valuation risk is outlined on pages 80 and 81. In the current year this risk is specific to Akili.	Our procedures included: *Accounting analysis:* We have assessed the Group's technical accounting where there is a determination whether the investment falls within the scope of IAS 28 and/or IFRS 9. We have considered the appropriate accounting in this case whether that be equity accounting or accounting as a financial asset. *Assessing transparency* We have considered the adequacy of the disclosure of the accounting treatment in the financial statements and disclosure of assumptions relating to the valuation of the investment if it falls into the scope of IFRS 9. *Our valuation expertise* We have assessed the Group's valuation of the financial asset inline with the procedures outlined on pages 80 and 81. Our results We found the determination of the accounting and valuation of investment in associates to be acceptable.
Revenue recognition (fraud and error) ($16.4m; 2017: not applicable) Refer to page 65 (Audit Committee Report), pages 98 and 99 (accounting policy) and pages 103 and 104 (financial disclosures).	*Accounting treatment:* We have not rebutted the fraud risk in revenue recognition due to the complex nature of customer contracts which the Group enters in to. Furthermore, due to the complex nature of the contracts and the accounting application of IFRS 15, we have assessed the risk of error to be significant. Revenue recognition involves a significant level of judgement and estimation due to the non-standard nature of the revenue streams of the Group and bespoke contracts which are drafted in relation to each agreement reached with a third party where judgement is required in assessing the implications of the terms of the agreements and identification of distinct performance obligations; allocation of the transaction price to each performance obligation; and consideration as to whether revenue should recognised as over time or at a point in time in relation to the appropriate revenue recognition policy. There is significant estimation involved in the budgets and forecasts that drive the inputs method of revenue recognition where revenue is recognised over time. There is judgement involved in determining the revenue recognition point for point in time revenue.	Our procedures included: *Accounting analysis:* We have assessed the key agreements to consider the Group's assessment of the revenue contract. We have assessed the Group's determination of distinct performance obligations contained within the contract. We have reviewed the Group's calculated constrained transaction price and its allocation to the identified performance obligations. We have assessed the Group's methodology in recognising revenue based on the inputs method by testing a sample of costs and considering completeness of the costs. We have considered the timing of revenue recognised on a point in time basis. *Assessing transparency* We have assessed the adequacy of the Group's disclosures in relation to the revenue recognition accounting policies adopted, including the transition to IFRS 15. Our results We found the revenue recognition to be acceptable.

2. Key audit matters: including our assessment of risks of material misstatement — continued

	The risk	Our response
Valuation of investments and related party receivables held by the Parent Company ($330.7m; 2017: $330.7m) Refer to page 64 (Audit Committee Report), page 139 (accounting policy) and page 139 (financial disclosures).	*Low risk, high value* The carrying amount of the parent Company's investments in and receivables from the subsidiary companies represents 100% (2017: 100%) of the Company's total assets and the related party receivable balances. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: *Comparing valuations:* We compared the carrying amount of the investment and the related party receivables to the market capitalisation of the Group, as PureTech Health LLC contains all of the Group's trading operations. We compared the carrying value of the investment and the related party receivables to the valuations derived for the purposes of the fair value of the financial instruments. Our results We found the valuation of the investments and related party receivables held by the Parent Company to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $1.0m (2017: $1.0m), determined with reference to a benchmark total expenses (being general and administrative expenses and research and development expenses) of which it represents 0.8% (2017: 0.85%). Total expenses is considered to be one of the principal considerations for the members of the Company in assessing the financial performance of the Group, since the Group's activities are currently principally in relation to expenditure on developing forms of intellectual property which can be exploited commercially to generate income and growth in the future.

Materiality for the parent Company financial statements as a whole was set at $0.83m (2017: $0.75m), determined with reference to a benchmark of total assets, capped at component materiality, of which it represents 0.25% (2017: 0.22%).

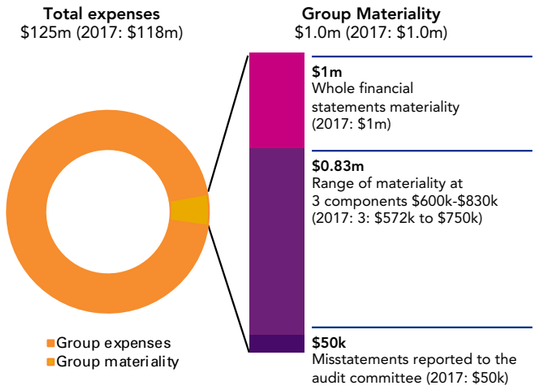
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $50k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

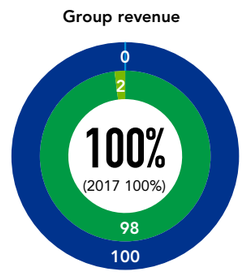
Of the Group's 3 (2017: 3) reporting components (excluding resTORbio and Akili), we subjected 3 (2017: 3) to full scope audits for Group purposes.

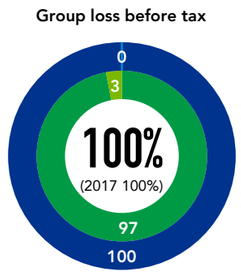
The components within the scope of our work accounted for the percentages illustrated opposite.

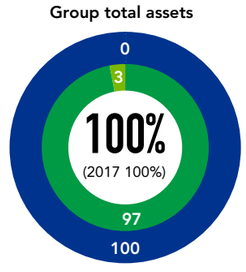
The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The component materiality ranged from $600k to $830k, having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 3 components (2017: 2 of the 3 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

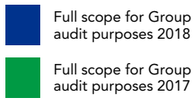
Meetings and telephone conferences were also held with the component auditor. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.











4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- Failure to raise future funding to finance the Group's strategic business model.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 61 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 39 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements 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; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 62, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law (including within the United States), Food and Drug Administration and European Medicines Agency regulation, 1940s Investment Act and the Securities Exchange Commission. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Charles le Strange Meakin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

24 April 2019

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended 31 December

	Note	2018 $000s	2017* $000s
Revenue from customers	3	**16,371**	650
Grant revenue	3	**4,377**	1,885
Total revenue		**20,748**	2,535
Operating expenses:			
General and administrative expenses	6	**(47,365)**	(46,283)
Research and development expenses	6	**(77,402)**	(71,672)
Operating loss		**(104,019)**	(115,420)
Other income/(expense):			
Gain on deconsolidation	5	**41,730**	85,016
Gain/(loss) on investments held at fair value	5	**(20,307)**	57,334
Loss on impairment of intangible asset		**(30)**	—
Gain on disposal of assets	10	**4,060**	—
Gain on loss of significant influence	5	**10,287**	—
Other (expense)/income		**(278)**	14
Other income		**35,462**	142,364
Finance income/(costs):			
Finance income	8	**3,358**	1,750
Finance costs – subsidiary preferred shares	8	**(14,414)**	(9,509)
Finance income – contractual	8	**426**	169
Finance costs – contractual	8	**(392)**	(722)
Finance income/(costs) – fair value accounting	8	**22,631**	(71,735)
Net finance costs		**11,609**	(80,047)
Share of net loss of associates accounted for using the equity method	5	**(11,490)**	(17,608)
Loss before taxes		**(68,438)**	(70,711)
Income/(loss) before taxes pre IFRS 9 (2018)/IAS 39 (2017) 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		**(75,548)**	25,118
Finance costs – subsidiary preferred shares	15	**(106)**	(9,509)
Finance costs – fair value accounting	8	**22,631**	(71,735)
Share-based payment expense	7	**(12,637)**	(11,849)
Impairment of tangible assets		**—**	(637)
Depreciation of tangible assets	10	**(2,476)**	(1,617)
Amortisation of intangible assets	11	**(302)**	(482)
Loss before taxes		**(68,438)**	(70,711)
Taxation	25	**(2,221)**	(4,383)
Loss for the year		**(70,659)**	(75,094)
Other comprehensive income/(loss):			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**(214)**	408
Unrealised gain on investments held at fair value		**(26)**	1,750
Total other comprehensive income/(loss)		**(240)**	2,158
Total comprehensive loss for the year		**(70,899)**	(72,936)
Income/(loss) attributable to:			
Owners of the Company		**(43,654)**	26,472
Non-controlling interests	16	**(27,005)**	(101,566)
		(70,659)	(75,094)
Comprehensive income/(loss) attributable to:			
Owners of the Company		**(43,894)**	28,630
Non-controlling interests	16	**(27,005)**	(101,566)
		(70,899)	(72,936)
Earnings/(loss) per share:			
Basic earnings/(loss) per share	9	**($0.16)**	$0.11
Diluted earnings/(loss) per share	9	**($0.16)**	$0.11

The accompanying notes are an integral part of these financial statements.
* Prior year tax numbers have been adjusted – see note 1.

Consolidated Statements of Financial Position

For the years ended 31 December

	Note	2018 $000s	2017* $000s
Assets			
Non-current assets			
Property and equipment, net	10	**8,323**	6,862
Investments held at fair value	5	**169,755**	131,351
Intangible assets, net	11	**3,080**	3,309
Deferred tax assets	25	**449**	142
Other non-current assets		**370**	73
Total non-current assets		**181,977**	141,737
Current assets			
Trade and other receivables	21	**1,328**	1,797
Prepaid expenses and other current assets		**5,380**	6,638
Other financial assets	13, 21	**2,199**	927
Short-term investments	21	**133,828**	116,098
Cash and cash equivalents	21	**117,051**	72,649
Total current assets		**259,786**	198,109
Total assets		**441,763**	339,846
Equity and liabilities			
Equity			
Share capital	14	**5,375**	4,679
Merger reserve	14	**138,506**	138,506
Share premium	14	**278,385**	181,588
Translation reserve	14	**10**	224
Other reserve	14	**20,923**	17,178
Accumulated deficit	14	**(167,692)**	(132,270)
Equity attributable to the owners of the Company	14	**275,507**	209,905
Non-controlling interests	14, 16	**(108,535)**	(150,305)
Total equity	14	**166,972**	59,600
Non-current liabilities			
Deferred revenue	3	**83**	159
Deferred tax liability	25	**6,428**	4,397
Other long-term liabilities	19	**2,516**	1,828
Total non-current liabilities		**9,027**	6,384
Current liabilities			
Deferred revenue	3	**6,560**	1,652
Trade and other payables	18	**15,875**	16,358
Subsidiary:			
Notes payable	17, 21	**12,010**	7,455
Derivative liability	21	**—**	114,263
Warrant liability	21	**13,012**	13,095
Preferred shares	15, 21	**217,519**	120,051
Other current liabilities		**788**	988
Total current liabilities		**265,764**	273,862
Total liabilities		**274,791**	280,246
Total equity and liabilities		**441,763**	339,846

See the accompanying notes to the consolidated financial information. Registered number: 09582467.
The financial statements on pages 88 to 135 were approved by the Board of Directors and authorised for issuance on 16 April 2019 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

24 April 2019

The accompanying notes are an integral part of these financial statements.
* Prior year tax numbers have been adjusted – see note 1.

Consolidated Statements of Changes in Equity

For the years ended 31 December

	Share Capital									
	Shares	Amount $000s	Share premium	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 2017	237,387,951	4,609	181,658	138,506	(184)	13,412	(160,335)	177,666	(85,255)	92,411
Net income/(loss)	—	—	—	—	—	—	26,472	26,472	(101,566)	(75,094)
Foreign currency exchange	—	—	—	—	408	—	—	408	—	408
Unrealised gain on investments	—	—	—	—	—	—	1,750	1,750	—	1,750
Total comprehensive income/(loss) for the period*	**—**	**—**	**—**	**—**	**408**	**—**	**28,222**	**28,630**	**(101,566)**	**(72,936)**
Gain/(loss) arising from change in non-controlling interests	—	—	—	—	—	(16)	—	(16)	28,449	28,433
Exercise of share-based awards	41,745	70	(70)	—	—	—	—	—	—	—
Subsidiary dividends	—	—	—	—	—	—	(91)	(91)	—	(91)
Buyback of shares, net of tax	—	—	—	—	—	—	(66)	(66)	—	(66)
Equity settled share-based payments	—	—	—	—	—	3,782	—	3,782	8,067	11,849
As at 31 December 2017*	**237,429,696**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(132,270)**	**209,905**	**(150,305)**	**59,600**
Adjustment for the initial application of IFRS 9	**—**	**—**	**—**	**—**	**—**	**—**	**7,525**	**7,525**	**4,719**	**12,244**
Adjusted balance as of 1 January 2018	**237,429,696**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(124,745)**	**217,430**	**(145,586)**	**71,844**
Net loss	—	—	—	—	—	—	(43,654)	(43,654)	(27,005)	(70,659)
Foreign currency exchange	—	—	—	—	(214)	—	—	(214)	—	(214)
Unrealised loss on investments	—	—	—	—	—	—	(26)	(26)	—	(26)
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(214)**	**—**	**(43,680)**	**(43,894)**	**(27,005)**	**(70,899)**
Deconsolidation of subsidiary	—	—	—	—	—	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	696	96,797	—	—	—	—	97,493	—	97,493
Exercise of share-based awards	64,171	—	—	—	—	—	122	122	—	122
Subsidiary dividends to non-controlling interests	—	—	—	—	—	—	(8)	(8)	—	(8)
Equity settled share-based payments	—	—	—	—	—	3,749	—	3,749	8,888	12,637
Balance as of 31 December 2018	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(167,692)**	**275,507**	**(108,535)**	**166,972**

The accompanying notes are an integral part of these financial statements.
* Prior year tax numbers have been adjusted – see note 1.

Consolidated Statements of Cash Flows

For the years ended 31 December

	Note	2018 $000s	2017 $000s
Cash flows from operating activities			
Loss for the year*		**(70,659)**	(75,094)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation	10, 11	**2,778**	2,099
Impairment of intangible assets	11	**30**	637
Equity settled share-based payment expense	7	**12,637**	11,849
(Gain)/loss on investments held at fair value	12	**20,307**	(57,334)
(Gain)/loss on short-term investments		**(843)**	219
Gain on deconsolidation	5	**(41,730)**	(85,016)
Gain on loss of significant influence		**(10,287)**	—
Conversion of debt to equity		**349**	—
Disposal of assets	10	**111**	—
Proceeds from sale of assets	10	**50**	—
Share of net loss of associate	5	**11,491**	17,608
Non-cash share of net loss for deconsolidated subsidiary		**—**	8,027
Deferred income taxes*	25	**1,723**	4,257
Subsidiary research and development tax credit		**—**	(1,152)
Non-cash rent expense		**—**	106
Unrealised (gain)/loss on foreign currency transactions		**(271)**	342
Finance costs	8	**(8,446)**	81,797
Changes in operating assets and liabilities:			
Accounts receivable, net	21	**467**	(1,672)
Other financial assets	13	**(1,327)**	(30)
Prepaid expenses and other current assets		**774**	168
Deferred revenues	3	**4,841**	(725)
Accounts payable and accrued expenses	19	**5,094**	5,238
Other liabilities		**115**	(9)
Net cash used in operating activities		**(72,796)**	(88,685)
Cash flows from investing activities:			
Purchase of property and equipment	10	**(4,365)**	(2,091)
Proceeds from sale of property and equipment		**125**	—
Purchases of intangible assets	11	**(125)**	(80)
Purchase of affiliate shares		**(3,500)**	—
Cash in associate eliminated upon deconsolidation		**(13,390)**	(16,340)
Purchases of short-term investments	20	**(166,452)**	(147,203)
Proceeds from maturity of short-term investments	20	**148,062**	249,396
Net cash provided by/(used in) investing activities		**(39,645)**	83,682
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	17	**6,147**	2,616
Repayment of long-term debt		**(185)**	(163)
Proceeds from the issuance of shares, net of issuance costs	15	**152,030**	12,400
Buyback of shares		**(35)**	(66)
Distribution to shareholders on dissolution of subsidiary		**(1,062)**	—
Subsidiary dividend payments		**(8)**	(91)
Net cash provided by financing activities		**156,887**	14,696
Effect of exchange rates on cash and cash equivalents		**(44)**	(3)
Net increase in cash and cash equivalents		**44,402**	9,690
Cash and cash equivalents at beginning of year		**72,649**	62,959
Cash and cash equivalents at end of year		**117,051**	72,649

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

* Prior year tax numbers have been adjusted – see note 1.

	Note	2018 $000s	2017* $000s
Supplemental disclosure of non-cash investment and financing activities:			
Conversion of subsidiary notes payable and accrued interest into preferred stock		**—**	1,306
Supplemental disclosure of deconsolidated loss, net of non-cash items			
Non-controlling interest		**(55,168)**	(28,449)
Parent share of loss of deconsolidated entity		**—**	(14,224)
Total net loss of deconsolidated entity		**(55,168)**	(42,673)
Loss attributable to cash spend		**18,651**	8,660
Total non-cash loss		**(36,517)**	(34,013)
Add:			
Depreciation expense		**—**	36
Amortisation expense		**—**	188
Derivative fair value adjustment		**36,517**	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.

* Prior year tax numbers have been adjusted – see note 1.

Notes to the Consolidated Financial Statements

1. Accounting policies

Description of Business

PureTech Health plc ("PureTech" the "Parent" or the "Company") is a public company incorporated, domiciled and registered in the United Kingdom ("UK"). The registered number is 09582467 and the registered address is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, UK.

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

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

Basis of Presentation

The Annual Report and Accounts of the Group are presented for the years ended 31 December 2018 and 2017. The Group financial statements have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (adopted IFRSs).

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

Basis of Measurement

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

Use of Judgements and Estimates

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

Significant estimation applied in determining the following:

- Revenue recognition (note 3): when determining the correct amount of revenue to be recognised. This includes making certain estimates and judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, estimates are required to determine the timing of revenue recognition (on delivery or over a period of time). The Directors also make estimates of the fair values of each component of a contract to be able to allocate the overall consideration to each component based on the relative fair value method.
- Financial instruments valuations (note 21): when determining the appropriate valuation methodology and deriving the estimated fair value of subsidiary undertakings and subsidiary preferred shares. This includes making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.

Significant judgement is also applied in determining the following:

- Subsidiary preferred shares liability classification (note 21): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include a contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments; and
- When the power to control the subsidiaries exists

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 into Q1 2022. Based on the cash and cash equivalents available to the Group as of 31 December 2018, 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 into Q1 2022, assuming broadly our expected level of required investments in businesses and other operating expenditures.

Basis of Consolidation

The consolidated financial information for each of the years ended 31 December 2018 and 2017 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech Health LLC ("PureTech LLC"). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all subsidiaries and the Group's ownership percentage, based on outstanding voting ordinary and preferred shares, is outlined below.

	Ownership percentage of voting stock as at 31 December[8]			
Subsidiary[1]	**2018 Ordinary**	**2018 Preferred**	2017 Ordinary	2017 Preferred
Subsidiaries				
Akili Interactive Labs, Inc. [2] [4] [9]	—	**41.90**	—	61.80
Akili Securities Corp. (indirectly held through Akili) [2] [4]	—	**41.90**	—	61.80
Alivio Therapeutics, Inc. [2] [4]	—	**92.00**	—	92.00
Appeering, Inc. [4]	—	**100.00**	—	100.00
Ariya Therapeutics, Inc. [10]	—	**99.99**	—	—
Calix Biosciences, Inc. [4] [10]	—	—	—	100.00
Commense, Inc. [4]	—	**99.10**	—	100.00
Enlight Biosciences, LLC [2] [4]	**86.00**	—	86.00	—
Entrega, Inc. (indirectly held through Enlight) [2] [4]	—	**83.10**	—	83.10
Follica, Incorporated [2] [4]	**4.40**	**79.20**	3.80	68.30
Gelesis, Inc. [2] [4] [11]	**7.30**	**18.40**	8.20	18.70
Gelesis, S.r.l. (indirectly held through Gelesis) [2] [5] [11]	**7.30**	**18.40**	8.20	18.70
Gelesis, LLC (indirectly held through Gelesis) [2] [6] [11]	**7.30**	**18.40**	8.20	18.70
Glyph Biosciences, Inc. [2] [4] [10]	—	—	—	97.30
Karuna Pharmaceuticals, Inc. [2] [4]	—	**70.95**	—	90.70
Knode Inc. (indirectly held through Enlight) [2] [4]	—	**86.00**	—	86.00
Mandara Sciences, LLC [4]	**98.30**	—	98.30	—
Nybo Therapeutics, Inc. [2] [4] [10]	—	—	—	94.70
PureTech Management, Inc. [7]	**100.00**	—	100.00	—
PureTech Health LLC [3] [7]	**100.00**	—	100.00	—
Sonde Health, Inc. [2] [4]	—	**96.40**	—	96.40
Tal Medical, Inc. [2] [4]	—	**64.50**	—	64.50
The Sync Project, Inc. [2] [4]	—	—	—	77.60
Vedanta Biosciences, Inc. [2] [4]	—	**74.30**	—	85.86
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta) [2] [4]	—	**74.30**	—	85.86
Vor Biopharma Inc. [2] [4]	—	**93.20**	—	94.10
Nontrading holding companies				
Endra Holdings, LLC (held indirectly through Enlight) [4]	**86.00**	—	86.00	—
Ensof Holdings, LLC (held indirectly through Enlight) [4]	**86.00**	—	86.00	—
Gelesis 2012, Inc. (held indirectly through Gelesis) [4] [11]	**7.30**	**18.40**	8.20	18.70
PureTech Securities Corp. [4]	**100.00**	—	100.00	—
Inactive subsidiaries				
Ensof Biosystems, Inc. (held indirectly through Enlight) [2] [4]	**57.70**	**28.30**	57.70	28.30
Libra Biosciences, Inc. [4]	—	**100.00**	—	100.00

Notes:

1 All subsidiaries are registered in the United States ("US") except for Gelesis, S.r.l., which is registered in Italy.

2 The ownership percentage includes liability classified preferred shares, which results in the ownership percentage not agreeing to the ownership percentage used in allocations to non-controlling interests disclosed in note 16.

3 On 18 June 2015, PureTech Health plc completed a reorganisation of the corporate structure of the group of companies controlled by its predecessor PureTech Health LLC pursuant to which PureTech Health plc became the holding company of the group.

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

5 Registered address is Via Verde 188, 73021 Calmera (LE), Italy.

6 Registered address is 901 N. Market St., Suite 705, Wilmington, DE 19801, USA.

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

1. Accounting policies — continued

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

9 On 8 May 2018, Akili completed the first close of a Series C Preferred Stock financing with certain and other existing investors. As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing, PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8 per cent to 41.9 per cent, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements and is no longer considered a subsidiary.

10 On 18 July 2018, Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc. merged into Ariya Therapeutics, Inc. Thus, the Group no longer holds interest in Calix, Glyph and Nybo and owns 100 per cent of Ariya as of 31 December 2018.

11 It was concluded that PureTech Health still has control over Gelesis by virtue of its large, albeit minority, ownership stake and its continued control of Gelesis' Board of Directors, resulting in PureTech having the power to participate in the financial and operating policy decisions of the entity. Therefore, the Group has consolidated Gelesis' financial operations for the year ended 31 December 2018.

Change in subsidiary ownership and loss of control

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

Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates

Associates are those entities in which the Group has lost control but maintains significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity, unless it can be clearly demonstrated that this is not the case. The Group evaluates if it maintains significant influence over associates by assessing if the Group has lost the power to participate in the financial and operating policy decision of the associate.

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at fair value. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, 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 investee. To the extent the Group holds interests in Associates that are not ordinary shares and that have debt-like features, the instrument held by PureTech is accounted for in accordance with IFRS 9.

Change in Accounting Policy

In these financial statements, the Group has adopted new accounting policies resulting in a change in accounting for financial instruments and revenue recognition. All other accounting policies have remained unchanged from the previous year. See updated accounting policies for financial instruments (IFRS 9) and revenue recognition (IFRS 15) below.

IFRS 9, Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes.

Contemporaneous documentation is still required but is different than what was prepared under IAS 39.

The Group reviewed the financial liabilities reported on its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the Subsidiary notes payable, Derivative liability, Warrant liability, and Preferred share liability. Based on this assessment of the classification and measurement model, impairment and interest income, the accounting impact on financial liabilities was determined not to be material. As part of the transition requirement, entities have the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and has elected not to split out embedded derivatives and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

1. Accounting policies — continued

The Group also reviewed the financial assets reported on its Consolidated Statements of Financial Position and notes no changes in the application of IFRS 9.

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

Financial liability	IAS 39 as of 31 December 2017	Cumulative Effect Adjustment to Accumulated Deficit	IFRS 9 as of 1 January 2018
Notes Payable	7,455	6,435	13,890
Derivative Liability	114,263	(114,263)	—
Warrant Liability	13,095	—	13,095
Preferred Shares	120,051	95,584	215,635
	254,864	**(12,244)**	**242,620**

The accounting policy that reflects the new accounting standard for financial instruments (guidance under IAS 32 and IFRS 9) is effective from 1 January 2018 and is as follows:

Financial Instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group adopted this policy as of 1 January 2018.

Measurement

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

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed the financial assets and liabilities and determined the following impact from the adoption of the new standard:

Financial Assets

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

Investments held at fair value are non-derivative instruments that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Company elects if the gain or loss will be recognised in the Consolidated Statements of Comprehensive Income/(Loss), Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis. Financial assets that are recognised through FVOCI are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period.

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on active markets. These financial assets are carried at the amounts expected to be received less any allowance for doubtful debts. Provisions are made where there is evidence of a risk of nonpayment, taking into account ageing, previous experience and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision and then to the Consolidated Statements of Comprehensive Income/(Loss). Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

1. Accounting policies — continued

The Group reviewed the financial assets reported in its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial assets subject to this review were: Cash and cash equivalents, US Treasuries, Certificates of deposits, Other deposits, Trade and other receivables, and Investments held at fair value. Due to the nature of the financial assets held and their lack of complexity, the classification and measurement model, impairment, and interest income, the accounting impact on financial assets was not material.

Financial Liabilities

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

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

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

Equity Instruments Issued by the Group

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

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

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

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gain/(loss) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018, and supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's revenue from customers is generated from licenses, services, and collaboration arrangements. The Group adopted IFRS 15 with effect from 1 January 2018 using the Modified Retrospective approach. The adoption of this standard did not have an impact to the consolidated results.

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

The accounting policy that reflects the new accounting standard for IFRS 15 is effective from 1 January 2018 and is as follows:

Revenue generated by collaboration and service agreements is accounted for under IFRS 15. The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

- Identify the contract(s) with a customer – A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

1. Accounting policies — continued

- Identify the performance obligations in the contract – Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.
- Determine the transaction price – The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determining the transaction price requires significant judgement, which is discussed by revenue category in further detail below.
- Allocate the transaction price to the performance obligations in the contract – If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. The Group determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.
- Recognise revenue when (or as) the Group satisfies a performance obligation – The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

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

It was determined that the Group has contracts that meet the following criteria and revenue is recognised using the input method based on labour hours, laboratory expenses and supplies. For cases where the entity does not have an enforceable right to payment due to acceptance clauses, it was determined that costs incurred to fulfil the services are to be capitalised until acceptance is received for the milestone. This resulted in PureTech Health capitalising service-related expenses as of 31 December 2017 and recognising the consideration as revenue once acceptance was received during 2018.

Grant Income

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

The Company submits qualifying expenses for reimbursement for certain expenses after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. Grant income is recognised in the Consolidated Statements of Comprehensive Income/(Loss) over the periods in which the Company recognises the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

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

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognised in the Consolidated Statement of Comprehensive Income/(Loss) except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1. Accounting policies — continued

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

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

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

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

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

Intangible Assets
Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives, which is typically the remaining life of the underlying patents.

Impairment
Impairment of Non-Financial Assets
The Group reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there are indicators of impairment. If any such indicators of impairment exist, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash flows. If a non-financial asset instrument is impaired, an impairment loss is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Carried at Fair Value
The Group's financial assets are carried at fair value through Other Comprehensive Income/(Loss) or through profit and loss, depending on the election taken for each instrument. These financial assets are reviewed at each reporting period to assess whether there is objective evidence that the assets should be impaired. An impairment loss is recognised when there is a significant or prolonged decline in fair value below the instrument's cost. If an instrument is impaired, the impairment loss is calculated and recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Measured at Amortised Cost
The Group assesses financial assets measured at amortised cost for impairment at each reporting period. These financial assets are impaired if one or more loss events occur after initial recognition that impact the estimated future cash flows of the asset. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate and is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

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

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

Share-based Payments
Share-based payment arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

1. Accounting policies — continued

The grant date fair value of employee share-based payment awards is recognised as an expense with a corresponding increase in equity over the period that the employee is unconditionally entitled to the awards. The fair value is measured using an option valuation model, which takes into account the terms and conditions of the options granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Development Costs
Expenditures on research activities are recognised as incurred in the Consolidated Statements of Comprehensive Income/(Loss). Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is when regulatory approval has been received where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving recurring sales. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditures considered for capitalisation include the cost of materials, direct labour and an appropriate proportion of overhead costs. Otherwise, the development expenditure is recognised as incurred in the Consolidated Statements of Comprehensive Income/(Loss).

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

Operating Leases
The Group classifies its leases at inception as either finance or operating leases, depending on whether substantially all the risks and rewards of ownership transfer to the Group. Leases where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group only has operating leases during the reporting periods. Payments made under operating leases are recognised in the Consolidated Statements of Comprehensive Income/(Loss) on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance Income and Finance Costs
Finance income is comprised of interest income on funds invested in US treasuries, which is recognised as it accrues in the Consolidated Statements of Comprehensive Income/(Loss) via the effective interest method. Finance costs comprise loan interest expense and the changes in the fair value of warrant and derivative liabilities associated with financing transactions.

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

For the years ended 31 December 2018 and 2017, the Group filed a consolidated US income tax return.

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

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

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

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

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

Deferred Revenue and Deferred Costs
Deferred revenue includes amounts that have been billed per contractual terms but has not been recognised as revenue. Deferred costs represent direct costs related to deferred revenues and include capitalised labour and research and development expenditures. The Company classifies non-current deferred revenue and deferred costs for any transaction, which is expected to be recognised beyond one year or one operating cycle.

1. **Accounting policies** — continued

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.

Deferred Tax Adjustment

During 2018 the Directors identified that as at 31 December 2017, a non-cash net deferred tax liability of $4.4 million (net of the offset of available tax losses) should have been recorded in respect of 'Investments held at fair value' of $131.4 million. As a result, a prior year adjustment has been made to correct the position. The impact of this has been as follows:

- The tax (charge)/ credit for the year ended 31 December 2017 is now reported as a charge of $4.4 million (previously a credit of approximately $0.1 million).
- The net loss for the year ended 31 December 2017 is now reported as $75.1 million (previously a loss of $70.7 million).
- Income attributable to the owners of the company for the year ended 31 December 2017 is now reported as $26.5 million (previously as income of $30.9 million).
- The total comprehensive loss for the year ended 31 December 2017 is now reported as $72.9 million (previously a loss of $68.5 million).
- The accumulated deficit at 31 December 2017 is now reported as $132.3 million (previously $127.9 million).
- The Equity attributable to owners of the company at 31 December 2017 is now reported as $209.9 million (previously $214.3 million).
- The total equity at 31 December 2017 is now reported as $59.6 million (previously $64.0 million).
- Deferred tax liability at 31 December 2017 is now reported as $4.4 million (previously nil).
- There is no impact on the balance sheet as at 31 December 2016.

2. New Standards and Interpretations Not Yet Adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods commencing on or after 1 January 2019 and have not been applied in preparing the consolidated financial information. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16, Leases

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

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

Existing finance leases will continue to be treated as finance leases. For existing operating leases, the Group will apply the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information will not be restated. Upon transition the Group will also apply the following practical expedients:

- Exclude initial direct costs from the right-of-use assets;
- Use hindsight when assessing the lease term; and

2. **New Standards and Interpretations Not Yet Adopted** — continued

- Not to reassess whether a contract is or contains a lease.
- Will not separate the lease components from the non-lease components in lease contracts.

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group will use its incremental borrowing rate. The right-of-use asset will be depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

The Group estimates that the financial impact of adopting IFRS 16 will be to:

- Recognise a $10.8 million right-of-use asset and an $11.5 million additional lease liability on adoption; and
- Increase FY2019 Operating profit by $0.1 million net

The undiscounted lease liability upon adoption is $0.9 million higher than the $9.9 million minimum rental commitments under all non-cancellable operating leases as at 31 December 2018 disclosed in note 22 – Commitments and Contingencies, the differences are due to lease term extensions under IFRS 16 offset by the exclusion of short leases and leases of low value assets.

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

3. Revenue

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

For the years ended 31 December:	**2018 $000s**	2017 $000s
Revenue from customers (IAS 18 for 2017 and IFRS 15 for 2018)	**16,371**	650
Grant revenue (IAS 20)	**4,377**	1,885
Total revenue	**20,748**	2,535

The Group adopted IFRS 15 effective 1 January 2018, using the modified retrospective method and has only applied this method to contracts that were not completed as of the effective date and all new contracts initiated on or after the effective date. Results for reporting periods beginning on or after 1 January 2018 are presented under IFRS 15, while prior period amounts have not been restated and continue to be reported in accordance with the governing revenue recognition standards applicable to that period. The adoption of this standard had an insignificant impact to the Groups financial statements on the date of adoption.

Disaggregated Revenue

The Group disaggregates revenue from contracts with customers in a manner that depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on the transfer of control of the underlying performance obligations and the geographic location of the customer.

Timing of revenue recognition	**2018 $000s**
Transferred at a point in time	**13,415**
Transferred over time	**2,956**
	16,371

Customers over 10% of revenue	**2018 $000s**
Janssen Biotech, Inc.	**12,000**
BMEB Services LLC, a subsidiary of Google	**1,415**
	13,415

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

Additionally, an estimation uncertainty arises due to management's application of the inputs method in recognising revenue overtime. In doing so, the total cost to satisfy the performance obligation includes a significant estimate by management in its budgets and projected cash flows. The sensitivity of which is detailed below:

Budget	**+10%**	**-10%**
Revenue	**(264,678)**	**323,494**

3. Revenue — continued

Contract Balances

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

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. Contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within Deferred revenue on the Consolidated Statement of Financial Position.

Contract Balances	2018 $000s
Accounts receivable	151
Contract liabilities	6,643

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfilment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of December 31, 2018 was $10.3 million. The following table summarises when the Group expects to recognise the remaining performance obligations as revenue, the Group will recognise revenue associated with these performance obligations as transfer of control occurs:

	Less than 1 Year	Greater than 1 Year	Total
Remaining Performance Obligation	6,268	4,055	10,323

Cost to Fulfil a Contract

Contract fulfilment costs include direct labour for professional services, payments made to third parties for intellectual property licenses and direct materials. We capitalise incremental costs incurred to fulfil our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. The revenue associated with direct labour for professional services is recognised over time therefore the costs associated are expensed as incurred. The payments made to third parties for intellectual property licenses are capitalised when paid and recognised in line with associated revenue, whether this be over time or at a point in time. As of 31 December 2018, the Group has capitalised $0.8 million of cost to fulfil which are included within Prepaid expenses and other current assets as well as Other non-current assets on the Consolidated Statement of Financial Position.

4. Segment Information

Basis for Segmentation

The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of four 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 and profit generating activities of the Group are generated within the US and accordingly, no geographical disclosures are provided.

During the year ended 31 December 2018, the Company revised its definition of operating segments. The change reflects how the Company's Board of Directors review the Group's results, allocates resources and assesses performance. This change has been adjusted in both the current and the prior period in the tables below.

Internal

The Internal division (the "Internal division"), is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases, and neuroimmune disorders. The Internal division is comprised of the technologies that will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal division is conducted by the PureTech Health team, who is responsible for the strategy, business development, and research and development. As of 31 December 2018, this segment included Ariya Therapeutics, Inc., Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc.

Affiliates

The Affiliate segment (the "Affiliate segment") is comprised of the programmes within PureTech's Affiliates division that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. Currently, these subsidiaries have active research and development programmes and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and networks, as well as, additional funding

4. Segment Information — continued

to continue the pursued growth of the company. As of 31 December 2018, this segment included Alivio Therapeutics, Inc., Entrega, Inc., Follica, Inc., Karuna Pharmaceuticals, Inc., Gelesis Inc., Sonde Health, Inc., CommenSe, Inc., Vedanta Biosciences, Inc., and Vor Biopharma, Inc.

Deconsolidated Affiliates

The Deconsolidated Affiliates segment (the "Deconsolidated Affiliates segment") is comprised of the programmes within PureTech's Affiliates division in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the affiliate's Board of Directors. As of 31 December 2018, resTORbio, Inc. ("resTORbio") and Akili Interactive Labs, Inc. ("Akili") are Deconsolidated Affiliates. PureTech utilises the equity method of accounting when it owns ordinary shares in this segment. For the twelve months ended 31 December 2018, the spend and loss from continuing operations before taxes in the Deconsolidated Affiliates segment reflects Akili for the period between 8 May 2018 and 31 December 2018 and resTORbio for the period between 1 January 2018 and 6 November 2018.

Information About Reportable Segments:

	2018				
	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Revenue from customers	2,110	14,232	—	29	16,371
Grant revenue	86	4,271	20	—	4,377
Total revenue	2,196	18,503	20	29	20,748
General and administrative expenses	(1,498)	(22,997)	(3,599)	(19,271)	(47,365)
Research and development expenses	(8,929)	(62,482)	(4,299)	(1,692)	(77,402)
Total operating expenses	(10,427)	(85,479)	(7,898)	(20,963)	(124,767)
Other income	—	120	—	35,432	35,462
Net finance costs	(222)	(7,086)	14,928	3,989	11,609
Share of net loss of associate accounted for using the equity method	—	—	—	(11,490)	(11,490)
Income/(loss) from continuing operations	(8,453)	(73,942)	7,050	6,907	(68,438)
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	(8,431)	(59,122)	(7,410)	(585)	(75,548)
Finance costs – subsidiary preferred shares	—	—	—	(106)	(106)
Finance costs – IFRS 9 (2018)/IAS 39 (2017) fair value accounting	—	(3,999)	14,855	11,775	22,631
Share-based payment expense	(11)	(8,355)	(372)	(3,899)	(12,637)
Depreciation of tangible assets	(7)	(2,191)	(22)	(256)	(2,476)
Amortisation of intangible assets	(4)	(275)	(1)	(22)	(302)
Loss before taxes	(8,453)	(73,942)	7,050	6,907	(68,438)
Taxation	—	(568)	2	(1,655)	(2,221)
Income/(loss) for the year	(8,453)	(74,510)	7,052	5,252	(70,659)
Other comprehensive income	—	(214)	—	(26)	(240)
Total comprehensive income/(loss) for the year	(8,453)	(74,724)	7,052	5,226	(70,899)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,139)	(47,981)	—	5,226	(43,894)
Non-controlling interests	(7,314)	(26,743)	7,052	—	(27,005)
Consolidated Statements of Financial Position:					
Total assets	2,985	39,767	—	399,011	441,763
Total liabilities	13,365	251,372	1	10,053	274,791
Net assets/(liabilities)	(10,380)	(211,605)	(1)	388,958	166,972

4. Segment Information — continued

	2017				
	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Revenue from customers	—	625	—	25	650
Grant revenue	—	1,755	130	—	1,885
Total revenue	—	2,380	130	25	2,535
General and administrative expenses	(1,214)	(18,101)	(8,822)	(18,146)	(46,283)
Research and development expenses	(2,978)	(44,809)	(20,676)	(3,209)	(71,672)
Total operating expenses	(4,192)	(62,910)	(29,498)	(21,355)	(117,955)
Other income	—	—	—	142,364	142,364
Net finance costs	(209)	(31,769)	(53,122)	5,053	(80,047)
Share of net loss of associate accounted for using the equity method	—	—	—	(17,608)	(17,608)
Income/(loss) from continuing operations	(4,401)	(92,299)	(82,490)	108,479	(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	(4,380)	(56,279)	(28,247)	114,024	25,118
Finance costs – subsidiary preferred shares	—	(7,415)	(1,470)	(624)	(9,509)
Finance costs – IAS 39 fair value accounting	—	(19,878)	(51,852)	(5)	(71,735)
Share-based payment expense	(12)	(7,309)	(683)	(3,845)	(11,849)
Impairment of tangible assets	—	—	—	(637)	(637)
Depreciation of tangible assets	(9)	(1,147)	(49)	(412)	(1,617)
Amortisation of intangible assets	—	(271)	(189)	(22)	(482)
Loss before taxes	(4,401)	(92,299)	(82,490)	108,479	(70,711)
Taxation	—	31	(3)	(4,411)	(4,383)
Income/(loss) for the year	(4,401)	(92,268)	(82,493)	104,068	(75,094)
Other comprehensive income	—	408	—	1,750	2,158
Total comprehensive income/(loss) for the year	(4,401)	(91,860)	(82,493)	105,818	(72,936)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(454)	(62,510)	(14,224)	105,818	28,630
Non-controlling interests	(3,947)	(29,350)	(68,269)	—	(101,566)
Consolidated Statements of Financial Position:					
Total assets	127	58,270	20,368	261,081	339,846
Total liabilities	2,065	239,814	53,790	(15,423)	280,246
Net assets/(liabilities)	(1,938)	(181,544)	(33,422)	276,504	59,600

The Parent commences initiatives in theme-based technologies, 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 allocated to the subsidiaries.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 16.

The Group's revenue generated outside of the US was approximately nil and $0.5 million for the years ended 31 December 2018 and 2017, respectively.

The Group's non-current assets, which consisted of property and equipment, were approximately $1.3 million and $1.2 million for the years ended 31 December 2018 and 2017, respectively. The property and equipment are located in Italy.

5. Investments in Associates

resTORbio

As of November 2017, resTORbio was deconsolidated from the Group's financial statements and was accounted for as an Associate rather than a subsidiary, 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) as of 31 December 2017. Upon the date of deconsolidation, PureTech Health recognised an investment in resTORbio related to its ordinary shares of $17.6 million and an investment held at fair value related to its Series A Preferred Shares of $72.2 million. As a result of the deconsolidation and fair value accounting for investments held on the date of deconsolidation, PureTech Health recorded an unrealised gain of $85.0 million in the Consolidated Statements of Comprehensive Income/(Loss).

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

On 26 January 2018, resTORbio, Inc., closed its initial public offering. Prior to the resTORbio IPO, PureTech Health recorded a loss of $14.3 million during the year ended 31 December 2018 to the Consolidated Statement of Income/(Loss) on the line item Finance costs – subsidiary preferred shares to adjust the fair value related to its resTORbio Series A Preferred Share investment. Upon completion of the public offering, the resTORbio Series A Preferred Shares held by PureTech Health converted to ordinary shares. In light of PureTech's common stock holdings in resTORbio and corresponding voting rights, PureTech Health had re-established a basis to account for its investment in resTORbio under IAS 28. The preferred stock investment held at fair value was therefore reclassified to investment in associate upon the completion of the conversion.

The Company continuously re-evaluated its relationship with its Associates to identify any changes which may result in the loss of significant influence. As of 6 November 2018, it concluded the Company no longer exerted significant influence over resTORbio as PureTech lost the power to participate in the financial and operating policy decisions of resTORbio. As a result, PureTech's investment no longer met the scope of equity method accounting resulting in the investment being accounted for as an investment held at fair value. For the period of 1 January 2018 through 5 November 2018 PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio, that resulted a net loss of associates accounted for using the equity method of $11.5 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Share of net loss of associates accounted for using the equity method during the year ended 31 December 2018. Upon loss of significant influence PureTech's investment was reclassified as an investment held at fair value, resulting in PureTech recognising a gain on loss of significant influence of $10.3 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Gain on loss of significant influence during the year ended 31 December 2018. Additionally, PureTech recorded a $33.0 million loss for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Income/(Loss) on the line item Loss on financial asset during the year ended 31 December 2018.

Investment in Associate	$000's
At 1 January 2017	—
Investment upon deconsolidation	17,608
Share of net loss of associate accounted for using the equity method	(17,608)
As of 31 December 2017	—
Investment upon initial public offering of associate	115,210
Cash investment in Associate	3,500
Share of net loss of Associate accounted for using the equity method[1]	(11,490)
Gain on loss of significant influence	10,287
Reclassification of investment upon loss of significant influence	(117,507)
As of 31 December 2018	—

1 The calculation of the share of net loss is shown in the table below.

Share of net loss of Associate	2018 $000s	2017 $000s
Percentage ownership interest	**34.90%**	33.33%
Carrying amount of interest in Associate upon deconsolidation event	**115,210**	17,608
Profit/(loss) of Associate	**(32,923)**	(119,607)
Group's share of profit/(loss)	**(11,490)**	(17,608)

5. Investments in Associates — continued

Investment held at fair value	$000's
At 1 January 2017	—
Investment held at fair value	71,935
Gain on investment held at fair value	57,583
As of 31 December 2017	129,518
Loss on investment held at fair value upon initial public offering	(14,308)
Reclassification of investment to investment in affiliate	(115,210)
Reclassification of investment upon loss of significant influence	117,507
Loss on investment held at fair value	(33,027)
As of 31 December 2018	**84,480**

Akili

As of 31 December 2017, PureTech Health maintained control of Akili and the subsidiary's financial results were fully consolidated in the Group's annual report.

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

PureTech Health removed all Akili's outstanding balances as of the date of deconsolidation, including all assets and liabilities as well as historical equity, as seen in the Consolidated Statement of Changes in Equity. Upon the date of deconsolidation, PureTech Health held preferred shares in Akili and no ordinary shares. As PureTech Health does not hold ordinary shares in Akili, the voting percentage attributable to common stock is nil. Therefore, PureTech Health had no basis to account for its investment in Akili under IAS 28, Investment in Associates and Joint Ventures. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of PureTech's share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss), in accordance with IFRS 9. During the year ended 31 December 2018, the Company recognised a gain of $12.7 million that was recorded on the line item Loss on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss).

6. Operating Expenses

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

For the years ending 31 December:	**2018**	2017
General and administrative	**55**	56
Research and development	**90**	82
Total	**145**	138

The aggregate payroll costs of these persons were as follows:

For the years ending 31 December:	**2018 $000s**	2017 $000s
General and administrative	**22,939**	22,348
Research and development	**20,109**	18,956
Total	**43,048**	41,304

6. Operating Expenses — continued

Operating expenses were as follows:

For the years ending 31 December:	**2018 $000s**	2017 $000s
Salaries and wages	**27,274**	26,244
Healthcare benefits	**1,465**	1,699
Payroll taxes	**1,672**	1,512
Share-based payments	**12,637**	11,849
Total payroll costs	**43,048**	41,304
Other SG&A expenses	**24,426**	23,935
Other R&D expenses	**57,293**	52,716
Total operating expenses	**81,719**	76,651

Total operating expenses were as follows:

For the years ending 31 December:	**2018 $000s**	2017 $000s
General and administrative	**47,365**	46,283
Research and development	**77,402**	71,672
Total operating expenses	**124,767**	117,955

Auditors remuneration:

For the years ended 31 December:	**2018 $000s**	2017 $000s
Audit of these financial statements	**652**	647
Audit of the financial statements of subsidiaries	**200**	254
Audit-related assurance services	**321**	132
Taxation	**—**	8
Total	**1,173**	1,041

See note 7 for further disclosures related to share-based payments and note 23 for management's remuneration disclosures.

7. Share-based Payments

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

Share-based Payment Expense

The Group share-based payment expense for the years ended 31 December 2018 and 2017, were comprised of charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary stock plans, as disclosed in the annual report and accounts.

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

For the years ended 31 December	**2018 $000s**	2017 $000s
General and administrative	**5,293**	7,625
Research and development	**7,344**	4,224
Total	**12,637**	11,849

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

7. Share-based Payments — continued

The Performance Share Plan

In June 2015, the Group adopted the Performance Share Plan ("PSP"). Under the PSP, awards of ordinary shares may be made to the Directors, senior managers and employees of, and other individuals providing services to the Company and its subsidiaries up to a maximum authorised amount of 22,724,800 ordinary shares. The shares have various vesting terms over a period of service between two and four years, provided the recipient remains continuously engaged as a service provider. The share-based awards granted under The Performance Share Plan are equity settled and expire 10 years from the grant date. As of the years ended 31 December 2018 and 2017, the Company had issued share-based awards to purchase an aggregate of 5,657,602 and 1,486,576 shares, respectively, under this plan.

RSUs

During the twelve months ended 31 December 2018, the Company issued 2,860,782 performance based RSUs under the PSP plan.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are based on a cliff vesting schedule over a three-year requisite service period in which the Company recognises compensation expense on a graded basis for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions.

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

The fair value of the performance-based awards is based on the Monte Carlo simulation analysis utilising a Geometric Brownian Motion process with 250,000 simulations to value those shares. The model considers share price volatilities, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

The performance conditions attached to the RSUs are based on the achievement of total shareholder return ("TSR"), with 50 per cent of the shares under award vesting based on the achievement of absolute TSR targets, 12.5 per cent of the shares under the award vesting based on TSR as compared to the FTSE SmallCap Index, 12.5 per cent of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25 per cent of the shares under the award vesting based on the achievement of strategic targets.

The Company incurred share-based payment expense for the performance based RSUs of $2.3 million and $1.5 million for the twelve months ended 31 December 2018 and 2017, respectively.

Stock Options

During the twelve months ended 31 December 2018, the Company granted 2,796,820 stock option awards under the PSP.

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

At 31 December:	**2018**	2017
Expected volatility	**44.18%**	28.92%
Expected terms (in years)	**6.08**	5.84
Risk-free interest rate	**2.79%**	1.96%
Expected dividend yield	**—**	—
Grant date fair value	**$0.96**	$0.43
Share price at grant date	**$2.05**	$1.45

The Company incurred share-based payment expense for the stock options of $1.4 million and $0.6 million for the twelve months ended 31 December 2018 and 2017, respectively.

PureTech LLC Incentive Stock Issuance

In May 2015 and August 2014, PureTech Health LLC Directors approved the issuance of shares to management, the directors and advisors of PureTech Health LLC, subject to vesting restrictions. The share-based awards granted under the 2016 PureTech LLC Incentive Stock Issuance Plan are equity settled and expire 10 years from the grant date. No additional shares will be granted under this compensation arrangement. The fair value of the shares awarded was estimated as of the date of grant. The Company incurred an expense of $0.2 million and $1.7 million in share-based payment expense for the twelve months ended 31 December 2018 and 2017, respectively, related to PureTech Health LLC incentive compensation.

As of 31 December 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

7. Share-based Payments — continued

Subsidiary Plans

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

	Outstanding as of 1 January 2018	**Granted During the Year**	**Exercised During the Year**	**Expired During the Year**	**Forfeited During the Year**	**Outstanding as of 31 December 2018**
Gelesis	**2,728,232**	**953,500**	**—**	**—**	**—**	**3,681,732**
Alivio	**2,393,750**	**—**	**—**	**—**	**—**	**2,393,750**
Akili	**2,385,355**	**—**	**—**	**—**	**(2,385,355)**[1]	**—**
Ariya	**—**	**2,180,000**	**—**	**—**	**—**	**2,180,000**
Commense	**418,750**	**121,666**	**—**	**—**	**—**	**540,416**
Entrega	**867,750**	**60,000**	**—**	**(3,750)**	**—**	**924,000**
Follica	**1,271,302**	**—**	**—**	**(41,850)**	**—**	**1,229,452**
Karuna	**855,427**	**1,111,000**	**—**	**(4,125)**	**(12,375)**	**1,949,927**
Knode	**32,500**	**—**	**—**	**(32,500)**	**—**	**—**
Sonde	**35,000**	**—**	**—**	**(6,250)**	**(6,250)**	**22,500**
Tal	**1,663,806**	**—**	**—**	**(30,250)**	**(2,750)**	**1,630,806**
The Sync Project	**1,080,000**	**—**	**—**	**—**	**(1,080,000)**	**—**
Vedanta	**1,194,014**	**278,786**	**—**	**(24,800)**	**(74,250)**	**1,373,750**

	Outstanding as of 1 January 2017	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of 31 December 2017
Gelesis	2,489,031	297,500	—	—	(58,299)	2,728,232
Alivio	—	2,393,750	—	—	—	2,393,750
Akili	1,599,423	795,432	(9,500)	—	—	2,385,355
Commense	400,000	18,750	—	—	—	418,750
Entrega	821,500	52,500	—	—	(6,250)	867,750
Follica	449,505	1,119,283	—	(190,059)	(107,427)	1,271,302
Karuna	742,677	112,750	—	—	—	855,427
Knode	75,000	—	—	(45,000)	2,500	32,500
Sonde	—	57,500	—	(4,687)	(17,813)	35,000
Tal	1,763,806	—	—	(75,000)	(25,000)	1,663,806
The Sync Project	850,000	230,000	—	—	—	1,080,000
Vedanta	882,250	359,764	—	(11,438)	(36,562)	1,194,014

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

The weighted average exercise prices for the options granted for the years ended 31 December 2018 and 2017 are as follows:

For the years ended 31 December:	**2018 $**	2017 $
Akili	**—**	2.55
Alivio	**—**	0.03
Ariya	**0.03**	—
Commense	**1.34**	0.92
Entrega	**1.95**	2.36
Follica	**—**	0.93
Karuna	**9.42**	7.08
Sonde	**—**	0.13
Sync	**—**	0.07
Vedanta	**14.66**	12.88

Significant Subsidiary Plans

Gelesis 2016 Stock Incentive Plan

In September 2016, the Directors of Gelesis approved the 2016 Stock Incentive Plan (the "2016 Gelesis Plan") which provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of Gelesis. At 31 December 2018, 329,559 shares remained available for issuance under the Gelesis Plan.

7. Share-based Payments — continued

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

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

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

Assumption/Input	2018	2017
Expected award life (in years)	**6.22**	5.68
Expected award price volatility	**64.58%**	67.99%
Risk free interest rate	**2.79%**	1.80%
Expected dividend yield	**—**	—
Grant date fair value	**$7.84**	$7.72
Share price at grant date	**$12.82**	$11.56

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

Gelesis incurred share-based compensation expense of $3.9 million and $4.2 million for the years ended 31 December 2018 and 2017, respectively.

Vedanta 2010 Stock Incentive Plan

In 2010, the Board of Directors for Vedanta approved the 2010 Stock Incentive Plan (the "2010 Plan"). It allowed for the issuance 1,000,000 share-based compensation awards through incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of Vedanta. In September 2018, the Board of Directors amended the 2010 Plan increased the aggregate number of shares to 1,660,503. At 31 December 2018, 106,865 shares remained available for issuance under the Vedanta Plan.

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

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

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

Assumption/Input	2018	2017
Expected award life (in years)	**6.03-6.16**	5.66-10.00
Expected award price volatility	**91.60%-92.56%**	66.0%-76.0%
Risk free interest rate	**2.65%-2.78%**	1.13%-2.37%
Expected dividend yield	**—**	—
Grant date fair value	**$11.21-$11.26**	$6.76-$9.01
Share price at grant date	**$14.66**	$11.56

Vedanta incurred share-based compensation expense of $2.1 million and $2.4 million for the years ended 31 December 2018 and 2017, respectively.

Karuna Pharmaceuticals, Inc. 2009 Stock Incentive Plan

In 2009, the Board of Directors for Karuna Pharmaceuticals, Inc. approved the 2009 Stock Incentive Plan (the "Karuna 2009 Plan"). It allowed for the issuance of 1,000,000 share-based compensation awards through stock options, restricted stock units and other stock-based awards under the Karuna 2009 Plan to employees, officers, directors, consultants and advisors of Karuna. At 31 December 2018, 106,865 shares remained available for issuance under the Karuna 2009 Plan.

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

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

7. Share-based Payments — continued

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

Assumption/Input	2018	2017
Expected award life (in years)	**5.67**	6.07
Expected award price volatility	**49.66%**	50.28%
Risk free interest rate	**2.86%**	1.95%
Expected dividend yield	**—**	—
Grant date fair value	**$1.69**	$3.51
Share price at grant date	**$9.40**	$7.08

Karuna incurred share-based compensation expense of $1.9 million and $0.4 million for the years ended 31 December 2018 and 2017, respectively.

Other Plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis, Vedanta and Karuna was $0.8 million and $1.0 million for the years ended 31 December 2018 and 2017, respectively.

8. Finance Cost, net

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

For the years ended 31 December	2018 $000s	2017 $000s
Finance income		
Interest from financial assets not at fair value through profit or loss	**3,358**	1,750
Total finance income	**3,358**	1,750
Finance costs		
Contractual interest expense on convertible notes	**(388)**	(400)
Interest expense on other borrowings	**(4)**	(4)
Non-cash interest expense on convertible securities	**—**	(300)
Loss on forgiveness of debt	**289**	—
Loss on extinguishment of derivatives	**—**	(18)
Gain on foreign currency exchange	**137**	169
Total finance costs – contractual	**34**	(553)
Gain from change in fair value of warrant liability	**82**	1,847
Gain/(loss) on fair value measurement of derivative liability	**22,549**	(73,582)
Total finance costs – fair value accounting	**22,631**	(71,735)
Total finance costs – subsidiary preferred shares	**(14,414)**	(9,509)
Total finance costs	**8,251**	(81,797)
Finance costs, net	**11,609**	(80,047)

9. Earnings/(Loss) per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended 31 December 2018 and 2017, respectively.

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

	2018		2017	
	Basic $000s	Diluted $000s	Basic $000s	Diluted $000s
Income/(loss) for the year, attributable to the owners of the Company	**(43,654)**	**(43,654)**	26,472	26,472
Income/(loss) attributable to ordinary shareholders	**(43,654)**	**(43,654)**	26,472	26,472

9. Earnings/(Loss) per Share — continued

Weighted-Average Number of Ordinary Shares:

	2018		2017	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 31 December	**236,897,579**	**236,897,579**	232,712,542	232,712,542
Effect of shares issued	**36,950,688**	**36,950,688**	2,819,846	2,819,846
Effect of dilutive shares	**—**	**—**	—	3,388,920
Weighted average number of ordinary shareholders	**273,848,267**	**273,848,267**	235,532,388	238,921,308

Earnings/(Loss) per Share:

	2018		2017	
	Basic	**Diluted**	Basic	Diluted
Basic and diluted earnings/(loss) per share	**$(0.16)**	**$(0.16)**	$0.11	$0.11

For the years ended 31 December 2018 and 2017 there were 11,867,641 and 5,727,477 shares, respectively, excluded from the computation of diluted weighted average ordinary shares outstanding because such shares are considered anti-dilutive since they are not vested.

10. Property and Equipment

Cost	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2017	5,345	278	854	2,676	11	9,164
Additions, net of transfers	1,251	199	399	170	72	2,091
Disposals	(763)	—	—	—	—	(763)
Deconsolidation of subsidiary	(38)	—	(1)	—	—	(39)
Reclassifications	38	—	(38)	9	(9)	—
Exchange differences	249	(8)	—	44	—	285
Balance as of 31 December 2017	6,082	469	1,214	2,899	74	10,738
Additions, net of transfers	1,586	27	477	2,070	171	4,331
Disposals	(261)	(8)	(260)	(27)	—	(556)
Exchange differences	(101)	—	—	(18)	(6)	(125)
Balance as of 31 December 2018	**7,306**	**488**	**1,431**	**4,924**	**239**	**14,388**

Accumulated depreciation and impairment loss	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2017	(1,337)	(116)	(315)	(472)	—	(2,240)
Depreciation	(1,039)	(56)	(213)	(309)	—	(1,617)
Disposals	126	—	—	—	—	126
Deconsolidation of subsidiary	3	—	—	—	—	3
Reclassifications	—	—	—	—	—	—
Exchange differences	(113)	(3)	(6)	(26)	—	(148)
Balance as of 31 December 2017	(2,360)	(175)	(534)	(807)	—	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)	—	(2,476)
Disposals	114	2	74	20	—	210
Exchange differences	56	—	—	21	—	77
Balance as of 31 December 2018	**(3,222)**	**(233)**	**(756)**	**(1,854)**	**—**	**(6,065)**

Property and Equipment, net	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 31 December 2017	3,722	294	680	2,092	74	6,862
Balance as of 31 December 2018	**4,084**	**255**	**675**	**3,070**	**239**	**8,323**

10. Property and Equipment — continued

Depreciation of property and equipment is included in the General and administrative expenses and Research and development expenses line items in the Consolidated Statements of Comprehensive Income/(Loss). The Company recorded depreciation expense of $2.5 million and $2.2 million for the years ended 31 December 2018 and 2017, respectively.

11. Intangible Assets

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

Cost	Licenses $000s
Balance at 1 January 2017	4,938
Additions	5,080
Deconsolidation of subsidiary	(5,000)
Balance at 31 December 2017	5,018
Additions	125
Deconsolidation of subsidiary	(76)
Balance at 31 December 2018	**5,067**

Accumulated amortisation	Licenses $000s
Balance at 1 January 2017	(1,414)
Amortisation	(482)
Deconsolidation of subsidiary	187
Balance at 31 December 2017	(1,709)
Amortisation	(302)
Deconsolidation of subsidiary	24
Balance at 31 December 2018	**(1,987)**

Intangible assets, net	Licenses $000s
Balance at 31 December 2017	3,309
Balance at 31 December 2018	**3,080**

Amortisation expense is included in the Research and development expenses line item in the accompanying Consolidated Statements of Comprehensive Income/(Loss). Amortisation expense, recorded using the straight-line method, was approximately $0.3 million and $0.5 million for the years ended 31 December 2018 and 2017, respectively.

12. Investments held at fair value

Investments held at fair value include both unlisted and listed securities held by PureTech. These investments, which include resTORbio, Akili, and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date. Refer to note 5 for further discussion around Akili and resTORbio, two entities that were previously consolidated in the financial statements but are now investments held at fair value due to loss of control and/or loss of significant influence. Interests in these investments are accounted for as investments held at fair value, as shown below:

	$000s
Balance at 1 January 2017	83
Deconsolidation of subsidiary	72,184
Gain – other comprehensive income/(loss)	1,750
Gain – fair value through profit and loss	57,334
Balance at 31 December 2017	131,351
Deconsolidation of subsidiary	70,748
Reclassification of investment between investment in affiliate and investment held for sale	2,297
Gain – comprehensive income/(loss)	(26)
Loss – fair value through profit and loss	(34,615)
Balance at 31 December 2018	**169,755**

13. Other Financial Assets

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

As of 31 December	2018 $000s	2017 $000s
Restricted cash	**2,199**	927
Total other financial assets	**2,199**	927

14. Equity

Total equity for PureTech as of 31 December 2018 and 2017 was as follows:

Equity	31 December 2018 $000s	31 December 2017 $000s
Share capital, £0.01 par value, issued and paid 282,493,867 and 237,429,696 as of 31 December 2018 and 2017, respectively	**5,375**	4,679
Merger reserve	**138,506**	138,506
Share premium	**278,385**	181,588
Translation reserve	**10**	224
Other reserves	**20,923**	17,178
Accumulated deficit	**(167,692)**	(132,270)
Equity attributable to owners of the Group	**275,507**	209,905
Non-controlling interests	**(108,535)**	(150,305)
Total equity	**166,972**	59,600

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

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognised through Consolidated Statements of Comprehensive Income/(Loss).

15. Subsidiary Preferred Shares

On 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39 for the annual period beginning on 1 January 2018. IFRS 9 addresses the classification, measurement, and recognition of financial liabilities. Preferred shares issued by subsidiaries and affiliates often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected to not split out the embedded derivatives and instead retrospectively recorded changes in the fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The subsidiary preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above those specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of ordinary shares receivable on conversion will change and therefore, a variable number of shares will be issued. Because the possible conversion of the preferred shares is outside of the control of the Group, these have been classified as liabilities on the balance sheet.

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

The Group recognises the preferred share balance upon the receipt of cash financing or upon the conversion of notes into preferred shares at the amount received or carrying balance of any notes and derivatives converted into preferred shares. Preferred shares are not allocated a proportion of the subsidiary losses.

15. Subsidiary Preferred Shares — continued

The following summarises the subsidiary preferred share balance:

As of 31 December	2018 $000s	2017 $000s
Akili	**—**	19,935
Entrega	**2,780**	2,071
Follica	**60**	465
Gelesis	**140,192**	58,714
Karuna	**32,342**	5
The Sync Project	**109**	1,734
Tal[1]	**113**	11,219
Vedanta Biosciences	**41,923**	25,908
Total subsidiary preferred share balance	**217,519**	120,051

1 The value of Tal's preferred shares significantly decreased due to winding down of operations, as further explained in note 26.

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares which are outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary 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.

For the year ended 31 December 2018 and 2017, the minimum liquidation preference reflects the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

As of 31 December	2018 $000s	2017 $000s
Akili	**—**	21,972
Entrega	**2,216**	—
Follica	**1,895**	2,020
Gelesis	**77,301**	60,490
Karuna	**24,343**	413
Tal	**113**	11,430
Vedanta Biosciences	**41,923**	15,445
Total minimum liquidation preference	**147,791**	111,770

As at 31 December 2018, Tal ceased operations and was in the process of liquidating. Therefore, the liquidation preference shown above equals the cash on hand, as this will be paid out to existing investors.

For the year ended 31 December 2018, the minimum liquidation preference increased due to the issuance of third party shares in connection with the Vedanta Series B and C and the Karuna Series A financings.

For the years ended 31 December 2018 and 2017, the Group recognised the following changes in the value of subsidiary preferred shares:

	$000s
Balance at 1 January 2017	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
Adjustment to preferred shares due to adoption of IFRS 9	95,584
Issuance of new preferred shares	54,537
Conversion of convertible notes	7,930
Decrease in value of preferred shares measured at fair value	(23,110)
Sale of The Sync Group	(1,062)
Deconsolidation of subsidiary	(36,517)
Accretion	106
Balance at 31 December 2018	**217,519**

15. Subsidiary Preferred Shares — continued

2018

On 28 February 2018, Gelesis received $30 million, of which $25 million was received from outside investors, through the issuance of its Series 2 Growth Preferred Stock. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares.

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

In August 2018, Karuna authorised 3,126,700 shares of Series A Preferred Stock. In the same month, Karuna issued 1,188,707 shares of Series A Preferred Stock at an issuance price of $13.46, resulting in gross proceeds of $16.0 million, which was contributed by outside investors. In conjunction with the August 2018 issuance of Series A preferred stock, $26.1 million of outstanding principal and accrued interest on notes payable converted to 1,937,993 shares of Series A redeemable convertible preferred stock, of which $7.9 million related to outside investors.

On 21 December 2018, Vedanta issued Series C Preferred Stock for aggregate proceeds of $26.7 million, with $21.7 million from outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative.

2017

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

Between January 2017 and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes, which was included as proceeds from the issuance of convertible notes in the Condensed Consolidated Statements 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 2017 and December 2017, Sync received an additional $0.8 million through the issuance of Series A-2 Preferred Stock, of which PureTech Health purchased $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 its investment in the financing, Eli Lilly entered into a Research Collaboration Agreement with Entrega, pursuant to which Eli Lilly agreed to contribute a total of $3.0 million to Entrega through 2020.

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

16. Non-Controlling Interest

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

	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s	Parent Company & Other $000s	Total $000s
Balance at 1 January 2017	—	(61,909)	(23,346)	—	(85,255)
Share of comprehensive loss	(1,484)	(31,813)	(68,269)	—	(101,566)
Deconsolidation of resTORbio	—	—	28,449	—	28,449
Equity settled share-based payments	—	6,122	1,342	603	8,067
Balance at 31 December 2017	(1,484)	(87,600)	(61,824)	603	(150,305)
Share of comprehensive loss	(7,314)	(26,743)	7,052	—	(27,005)
Deconsolidation of Akili	—	—	55,168	—	55,168
IFRS 9 implementation impact	—	5,488	(769)	—	4,719
Equity settled share-based payments	11	8,354	372	151	8,888
Balance at 31 December 2018	**(8,787)**	**(100,501)**	**(1)**	**754**	**(108,535)**

The impact of the deconsolidation of resTORbio and Akili results in no net impact to the Consolidated Statements of Financial Position. Please refer to note 5 Investment in Associates.

16. Non-Controlling Interest — continued

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

	2018		
For the year ended 31 December:	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s
Statement of Comprehensive Loss			
Total revenue	**2,196**	**18,503**	**20**
Income/(loss) for the year	**(8,453)**	**(74,510)**	**7,050**
Other comprehensive income/(loss)	**—**	**(214)**	**—**
Total comprehensive income/(loss) for the year	**(8,453)**	**(74,724)**	**7,052**
Statement of Financial Position			
Total assets	**2,985**	**39,767**	**—**
Total liabilities	**13,365**	**251,372**	**1**
Net assets/(liabilities)	**(10,380)**	**(211,605)**	**(1)**

	2017		
For the year ended 31 December:	Internal $000s	Affiliates $000s	Deconsolidated Affiliate $000s
Statement of Comprehensive Loss			
Total revenue	—	2,380	130
Loss for the year	(4,401)	(92,268)	(82,493)
Other comprehensive income/(loss)	—	408	—
Total comprehensive loss for the year	(4,401)	(91,860)	(82,493)
Statement of Financial Position			
Total assets	127	58,270	20,368
Total liabilities	2,065	239,814	53,790
Net assets/(liabilities)	(1,938)	(181,544)	(33,422)

1 Independent affiliate non-controlling interest calculation does not include equity method accounting, fair value method accounting or the gain on the deconsolidation of subsidiary related to resTORbio or Akili, which is recorded within PureTech Health, LLC. Refer to note 5.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. As of 1 January 2018, the Group adopted IFRS 9, and as a result, where the instruments contained liability classified embedded derivatives, an election was taken to fair value the entire financial instrument through profit and loss rather than bifurcate the embedded derivative. During the years ended 31 December 2018 and 2017, the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. During the year ended 31 December 2017, the financial instrument for Entrega did not contain an embedded derivative. The notes payable consists of the following:

As of 31 December	2018 $000s	2017 $000s
Loans	**2,552**	2,547
Convertible notes	**9,458**	4,908
Total subsidiary notes payable	**12,010**	7,455

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loans are secured by Follica's assets, including Follica's intellectual property, and totalled approximately $1.3 million for the years ending 31 December 2018 and 2017.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €1.1 million and €1.3 million at 31 December 2018 and 2017, respectively (approximately $1.3 million at 31 December 2018 and 2017). The loan bears interest at 0.33 per cent per year. Gelesis was required to make interest payments only in fiscal years 2014 and 2015, with principal and interest payments from January 2017 through January 2024.

Funds awarded under the grant may be revoked if irregularities are identified during inspection of costs by the Italian economic development agency or for failure to implement or comply with the project plan or to achieve the objectives of the project plan for reasons within Gelesis' control. In the event of a revocation of the grant, Gelesis would be required to repay the loan immediately, including accrued interest.

17. Subsidiary Notes Payable — continued

Convertible Notes

Convertible Notes outstanding were as follows:

	Karuna $000s	Follica $000s	Entrega $000s	Knode $000s	Appeering $000s	Sync $000s	Total $000s
1 January 2017	3,694	450	125	50	75	10	4,404
Gross principle	404	1,132	—	—	—	1,080	2,616
Discount	(71)	(1,127)	—	—	—	—	(1,198)
Accretion	262	39	—	—	—	—	301
Conversion	—	—	(125)	—	—	(1,090)	(1,215)
31 December 2017	4,289	494	—	50	75	—	4,908
Gross principle	4,700	1,124	—	—	—	—	5,824
Adjustment for fair value	(93)	(35)	—	—	—	—	(128)
Conversion	(7,581)	—	—	—	—	—	(7,581)
Adjustment due to the adoption of IFRS 9	1,523	4,912	—	—	—	—	6,435
31 December 2018	**2,838**	**6,495**	**—**	**50**	**75**	**—**	**9,458**

Certain of the Group's subsidiaries have issued convertible promissory notes ("Notes") to fund their operations with an expectation of an eventual share-based award settlement of the Notes.

Substantially all Notes become due and payable on or after either 31 December of the year of issuance or on the thirtieth day following a demand by the majority of Note holders and bear interest at a rate of either 8.0 per cent (or 12.0 per cent upon an Event of Default) or 10.0 per cent (or 15.0 per cent upon an Event of Default). Interest is calculated based on actual days elapsed for a 360-day calendar year. Generally, the Notes cannot be prepaid without approval from the holders of a majority of the outstanding principle of a series of Notes. During the year ended 31 December 2017, the Notes contained embedded conversion features that were assessed under IAS 39, Financial Instruments, and determined to be liability classified derivatives. During the year ended 31 December 2018, the Notes were assessed under IFRS 9 and the entire financial instruments are elected to be accounted for as FVTPL.

During the years ended 31 December 2018 and 2017, the Notes constitute complex hybrid instruments, which contain equity conversion features where holders may convert, generally at a discount, the outstanding principal and accrued interest into shares of the subsidiary before maturity and redemption options upon a change of control of the respective subsidiary. The three key features are described below:

- Automatic conversion feature – upon a Qualified Financing, the unpaid principal and interest amounts are automatically converted into shares of the subsidiary issued in the Qualifying Financing at a conversion price equal to the price shares are sold in such Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.
- Optional conversion feature – upon a Non-Qualified Financing, holders may convert the outstanding principal balance and unpaid interest to shares issued in the Non-Qualifying Financing at a conversion price equal to the price shares are sold in such Non-Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.
- Change of control features – The Notes also generally contain a put option such that, in the event of a Change of Control transaction of the respective subsidiary prior to conversion or repayment of the Notes, the holders will be paid an amount equal to two or three times the outstanding principal balance plus any accrued and unpaid interest, in cash, on the date of the Change of Control.

In August 2018, Karuna's outstanding Convertible Notes were converted to Series A preferred stock.

In conjunction with its December 2017 private financing, Entrega converted $0.1 million of notes payable plus accrued interest into preferred shares.

In May 2017 and September 2017, Follica, Inc. received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bear interest at an annual rate of 10 per cent, mature 30 days after demand by the holder, are convertible into equity upon a qualifying financing event, and require payment of at least five times outstanding principal and accrued interest upon a change of control transaction.

Between January 2017 and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

18. Trade and Other Payables

As of 31 December	2018 $000s	2017 $000s
Trade payables	**4,644**	3,394
Accrued expenses	**11,231**	12,964
Total trade and other payables	**15,875**	16,358

19. Other Long-Term Liabilities

Information regarding Other long-term liabilities was as follows:

As of 31 December	2018 $000s	2017 $000s
Deferred rent	**1,283**	587
Lease incentive obligation	**357**	410
Accrued professional fees	**738**	738
Other	**138**	93
Other long-term liabilities	**2,516**	1,828

20. Leases

Office and laboratory space is rented under non-cancellable operating leases. These lease agreements contain various clauses for renewal at the Group's option and, in certain cases, escalation clauses typically linked to rates of inflation.

Minimum rental commitments under non-cancellable leases were payable as follows:

As of 31 December	2018 $000s	2017 $000s
Within one year	**4,295**	2,055
Between one and five years	**25,489**	5,990
More than five years	**24,639**	760
Total minimum lease payments	**54,423**	8,805

During the year ended 31 December 2018, the Group determined that there were certain tenant improvement allowances that were originally classified as a as a reduction to leasehold improvements rather than as a liability. The Company concluded that the impact of the change of a reclassification from property and equipment to other current and long-term liabilities was not material to the Consolidated Financial Statements presented in the Annual Report of 31 December 2018 and 2017.

Total rent expense under these leases was approximately $2.5 million and $1.3 million during the years ended 31 December 2018 and 2017, respectively. Rent expense is included in the General and administrative expenses line item in the Consolidated Statements of Comprehensive Income/(Loss).

In 2018, the Company signed an operating lease for additional office and laboratory space in Boston, which it expects to occupy during the first half of 2019.

21. Financial Instruments

The Group's financial instruments consist of financial liabilities, including preferred shares, convertible notes, warrants and loans payable, as well as financial assets classified as assets held at fair value. As of 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39. IFRS 9 addresses the classification, measurement and recognition of financial liabilities. The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected not to split out the embedded derivatives for certain instruments and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments, which when looked at in the aggregate were as follows:

Financial liability	IAS 39 as of 31 December 2017	Cumulative Effect Adjustment to Accumulated Deficit[1]	IFRS 9 as of 1 January 2018
Notes Payable	7,455	6,435	13,890
Derivative Liability	114,263	(114,263)	—
Warrant Liability	13,095	—	13,095
Preferred Shares	120,051	95,584	215,635
	254,864	**(12,244)**	**242,620**

1 The adoption of IFRS 9 from IAS 39 has no impact on the valuation methods required to be used. The change in aggregate fair value is attributable to the elements within each instrument required or elected to be fair valued under the individual standards.

Financial Liabilities and Embedded Derivatives

The following table summarised the changes in the Group's financial liabilities and embedded derivatives measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Derivative Liability – Preferred Shares $000s	Subsidiary Derivative Liability – Convertible Notes $000s	Subsidiary Preferred Shares $000s	Subsidiary Convertible Notes $000s
Balance at 31 December 2016	70,192	1,048	—	—
Value of derivatives at issuance	364	2,245	—	—
Change in fair value	38,678	1,736	—	—
Balance at 31 December 2017	109,234	5,029	120,051	4,908
Adjustment for IFRS 9 implementation	(109,234)	(5,029)	95,584	6,435
Value at issuance	—	—	54,537	5,824
Conversion	—	—	7,930	(7,581)
Deconsolidation of preferred shares	—	—	(36,517)	—
Change in fair value	—	—	(24,066)	(128)
Balance at 31 December 2018	**—**	**—**	**217,519**	**9,458**

For financial instruments measured at fair value under IFRS 9 (effective 1 January 2018), the change in the value of the entire instrument is reflected through profit and loss. The techniques used to determine fair value of the preferred shares and convertible notes included the market approach, the discounted cash flow methodology and the backsolve method that is a form of the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The discounted cash flow methodology, which represents a Level 3 approach, relies upon unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of certain assets or liabilities. The backsolve method is derived from the total equity that is implied by the current financing round in which the only truly observable value indicator is the financing round and everything else is implied by the current financing, the economic rights and the allocation inputs such as volatility and term for the option pricing-method.

21. Financial Instruments — continued

During the year ended 31 December 2017, while the Group was accounting for financial instruments under IAS 39, there were embedded derivatives that were associated with the subsidiary convertible promissory notes, the subsidiary financial instruments measured at fair value and the conversion option within the subsidiary preferred shares. These instruments were accounted for as liabilities and were marked to fair value at each reporting period. The fair value of the embedded derivative liability and financial instruments measured at fair value at inception, 31 December 2017 was determined using a probability weighted present value technique, which includes unobservable ("Level 3") inputs supported by little or no market activity, such as time to the next qualified equity financing, implied discount rate, and probability of a qualified financing, or an option pricing allocation method. Based on existing business plans, the Group also contemplated future equity raises and the impact on the valuation of the embedded derivative liability if the stock value is below the exercise price at the estimated date of the projected future capital raise.

During the year ended 31 December 2017, at each measurement date, the fair value of the conversion rights embedded in the preferred shares was determined using a with and without framework which consisted of a three-step process.

First, the value of each business within the Group was determined using a discounted cash flow model or guideline transaction method, or through a recent arm's length financing round.

Second, the principal methods that the Group applies for the allocation of value are the Option Pricing Method ("OPM") and the Probability-Weighted Expected Return Method ("PWERM").

- The OPM treats common stock or derivatives as call options on the enterprise's value or overall equity value. The value of a security is based on the optionality over and above the value of securities that are senior in the capital structure (e.g. preferred stock), which takes into consideration the dilutive effects of subordinate securities. In the OPM, the exercise price is based on a comparison with the overall equity value rather than per-share value.
- The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private or public enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class.

Third, the fair value of conversion rights was calculated as the difference of value between the concluded values of preferred shares with and without the conversion rights.

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the subsidiary preferred shares designated as Level 3 is as follows:

Option Pricing Model Inputs for Embedded Derivative Liabilities under IAS 39 at 31 December 2017 and for Preferred Stock and Convertible Notes Liabilities under IFRS 9 at 31 December 2018

	Range of Values		
Measurement Date	Expiration Date	Volatility	Risk Free Rate
28/02/2014	3.5 years	60.00%	0.94%
31/03/2014	5.0 years	75.00%	1.73%
31/12/2014	2.0 – 5.0 years	60.00%	0.67% – 1.65%
30/06/2015	1.5 – 4.5 years	35.00% – 65.00%	0.48% – 1.53%
31/12/2015	1.5 – 4.0 years	35.00% – 60.00%	0.86% – 1.54%
31/12/2016	1.5 – 5.0 years	35.00% – 80.00%	1.03% – 1.93%
31/12/2017	1.0 – 3.5 years	50.00% – 80.00%	1.70% – 2.04%
31/12/2018	0.3 – 2.5 years	45.00% – 85.00%	2.47% – 2.60%

Probability Weighted Expected Return Method Inputs for Embedded Derivative Liabilities under IAS 39 at 31 December 2017 and for Preferred Stock and Convertible Notes Liabilities under IFRS 9 at 31 December 2018

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO/M&A/ Dissolution Sale
31/03/2014	1.0 years	40.0%/45.0%/15.0%
31/12/2014	0.33 years	70.0%/25.0%/15.0%
30/06/2015	0.38 – 0.50 years	70.0%/30.0%/0.0%
31/12/2015	1.33 years	70.0%/30.0%/0.0%
31/12/2016	1.16 – 1.41 years	40.0%/60.0%/0.0%
31/12/2017	0.37 – 1.83 years	50.0%/50.0%/0.0%
31/12/2018	0.75 – 1.00 years	50.0%/50.0%/0.0%

21. Financial Instruments — continued

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the convertible notes designated as Level 3 is as follows:

	Range of Values	
Significant Unobservable Inputs	At Issuance	2017
Time to next qualified equity financing	1.00 – 2.03 years	0.33 – 1.50 years
Implied discount rate	11.3% – 2,459.0%	10.8% – 44.9%
Probability of a qualified financing or change of control	0.0% – 100.0%	95.0% – 100.0%

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorised within Level 3, are prepared and reviewed on their issuance date and then on an annual basis and any third-party valuations are reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS.

Financial Assets Held at Fair Value

resTORbio Valuation

As outlined in note 5, on 6 November 2018 PureTech lost significant influence over resTORbio as it no longer has the power to participate in the financial and operating policy decisions of the entity. Thus, PureTech's investment no longer qualifies for equity method accounting, under IAS 28, and is now subject to IFRS 9. In accordance with IFRS 9, the Company accounts for this investment as a financial asset at FVTPL from the date significant influence was lost, 6 November 2018. During the year ended 31 December 2018, the Company recorded its investment at fair value and recognised a loss in the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value of $33.0 million due to a drop in traded share price. As of 6 November 2018, resTORbio was trading at $11.99 per share, which subsequently dropped to $8.62 as of 31 December 2018.

Akili Valuation

As outlined in note 5, in May 2018 PureTech lost control over Akili resulting in the subsidiary being deconsolidated. PureTech's investment in Akili was in the form of preferred shares and therefore qualified to be accounted for as a financial asset subject to IFRS 9. In accordance with IFRS 9, the Company accounts for this investment as a financial asset at FVTPL from the date control was lost. During the year ended 31 December 2018, the Company recorded its investment at fair value and recognised a gain of $12.7 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value.

Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2018

	Range of Values	
PWERM (IPO Scenario) Measurement Date	Time to Anticipated Exit Event	Probability of IPO
31/12/2018	0.50 years	50.0%

	Range of Values		
OPM (Long-term Exit Scenario) Measurement Date	Expiration Date	Volatility	Risk Free Rate
31/12/2018	1.25 years	75.0%	2.56%

21. Financial Instruments — continued

Sensitivity Analysis

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's investment at fair value, Derivative liability and the value of preferred share liabilities, which do not qualify for bifurcation and are recorded at fair value (see note 5 and 15):

		Asset Held at Fair Value	
Input	**Sensitivity Range**	**Akili Preferred Shares Asset Increase/ (Decrease)**	resTORbio Preferred Shares Asset Increase/ (Decrease)
As of 31 December		**2018 $000s**	2017 $000s
Subsidiary Enterprise Value	-2%	**(1,762)**	(3,100)
	+2%	**1,762**	3,100
Volatility	-10%	**282**	(152)
	+10%	**(174)**	152
Time to Liquidity	-6 months	**472**	(243)
	+6 months	**(221)**	159
Risk-free Rate[1]	-0.07%/+0.29%	**472**	(243)
	-2.56%/+0.01%	**(221)**	159

	Embedded Derivative Liability	
Input	**Sensitivity Range**	Embedded Derivative Liability Increase/ (Decrease)
As of 31 December		2017 $000s
Subsidiary Enterprise Value	-2%	(3,599)
	+2%	3,599
Volatility	-10%	(1,852)
	+10%	1,983
Time to Liquidity	-6 months	4,045
	+6 months	(3,941)
Risk-free Rate[1]	-0.05%/-0.23%	4,045
	+0.04%/+0.07%	(3,941)

1 Risk-free rate is a function of the time to liquidity input assumption.

	Subsidiary Preferred Share Liability	
Input	**Sensitivity Range**	**Subsidiary Preferred Shares Liability Increase/ (Decrease)**
As of 31 December		**2018 $000s**
Subsidiary Enterprise Value	**-2%**	**(3,695)**
	+2%	**3,695**
Volatility	**-10%**	**130**
	+10%	**(216)**
Time to Liquidity	**-6 months**	**13,697**
	+6 months	**(12,540)**
Risk-free Rate[1]	**-0.12%/+0.12%**	**13,697**
	-2.49%/+-0.12%	**(12,540)**

1 Risk-free rate is a function of the time to liquidity input assumption.

The change in fair value of both subsidiary preferred share derivatives and change in fair value of preferred shares are recorded in Finance cost, net in the Consolidated Statements of Comprehensive Income/(Loss).

21. Financial Instruments — continued

Warrants

Warrants issued by the Group are classified as liabilities, as they will be settled in a variable number of shares. The following table summarised the changes in the Group's subsidiary warrant liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Warrant Liability $000s
Balance at 31 December 2016	14,942
Value of derivatives at issuance	—
Change in fair value	(1,847)
Balance at 31 December 2017	13,095
Adjustment for IFRS 9 implementation	—
Change in fair value	(83)
Balance at 31 December 2018	**13,012**

The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Consolidated Statements of Comprehensive Income/(Loss). The $13.0 million warrant liability is primarily attributable to the Gelesis warrant, which carried a liability balance of $12.98 million. The remaining balance is attributable to Follica warrants.

The following weighted-average assumptions were used to determine the fair value of the Gelesis warrants at 31 December 2018:

Assumption/Input	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	**2.3 years**	**3.5 years**	**4.6 years**
Expected volatility	**57.0%**	**68.0%**	**58.0%**
Risk free interest rate	**2.48%**	**2.47%**	**2.50%**
Expected dividend yield	**—**	**—**	**—**
Estimated fair value of the convertible preferred stock	**$14.02**	**$14.02**	**$14.02**
Exercise price of warrants	**$4.44**	**$0.04**	**$0.04**

The following weighted-average assumption were used to determine the fair value of the Gelesis warrants at 31 December 2017:

Assumption/Input	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	3.3 years	4.5 years	5.6 years
Expected volatility	91.0%	80.0%	77.0%
Risk free interest rate	2.01%	2.15%	2.23%
Expected dividend yield	—	—	—
Estimated fair value of the convertible preferred stock	$13.80	$13.80	$13.80
Exercise price of warrants	$4.44	$0.04	$0.04

The fair value of these warrant liabilities may differ significantly in the future from the carrying value as of 31 December 2018 and 2017, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statements of Comprehensive Income/(Loss) at that time.

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued preferred share warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of $0.1425 and a contractual term of 10 years from the date of issuance. The warrants issued in 2013 and 2014 were deemed to have no value at the time of their issuance. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share. The warrant liability has been marked-to-market at each subsequent reporting date and at 31 December 2018 and 2017 the warrants were deemed to have a value deemed to be immaterial and $0.2 million, respectively.

Follica issued a warrant in 2015 for 19,688 shares of common stock at an exercise price of $0.75 per share. The warrant is classified within equity and expires on 14 December 2020.

21. Financial Instruments — continued

The following weighted average assumptions were used to determine the fair value of Follica's warrants at 31 December:

Assumption/Input	2018	2017
Expected term	**4.56 – 5.80**	5.56 – 6.80
Expected volatility	**39.48% – 42.30%**	44.12% – 45.72%
Risk free interest rate	**2.49% – 2.54%**	2.14% – 2.20%
Expected dividend yield	**—**	—
Estimated fair value of the convertible preferred stock	**0.04**	$0.13
Exercise price of warrants	**0.07**	$0.07

Fair Value Measurement

The fair value of financial instruments by category at 31 December:

	2018					
	Carrying Amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries	**133,828**	**—**	**133,828**	**—**	**—**	**133,828**
Certificates of deposit	**2,199**	**—**	**—**	**2,199**	**—**	**2,199**
Other deposits	**100**	**—**	**—**	**100**	**—**	**100**
Investments held at fair value	**169,755**	**—**	**84,479**	**—**	**85,276**	**169,755**
Loans and receivables:						
Trade and other receivables	**1,328**	**—**	**—**	**1,328**	**—**	**1,328**
Total financial assets	**307,210**	**—**	**218,307**	**3,627**	**85,276**	**307,210**
Financial liabilities:						
Subsidiary warrant liability	**—**	**13,012**	**—**	**—**	**13,012**	**13,012**
Subsidiary preferred shares	**—**	**217,519**	**—**	**—**	**217,519**	**217,519**
Subsidiary notes payable	**—**	**12,010**	**—**	**12,010**	**—**	**12,010**
Total financial liabilities	**—**	**242,541**	**—**	**12,010**	**230,531**	**242,541**

	2017					
	Carrying amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries	116,098	—	116,098	—	—	116,098
Certificates of deposit	927	—	—	927	—	927
Other deposits	73	—	—	73	—	73
Loans and receivables:						
Trade and other receivables	1,797	—	—	1,797	—	1,797
Total financial assets	118,895	—	116,098	2,797	—	118,895
Financial liabilities:						
Subsidiary warrant liability	—	13,095	—	—	13,095	13,095
Subsidiary derivative liability	—	114,263	—	—	114,263	114,263
Subsidiary financial instruments measured at fair value	—	2,071	—	—	2,071	2,071
Financial liabilities measured at amortised cost:						
Subsidiary preferred shares	—	117,980	—	—	117,980	117,980
Subsidiary notes payable	—	7,455	—	7,455	—	7,455
Total financial liabilities	—	254,864	—	7,455	247,409	254,864

22. Capital and Financial Risk Management

The Company's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence and sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in subsidiary companies. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of its risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main objective in using financial instruments is to promote the development and commercialisation of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

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

Credit Risk

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

As of 31 December	**2018 $000s**	2017 $000s
Cash and cash equivalents	**117,051**	72,649
Short-term investments	**133,828**	116,098
Investments held at fair value	**169,755**	131,351
Trade and other receivables	**1,328**	1,797
Total	**421,962**	321,895

The Group invests its excess cash in US Treasury Bills, US debt obligations and money market accounts, which the Group believes are of high credit quality.

The Group has investments held at fair value consisting of interests in Deconsolidated Affiliates.

The Group assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

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

As of 31 December	**2018 $000s**	2017 $000s
Neither past due or impaired	**1,328**	1,797
Total	**1,328**	1,797

Liquidity Risk

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

22. Capital and Financial Risk Management — continued

The table below summarises the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of 31 December 2018 and 2017 based on contractual undiscounted payments:

	2018				
As of 31 December	**Carrying Amount $000s**	**Within Three Months $000s**	**Three to Twelve Months $000s**	**One to Five Years $000s**	**Total $000s**
Subsidiary notes payable	**12,010**	**12,010**	**—**	**—**	**12,010**
Trade and other payables	**15,875**	**15,875**	**—**	**—**	**15,875**
Warrants	**13,012**	**13,012**	**—**	**—**	**13,012**
Subsidiary preferred shares (note 15)	**217,519**	**217,519**	**—**	**—**	**217,519**
Total	**258,416**	**258,416**	**—**	**—**	**258,416**

	2017				
As of 31 December	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years $000s	Total $000s
Subsidiary notes payable	7,455	7,455	—	—	7,455
Trade and other payables	16,358	16,358	—	—	16,358
Warrants	13,095	13,095	—	—	13,095
Subsidiary preferred shares (note 15)	120,051	120,051	—	—	120,051
Other liabilities	988	988	—	—	988
Total	157,947	157,947	—	—	157,947

In addition to the above financial liabilities, the Group is required to spend the following minimum amounts under intellectual property license agreements:

	2018 $000s	2019 $000s	2020 $000s	2021 $000s
Licenses	143	250	270	240
Total	**143**	**250**	**270**	**240**

Market Risk

Market risk is due to changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its financial instruments holdings. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising its return. The Group maintains the exposure to market risk from such financial instruments to insignificant levels. The Group's exposure to changes in interest rates has been determined to be insignificant.

Foreign Exchange Risk

The Group's grant revenues and the research and development costs associated with those grants are generated and incurred in Euros. The Group's results of operations and cash flows will be subject to fluctuations due to change in foreign currency exchange rates. Foreign currency transaction exposure arising from external trade flows is generally not hedged.

22. Capital and Financial Risk Management — continued

Capital Risk Management

The Group is funded by equity and debt financing. Total capital is calculated as Total Equity as shown in the Consolidated Statements of Financial Position.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or borrow new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in note 15.

As discussed in note 15, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares.

23. Commitments and Contingencies

Gelesis is a party to a patent license and assignment agreement whereby it will be required to pay approximately $8.0 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. Gelesis accrued $6.6 million as potential expenses under the patent license and assignment agreement for the years ended 31 December 2018 and 2017.

Gelesis has also been awarded grants from two government agencies, which are recognised as revenue as the qualifying expenses are incurred. The grant agreement contains certain provisions, including, inter alia, maintaining a physical presence in the region for defined periods. Failure to comply with these covenants would require either a full or partial refund of the grant to the granting authority.

Vedanta Biosciences is party to a collaboration agreement which grants Janssen Biotech, Inc. ("JBI"), a subsidiary of Johnson & Johnson, the exclusive right and license to make, use, sell, import and otherwise develop or commercialise any licensed product during the term of the agreement. Vedanta Biosciences is party to a license agreement with the University of Tokyo whereby it agreed to pay 10 per cent of the license fee income generated by the JBI Agreement to the University of Tokyo. During 2018, there were no milestone payments made to Vedanta Biosciences related to the JBI and as a result, there were also no further payments to University of Tokyo. In 2017, Vedanta Biosciences was granted patents which triggered milestone payments totalling $4.0 million from JBI and resulted in $0.4 million in payments to the University of Tokyo.

Other members of the Group are also parties to certain licensing agreements that require milestone payments and/or royalties on future sales. None of these payments have become due and the amounts of any future milestone or royalty payments cannot be reliably measured as of the date of the financial information.

24. Related Parties Transactions

Key Management Personnel Compensation

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

As of 31 December	**2018 $000s**	2017 $000s
Short-term employee benefits	**3,998**	3,514
Share-based payments	**3,062**	2,402
Total	**7,060**	5,916

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

Convertible Notes Issued to Directors

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of 31 December 2018 and 2017, the outstanding related party notes payable totalled $ 74,000 and $69,000, respectively. Interest expense charged on the related party notes was $ 5,000 for the years ended 31 December 2018 and 2017.

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

24. Related Parties Transactions — continued

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as at 31 December 2018:

Directors	Business Name (Share Class)	Number of Shares Held as of 31 December 2018	Number of Options Held as of 31 December 2018	Ownership Interest[1]
Mr Joichi Ito	Akili (Series A-2 Preferred)	26,627	—	0.10%
Ms Daphne Zohar[2]	Gelesis (Common)	59,443	765,915	5.40%
Dame Marjorie Scardino	—	—	—	—
Dr Bennett Shapiro	Akili (Series A-2 Preferred)[3]	33,088	—	0.20%
	Gelesis (Common)	24,010	10,841	0.20%
	Gelesis (Series A-1 Preferred)	23,419	—	0.20%
	Tal (Series A-2 Preferred)[3]	14,451	—	0.10%
	Vedanta Biosciences (Common)	—	25,000	0.40%
	Vedanta Biosciences (Series B Preferred)	11,202	—	0.20%
Dr Robert Langer	Entrega (Common)	—	302,500	6.20%
	Alivio (Common)	—	1,575,000	6.50%
Dr Raju Kucherlapati	Enlight (Class B Common)	30,000	—	3.00%
Dr John LaMattina[4]	Akili (Series A-2 Preferred)	37,372	—	0.20%
	Gelesis (Common)[4]	54,120	63,050	0.80%
	Gelesis (Series A-1 Preferred)[4]	49,524	—	0.30%
	Tal (Series A-2 Preferred)	114,411	—	1.10%
	Vedanta Biosciences (Common)	—	25,000	0.40%
Mr Christopher Viehbacher	—	—	—	—
Mr Stephen Muniz	—	—	—	—
Senior Managers:				
Dr Eric Elenko	—	—	—	—
Dr Joep Muijrers	—	—	—	—
Dr Bharatt Chowrira	—	—	—	—
Dr Joseph Bolen	Vor (Common)	—	125,000	0.50%

Notes:

1 Ownership interests as of 31 December 2018 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares of stock issuable upon conversion of outstanding convertible promissory notes.

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

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

4 Dr John and Ms Mary LaMattina hold 49,523 shares of common stock and 49,524 shares of Series A-1 preferred stock in Gelesis. Individually, Dr LaMattina holds 12,642 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount of $50,000.

Directors and senior managers hold 30,822,168 ordinary shares and 10.9 per cent voting rights of the Company as of 31 December 2018. This amount excludes options to purchase ordinary shares and RSU awards held by the senior managers. This amount also excludes 925,706 shares, which are issuable pursuant to the RSU awards granted to certain senior managers covering the financial years 2018, 2017 and 2016. Such shares will be issued to such senior managers in 2019 provided that certain of the shares will be withheld for payment of customary withholding taxes.

25. Taxation

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

As of 31 December	2018 $000s	2017 $000s
Loss for the year	**(70,659)**	(75,094)
Income tax expense/(benefit)	**2,221**	4,383
Loss before taxes	**(68,438)**	(70,711)

Recognised income tax expense/(benefit):

As of 31 December	2018 $000s	2017 $000s
Federal	**2**	(123)
Foreign	**—**	358
State	**496**	(109)
Total current income tax expense/(benefit)	**498**	126
Federal	**2,034**	4,255
Foreign	**—**	2
State	**(311)**	—
Total deferred income tax expense/(benefit)	**1,723**	4,257
Total income tax expense/(benefit), recognised	**2,221**	4,383

The tax expense of $2.2 million and $4.4 million in 2018 and 2017, respectively, is primarily the result of the establishment of a deferred tax liability for unrealised gains pertaining to our investments in both resTORbio and Akili for which we would not have sufficient US Federal tax attributes to fully offset the liability.

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the US; therefore, the reconciliation of the effective tax rate has been prepared using the US statutory tax rate. A reconciliation of the US statutory rate to the effective tax rate is as follows:

As of 31 December	2018 %	2017 %
Weighted-average statutory rate	**21.00**	34.00
Effects of state tax rate in US	**4.77**	(0.53)
Credits	**4.78**	3.41
Share-based payment measurement	**(5.01)**	(3.58)
Mark-to-market adjustments	**5.47**	(19.27)
Accretion on preferred shares	**(0.03)**	(4.57)
Deconsolidation adjustments	**(14.16)**	20.36
Mark-to-market investment in subsidiary	**0.08**	(34.04)
Federal tax change	**0.00**	(20.85)
Tax reform – foreign earnings repatriation	**0.00**	(1.27)
Income of partnerships not subject to tax	**0.11**	0.03
Current year losses for which no deferred tax asset is recognised	**(19.01)**	19.46
Other	**(1.25)**	0.65
	(3.25)	(6.20)

25. Taxation — continued

The Group is also subject to taxation in the UK and exposed to state taxation in certain jurisdictions within the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). US corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. During 2017 the IRS completed an audit of Gelesis for the financial year ended 31 December 2012 with no impact to the Group's financial condition, results of operations or cash flows. Additionally, during 2018 the IRS completed an audit of Vedanta for the financial year ended 31 December 2016 with no impact to the Group's financial condition, results of operations or cash flows.

Deferred Tax Assets

Deferred tax assets have been recognised for the foreign amounts in respect of the following items:

As of 31 December	2018 $000s	2017 $000s
Operating tax losses	**69,170**	55,352
Research credits	**8,056**	5,692
Investment in subsidiaries	**589**	637
Share-based payments	**13,003**	7,088
Other	**2,184**	1,736
Deferred tax assets	**93,002**	70,505
Other temporary differences	**(33,412)**	(31,038)
Deferred tax liabilities	**(33,412)**	(31,038)
Deferred tax liabilities, net, recognised	**6,428**	4,397
Deferred tax assets, net, recognised	**(449)**	(142)
Deferred tax assets, net, not recognised	**65,569**	43,722

The Other Temporary Differences disclosed above principally relate to the Company's unrealized gains pertaining to our investments in both resTORbio and Akili at 31 December 2018 of $31.8 million and in resTORbio at 31 December 2017 of $30.2 million, respectively. We have recognised deferred tax assets in the US to the extent these deferred tax assets could be recognised to offset the unrealized gain. Our remaining deferred tax assets have not been recognised for the US amounts other than a refundable alternative minimum tax ("AMT") credit because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

There was movement in deferred tax recognised in income or equity of approximately $1.7 million primarily related to the unrealized gains pertaining to our investments in both resTORbio and Akili for which we would not have sufficient Federal tax attributes to fully offset the liability.

As of 31 December 2018, the Company had US federal net operating losses carry forwards ("NOLs") of approximately $238.1 million and $203.1 million for the years ended 31 December 2018 and 2017, respectively, which was available to offset future taxable income. These NOLs expire through 2037 with the exception of $72.1 million which is not subject to expiration. These NOLs are subject to review and possible adjustment by the Internal Revenue Service. The Company had US Federal research and development tax credits of approximately $46.7 million and $4.4 million for the years ended 31 December 2018 and 2017, respectively, which is available to offset future taxes that expire through 2038.

Utilisation of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilised annually to offset future taxable income and tax, respectively. The Company has not yet completed an evaluation of ownership changes through 31 December 2018. To the extent an ownership change occurs in the future, the NOL and credit carryforwards may be subject to further limitations.

The Group considers earnings generated from its foreign subsidiary in Italy to be permanently re-invested; therefore, foreign withholding taxes have not been provided on undistributed earnings.

25. Taxation — continued

Uncertain Tax Positions

The changes to uncertain tax positions from 1 January 2017 through 31 December 2018 are as follows:

	US $000s	Foreign $000s	Total $000s
Gross tax liabilities as of 1 January 2017	78	28	106
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	—	—	—
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	(78)	(13)	(91)
Gross tax liabilities as of 31 December 2017	—	15	15
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	—	—	—
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	—	(12)	(12)
Gross tax liabilities as of 31 December 2018	**—**	**3**	**3**

The balance of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate is not material.

The balance of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate is not material. On 22 December 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. Effective 1 January 2018, the legislation significantly changed US tax law by lowering the federal corporate tax rate from 35.0 per cent to 21.0 per cent, modifying the foreign earnings deferral provisions, and imposing a one-time toll charge on deemed repatriated earnings of foreign subsidiaries as of 31 December 2017. Effective for 2018 and forward, there are additional changes including changes to bonus depreciation, the deduction for executive compensation and interest expense. As of 31 December 2017, two provisions affecting the financial statements are the corporate tax rate reduction and the one-time toll charge. As the corporate tax rate reduction was enacted in 2017 and effective 1 January 2018, the Company appropriately accounted for the tax rate change in the valuation of its deferred taxes in 2017. The impact of this change was to reduce deferred tax assets and liabilities by $14.6 million.

26. Sale of assets

In February 2018, The Sync Project, Inc. ("Sync") entered into an asset purchase agreement with Bose Corporation for the sale of certain assets and liabilities. The total aggregate purchase price was $4.5 million, consisting of approximately $4.0 million paid at closing and $0.5 million in cash deposited into escrow to be held for 12 months in order to secure the indemnification obligations of Sync after the closing date.

PureTech Health derecognised certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain on sale of assets" on the accompanying Consolidated Statements Comprehensive Income/(Loss) for the year ended 31 December 2018.

Additionally, as part of the derecognition, the Company and certain preferred shareholders received a cash distribution of approximately $3.3 million.

27. Tal Merger Agreement

During the year ended 31 December 2018, Tal Medical, Inc. ("Tal") a subsidiary of the Group entered into an option agreement with a third party, through which the third party was given the option to acquire substantially all of Tal's assets. The option was contingent on the third party raising gross proceeds of $15 million prior to 1 January 2019 (the option expiration date). Upon the expiration of the option all external investors, not including PureTech, would be entitled to a distribution equal to the cash on hand on the date of expiration, and Tal's operations would wind down. As of 31 December 2018, the minimum gross proceeds were not raised, resulting in the option expiring. As a result, the preferred shares were adjusted to the cash distribution the external investors were entitled to, which totalled $0.1 million, resulting in gain of $11 million being recognised in Finance costs – subsidiary preferred shares line of the Consolidated Statements of Comprehensive Income/(Loss). Tal remained in a legal capacity under the operations of PureTech. A form of merger will be executed between PureTech and Tal in 2019 so that PureTech becomes the sole shareholder of Tal once all assets are liquidated.

28. Subsequent Events

The Company has evaluated subsequent events after 31 December 2018, the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events, not otherwise reported in these consolidated financial statements or notes thereto, except for the following:

On 16 April 2019, PureTech Health entered into a partnership with Boehringer Ingelheim to advance immuno-oncology product candidates using PureTech's lymphatic targeting platform. Under terms of the agreement, PureTech Health will receive up to $26.0 million, including upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200.0 million in development and sales milestones, in addition to royalties on product sales.

On 9 April 2019, Sonde Health, an affiliate of PureTech, completed a $16.0 million Series A round, including the issuance of $6.0 million in shares upon conversion of debt into equity. Proceeds will be used to expand its capability across additional health conditions and device types and to fund commercialisation activities.

On 1 April 2019, Karuna Therapeutics announced the expansion of its Series B financing, raising $12.0 million in additional funding. On 8 April 2019, Karuna further expanded its Series B financing, issuing $2.0 million in shares upon conversion of debt into equity.

On 15 March 2019, Karuna Therapeutics, Inc. ("Karuna," formerly Karuna Pharmaceuticals), has completed a $68.0 million Series B financing round, including the issuance of $5.0 million in shares upon conversion of debt into equity. Additionally, Heather Preston, M.D., managing director of Pivotal bioVenture Partners, has joined the board of directors of Karuna.

On 12, February 2019, Vor Biopharma announced a $42.0 million Series A financing round. On 28 January 2019, Alivio Therapeutics, Inc. ("Alivio"), an affiliate of PureTech Health and Purdue Pharma LP ("Purdue") entered into a partnership to advance Alivio's product candidate ALV-107 through clinical development. Under the terms of the agreement, Alivio will receive up to $14.8 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260.0 million in research and development milestones. Purdue also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology, as well as an option to invest in Alivio's next equity financing.

PureTech Health plc Statement of Financial Position

For the years ended 31 December

	Note	2018 $000s	2017 $000s
Assets			
Non-current assets			
Investment in subsidiary	2	**141,348**	141,348
Total non-current assets		**141,348**	141,348
Current assets			
Related party receivables	3	**286,886**	189,393
Total current assets		**286,886**	189,393
Total assets		**428,234**	330,741
Equity and liabilities			
Equity			
Share capital	4	**5,375**	4,679
Share premium	4	**278,385**	181,588
Merger reserve	4	**138,506**	138,506
Other reserve	4	**911**	855
Accumulated deficit	4	**(5,227)**	(4,483)
Total equity		**418,030**	321,145
Current liabilities			
Trade and other payables		**—**	715
Related party payables	5	**10,204**	8,881
Total current liabilities		**10,204**	9,596
Total equity and liabilities		**428,234**	330,741

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

PureTech Health plc Statements of Changes in Equity

For the years ended 31 December

	Shares	Amount $000s	Share Premium $000s	Merger Reserve $000s	Other Reserve $000s	Accumulated deficit $000s	Total equity $000s
Balance 1 January 2017	**237,387,951**	**4,609**	**181,658**	**138,506**	**855**	**(3,664)**	**321,964**
Total comprehensive loss for the period							
Exercise of share-based awards	41,745	70	(70)	—	—	—	—
Net loss	—	—	—	—	—	(819)	(819)
Balance 31 December 2017	**237,429,696**	**4,679**	**181,588**	**138,506**	**855**	**(4,483)**	**321,145**
Total comprehensive loss for the period							
Issuance of placing shares	45,000,000	696	96,797	—	—	—	97,493
Offering costs	—	—	—	—	—	(121)	(121)
Exercise of share-based awards	64,171	—	—	—	136	—	136
Net loss	—	—	—	—	—	(623)	(623)
Balance 31 December 2018	**282,493,867**	**5,375**	**278,385**	**138,506**	**991**	**(5,227)**	**418,030**

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

PureTech Health plc Statements of Cash Flows

For the years ended 31 December

	2018 $000s	2017 $000s
Cash flows from operating activities		
Net loss	**(623)**	(819)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash items:		
Equity settled share-based payment expense	**136**	—
Changes in operating assets and liabilities:		
Related party receivable	**(97,493)**	(87)
Related party payable	**1,323**	776
Accounts payable and accrued expenses	**(715)**	130
Net cash used in operating activities	**(97,372)**	—
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	**—**	—
Cash flows from financing activities:		
Issuance of placing shares	**97,493**	—
Offering costs	**(121)**	—
Net cash provided by (used in) financing activities	**97,372**	—
Effect of exchange rates on cash and cash equivalents	**—**	—
Net decrease in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental disclosure of non-cash investment and financing activities:		
Vesting of incentive awards	**70**	70

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

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") have been prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent is United States ("US") Dollars and the financial statements are presented in US Dollars.

Investments

Investments are stated at historic cost less any provision for impairment in value and are held for long-term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of net realisable value and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Parent Company.

2. Investment in subsidiary

	$000s
Balance at 8 May 2015	—
Additions	**141,348**
Balance at 31 December 2018 and 2017	**141,348**

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the US as a US-focused scientifically driven research and development company that conceptualises, sources, validates and commercialises unexpected and potentially disruptive approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries see note 1 of the Consolidated Financial Statements of PureTech Health plc.

3. Related party receivables

The Parent has an accounts receivable balance from its operating subsidiary PureTech LLC of $286.9 million due to cash received from the IPO.

4. Share capital and reserves

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 8 May 2015.

On 12 March 2018, the Company raised approximately $100.0 million, before issuance costs and other expenses, by way of a Placing of 45,000,000 placing shares.

On 24 June 2015, the Company authorised 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorisation of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for $159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 per cent of the total number of new ordinary shares. The stabilisation manager provided notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

5. Trade and other payables

The Parent had a balance from its operating subsidiary PureTech LLC as of 31 December 2017 of $0.7 million related to IPO costs.

6. Related party payables

The Parent has a balance due to its operating subsidiary PureTech LLC of $8.9 million, which is related to IPO costs and operating expenses. However, there is no intention of its settlement in the foreseeable future.

7. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $0.8 million.

8. Directors' remuneration, employee information and share-based payments

The remuneration of the Directors of the Parent Company is disclosed in note 24, Related Parties Transactions, on pages 127 through 128 of the accompanying Consolidated Financial Statements. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 66 to 78. Full detail of the share-based payment charge and the related disclosures can be found in note 7, Share-based Payments, on pages 111 and 113 of the accompanying Consolidated Financial Statements.

The Parent had no employees during 2018 or 2017.

Company information

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Dame Marjorie Scardino
(Senior Independent Non-Executive Director)
Dr Bennett Shapiro (Non-Executive Director)
Dr Robert Langer (Non-Executive Director)
Dr Raju Kucherlapati
(Independent Non-Executive Director)
Dr John LaMattina (Independent
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