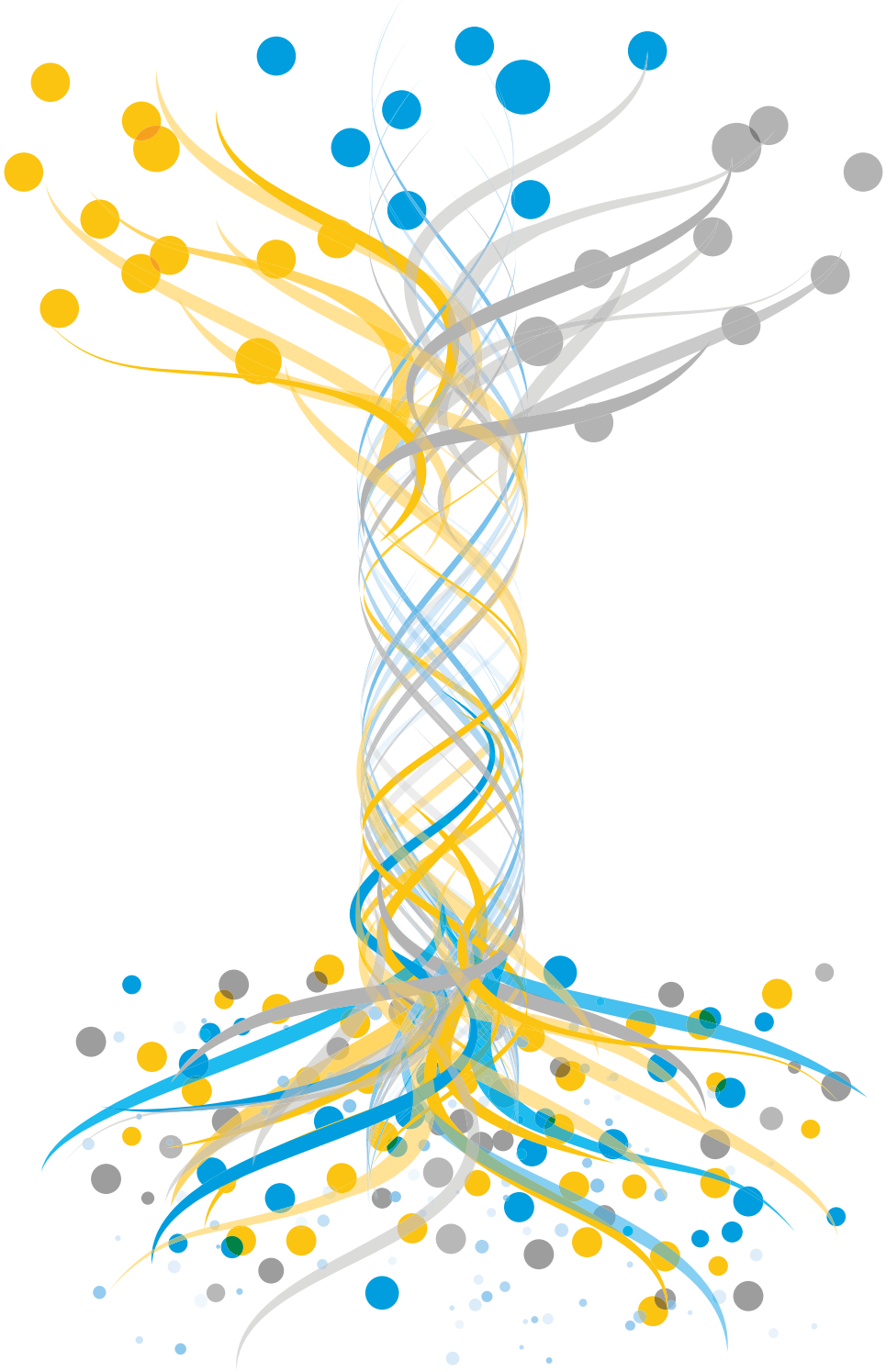
PureTech Health plc
Annual report and accounts 2016

Giving Life to Science®



PURETECH HEALTH

PureTech Health:
Building the biopharmaceutical company of the future

PureTech Health

PureTech Health (HQ: Boston, MA; LSE: PRTC) is a clinical-stage biopharma company with an advanced pipeline of innovative medicines targeting serious diseases caused by dysfunctions in the nervous, gastrointestinal, and immune systems.

The PureTech Health Advantage

What is the most innovative and efficient way to discover and develop safe and effective therapies that can transform the treatment paradigm for serious diseases? This question is at the core of PureTech Health's philosophy. It drives our passion for tackling serious diseases – regardless of modality or origin – to positively impact patients' lives, as well as our mission to generate tremendous value for our shareholders.

PureTech Health is pioneering a new way of developing novel medicines. This efficient, modality-agnostic innovation engine is generating potentially high-value, novel programmes across multiple therapeutic areas, which results in a diversified and well-balanced pipeline. An emphasis on capital-efficiency and an average of 72% ownership (on a diluted basis) across growth stage programmes paves the way for significant value creation for our shareholders. The industry is moving toward a new paradigm in healthcare, and PureTech Health is leading the way.

- An innovative and entrepreneurial culture coupled with a strong balance sheet ($281.5 million in consolidated cash and short term investments) and an advanced pipeline with value-driving catalysts over the next 12-18 months are poised to create maximum value for patients and shareholders
- A seasoned management team of business leaders, a stellar Board of actively-engaged industry pioneers, and an extensive network of the world's experts fuel our innovation engine
- Relationships with pharmaceutical companies or their investments arms – including Pfizer, Shire, Janssen, Biotech Inc., Amgen Ventures, Merck Ventures BV*– provide validation to our innovative pipeline
- A strong IP portfolio provides long periods of exclusivity for our innovative product candidates

Contents

* Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany, known as M Ventures in the United States and Canada, is the strategic, corporate venture capital arm of Merck KGaA, Darmstadt, Germany.

Highlights of the Year – 2016

Consolidated cash and short term investments:
$281.5m
2015: $313.7m
2014: $62.7m

PureTech cash and short term investments:
$192.1m
2015: $255.5m
2014: $53.2m

Value of growth stage programmes:
$380.1m
2015: $291.7m
2014: $222.4m

Number of patents and patent applications:
288
2015: 209
2014: 111

Number of project stage programmes advanced:
3
2015: 3
2014: 2

Number of partnerships entered:
6
2015: 4
2014: 2

Number of theme-based technologies sourced:
918
2015: 776
2014: 521

In 2016, the Group's programmes attracted in excess of $98 million in funding, including $50.0 million by Vedanta Biosciences and over $42.4 million by Akili – with $29.3 million provided from leading strategic and financial institutions such as Amgen Ventures, Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada), Rock Springs Capital, Seventure, JAZZ Venture Partners, and Canepa Advanced Healthcare Fund. Key clinical and technical advancements made in 2016 are listed below:

- Initiated a pivotal study of Akili's Project:EVO™ in paediatric attention deficit hyperactivity disorder (ADHD)
- Initiated the US portion of a pivotal study of Gelesis100 in people who are overweight or have obesity
- Announced positive results from a tolerability proof-of-concept clinical study with Karuna's lead programme for the treatment of schizophrenia and Alzheimer's disease psychosis and cognition impairment
- Presented positive top line safety data and positive satiety data from a second Gelesis candidate in obesity (Gelesis 200)
- Presented positive top line data from the Akili Alzheimer's screen digital biomarker study in collaboration with Pfizer
- Published data from two studies showing the potential benefit of Akili's core cognitive treatment technology in targeting cognition and mood in individuals diagnosed with depression
- Commenced GMP manufacturing of Vedanta's *C. difficile* candidate, VE303, to begin human clinical studies in 2017
- Generated positive proof-of-concept data for delivery of peptides in large animals with Entrega's targeted delivery platform
- Completed initial development of Sonde's scalable, vocal biomarker technology and gathered data from 1,800 participants

The Group also attracted several industry leaders to full-time positions:

- Bharatt Chowrira, PhD, JD, who brings a strong track record of value realisation with several billion-dollar deals, to the role of President and Chief of Business and Strategy of PureTech Health (March 2017)
- Joseph Bolen, PhD, an industry leader who has advanced more than 30 medicines into clinical development and previously served as President and Chief Scientific Officer for Moderna Therapeutics and Chief Scientific Officer at Millennium, as Chief Scientific Officer of PureTech Health
- Atul Pande, MD, who brings deep clinical expertise and most recently served as Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline, as Chief Medical Officer of PureTech Health (February 2017)
- LeRoux Jooste, who has launched and commercialised several blockbuster neurology drugs, as Chief Commercial Officer of Akili
- David Pass, PharmD, who brings commercial expertise across diabetes and metabolic disorders from his time with Boerhinger Ingelheim, as Chief Operating Officer of Gelesis
- Bruce L. Roberts, PhD, who brings drug discovery and development expertise and most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme, as Chief Scientific Officer for Vedanta Biosciences

PureTech Health has also significantly expanded and strengthened its IP portfolio across several programmes:

- Increased total number of patents and patent applications by 79
- Licensed key IP to strengthen coverage for its Commense, Sonde Health, and Vedanta Biosciences programmes
- Received grants of patents for Vedanta Biosciences (4), Gelesis (4), and Follica (2)

PureTech Health progressed three new programmes – resTORbio, Nybo, and Glyph – and advanced Alivio, Commense, Sonde, and the Sync Project to the growth stage.

Pipeline

PureTech Health is advancing a robust pipeline of preclinical and clinical studies, with several human proof-of-concept and pivotal trials expected to read out over the next 12 to 18 months.

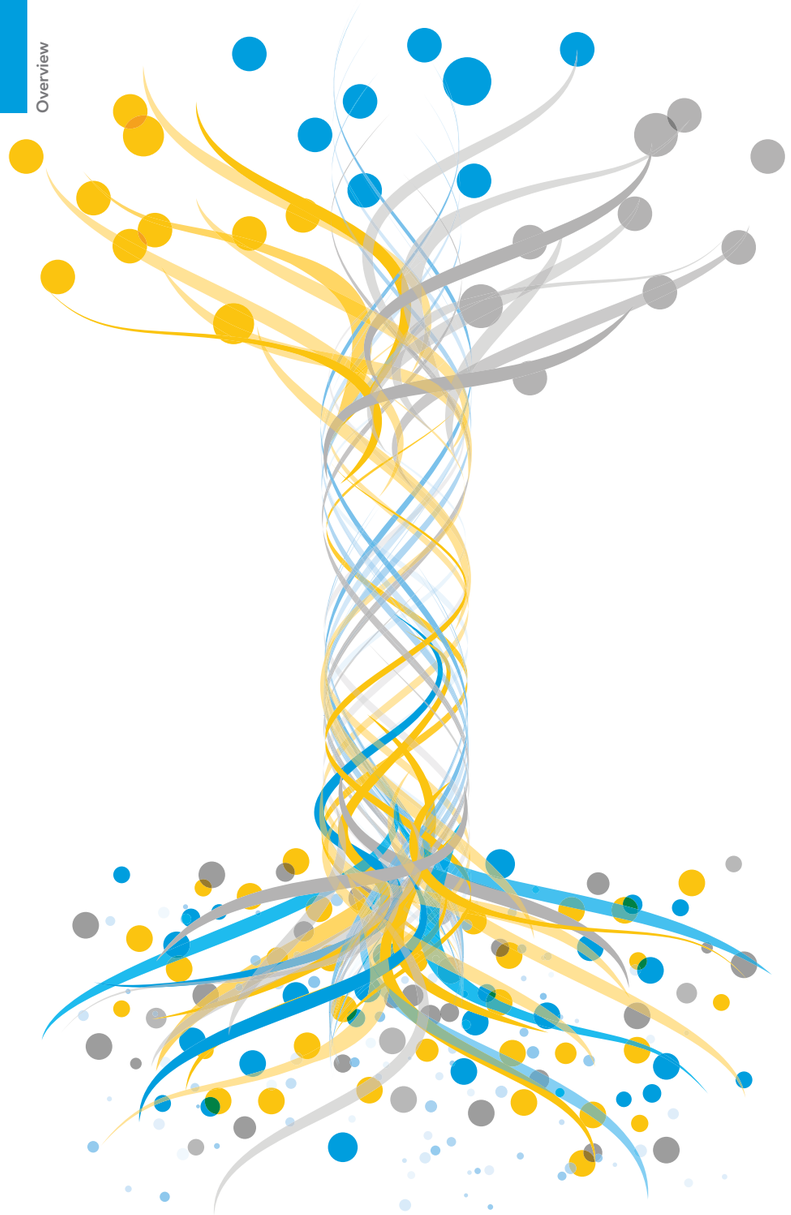
PureTech Health is advancing a robust pipeline of late and mid-stage clinical programmes and preclinical product candidates, with several human proof-of-concept studies and pivotal trials expected to read out over the next 12 to 18 months. These product candidates seek to address serious diseases by focusing on the adaptive systems of the human body – the immune, gastrointestinal, and nervous systems – which are implicated in many chronic diseases. Chronic diseases are a significant focus for PureTech Health as they represent the most common of all health problems that drive the greatest cost to the healthcare system.

From new bioengineered hydrogels transforming the treatment of metabolic disorders, to immune system enhancers to address immunosenescence and ageing-related indications, to strategies that bolster the role of the microbiome across multiple disease processes, to cutting edge new treatment paradigms for cognitive disorders, the PureTech Health pipeline is progressing some of the most exciting science that can have a great, positive impact on patients' lives.

Key Upcoming Milestones:

- Akili Project: EVO™ pivotal study in paediatric ADHD readout 2H17
- Gelesis100 pivotal study in weight loss readout mid-2017
- Gelesis200 proof-of-concept readout mid-2018
- Initiation of Karuna KarXT Phase II trial in schizophrenia 2H17
- Initiation of resTORbio Phase IIb trial in an immunosenescence-related indication
- Initiation of Vedanta VE303 Phase I trial in C. *difficile* infections 2H17
- Initiation of Follica RAIN pivotal study in androgenetic alopecia 2H17
- Readouts from multiple human pilot studies

What does an innovative biopharmaceutical company look like?



Advanced pipeline

Innovative medicines – poised to have a major impact on patients and healthcare – rapidly approaching key value-driving milestones

Disciplined and aligned with shareholders

Pipeline and operations structured to maximise shareholder value with strict stage-gated funding and optionality to spin out programmes to offset funding needs

Unbiased and data-driven

Following the science to de-risk ideas without an institutional bias to continue a programme

Boundless innovation

With a blank slate, working with the world's leading experts to identify the most promising solutions to big problems affecting the brain, gut and immune system

Letter from the Chairman

"It is with great excitement that we turn to 2017, on the cusp of major inflection points and the opportunity to drive value for patients and shareholders."

I am pleased to present the PureTech Health 2016 Annual Report. Under the excellent leadership of our CEO and co-Founder, Daphne Zohar, and an accomplished management team, PureTech achieved significant progress over the past year and continued to execute on all of its stated goals. It is with great excitement that we turn to 2017, on the cusp of major inflection points and the opportunity to drive value for patients and shareholders.

There is nothing more important than one's health. We see on a daily basis how it affects us, our friends and our families. There is also a tremendous strain endured on a societal level due to the costs and loss in productivity caused by the consequences and treatment of chronic diseases. Factors, such as an ageing population and the effects of the environment on our systems result in complex chronic diseases, which are the most common and costly of all health problems in the 21st century. Fresh ideas and new approaches are needed to address these enormous needs.

PureTech is at the forefront of innovation. Using an unbiased and cross-disciplinary approach, we set out to identify and solve some of the largest health issues affecting us today. PureTech is not constricted by a particular scientific bias or technology. Our boundless innovation philosophy coupled with strict capital discipline allow us the freedom to tackle issues in the most promising way. The outcomes are new therapeutics and modalities that will potentially lead to the safe and efficacious treatment of millions of patients.

These transformative technologies are clearly demonstrated in our programmes, including our advanced pipeline that contains significant catalysts in 2017. Akili, our digital cognitive treatments and assessments programme, intervenes directly on brain function using interference processing to treat paediatric ADHD in a safe, non-pharmacological manner. Gelesis, focused on the treatment of obesity and diabetes, employs a superabsorbent hydrogel to promote weight loss with drug-like efficacy and food-like safety. Vedanta, which takes a differentiated approach to the microbiome, utilises rationally defined bacterial consortia that have specific biological effects to treat a wide range of autoimmune and infectious diseases. Karuna is poised to tackle the huge societal and patient problems associated with psychosis in schizophrenia and Alzheimer's disease.

These types of products and their potential impact on patients drive PureTech's purpose and mission. PureTech's leadership position in the hub of biopharmaceutical development and innovation, Boston and Cambridge, MA, and the stellar team and network of collaborators represent a unique cross-section of some of the industry's best minds and ideas. We have built on this regional network to expand our collaborations across the globe with the world's leading experts. Together, we will continue to push the boundaries of medicine and transcend what is possible today.

Thank you for your continued support of PureTech Health as we build a unique biopharmaceutical company. We look forward to sharing our progress with you as we move imminently closer to providing truly novel therapeutics to patients and creating significant value for shareholders.

Joichi Ito
Chairman

6 April 2017

Letter from the Chief Executive Officer

> "As the healthcare landscape evolves, PureTech Health is at the forefront of that change and we believe we will be positively impacted by the emerging trends in the sector."

2016 was a seminal year and a year of great progress at PureTech Health. In 2017, we will be focused on converting some of our exciting progress into value realisation for our shareholders.

In a rapidly transforming healthcare landscape, PureTech Health is at the forefront of scientific advances that are changing our fundamental understanding of and ability to intervene in major chronic diseases, which touch every aspect of healthcare and account for the overwhelming majority of healthcare spending. With our capital-efficient operating model, macroscopic view of biology, and leading team, Board and group of global collaborators, we've built a company ideally positioned to navigate this new era of healthcare with truly novel medicines that could make a significant positive impact for patients and drive major value for our shareholders.

Consistent with our previously disclosed timelines, we successfully executed several milestones in 2016. We initiated pivotal studies for two of our growth stage programmes – Gelesis (Gelesis100 for weight loss in obesity) and Akili (Project: EVO™ in paediatric ADHD) – both of which we expect to read out in 2017. We continued to develop both of these technologies in a number of additional indications, as our ongoing mechanistic and pilot studies yield positive new findings. In May, we announced positive data from a first-in-human safety and tolerability study of Gelesis200 targeting patients with type 2 diabetes and later presented positive satiety data at a key obesity scientific congress. In December, a joint Akili/Pfizer study found that Akili's screen technology was sensitive enough to detect even subtle functional cognitive impairments in healthy subjects at risk of developing Alzheimer's disease, and two separate academic collaborations demonstrated the potential benefit of Akili's core cognitive treatment technology in targeting cognition and mood in depressed individuals.

Daphne Zohar accepts her award as EY Entrepreneur Of The Year® 2016 in New England

Our mid-stage programmes progressed as well. Karuna, our schizophrenia & Alzheimer's psychosis programme, announced a positive tolerability proof-of-concept study with our proprietary combination approach. This achievement paves the way for a Phase II trial in schizophrenia to begin later this year, which aims to build on the previous exciting human efficacy data generated at Eli Lilly. Vedanta has also commenced its first GMP manufacturing run of product candidate VE303, which we plan to advance into human clinical studies in C. *difficile* this year. Vedanta is also progressing very well in its partnership with Janssen, including moving towards human clinical trials in the next six to twelve months.

We've also expanded our IP portfolio, increasing our total patent and patent applications by 79 in the past year. These patents protect not only the foundational technologies for our programmes but also provide significant exclusivity periods for our product candidates.

As our pipeline deepens and progresses, we've made strategic additions to our world-class team with a focus on taking PureTech to the next level of growth and value realisation:

- Bharatt Chowrira, PhD, JD, joined PureTech Health as President and Chief of Business and Strategy. Dr. Chowrira brings more than two decades of experience in the biopharmaceutical industry, combining a unique blend of R&D, corporate development, operations, financing, public offering, M&A, legal, IP, and licensing expertise. Dr. Chowrira was most recently the President of Synlogic, and prior to that he was Chief Operating Officer of Auspex (sold to Teva Pharmaceuticals for $3.5 billion) (joined in March 2017)

> "In 2017, we will be focused on converting some of our exciting progress into value realisation for our shareholders."

- Joseph Bolen, PhD, joined PureTech Health as Chief Scientific Officer. Dr. Bolen brings decades of industry experience, having overseen the discovery and advancement of more than 30 drugs. He most recently served as President and CSO of Moderna Therapeutics, and prior to that he was CSO and President of Research and Development at Millennium (Sold to Takeda Pharmaceuticals for $8.8 billion)
- Atul Pande, MD, joined PureTech Health as Chief Medical Officer. Dr. Pande has more than two decades of experience in drug development. He is the former Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline (joined in February 2017)
- David Pass, PharmD, joined Gelesis as Chief Operating Officer. Dr. Pass has more than 20 years of commercial expertise across multiple therapeutic areas with a focus on diabetes and metabolics. He most recently served as Vice President of Marketing for the Diabetes Franchise at Boehringer Ingelheim where he built a billion-dollar commercial business in diabetes
- LeRoux Jooste, joined Akili as Chief Commercial Officer. Mr. Jooste brings a track record of launching blockbuster neurology products and establishing commercial capabilities that deliver strong and sustained revenue growth
- Bruce L. Roberts, PhD, joined Vedanta Biosciences as Chief Scientific Officer. Dr. Roberts has 30 years of experience in biotechnology and pharmaceutical drug discovery and development. He most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme

PureTech Health continues to build on synergies and existing expertise from our later-stage programmes, utilising core competencies and resources to maintain both our entrepreneurial roots and our lean operating model.

We also continue to stage-gate resource-allocation based on discrete deliverables and key milestones, resulting in our strong balance sheet and cash position ($281.5 million in consolidated cash and short term investments). All funding decisions are proposed by senior executive management, ratified by the board, and guided by our capital-efficient tenets. Our early-stage programmes are de-risked and developed internally, and we will be aggressively exploring monetisation and commercialisation opportunities as our assets mature. We believe that this model will deliver great value to patients and shareholders.

For several programmes – including Akili and Vedanta Biosciences – we secured strategic, validating financing in 2016 from investors such as Rock Springs Capital, Amgen Ventures, Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada), Seventure, JAZZ Venture Partners, and Canepa Advanced Healthcare Fund. As of this year, Akili has relationships with four major biopharmaceutical companies or their investment affiliates, and Vedanta has an ongoing collaboration with Janssen Biotech, Inc., which is progressing well and earned IP-related milestone payments this year.

In 2017, we will build on this momentum and deepen our focus on the human adaptive systems – the nervous, gastrointestinal, and immune systems. Approaching biology from a systems level enables us to access the underlying pathophysiology of disease at multiple dimensions – rather than through a single receptor or pathway – which we believe is the key to unlocking therapeutic potential.

This focus also places us at the cutting edge of a paradigm shift in medicine. Early intervention is critical for the reduction of healthcare costs, and our programmes such as Akili, Gelesis, Sonde, Commense, and resTORbio are all advancing new approaches to enable earlier intervention to address the burden of chronic disease.

As the healthcare landscape evolves, PureTech Health is at the forefront of that change and we believe we will be positively impacted by the emerging trends in the sector. We think about the world a little differently, looking around corners together with the experts who have pioneered the current industry. We deeply appreciate your continued support and the contributions of our terrific team, and we look forward to an exciting 2017.

Daphne Zohar
Chief Executive Officer
6 April 2017

Strategic report

Letter from the Chief Scientific Officer

"The PureTech Health team has established a solid track record of recognising key advances in technology and landmark discoveries across an impressively broad range of indications."

The foundations of modern biology were framed in the latter half of the 20th century: The advent of "molecular" biology, advances in medicinal chemistry and automation, and the inventions of gene cloning, monoclonal antibodies, and gene sequencing revolutionised biomedical research and drug discovery, creating the global biopharmaceutical industry we know today.

Over the first decade and a half of the 21st century, a comparable revolution has begun with the convergence of a dazzling array of novel molecular, computational, material, and mechanical technologies that have fundamentally transformed our knowledge of biological systems. This shift is enabling an unprecedented understanding of complex human diseases, most notably chronic diseases, which are the leading cause of death and disability in the industrialised regions of the world.

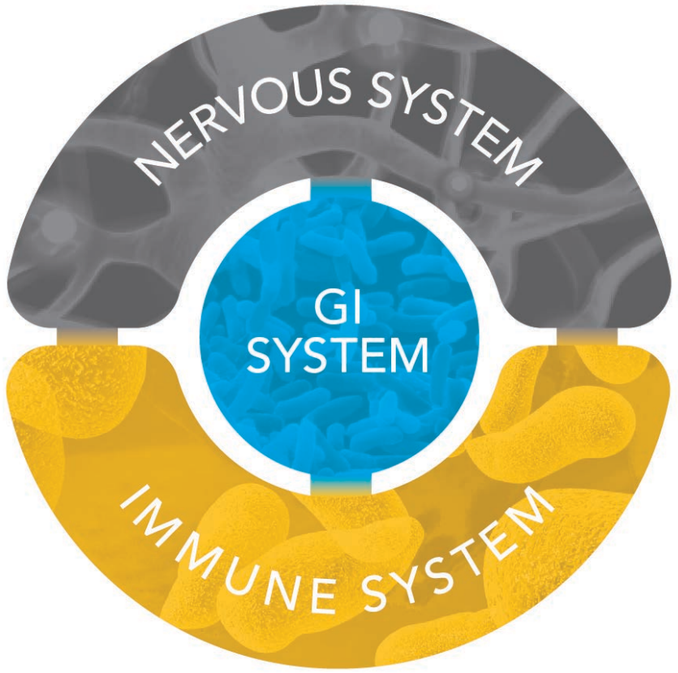
Chronic diseases – such as diabetes, obesity, cancer, heart disease, depression, arthritis, schizophrenia, and Alzheimer's disease – represent the most common and costly of all health problems. In contrast to previous assumptions, we now understand that environmental exposures outweigh an individual's inherited genetic content as the primary influence governing chronic disease risk. This also helps to explain why the chances of acquiring one or more chronic diseases increases with age.

Previous efforts to develop therapeutics for highly prevalent, complex chronic diseases have been limited by a focus on individual drug targets, many of which were identified through genome-wide association analyses, and the inherent platform bias of the traditional biopharmaceutical model, which restricted the kind of cross-disciplinary discovery that can yield breakthrough innovation. Considering recent insights documenting the dominant role of the environment on the immune and nervous systems in the initiation and progression of chronic diseases, new orthogonal systems-based approaches are clearly needed to discover safe and effective therapeutic and diagnostic solutions for this diverse group of complex diseases.

PureTech Health is at the forefront of incorporating this emerging disease knowledge and cutting-edge technologies into new therapeutic and diagnostic programmes that are focused on chronic diseases. We've strategically centred our efforts around the biological processes associated with the nervous, gastrointestinal, and immune systems, as these together represent the major adaptive systems responsible for interacting with the environment and are frequently implicated in serious chronic disease. We seek diagnostic and treatment solutions without bias to either therapeutic precedent or therapeutic modality, and our team is guided by a network of the world's leading scientists.

The success of this approach is exemplified by our pipeline, which is rich in both the diversity of interventional modalities as well as the range of disease indications. We have established a solid track record of recognising key advances in technology and landmark discoveries, ranging from digital conditioning of neural circuits to regulation of the immune system by rationally-designed commensal bacteria. The knowledge accumulated from this exciting array of interrelated technology programmes is informing and enabling our ongoing earlier concept and discovery stage programmes that represent the next waves of PureTech Health innovations.

I'm thrilled to have joined an organisation and a team that is pioneering the next generation of healthcare advances. PureTech Health is truly harnessing deep expertise from the past and technology of the future to create a modern biopharmaceutical company.



Dr. Joseph Bolen
Chief Scientific Officer

6 April 2017

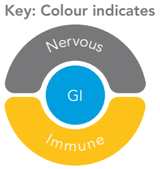
The world is our discovery engine…

…and the world's leading experts are our filter

Representative list of PureTech Health and subsidiary programme advisors:

Our collaborators have invented some of today's most important new technologies (e.g., optogenetics, microbiome, genome editing, bio-inspired engineering) and have pioneered the scientific understanding of the adaptive nervous and immune systems. Other collaborators and advisors are helping to change our healthcare system. We work closely with this brain trust to identify, invent and clinically de-risk potential new medicines.

Key: Colour indicates area of expertise



Louis J. Aronne, MD, FACP, Sanford I. Weill Professor of Metabolic Research at Weill-Cornell Medical College; Director of the Comprehensive Weight Control Center

Dennis Ausiello, MD, Director of the Center for Assessment Technology and Continuous Health (CATCH); former Chief of Medicine at Massachusetts General Hospital (MGH)

Martin J. Blaser, MD, Professor of Microbiology, NYU Langone Medical Center; Director of the Human Microbiome Program

Edward Boyden, PhD, Professor of Biological Engineering and Brain and Cognitive Sciences at the MIT Media Lab and the MIT McGovern Institute; inventor of optogenetics

James J. Collins, PhD, Professor of Medical Engineering and Science at MIT; Member of the Broad Institute; core Founding Faculty member of the Wyss Institute at Harvard University

George Cotsarelis, MD, Chairman of Dermatology; Milton B. Hartzell Professor at the University of Pennsylvania

Aimee Danielson, PhD, Founder and Director of the Women's Mental Health Program at MedStar Georgetown University

Geraldine Dawson, PhD, Director of the Duke Center for Autism and Brain Development at Duke University; President of the International Society for Autism Research

Stephen V. Faraone, PhD, Distinguished Professor in the Departments of Psychiatry and Neuroscience and Physiology; Director of Medical Genetics Research at SUNY Upstate Medical University

Maurizio Fava, MD, Executive Vice Chair of the Department of Psychiatry; Executive Director of the Massachusetts General Hospital Clinical Trials Network & Institute

B. Brett Finlay, PhD, Howard Hughes Medical Institute Investigator; Professor at the University of British Columbia

Ken Fujioka, MD, Director of the Nutrition and Metabolic Research Center and the Center for Weight Management in La Jolla California at the Scripps Clinic

Sanjiv Sam Gambhir, MD, PhD, Professor of Radiology and Bioengineering; Head of Nuclear Medicine and Director of the Molecular Imaging Program at Stanford University

Adam Gazzaley, MD, PhD, founding Director of the Neuroscience Imaging Center at the University of California, San Francisco

Ian Gotlib, PhD, David Starr Jordan Professor and Chair of the Department of Psychology at Stanford University; Director of the Stanford Mood and Anxiety Disorders Laboratory

Steve Holtzman, former Executive Vice President of Corporate Development at Biogen Idec.; former Chief Business Officer at Millennium Pharmaceuticals; founding officer of Infinity Pharmaceuticals, Inc.

Kenya Honda, MD, PhD, Associate Professor of Immunology at the Graduate School of Medicine at the University of Tokyo

Donald E. Ingber, MD, PhD, Founding Director of the Wyss Institute for Biologically Inspired Engineering at Harvard University

Lee M. Kaplan, MD, PhD, Associate Professor at Harvard Medical School; Director of the Metabolism & Nutrition Institute; founding Director of Massachusetts General Hospital Weight Center

Jeff Karp, PhD, Associate Professor at BWH, Harvard Medical School; Principal Faculty at the Harvard Stem Cell Institute; Principal Investigator at Karp Lab

Rob Knight, PhD, Professor at the University of California San Diego (UC San Diego); Director of UC San Diego's Center for Microbiome Innovation

Harry L. Leider, MD, Chief Medical Officer and Group Vice President at Walgreens

Dan Littman, MD, PhD, Howard Hughes Medical Institute Investigator; Professor at the Skirball Institute for Biomolecular Research at New York University School of Medicine

Ruslan Medzhitov, PhD, Howard Hughes Medical Institute Investigator; David W. Wallace Professor of Immunobiology at Yale University School of Medicine

Siddhartha Mukherjee, MD, PhD, Assistant Professor of Medicine at Columbia University; Pulitzer Prize-winning author of Emperor of all Maladies

Robert J. Perez, Former Chief Executive Officer of Cubist (acquired by Merck)

Derrick J. Rossi, PhD, Associate Professor in the Stem Cell and Regenerative Biology Department at Harvard Medical School

Alexander Rudensky, PhD, Howard Hughes Medical Institute Investigator; Tri-Institutional Professor at Memorial Sloan-Kettering Cancer Center, the Rockefeller University and Cornell University;

Robert T. Schultz, PhD, Director of the Center for Autism Research (CAR) at The Children's Hospital of Philadelphia

Joseph St. Geme III, MD, Physician-in-Chief and Chairman of Pediatrics at the Children's Hospital of Philadelphia

Ulrich H. von Andrian, MD, PhD, Mallinckrodt Professor of Immunopathology at Harvard Medical School

Ralph Weissleder, MD, PhD, Thrall Professor of Radiology and Systems Biology at Harvard Medical School; Director of the Center for Systems Biology at Massachusetts General Hospital

Feng Zhang, PhD, McGovern Investigator and Associate Professor at Massachusetts Institute of Technology; core member of the Broad Institute of MIT and Harvard; pioneer in CRISPR technology

How PureTech Health aims to build value for investors

"The company has built a robust pipeline of innovative programmes in a highly capital efficient way that have collectively generated significant value."

Empowered by industry pioneers

The innovation process starts with the people. PureTech Health's seasoned management team and board of directors consists of accomplished industry leaders with significant experience in maximising shareholder value, discovering scientific breakthroughs, and delivering products to market.

A team that includes former CEOs, CSOs and heads of research & development from big pharma and biotech, top academic scientists, and entrepreneurs has proven to be a key driver in the recruitment of top talent and ideas to PureTech Health.

The Company's network of scientists, inventors, and executives, including more than 70 of the world's foremost experts in their fields, serve as integral partners in the identification and development of potential new therapies.

Boundless innovation

With a blank slate, PureTech Health sets out to identify unexpected solutions to big problems. The Company begins by identifying a significant medical need within its core focus areas, and then it collaborates with the world's leading experts to deconstruct the problem and identify the most promising solutions.

PureTech's principle of boundless innovation allows for the freedom to tackle issues without the constraint of being bound to a single platform or modality. The process encourages cross-disciplinary, orthogonal thinking and the creation of disruptive technologies.

Technological advances and cross-disciplinary research have transformed the way medical advances are achieved in the 21st century. PureTech is harnessing this new era of convergence for the distinct purpose of developing innovative treatments with better risk-benefit profiles for patients.

Unbiased and data-driven

The process remains unbiased at every stage. PureTech is not tied to a single scientific programme and does not have an institutional bias to continue a specific programme, but rather senior leadership and the board make decisions based on the data. Assets that are advanced to the lab from the brain-storming processes are examined through a sceptical lens and undergo rigorous de-risking experiments.

Optimising and diversifying risk is a central theme in PureTech's therapeutic development. An early focus on approaches that have signals of human efficacy and strong safety aids in alleviating some of the industry's major obstacles in advancing novel treatments. PureTech's diversified portfolio also mitigates the binary risk associated with singular scientific programmes.

With a strong emphasis on pressure testing ideas early, PureTech demands the validation needed to justify further investment and the formation of a programme around the technology. The data and market opportunity help to guide decision-making regarding which candidates to advance.

Capital efficiency

By pressure testing ideas early and following a strict stage-gated funding process, PureTech has advanced its programmes for a fraction of the average drug development cost.

The company has built a robust pipeline of innovative programmes in a highly capital-efficient way that have collectively generated significant value. With the seeds of innovation that were planted several years ago, the first wave of those programmes have grown in a capital-efficient manner and are now beginning to bear fruit with two pivotal studies reading out in 2017. The second wave of programmes are in mid-stage clinical studies and expected to readout in 2018, and the third wave of programmes/assets are in preclinical development, with some moving into the clinic soon. We believe this is a compelling innovation and growth story with a steady stream of catalysts and value inflection points over the next two years.

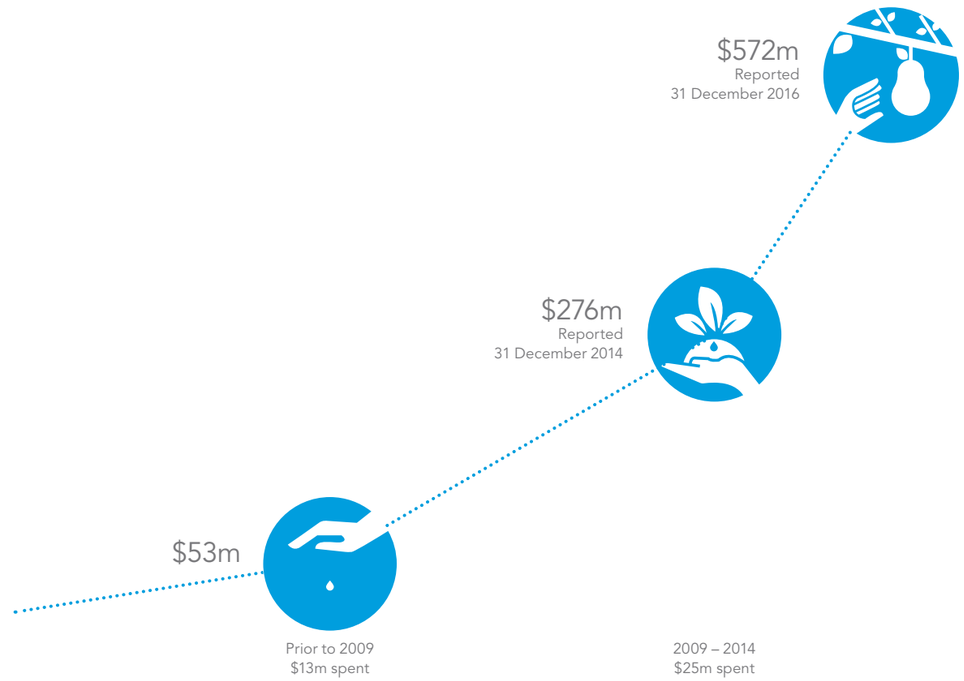
Value realisation

PureTech's approach is to generate meaningful clinical data and develop its assets to considerable value inflection points.

The Company has the built-in flexibility to choose the best path for the advancement of its assets. In some cases, PureTech will pursue third-party validation of the intrinsic value of its pipeline through strategic partnerships, licensing agreements and external investor participation. In other cases, when the funding required to get to the next milestone is within PureTech's budget and scope, PureTech may choose to maintain essentially all of the ownership and fund the next study internally. The PureTech board and senior executive team are deeply engaged in this decision-making process and consider a number of elements, including the likelihood of achieving the next milestone and the value accretion at

"PureTech's approach is to generate meaningful clinical data and develop its assets to considerable value inflection points."

PureTech's Asset Value* (Growth-Stage Holdings Value + Corporate Cash)



* Note: Valuations on and after 31 December 2014 are calculated based on Growth-Stage Holdings Value + cash at PureTech corporate level; valuations prior to 31 December 2014 are calculated based on post-money financing valuations. Valuations do not include project and concept stage programmes.

Key Upcoming Milestones

- Akili Project: EVO™ pivotal study in paediatric ADHD readout 2H17
- Gelesis100 pivotal study in weight loss readout mid-2017
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- Initiation of Follica RAIN pivotal study in androgenetic alopecia 2H17
- Readouts of multiple human pilot studies

Strategic report

"PureTech Health has a robust pipeline of programmes that have made excellent progress over the course of 2016, with multiple programmes advancing in clinical development and approaching commercialisation."

that stage, while weighing potential partnership constructs and the validation they signal.

The PureTech Health structure enables full optionality to evaluate trade sales, IPOs, and/or commercialisation partnerships to monetise assets in a way that creates the most value for shareholders.

A new generation of biopharmaceuticals

PureTech Health has a deep pipeline with key areas of focus. The discovery and preclinical pipeline builds on the synergies and existing expertise of later stage programmes.

In particular, PureTech looks to expand its presence in the treatment of chronic diseases tied to the adaptive human systems. Utilising core competencies, such as microbiome and bio-inspired engineering, PureTech has developed new programmes that could affect the lives of millions of patients.

Programmes such as Vedanta, Akili, Gelesis, Karuna, and resTORbio are prime examples of the first-in-class innovation being performed at PureTech and offer tremendous upside potential for shareholders as they progress towards the clinic.

PureTech Health has created a unique model for drug development that builds on the learnings from the last 40 years of the biopharmaceutical industry. The PureTech team and external collaborators are empowered to pursue scientific discoveries that address some of the major issues burdening the healthcare system, while the stage-gated de-risking approach ensures capital discipline, with all decision making executed on a group level by the PureTech Board and senior team to ensure that resources are allocated to the product candidates that hold the most promise.

The PureTech Board and management team are fully aligned with shareholders. Using a capital disciplined and data-driven approach, the Company efficiently advances its top programmes to valuable inflection points in order to harvest the greatest returns.

With an advanced pipeline, including two pivotal trials expected to readout in 2017, and an exciting preclinical and discovery pipeline, PureTech Health is positioned to deliver meaningful rewards to patients and shareholders over the coming year.

An advanced pipeline

PureTech Health has a robust pipeline of programmes that have made excellent progress over the course of 2016, with multiple programmes advancing in clinical development and approaching commercialisation. PureTech Health's most advanced programmes are considered growth stage and are formally valued at the conclusion of each year. These growth stage programmes are used to derive the aggregate value of the Company's holdings in its growth stage programmes (Growth-Stage Holdings Value). PureTech's earlier stage programmes are considered project stage and concept stage and are not included in the Growth-Stage Holdings value.

Growth stage programmes

Given the progress of PureTech Health's growth stage programmes, PureTech Health's Growth-Stage Holdings Value increased by $88.4 million or 30.3 percent during 2016, from $291.7 million to $380.1 million. The increase in PureTech Health's Growth-Stage Holdings Value, net of new investments by PureTech Health, was approximately $46.7 million, or approximately 16.0 percent.

Clinical stage programmes

Both Akili and Gelesis are funded through the read-out of their pivotal studies (Gelesis mid-2017; Akili second half of 2017), with sufficient funding to also begin commercialisation planning activities as they prepare for product launches within the next year. Gelesis has also initiated a six-month proof-of-concept study of Gelesis200 for glycaemic control and weight loss in patients with prediabetes and type 2 diabetes, which is expected to read-out mid-2018.

Beyond its pivotal study in ADHD, Akili is also advancing its platform technology, which powers both treatment and assessment (monitor, screen) products, in multiple clinical trials, including pilot studies in paediatric and early adult cognitive disorders, depression, and neurodegenerative disorders such as Alzheimer's disease and multiple sclerosis. In December 2016, two pilot studies exploring the technology's potential use in late life depression (LLD) and major depressive disorder (MDD) were published in two peer-reviewed journals. Both studies yielded promising results and pave the way for additional randomised, controlled studies.

Karuna has made significant progress in its clinical development throughout 2016, with a positive readout in the second half of 2016 in

a tolerability proof-of-concept study. Karuna plans to initiate a Phase II trial in the second half of 2017 to replicate existing efficacy data in schizophrenia with improved tolerability. If successful, this study could serve as the basis for initiating a pivotal study.

Follica is progressing the development of its proprietary, in-office skin disruption therapy that induces follicular neogenesis and enhances the new follicles with an active drug compound. Follica is initiating a pilot optimisation study mid-year, with a pivotal trial expected to begin in the second half of 2017.

In June 2016, Sonde executed an exclusive license with the Massachusetts Institute of Technology (MIT) Lincoln Laboratory for technology being used to analyse brief patient voice samples to screen and monitor a range of mental and physical medical concerns based on subtle changes in acoustic characteristics of the speaker's voice. Sonde's focus areas include mental health conditions like depression as well as a number of other mental health, respiratory and cardiovascular conditions. As of 31 December 2016, Sonde's mobile depression and speech research corpus had studied 1,800 participants.

The Sync Project completed its end-to-end implementation of the Sync system, collecting ratings data on music for various indications, and expects to roll out product offerings in different indications or functional music areas over the coming year.

Preclinical pipeline

Vedanta Biosciences, Commense, Entrega, and Alivio have all made significant progress towards human clinical trials in 2016. VE303 has demonstrated efficacy in animal models of C. *difficile* infections and is expected to begin human clinical studies in the second half of 2017. VE202, partnered with Janssen, is progressing positively toward human clinical studies, which are expected to begin in the next six to twelve months. Vedanta also has multiple candidates in additional indications including food allergy, multidrug-resistant organisms (MDROs), graft versus host disease (GvHD), and oncology.

Commense initiated preclinical studies to explore the role of VMT in immune and metabolic phenotypes. Commense also initiated manufacturing of a VMT Procedure Kit for clinical trials and data collection, and is expected to initiate human clinical studies in 2019 for its lead product candidate.

In 2016, Alivio executed an exclusive license agreement with MIT and Brigham and Women's Hospital for the Alivio programme technology. Alivio has made significant advancements in preclinical studies to date and expects to initiate human clinical studies in 2019.

As of late 2016, Entrega has generated proof-of-concept data demonstrating successful delivery of peptides in large animals, and it expects to continue preclinical studies to further refine this platform.

Project stage programmes and concept stage initiatives (not included in the Growth-Stage Holdings Value calculation)

Unlike its growth stage programmes, the Company's project stage programmes and concept stage initiatives are not assigned values by PureTech but rather form the basis for PureTech's next growth stage programmes. The Company's pipeline is primarily focused on three therapeutic areas of accelerating biological insight and substantial unmet medical need – the nervous, gastro-intestinal, and immune systems, and – despite not being formally valued by PureTech Health – the most advanced of these are now clinical stage and have strong proof-of-concept and teams in place.

For example, in March 2017, resTORbio executed a licensing and equity agreement with Novartis to advance two clinical-stage programmes targeting the age-related decline in immune function. A Phase IIb study with these candidates is planned to commence in 2017. resTORbio was not included in our Growth-Stage Holdings Value calculation as it was still a project stage programme at 31 December 2016

Valuation of PureTech Health's growth stage programmes

The Company expects that the value of at least some of the Company's programmes will be realised through liquidity events, with proceeds accruing to the Group. On average, PureTech Health owns 72% of all growth stage programmes as of 31 December 2016 on a diluted basis as defined on page 17. As all growth stage programmes are fully consolidated in PureTech Health's consolidated financial statements prepared in accordance with IFRS, the consolidated statements of financial position incorporated within PureTech Health's consolidated financial statements do not include current valuations of the growth stage programmes. As a means to more fully meet the information

"A majority of growth stage valuation is based on third party validation."

Value of PureTech Health's holdings

Growth Stage Programmes	($ millions) in growth stage programmes as at: 31 December 2016[4]	31 December 2015[5]	Dollar change year-over-year	Percent change year-over-year
Growth-Stage Holdings Value[1] [2] [3]	**$380.1**	$291.7	**$88.4**	**30.3%**

Notes:

(1) PureTech's Growth-Stage Holdings Value represents the Company's interest in the equity value of each of the growth stage programmes, calculated as follows: (Business Enterprise Value – Debt + Cash) × PureTech's percentage ownership, plus the present value of PureTech's expected future royalty stream associated with a particular programme, plus the value of debt provided by PureTech Health LLC to that programme, when applicable. The values determined for each growth stage programmes are then aggregated.

(2) The value attributed to royalty streams includes royalties in respect to Gelesis, Karuna, and Follica totalling $56.5 million. The value attributed to debt held by PureTech includes debt issued by Karuna, Entrega, Follica, Alivio, Commense, Sync and Sonde totalling $22.8 million.

(3) The relevant ownership interests were calculated on a diluted basis, including issued and outstanding shares and outstanding options and warrants, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes. Although not included in the Growth-Stage Holdings Value, PureTech also holds majority stakes in its project stage programmes, while concept stage initiatives are, in effect, wholly owned.

(4) The Growth-Stage Holdings Value as at 31 December 2016 excludes cash, cash equivalents and short term investments held at the PureTech level. As at 31 December 2016, PureTech held such amounts totalling $192.1 million. The Growth-Stage Holdings Value includes ownership adjusted cash balances and short term investments amounting to $45.6 million. Cash balances and short term investments are as at 31 December 2016. The Growth-Stage Holdings Value as at 31 December 2016 has been calculated on the basis of PureTech's percentage ownership interest as at 31 December 2016.

(5) The Growth-Stage Holdings Value as at 31 December 2015 excludes cash, cash equivalents and short term investments held at the PureTech level. As at 31 December 2015, PureTech held such amounts totalling $255.5 million (this amount includes the amount subsequently invested by PureTech in the first tranche of the Akili financing round in January 2016 of $11.5 million). The Growth-Stage Holdings Value as at 31 December 2015 includes ownership adjusted cash balances and short term investments amounting to $30.4 million. Cash balances and short term investments are as at 31 December 2015, with the exception of Akili in which case the cash balance is as immediately following the first tranche of the January 2016 financing round. The Growth-Stage Holdings Value as at 31 December 2015 has been calculated on the basis of PureTech's percentage ownership interest as at 31 December 2015 or in the case of Akili, as at the date of the first tranche of the financing round that occurred in January 2016.

Valuation of PureTech Health's growth stage programmes — continued

needs of shareholders, the Directors have determined that it is appropriate to voluntarily present, as supplementary information, an ownership adjusted valuation of its growth stage programmes in aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines (see page 102). The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS.

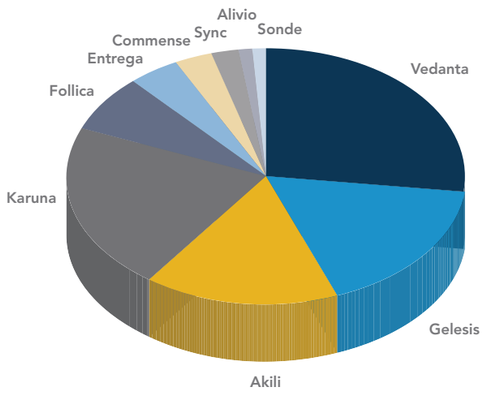
At the close of each annual financial period, the Directors estimate and formally approve, the value of PureTech Health's holdings in its growth stage programmes which is used to derive the Growth-Stage Holdings Value. The Directors engage an external valuation expert in assisting the Company in estimating the Growth-Stage Holdings Value. The Growth-Stage Holdings Value was $380.1 million as at 31 December 2016. The Growth-Stage Holdings Value consists of PureTech Health's ownership-adjusted interests in its ten growth stage programmes. The Growth-Stage Holdings Value does not include PureTech's interests in its five project stage programmes or PureTech's interests in its 10 concept stage initiatives.

The Growth-Stage Holdings Value is an alternative performance measure (APM) used by the Directors as a key performance indicator (KPI) to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, the activities of such subsidiaries are fully consolidated in the Group accounts and the value of those investments is not separately disclosed in the statement of financial position.

The Company previously disclosed Growth-Stage Holdings Values totalling $291.7 million and $222.4 million as of 31 December 2015 and 2014, respectively. This information was provided to assist potential shareholders and

"More than two-thirds of the increase in the Growth-Stage Holdings Value was related to the increase in value of the 2015 portfolio of growth stage programmes."

Relative contribution to PureTech's Growth-Stage Holdings Value[1] across Programmes (Total = $380.1 million)[2]



Growth Stage[1]

Programmes	% PRTC ownership[3]	Designation
Akili	**56.5%**	Growth-Stage Holdings Value of $380.1 million. See table to the left for relative contribution to Growth-Stage Holdings Value.
Gelesis	**21.4%**	
Vedanta	**74.9%**	
Karuna	**77.8%**	
Follica	**59.1%**	
Entrega	**71.4%**	
Alivio	**88.7%**	
Commense	**90.5%**	
Sync	**80.0%**	
Sonde	**95.4%**	

Project Stage[1]: (not included in Growth-Stage Holdings Value)

Programmes	% PRTC ownership[3]	Designation
resTORbio[4]	**67.4%**	Project stage programmes are considered to be at a stage similar to a venture backed company with an initial round of financing. PureTech expects to spend up to $2,000,000 on each project stage programme before either discontinuing the programme or graduating it to growth stage with additional funding which is approved as part of PureTech's internal governance processes.
Tal Medical	**53.4%**	
Vor	**82.1%**	
Nybo	**100%**	
Glyph	**100%**	

Concept Stage[1]: (not included in Growth-Stage Holdings Value)

Programmes	% PRTC ownership[3]	Designation
ProEng	PureTech Health typically owns 100% of each concept-stage programme at the time of license agreement	Concept stage programmes are considered seed stage. PureTech expects to spend up to $350,000 on each concept stage programme before either discontinuing the programme or graduating it to project stage with additional funding which is approved as part of PureTech's internal governance processes.
Central Pathway		
3DRNAi		
SynDel		
Ibridge		
Multibiome		
VITarg		
Crossroads		
Potens		
Cenobium		

1 Valuations do not include project or concept stage programmes.

2 The aggregate valuation does not include Cash of $192.1 million at PureTech (31 December 2016).

3 The relevant ownership interests were calculated on a diluted basis, 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. Although not included in the Growth-Stage Holdings Value, PureTech also holds majority stakes in its project stage programmes, while concept stage initiatives are, in effect, wholly owned.

4 As announced on 24 March 2017, the Company progressed resTORbio to a growth stage programme in 2017, resulting in the percentage ownership shown above assuming the allocation of $25 million.

5 The funding at project stage programmes may be eliminated or graduated to growth stage with incurred expenditures that are significantly less than $2,000,000.

6 Concept stage programmes may be eliminated or graduated to project stage with incurred expenditures that are significantly less than $350,000.

Valuation of PureTech Health's growth stage programmes — continued

other key stakeholders in gaining a baseline understanding of the Company's business model and its underlying portfolio of growth-stage programmes. As previously disclosed, beginning with this filing, the Company will disclose the total Growth-Stage Holdings Value, but not the specific value of each growth stage programme making up the total amount, as the Company believes that such information could affect its ability to realise the highest possible value for these programmes in the event of equity financings, collaborations, partnerships or other third-party arrangements. The Company's business model relies on the ongoing discussions and negotiations with third-party investors and partners regarding its growth stage programmes. Disclosing the individual valuation of the Company's ownership stake in each growth stage programme, as part of communicating our Growth-Stage Holdings Value, provides potential third-party partners and investors negotiating leverage. The amount presented in the Growth-Stage Holdings Value is usually not reflective of the highest possible value and may not be the most favourable valuation that could ultimately be assigned by an investor or partner. In the interests of promoting transparency, PureTech Health provides the above notes on our approach to valuation.

There can be no guarantee that the aforementioned Growth-Stage Holdings Value will be considered to be correct in light of the future performance of the Company's programmes, or that PureTech Health would be able to ultimately realise proceeds in the amount of such valuation, or at all, in the event of a sale or other monetisation event involving its growth stage programmes.

Each growth stage programme has an equity incentive plan in place which has the potential to dilute PureTech Health's ownership. The equity incentive plans are for the benefit of employees, directors and other advisors and service providers of the relevant programme.

The Growth-Stage Holdings Value has increased by $88.4 million to $380.1 million or 30.3 percent during 2016. Excluding the impact of the amounts invested by PureTech Health of $41.7 million (excluding the first tranche of the Akili financing round in January 2016 of $11.5 million) subsequent to the 31 December 2015 valuation, the Growth-Stage Holdings Value increased by approximately 16 percent.

A majority of the Growth-Stage Holding Value is supported by third-party investments, without effect for any increase subsequent to the third-party transaction.

Valuation methodology

Each growth stage programme is evaluated by the Company when requesting further investment from PureTech based on a range of inputs, including, amongst others, technical likelihood of success business performance, market and competitor analyses.

The Growth-Stage Holdings Value represents the sum of the parts valuation of the Group's growth stage programmes. In 2015, the sum of the parts valuation included Akili, Vedanta, Gelesis, Follica, Karuna, Entrega and Tal. In 2016, Tal's Low Field Magnetic Stimulation (LFMS) technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in treatment-resistant major depressive disorder (TR-MDD). As a result of not demonstrating a statistically significant dose-dependent effect, the Company reclassified Tal as a project stage programme. Furthermore, Sonde, Alivio, Commense, and The Sync Project have graduated to growth stage primarily due to achieving some level of de-risking, successfully securing intellectual property, establishing management teams, developing a sustainable business plan and engaging key scientific founders. As such, these programmes are included in the Growth-Stage Holdings Value at 31 December 2016. In 2016, our valuation of the Growth-Stage Holdings Value includes Akili, Vedanta, Gelesis, Follica, Karuna, Entrega, Sonde, Alivio, Commense and The Sync Project.

"The Growth-Stage Holdings Value represents the sum of the parts valuation of the Group's growth stage programmes."

More than two-thirds of the increase in the Growth-Stage Holdings Value was related to the increase in value of the 2015 portfolio of growth stage programmes, inclusive of the negative effect of Tal being reclassified as a project stage programme.

The valuation of each growth stage programme relied on varying methodologies. A majority of the Growth-Stage Holding Value is supported by third-party investments, without effect for any increase subsequent to the transaction. This includes the third-party financings of Gelesis, Akili and Vedanta.

Further details of the methodology applied by the Directors in determining the Growth-Stage Holdings Value is set out in the accompanying audited financial statements.

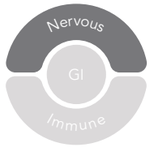
PureTech Health's project stage programmes and concept stage initiatives

The Directors believe that PureTech Health has adopted a conservative approach in providing valuation disclosure in respect of our growth stage programmes only. The Directors believe that the project stage programmes and concept stage initiatives, established international advisory network and theme driven business creation process provide significant opportunities to create and realise significant further value for PureTech Health's shareholders.

In addition to its 10 growth stage programmes, PureTech Health has five project stage programmes which are at an earlier stage in PureTech Health's process and will form the basis of future growth stage programmes.

PureTech Health's existing growth stage programmes have all emerged from PureTech Health's established model. PureTech Health's pipeline, infrastructure and international advisory network enables it to explore new themes on an ongoing basis. PureTech Health currently has 10 concept stage initiatives with the potential to become the foundation for our future programmes.

PureTech Health's employees have built up extensive knowledge in areas that are critical to its business such as opportunity analysis and design of key experiments, as well as filing and licensing intellectual property. PureTech Health also relies on leading service providers, consultants and vendors including leading law firms with intellectual property expertise, regulatory consultants and contract research organisations whose expertise the Company can employ in a disciplined manner while conducting key validating experiments. The Directors believe this combination of established working relationships and broad expertise across the team enables PureTech Health to manage its business with efficiency and reduced risk and ultimately provides PureTech Health with a reproducible model to grow its business and generate further value for its shareholders.



Akili

Clinically-validated cognitive treatments and assessments delivered in an action video game interface.

PureTech's Akili is a clinical-stage programme building clinically-validated cognitive treatments and assessments that are delivered in an action video game interface. Leveraging medical-grade science and consumer-grade software technology, Akili seeks to produce a new type of medical product that can offer safe and effective scalable treatment and better monitoring for patients across a range of mental health and neurological conditions. Akili's technologies are based on a proprietary neuroscience technology developed to target specific neurological systems through sensory and digital mechanics. The lead, patent-pending technology was exclusively licensed from the lab of Dr. Adam Gazzaley at the University of California, San Francisco (UCSF), and has been further developed with proprietary adaptive algorithms invented at Akili, all built into action video game interfaces. The programme powers both assessment and treatment products, which target the brain's interference processing system (an individual's core ability to process multiple streams of information), a key function underlying cognitive control.

Market potential and unmet need	• There are a number of conditions where the brain's executive function is negatively impacted, including ADHD, autism, Alzheimer's disease, and depression. The markets for treatment of these conditions all have significant unmet needs in terms of risk-benefit profiles, and are currently partially served by centrally-acting drugs with challenging safety profiles and in-person behavioural therapy • The market for ADHD therapeutics is projected to be approximately $10 billion by 2020, and PureTech Health believes that this market and all of the other potential markets in which Akili's products may act as a stand-alone medical treatment, add-on therapy, or digital biomarker, represent significant opportunities for the programme
Innovative approach to solving the problem	• Akili's technology is non-invasive and built to be patient-friendly, while designed to have a potent treatment effect
Intellectual property[1]	• Akili currently owns or has exclusive rights to a total of 25 issued patents and patent applications in 13 families of patent filings • One family is exclusively licensed from UCSF and covers Akili's cognitive assessment and treatment methods related to interference processing. The other 12 families are owned and filed by Akili
Team	• PureTech Health has assembled a cross disciplinary advisory and operating team that has expertise in neuroscience, clinical trials in related disorders, video game design, data science, and consumer engagement • Advisory board members include Dr. Adam Gazzaley (UCSF), Dr. Daphne Bavelier (University of Rochester), Dr. Stephen Faraone (SUNY Upstate Medical University), Dr. Robert Schultz (University of Pennsylvania), and Dr. Geraldine Dawson (Duke) • Dr. Eddie Martucci (previously PureTech Health, Yale), Mr. Matthew Omernick (previously LucasArts), Mr. LeRoux Jooste (previously Ocata Therapeutics, for example, Antares Pharma and Cephalon), and Mr. Scott Kellogg (previously Sontra Medical and UltraCision) serve as CEO, Chief Creative Officer, Chief Commercial Officer, and VP Operations, respectively • The Board of Directors consists of Ms. Daphne Zohar (PureTech Health), Mr. Joichi Ito (MIT Media Lab and PureTech Health), Dr. Ben Shapiro (PureTech Health), Dr. Eric Elenko (PureTech Health), Mr. James Gates (TPG Capital), and Mr. John Spinale (Jazz Venture Partners and formerly Disney). See pages 47 to 51 for biographies of the PureTech Health directors
Milestones achieved	• Proof-of-concept treatment data on Akili's technology was published as the cover story in the top tier medical science journal, *Nature* • An open-label pilot study in 80 children confirmed Project: EVO's safety and feasibility, and exploratory outcome measurements demonstrated that Project: EVO improved attention, inhibition, and working memory – including both objective measures and subjective parent-reported symptoms – in children with ADHD • In collaboration with Pfizer, Akili presented positive data at the International Conference on Clinical Trials for Alzheimer's (CTAD) showing that the Akili technology differentiated between older healthy subjects positive for amyloid deposits in their brains (a primary biomarker for Alzheimer's risk) vs. an age-matched comparison group of amyloid-negative subjects, both in change over time (p=0.04) and at the completion visit after a 28-day remote self-administration protocol (p<0.008) • Academic investigators recently published two pilot research studies in peer-reviewed journals showing the potential benefit of Akili's core cognitive treatment technology in targeting cognition and mood in depressed individuals
External validation	• Akili entered into a collaboration with Pfizer to test the ability of Akili's technology to serve as a biomarker and cognitive enhancer in patients with prodromal (pre-symptomatic) Alzheimer's disease • Akili also entered into a partnership with Autism Speaks, in which DELSIA, the venture philanthropy arm of Autism Speaks, will fund a randomised, controlled efficacy study of Project: EVO in children and adolescents affected by autism and co-morbid attention deficits • In January 2016, Akili raised $30.5 million in a Series B financing round from new investors including JAZZ Venture Partners and Canepa Advanced Healthcare Fund • In July 2016, Akili increased its Series B financing round to over $42 million, including investments by Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada), and Amgen Ventures • Akili now has relationships with four major biopharma companies or their investment affiliates including an investment from Shire
Expected milestones and timing	• Akili's pivotal study in ADHD is expected to read out in the second half of 2017, with potential FDA clearance in 2018
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 56.5 percent in Akili on a diluted basis, as defined on page 17

1 The exclusive licenses to which PureTech Health's programmes are a party are generally subject to customary academic exceptions.

How PureTech Health aims to build value for investors — continued

Open-Label Proof of Concept Trial in Paediatric ADHD

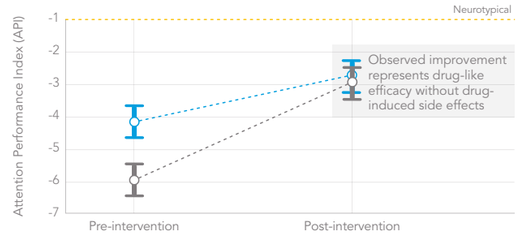
Key Findings

- Attention Performance Index (API) improved in the ADHD cohort (d=0.35, p=0.033)and a subgroup with objective attention impairment (N=22) showed a larger effect (d=0.71, p=0.003)
- Improvement in spatial working memory (p< 0.01)
- 77% of ADHD parents reported the time spent was "worthwhile" or "very worthwhile"
- 81% compliance with gameplay schedule (average of 9.1 hours of play)

Strong therapeutic signal with clear definable patient population triggered direct movement into pivotal Phase III trial

Data: Efficacy Results from Open-Label Phase II Trial

Paediatric ADHD, Ages 8-12 years old, Treated 30-min/day, 5x/week at-home

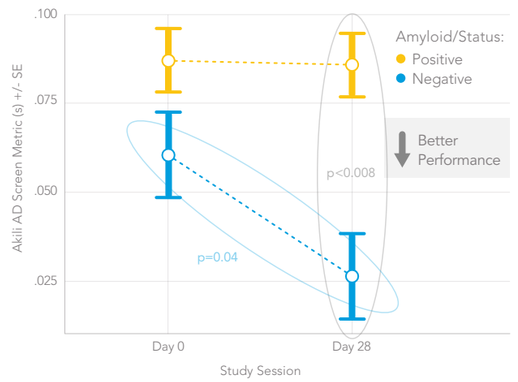


Digital Biomarker Study in Healthy Subjects at Risk of Developing Alzheimer's Disease

Key Findings

- Akili's technology detected a statistically significant difference between subjects with and without brain amyloidosis, the primary biomarker for Alzheimer's risk
- The amyloid (+) group had a statistically significant reduced learning rate in Interference Cost Reaction Time (ICRT) and single-time measurement after EVO: AD Screen at Day 28
- A separation between the two groups was also observed on Day 0

Data: Proprietary Akili AD Screen Reaction Time Metric



Pipeline

Cognitive treatment programmes

Product	Disorder	Feasibility	Pilot efficiacy trials	Pivotal trials
Paediatric and early adult cognitive disorders	ADHD (paediatric)			
	Sensory processing disorders			
	Autism spectrum disorders			
Depression	Depression (geriatric)			
	Depression (adult)			
Other neurodegenerative disorders	Parkinson's disease			
	Traumatic brain injury			
	Multiple sclerosis			
	ICU delerium			

Digital biomarker programmes

Product	Disorder	Feasibility	Data validation	Commercialisation
Screens	Alzheimer's biomarker			
Monitors	Sensitivity to drug			
	Build neurotypical dataset			
	Undisclosed programme			
	Sensitivity to symptoms			

Gelesis

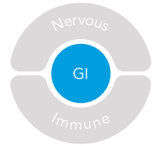
Novel therapies to induce weight loss and improve glycaemic control.

PureTech's Gelesis is a clinical-stage programme developing oral non-systemic therapies utilising a novel platform technology to induce weight loss and improve glycaemic control in people who are overweight or have obesity, including those with prediabetes and type 2 diabetes. Gelesis100, the programme's late-stage candidate and potential first-in-class therapeutic, is currently being evaluated in a six-month pivotal study. Gelesis expects its pivotal study to read-out in mid-2017, with potential FDA approval in late 2018. Gelesis is also developing Gelesis200, created from the same proprietary technology programme as Gelesis100, as a product optimised to induce weight loss and improve glycaemic control in patients with type 2 diabetes. Gelesis200's six-month efficacy proof-of-concept study is expected to read out in mid-2018.

Gelesis held an informational symposium at ObesityWeek which attracted over 180 obesity experts

Market potential and unmet need	• In 2014, globally there were more than 1.9 billion adults 18 years of age or older who were overweight or had obesity • There are few safe and effective oral therapies, and the pharmaceutical products approved for weight loss all have side-effects that limit their overall utility
Innovative approach to solving the problem	• Given the challenges associated with pharmacological treatments for obesity, Gelesis decided to explore solutions that had a non-systemic mechanism of action with a strong safety and efficacy profile. In particular, Gelesis focused on a product profile with a natural cycling effect similar to ingested food that would be non-invasive and require no procedure for introduction or removal • Gelesis' product candidates work in the GI tract and pass through the body without being absorbed. They are made from two naturally-derived food ingredients (citric acid and modified cellulose) that form a three-dimensional matrix and occupy stomach volume
Intellectual property	• Gelesis currently owns or has exclusive rights to a total of 129 issued patents and patent applications in eight families of patent filings • Currently issued patents covering use of Gelesis' technology for treating obesity and reducing calorie consumption have been granted or allowed in the U.S., Europe, Australia, China, Japan, Mexico and Russia, providing protection until at least 2033 • The filings cover pharmaceutical composition of matter, methods of use and methods of production for its product candidates. In addition, Gelesis also relies on know-how, trade secrets and continuing technological innovation to develop and maintain its proprietary position
Team	• PureTech Health has assembled advisory and operating teams with extensive expertise in obesity research and materials science to develop and commercialise its product candidates • Advisory board members include Dr. Caroline Apovian (Boston University), Dr. Louis J. Aronne (Weill-Cornell Medical, Columbia University), 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), Dr. Lee M. Kaplan (Massachusetts General Hospital), and Angelo Tremblay (Laval University) • The Board of Directors consists of Dr. John LaMattina (PureTech Health), Mr. Elon Boms (Launch Capital), Ms. Meghan Fitzgerald (L1 Health), Mr. Robert Forrester (Verastem), Mr. Stephen Muniz (PureTech Health), and Dr. Raju Kucherlapati (PureTech Health). See pages 47 to 51 for biographies of the PureTech Health directors • Mr. Yishai Zohar (previously PureTech Health, Zeta, Ltd.), Dr. Eyal Ron (previously MIT Langer Lab, GelMed Sciences), Dr. David Pass (previously Boehringer Ingelheim), and Dr. Hassan Heshmati (previously Sanofi) serve as CEO, CTO, COO, and CMO, respectively. Dr. Alessandro Sannino (inventor of Gelesis' technology platform) serves as Chief Project Scientist
Milestones achieved	In a completed 128-patient, 3-month human proof-of-concept clinical trial, Gelesis100 demonstrated in the 2.25g-dose arm: • Statistically significant weight loss versus placebo, with even more dramatic weight loss in the prediabetic subpopulation • At least 10% mean weight loss in 26% of patients; at least 5% mean weight loss in 43% of patients • A majority of prediabetic patients returned to normal fasting blood glucose status • Safety profile similar to placebo In 2016, Gelesis presented positive safety and satiety efficacy data from a first-in-human study of Gelesis200, showing that Gelesis 200 was generally well-tolerated with no serious adverse events
External validation	• In its last two financings, Gelesis has raised over $50 million in equity financing, with more than $40 million of that coming from external investors
Expected milestones and timing	• Gelesis100's pivotal study is expected to read out mid-2017, with potential FDA approval in 2018 • Gelesis200's six-month efficacy proof of concept study is expected to read out in mid-2018
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 21.4 percent in Gelesis on a diluted basis, as defined on page 17

How PureTech Health aims to build value for investors — continued



Innovative Approach

Proprietary
Proprietary hydrogel synthesised from building blocks used in foods

Safe
Demonstrated safety profile similar to placebo

Efficacious
Demonstrated statistically significant weight loss in three month trial; improvement in glycaemic measures

3 Month, Randomised Placebo Controlled POC Study

Study Design Highlights

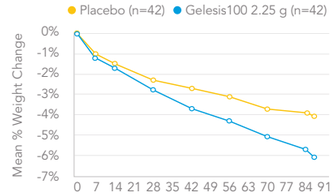
Subjects
- 3 month treatment period
- 128 overweight and obese patients, including those with prediabetes; average BMI = 31.7
- 3 arms: Gelesis100 2.25 g, Gelesis100 3.75 g, and placebo
- Primary: Safety, tolerability, and change in body weight
- Exploratory: Changes in key glycemic parameters

Key Findings

Gelesis100 2.25 g dose:
- Safety profile was similar to placebo
- Showed statistically significant weight loss with no discernable plateau at the 3 month endpoint
- Observed statistically significant correlation between baseline fasting blood glucose levels and the degree of weight loss ($r = -0.50$, $P < 0.001$)
- Demonstrated dramatic weight loss in prediabetic patients (post-hoc analysis)

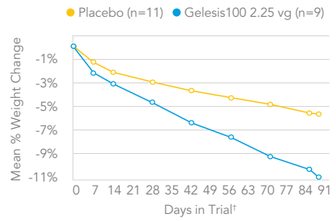
Data: 3 Month, Randomised Placebo Controlled POC Study Demonstrated Statistically Significant Weight Loss

3 Month Mean % Weight Change Progression In ITT Population



Parameter	Placebo* (n=42)	Gelesis100: 2.25g (n=42)
Mean % Weight Change (p value)	-4.1%	-6.1% (p=0.026)

3 Month Mean % Weight Change Progression in ITT Population with Baseline Fasting Blood Glucose ≥ 100 mg/dL (Prediabetic)



Parameter	Placebo* (n=11)	Gelesis100: 2.25g (n=9)
Mean % Weight Change (p value)	-5,6%	-10.9% (0.019)

56% of treated prediabetic patients returned to normal fasting blood glucose status

* Placebo was an active comparator (microcrystalline cellulose).

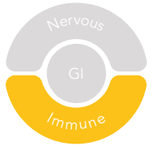
† Body weight was measured at Day 87 approximately three days after last administration to allow full elimination of Gelesis100 from the GI tract. An additional dose, Gelesis100 3.75g, was also tested in this 128 patient study. It was associated with lower tolerability and compliance and did not cause a significant decrease in body weight compared to placebo.

Pipeline

Product	Indication	Preclinical	Clinical	FDA pivotal trial
Gelesis100	Weight loss in overweight and obese patients	Complete	FLOW complete	GLOW ongoing [1,2]
	Weight loss in paediatric and overweight patients	Ongoing		
Gelesis200	Glycaemic control and weight loss in prediabetic and type 2 diabetic patients	Complete	STAGE complete LIGHT-UP (POC) ongoing	

1 GLOW will also be the pivotal trial for CE Mark in the European Economic Area and certain other jurisdictions.

2 Type 2 diabetic subpopulation in GLOW trial limited to mild diabetics.



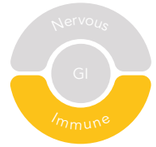
Vedanta Biosciences

Rationally-designed, microbiome-derived therapies for immune and infectious diseases.

PureTech's Vedanta Biosciences is a preclinical-stage programme pioneering the development of a novel class of therapies for immune and infectious diseases based on rationally designed consortia of bacteria derived from the human microbiome, with clinical trials expected to begin in 2H 2017. Vedanta Biosciences is a leader in the microbiome field, with capabilities to discover, develop, and manufacture drugs based on live bacterial consortia. Leveraging its proprietary technology programme and the expertise of its team of scientific cofounders, Vedanta Biosciences has isolated a vast collection of human-associated bacterial strains and characterised how the immune system recognises and responds to these microbes. Vedanta Biosciences has harnessed these biological insights as well as data from translational medicine collaborations involving human interventional studies to develop a deep pipeline of drug candidates.

Market potential and unmet need	• Inflammatory bowel disease is estimated to affect over one million people in the U.S. and four million worldwide • In addition to IBD, other autoimmune diseases affect over 20 million patients in the U.S. • The Directors believe that many of the existing interventions are limited by toxicities and systemic immune suppression • The CDC considers C. *difficile* infections one of the most urgent bacterial threats. C. *difficile* infections account for nearly 30,000 deaths each year in the U.S. alone • Existing interventions for C. *difficile* infections 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, and faecal transplantation, an alternative experimental procedure which will, in our view, be exceedingly difficult to standardise and scale and is fraught with potential safety issues
Innovative approach to solving the problem	• Recent discoveries suggest that the gut microbiome influences important processes related to the proper functioning of the immune system and resistance to infection • Vedanta Biosciences' approach is based on delivery of defined bacterial products in a capsule, and aims to restore the balance of the microbiome in the gut in order to treat immune and infectious diseases safely and effectively
Intellectual property	• Vedanta Biosciences currently owns or has exclusive rights to a total of 46 issued patents and patent applications in 11 families of patent filings • Vedanta Biosciences holds a worldwide exclusive license from the University of Tokyo to a family of broad patent filings with priorities dating back to June 2010 • Four patents broadly covering pharmaceutical composition of Clostridium bacterial strains were granted to Vedanta Biosciences in the second half of 2016, further expanding Vedanta Biosciences' patent portfolio • The filings to date cover compositions of bacteria, their methods of use in prevention and treatment of a range of autoimmune, inflammatory and infectious diseases and methods of isolation and production of products for use in humans
Team	• PureTech Health has assembled an advisory and operating team with leading expertise in immunology and microbiology • Scientific co-founders and advisory board members include Dr. Ruslan Medzhitov (Yale and Howard Hughes Medical Institute (HHMI)), Dr. Brett Finlay (University of British Columbia and HHMI), Dr. Kenya Honda (inventor of Vedanta Biosciences' lead product candidate; Keio University and RIKEN), Dr. Dan Littman (New York University and HHMI), Dr. Alexander Rudensky (Sloan Kettering and HHMI), and Dr. Jeremiah Faith (Mount Sinai School of Medicine) • The Board of Directors consists of Mr. Chris Viehbacher (PureTech Health), Dr. Ben Shapiro (PureTech Health), Dr. John LaMattina (PureTech Health) and Mr. David Steinberg (PureTech Health). See pages 47 to 51 for biographies of the PureTech Health directors • Dr. Bernat Olle (formerly MIT, PureTech Health) serves as CEO, Dr. Bruce Roberts (previously Sanofi-Genzyme Group) serves as CSO, Jonathan Freeman serves as CBO (previously Merck KGaA), and Dan Couto serves as SVP of Manufacturing and Operations (previously Contrafect)
Milestones achieved	• VE202 has demonstrated preclinical efficacy for IBD and allergy • Vedanta Biosciences has partnered with Janssen Biotech, Inc. for the development and commercialisation of VE202 for a non-refundable upfront payment and milestone payments up to $339 million, plus royalties • Vedanta Biosciences has completed process development and commenced GMP manufacturing of VE303 (for C. *difficile* infections) in its in-house state-of-the-art manufacturing plant • Vedanta Biosciences has secured a foundational IP position in the microbiome field covering medicines containing combinations of some of the most abundant human gut commensal bacteria

How PureTech Health aims to build value for investors — continued



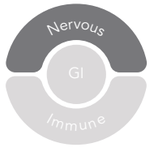
External validation	• In June 2016, Vedanta Biosciences raised $50 million in equity investments, with new investors Rock Springs Capital, Invesco Asset Management, and Health For Life Capital (Seventure) joining PureTech Health in the financing • Data on Vedanta Biosciences' technologies has been featured in high impact academic journals such as *Nature*, *Science*, and *Cell* • Vedanta Biosciences entered into a licensing agreement in March 2016 with RIKEN, the University of Tokyo and Azabu University for a new immune-boosting microbiome technology with potential applications in infectious disease, and immuno-oncology • Vedanta Biosciences entered into a non-exclusive collaboration with NYU Langone Medical Center to develop microbiome-derived immunotherapies for cancer; a collaboration with Leiden University to develop microbiome-derived therapies for C. *difficile* infections and Graft vs. Host Disease; and a collaboration with Stanford to develop microbiome-derived therapies for food allergy
Expected milestones and timing	• VE303 is expected to begin human clinical studies in C. *difficile* in 2H 2017 • VE202 is expected to begin human clinical studies in IBD in the next six to twelve months
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 74.9 percent in Vedanta Biosciences on a diluted basis, as defined on page 17

Vedanta's In-House, State-of-the-Art GMP Manufacturing Plant

Pipeline

Product	Indication	Discovery	Preclinical	GMP Manufacture	Clinical
VE303	C. *Difficile*				
VE202	Inflammatory Bowel Diseases (Colitis & Crohn's)				
VE404	Food allergy				
VE606	Multidrug-resistant organisms (MDROs) and Graft-vs-Host Disease				
VE808	Cancer Immunotherapy in several indications				

Strategic report



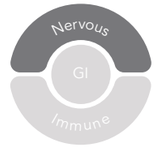
Karuna

Targeting muscarinic receptors for the treatment of central nervous system disorders.

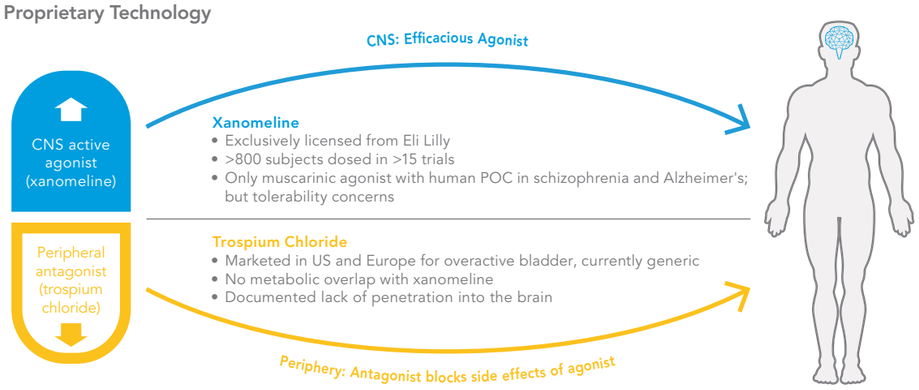
PureTech's Karuna is a clinical stage programme targeting muscarinic receptors for the treatment of central nervous system (CNS) disorders. Karuna's lead programme, KarXT, is a product candidate consisting of xanomeline, a novel muscarinic acetylcholine receptor agonist that has demonstrated efficacy 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 enter the CNS. If successful, KarXT could provide a new mechanism for treating schizophrenia, a field in which treatments have relied on the same fundamental mechanisms for the last half-century. In December 2016, Karuna had a positive readout in its tolerability proof-of-concept study, and it expects to initiate a Phase II trial in the second half 2017 to replicate existing efficacy data with xanomeline in schizophrenia with improved tolerability.

Market potential and unmet need	• Schizophrenia affects up to one percent of the population worldwide • 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 – only 30% live independently, 10-20% maintain full time employment, and, tragically, 5% end their life with suicide • Current antipsychotics only address positive symptoms, but patients often experience residual positive symptoms throughout their lives; negative and cognitive symptom are left untreated • Current antipsychotics are associated with serious side effects, including potentially irreversible movement disorders, metabolic dysfunction, glucose intolerance, weight gain, sedation and others • There is a desperate need for new treatments in schizophrenia
Innovative approach to solving the problem	• Xanomeline, a muscarinic agonist, has been studied in double-blind, placebo-controlled trials in schizophrenia and Alzheimer's disease, where it has demonstrated efficacy for treating psychosis and had beneficial effects on cognition • Xanomeline had tolerability concerns associated with peripheral activation of muscarinic receptors and its development was discontinued • By pairing xanomeline with trospium chloride, a muscarinic antagonist that acts only in the periphery (outside the brain or central nervous system), Karuna believes it can alleviate the tolerability issues with xanomeline while maintaining its efficacy profile
Intellectual property	• Karuna currently owns or has exclusive rights to a total of six issued patents and patent applications in two families of patent filings • The filings cover pharmaceutical compositions, methods of use, and methods of production for the KarXT combination of xanomeline and trospium for treatment of disorders ameliorated by muscarinic receptor activation
Team	• PureTech Health has assembled a team with strong expertise in neuroscience treatment development • The Board of Directors consists of Dr. Edmund Harrigan (previously Pfizer), Dr. Atul Pande (PureTech Health, previously GSK), Dr. Bennett Shapiro (PureTech Health), Dr. Eric Elenko (PureTech Health), Mr. Stephen Muniz (PureTech Health) and Dr. Andrew Miller (PureTech Health). See pages 47 to 51 for biographies of the PureTech Health directors • In March 2017, Dr. Stephen Brannan joined as CMO, bringing with him extensive industry experience and expertise in psychiatric research having held senior positions at Eli Lilly, Novartis, Cyberonics, Forum Pharmaceuticals, and Takeda where he was Vice President and Therapeutic Area Leader for Neuroscience and Clinical Development. Dr. Brannan will lead clinical development and medical affairs • Dr. Andrew Miller (PureTech Health), and Dr. Alan Breier (Indiana University, formerly Eli Lilly, NIMH, and Maryland Psychiatric Research Center) serve as CEO, and Chief Clinical Advisor, respectively
Milestones achieved	• Xanomeline has been dosed in over 800 patients, and has demonstrated efficacy in reducing psychosis and improving cognition in placebo-controlled human trials in both Alzheimer's disease and schizophrenia • In a double-blind, placebo-controlled monotherapy trial in schizophrenia patients, xanomeline showed a significant 24-point reduction over placebo was observed in the Positive and Negative Syndrome Scale • In December 2016, Karuna announced positive results from a tolerability proof of concept study in which KarXT was shown to reduce the incidence of prespecified cholinergic adverse events by a clinically meaningful extent (46% p=0.016) compared to xanomeline alone, and each individual cholinergic adverse event was reported at a lower rate in the KarXT treatment arm; furthermore, no severe or serious adverse events were reported
External validation	• Karuna received the Wellcome Trust's Translation Fund Award, consisting of an unsecured convertible note of up to $3.84 million from the Wellcome Trust for the combination tolerability proof of concept study
Expected milestones and timing	• Karuna is expected to initiate a Phase II trial of KarXT in the second half of 2017, with the goal of replicating existing efficacy data with xanomeline in schizophrenia while alleviating tolerability issues
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 77.8 percent in Karuna on a diluted basis, as defined on page 17

How PureTech Health aims to build value for investors — continued

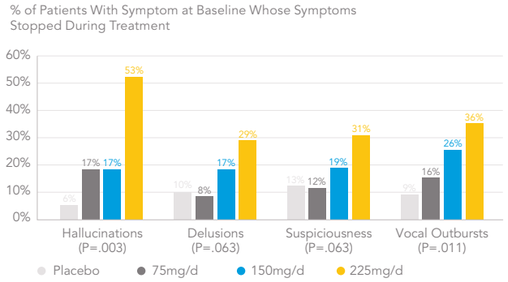


Core Proprietary Technology



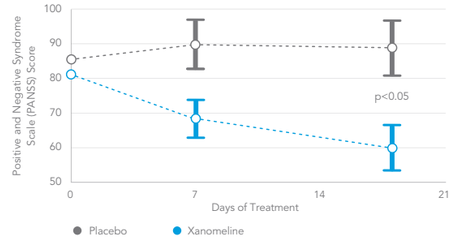
Previous Studies with Xanomeline

Phase II Study of Xanomeline in Alzheimer's Disease



Dramatic effect on behavioral symptoms in a dose dependent manner…

Proof of Concept Study of Xanomeline in Schizophrenia



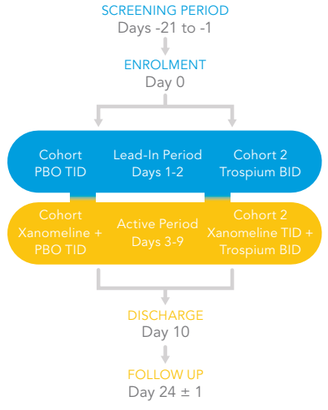
Robust (P<0.05) reduction in total PANSS (24 pt. change vs. placebo)...

…However, substantial tolerability issues led to discontinuation of xanomeline's development

Karuna Tolerability Proof of Concept Study

Study Design Highlights

Goal:
- Demonstrate an improvement of the tolerability of xanomeline through the addition of trospium chloride
- Randomised, double-blind, parallel group study in 70 healthy volunteers



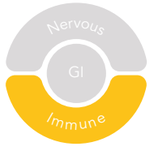
Data & Key Findings

Category	Xanomeline Alone, N= 33	Xanomeline + Trospium, N= 35	Lead in placebo, N=34	% Reduction in Incidence Rate
Any TEAEs	63.6%	34.3%	32.4%	46%
Nausea	24.2%	17.1%	5.9%	29%
Vomiting	15.2%	5.7%	0%	62%
Diarrhea	21.2%	5.7%	8.8%	73%
Sweating	48.5%	20.0%	5.9%	59%
Salivation	36.4%	25.7%	20.5%	29%

Statistically significant reduction in the incidence of prespecified cholinergic adverse events (46% p=0.016) compared to xanomeline alone

Metric	Xanomeline Alone, N= 33	Xanomeline + Trospium, N= 35	% Reduction in VAS Score
VAS ScoreMean ± SD	3.82 ± 5.50	2.29 ± 6.65	40%

Visual analogue scales (VAS) score reduction (40%) directionally consistent with reduction in AE incidence rates

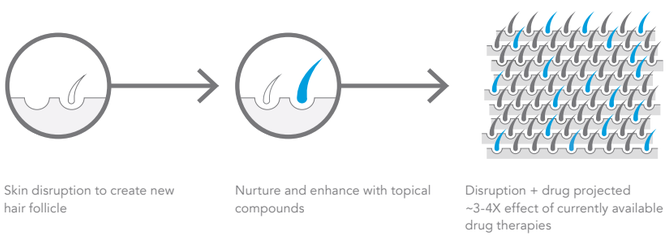


Follica

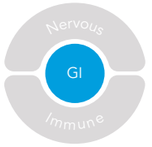
Inducing follicular neogenesis to treat androgenetic alopecia.

PureTech's Follica is a clinical stage programme utilising its regenerative biology platform technology to develop a novel treatment for hair loss. Follica's technology employs a technique designed to stimulate the growth of new follicles and hair through disruption of the skin, followed by treatment to enhance the effect of these new hair follicles and develop new hair. Follica has completed three human clinical studies of patients with androgenetic alopecia to demonstrate hair growth and new hair follicle formation. Follica has also performed and funded preclinical work which, together with research from the University of Pennsylvania, serve as the foundational observations on which the technology is based. Follica is progressing its proprietary technology and device, and is expected to initiate a pivotal trial in the second half of 2017.

Market potential and unmet need	• Androgenetic alopecia represents the most common form of hair loss in men and women, with an estimated 65 million people who warrant treatment in the U.S. alone • Only two drugs, both with limited efficacy, are currently approved for the treatment of androgenetic alopecia. The most effective current approach for the treatment of hair loss is hair transplantation, 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
Innovative approach to solving the problem	• Follica is developing a proprietary in-office procedure for dermatologists and plastic surgeons to 1) generate an embryonic window via skin disruption in adults, creating new follicles from epithelial stem cells, and 2) enhance the effect of its technique through the application of specific compounds
Intellectual property	• Follica currently owns or has exclusive rights to a total of 38 issued patents and patent applications in five families of patent filings • The patent families aim to cover the composition of matter, methods of use and design of devices for delivery of active agents to promote hair follicle regeneration
Team	• PureTech Health has assembled a team with expertise in dermatology and hair loss • Advisory board members include Dr. R. Rox Anderson (MGH and Harvard), Dr. George Cotsarelis (lead inventor of Follica's technology, University of Pennsylvania), and Dr. Ken Washenik (Bosley, and previously Aderans Research Institute) • The Board of Directors consists of Ms. Alison Lawton (previously Sanofi-Genzyme), Ms. Daphne Zohar (PureTech Health), Mr. David Steinberg (PureTech Health) and Mr. Stephen Muniz (PureTech Health). See pages 47 to 51 for biographies of the PureTech Health directors • Mr. Jason Bhardwaj (previously Tal Medical, Bain and Company, Medtronic) serves as CEO, Mr. Jonathan Bissett (previously Aspect Medical Systems, Covidien, NeoSync) serves as Director of Clinical Operations, and Mr. David Chastain (previously Cambridge Consultants, Design Continuum) serves as VP of Product Development
Milestones achieved	• Follica's product concept originated from science demonstrating new hair follicle formation in adult mice following skin disruption, the results of which were published in Nature • Follica's three clinical studies of patients with androgenetic alopecia demonstrated hair follicle neogenesis via biopsy following skin disruption, and/or hair growth through target area hair count. One of these studies demonstrated that skin disruption alone was safe and generates new follicles as well as new hair, but did not achieve its primary endpoint as the chosen investigational compound (lithium gluconate 8% gel) did not further enhance the effect. Other data with other compounds inform Follica's current treatment regimen
Expected milestones and timing	• Follica is currently progressing the development of its proprietary treatment into a pre-pivotal pilot optimisation study • Follica is initiating a pilot optimisation study mid-year, with a pivotal trial expected to begin in the second half of 2017
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 59.1 percent in Follica on a diluted basis, as defined on page 17



Follica dermatologist symposium attracted over 100 leading dermatologists at the American Academy of Dermatology Annual Meeting

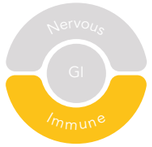


Entrega

Delivering proteins, peptides, and nanoparticles orally.

PureTech's Entrega is a preclinical stage programme developing a technology for the oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally. To underpin its technology, Entrega generated proof-of-concept data demonstrating delivery of therapeutic peptides, including insulin, into the bloodstream of healthy rats. As of late 2016, Entrega has also generated proof-of-concept data demonstrating successful delivery of peptides in large animals, and it expects to continue preclinical studies to further refine this platform.

Market potential and unmet need	• The total market for injectable biologics could grow to greater than $250 billion by 2017 • Injectable formulations can be limited in their therapeutic potential as a result of issues with compliance, and can be difficult and potentially unsafe to deliver to patients
Innovative approach to solving the problem	• Entrega is developing a programme made from generally recognised as safe (GRAS) materials for the oral delivery of biologics, vaccines and other forms of medication that are not efficient in reaching the bloodstream when taken orally
Intellectual property	• Entrega currently owns or has exclusive rights to a total of nine issued patents and patent applications in four families of patent filings • The four patent families aim to cover composition of matter, methods of use and methods of making of mucoadhesive devices for delivery of active agents and oral drug devices and drug formulations
Team	• PureTech Health has assembled a team that reflects the need for expertise in drug formulation and drug delivery engineering • The scientific advisory board consists of Dr. Robert Langer (PureTech Health), Dr. Colin Gardner (formerly Merck and TransForm Pharmaceuticals), and Dr. Samir Mitragotri (scientific co-founder, UCSB) • The Board of Directors consists of Dr. Robert Langer (PureTech Health), Mr. Stephen Muniz (PureTech Health), Mr. David Steinberg (PureTech Health), Mr. Rob Armstrong (formerly Eli Lilly), and Mr. Howie Rosen (ALZA, Kara, Paxvax). See pages 47 to 51 for biographies of the PureTech Health directors
Milestones achieved	• Entrega has generated proof-of-concept data demonstrating successful delivery of peptides in large animals
Expected milestones and timing	• Entrega expects to continue preclinical studies to further refine its peptide-delivery platform
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 71.4 percent in Entrega on a diluted basis, as defined on page 17



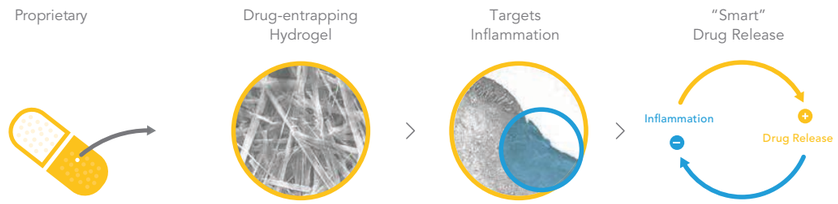
Alivio

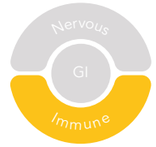
Treating chronic and acute inflammatory disorders with a targeted hydrogel.

PureTech's Alivio Therapeutics is a preclinical programme that is developing a novel technology for the targeted treatment of chronic and acute inflammatory disorders. Alivio's proprietary hydrogel technology is designed to entrap drugs, preferentially adhere to inflamed tissue, then deliver medication based on the levels of inflammation. These properties enable a pipeline of novel drug products with improved pharmacologic and pharmacokinetic properties while minimising exposure to healthy tissue, leading to fewer systemic side effects. Alivio seeks to provide solutions for the dozens of conditions where inflammation is a central part of the underlying disease pathology, but targeted and effective treatment options are lacking.

Market potential and unmet need	• Existing therapies for inflammatory diseases are limited by toxicity, side effects, or lack of efficacy • There is a substantial opportunity for targeted therapies that selectively reduce disease-associated inflammation without leading to broad immunosuppression or other systemic effects • Alivio's inflammation-targeting platform has the potential to produce important new medicines in the inflammatory disease space, an area with multi-billion-dollar market potential
Innovative approach to solving the problem	• Alivio's approach to developing targeted therapies for treating inflammatory disease is based on its innovative and proprietary hydrogel drug delivery platform • Alivio's hydrogel is designed to help drugs specifically target inflamed tissue and releases the drug based on how much inflammation is present • The unique and unprecedented properties of Alivio's hydrogels may potentially enable existing drugs to be used in new indications, or allow drugs with challenging pharmacokinetics or safety profiles to come to market when they would not otherwise
Intellectual property	• Alivio currently owns or has exclusive rights to a total of three issued patents and patent applications in three families of patent filings • The patent families aim to cover the broad composition of matter
Team	• PureTech Health has assembled an advisory and operating team with backgrounds in drug delivery, biomaterials, animal model development, and analytical chemistry • Scientific co-founders, members of the advisory board and advisors include Dr. Robert Langer (PureTech Health), Dr. Jeff Karp (Brigham and Women's Hospital and Harvard), Dr. Michael Brenner (Brigham and Women's Hospital and Harvard and member of the National Academy of Science), Dr. Ivana Magovcevic-Liebisch (Teva Pharmaceuticals), Dr. Ulrich H. von Andrian (Harvard), and Dr. Ralph Weissleder (Harvard) • Dr. Eric Elenko serves as acting CEO. Alivio has 4 FTEs with backgrounds at institutions and companies including MIT, CUSF, Tufts, Genzyme, and Arsenal Medical
Milestones achieved	• Secured exclusive license to platform technology from Massachusetts Institute of Technology (MIT) and Brigham and Women's Hospital • Data published in Science Translational Medicine showed improvements in safety, efficacy, and dosing by delivering drugs using Alivio's proprietary platform in IBD and transplant rejection animal models
Expected milestones and timing	• Expected to begin human clinical studies in 2019
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 88.7 percent in Alivio on a diluted basis, as defined on page 17

Targeting Inflammation





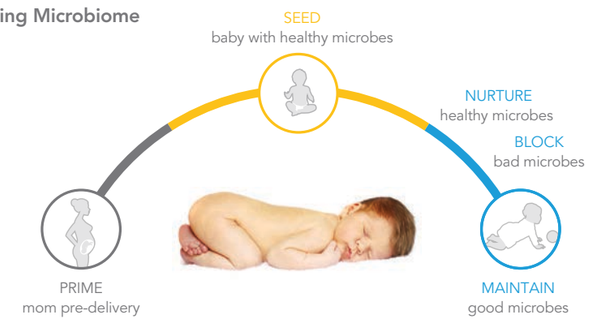
Commense

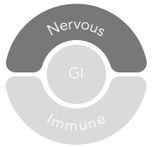
Developing microbiome-derived interventions for maternal and paediatric health.

PureTech's Commense is a preclinical programme developing interventions for maternal and paediatric health based on a deep understanding of the early life microbiome. Drawing insights from natural exposures to beneficial microbes, Commense is developing approaches to guide the priming, seeding, and maintaining of the microbiome in mothers, infants and children. Working with the world's leading microbiome scientists, physicians, and product designers, Commense is developing a novel category of products to address critical unmet needs in paediatric populations.

Market potential and unmet need	• In the developed world, the incidence and prevalence of numerous immune and metabolic diseases affecting children is on the rise. Furthermore, these children are being affected earlier and earlier in life with devastating long term impact on families and health systems. Several emerging lines of evidence suggest that these diseases, including asthma, allergies, eczema, necrotising enterocolitis, Type 1 diabetes, Type 2 diabetes and obesity, etc., may be caused by alterations to the early microbiome. These deleterious alterations may be the function of changes to the maternal microbiome, birth mode, exposure to antibiotics, formula-feeding (as opposed to breastmilk-feeding), and the environment, for example being raised in an urbanised environment as opposed to growing up on a farm. Commense is therefore developing a pipeline of novel, live biotherapeutics (LBPs) based on a deep understanding of these human/microbe interactions and their impact on maternal and infant health
Innovative approach to solving the problem	• Commense's approach for addressing unmet needs in the paediatric space revolves around understanding how, and in what context, microbes impact maternal and early childhood health. For example, Commense is exploring the role that vaginal maternal microbes play in gestation and in infant health in the first year of life • Powered by this scientific understanding, Commense aims to discover, develop, and manufacture LBPs that prime, seed and maintain a healthy microbiome for maternal and paediatric health
Intellectual property	• Commense currently owns or has exclusive rights to a total of four patents or patent applications in four families of patent filings • In addition to pending patent filings on both Commense's maternal microbial transfer device, and the associated microbes, Commense has recently executed a license for a microbial-based therapeutic that may prevent asthma and wheezing in children. Based on work done by Brett Finlay, PhD, at the University of British Columbia this work has been published in *Science Translational Medicine*
Team	• PureTech Health's Commense has assembled advisory and operating teams with expertise in technology translation, microbiology, and paediatric clinical care • Advisory board members comprise Dr. Maria Gloria Dominguez-Bello (New York University (NYU) and inventor of a key technology exclusively licensed by Commense), Dr. Brett Finlay (University of British Columbia and inventor of a key technology exclusively licensed by Commense), Dr. Martin Blaser (NYU), Dr. Rob Knight (University of California, San Diego), Dr. Joe St. Geme (Children's Hospital of Philadelphia) • Commense's Board of Directors consists of Mr. Sam Kass (Former Senior Nutrition Policy Advisor to the Obama Administration) and Mr. David Steinberg (PureTech Health) • Commense is co-founded by Dr. James Mutamba, Dr. Aleks Radovic-Moreno, and Mr. David Steinberg, with Dr. Lily Ting and Mr. Skip Farinha filling out the current operations team
Milestones achieved	• Executed a license agreement in January 2017 with University of British Columbia, Canada, for the discovery of several strains of bacteria with potential application in paediatric allergy and respiratory disease • Initiated preclinical studies to explore the role of VMT in immune and metabolic phenotypes • Designed and initiated manufacturing of a VMT Procedure Kit for clinical trials and data collection
Expected milestones and timing	• Commense is expected to begin human clinical studies in 2019
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 90.5 percent in Commense on a diluted basis, as defined on page 17

Guiding the Developing Microbiome





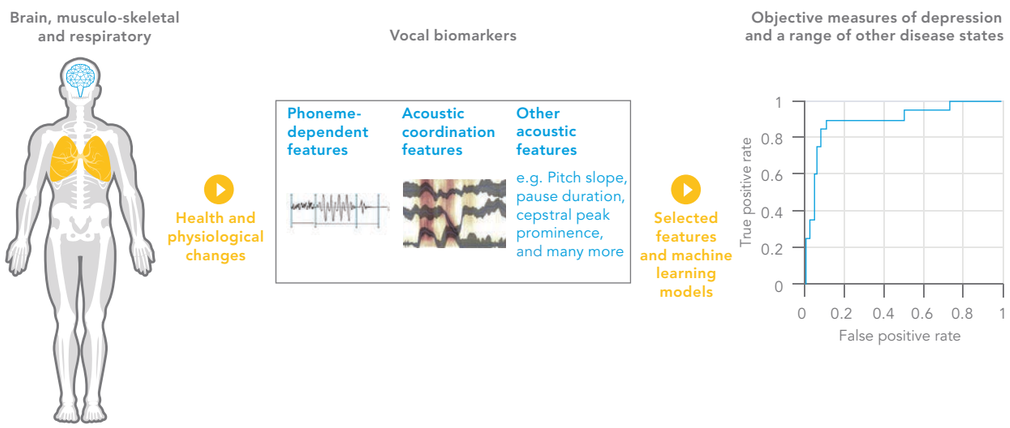
Sonde

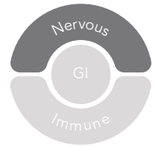
Screening mental and physical health using voice-based technology.

PureTech's Sonde is a clinical stage programme developing a voice-based technology with the potential to transform the way mental and physical health is monitored and diagnosed. Sonde is advancing its proprietary technology – developed internally and licensed from the Massachusetts Institute of Technology (MIT) Lincoln Laboratory – 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's initial focus is on chronic diseases that lack low-burden objective measures and are associated with high burdens and costs, including conditions that affect the neurological, muscular, and respiratory systems required for speech production. The privacy-preserving platform is designed to generate unprecedented persistent and passive health awareness and objective data to enable and enhance holistic patient management.

Market potential and unmet need	• Shortcomings in current systems for objective diagnosis, monitoring, and management of many diseases that affect the nervous, respiratory, cardiovascular, and muscular systems are associated with increased patient morbidity and mortality and associated medical costs • Systems that can integrate clinically meaningful diagnostic and monitoring information and patient management functions for multiple diseases on devices people already use every day could improve adherence and return on investment for current patient management systems targeting severe disease and create new cost-effective patient management service opportunities for a broader range of rare and chronic conditions • The other potential markets for its vocal biomarker monitoring platform represent significant opportunities as either an aid to diagnosis, objective patient management measure, or remote health screening and monitoring technology platform
Innovative approach to solving the problem	• Sonde's vocal biomarker technology is being developed to enable both low-burden active and completely passive disease screening and monitoring solutions compatible with a range of consumer devices such as smart phones and other voice interactive devices
Intellectual property	• Sonde currently owns or has exclusive rights to a total of 13 issued patents and patent applications in eight families of patent filings
Team	• PureTech Health has built a cross-disciplinary advisory and operating team with leading expertise in behavioural health, neuroscience, speech signal processing, data science, and care management • Advisory board members include Dr. Maurizio Fava (MGH), Dr. Harry Leider (Walgreens), Dr. Ian Gotlib (Stanford), Dr. Helen Christensen (Black Dog Institute), Dr. Aimee Danielson (Medstar Georgetown University Hospital), and Dr. Julien Epps (University of New South Wales) • The Board of Directors consists of Dr. Eric Elenko (PureTech Health) and Dr. Robert Horvitz (MIT, Board Observer) • Dr. Eric Elenko and Dr. Jim Harper serve as Acting CEO and COO, respectively
Milestones achieved	• Scalable cross-platform mobile research app and administrator interface made available to academic collaborators and study participants via app store releases • Sonde's mobile depression and speech research corpus gathered data from 1,800 participants as of 31 December 2016
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 95.4 percent in Sonde on a diluted basis, as defined on page 17

Speech: Unique Gateway to Health





The Sync Project

The Sync Project's goal is to create music as personalised medicine through the application of machine learning to a unique dataset combining music characteristics and biometric data.

PureTech's The Sync Project is a clinical stage programme developing musical products that seek to create music as personalised medicine by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components such as beat tempo, timbre, and rhythm. In the growing digital medicine industry, The Sync Project is positioned to become a leader. The Sync Project has built the first end to-end version of the platform combining both an open consumer community and focused clinical studies.

Market potential and unmet need	• Recent research has provided support for the impact of music on health. These include both clinical studies on the effects of music in a range of conditions as well as studies on the neurological basis of music. This evidence base suggests that music engages many of the same neural and physiological pathways that are implicated in neurodegenerative diseases, and in stress and pain regulation. These conditions are currently managed by use of strong pharmaceuticals that are often inadequate, and can be associated with severe side effects or risk of abuse. This offers the possibility that music can be a universal, low-cost, non-invasive alternate for the management and treatment of conditions; however, no one has yet built a platform to measure the biometric effect of music at scale and deliver personalised music therapeutics • The Sync Project is positioned to lead the development of clinically validated music therapeutics across multiple conditions. Initial focus areas include multibillion dollar addressable markets like sleep, anxiety, and pain, with potential future applications in indications such as Parkinson's disease and other movement disorders
Innovative approach to solving the problem	• The Sync Project has built a platform that combines music streaming and analysis with real-time, sensor based measurements of physiology, to validate and deliver personalised, low-cost, non-invasive music based therapeutics across a range of conditions such as anxiety, sleep and pain • The Sync Project platform has been deployed in various consumer data-generating applications to conduct short open experiments that explore music signatures effective for target conditions. Hypotheses generated by these open data collections will be further validated through controlled prospective studies in target populations • The Sync Project has built datasets of acoustic features enriched in music suitable for specific functional applications, and developed machine learning models to deliver personalised music recommendations to individuals for managing health. In addition, The Sync Project is developing a new class of algorithmically generated music that incorporates biometric input to personalise the audio delivery to the individual based on the current and target health state
Intellectual property and competitiveness	• The Sync Project currently owns or has exclusive rights to a total of one patent and the trade secrets embodied in its unique music and biometric dataset, and resulting personalised biometric music recommendation engine
Team	• PureTech Health has assembled an advisory and operating team comprising scientists with expertise in music-neuroscience and music analysis, and world renowned musical artists • Advisory board members include Robert Zatorre (McGill University), Adam Gazzaley (University of California, San Francisco), Tristan Jehan (Spotify and The Echo Nest), Peter Gabriel (Rock and Roll Hall of Famer and former lead singer of Genesis), Esa-Pekka Salonen (distinguished composer and Principal Conductor for London's Philharmonia Orchestra), St. Vincent (Annie Clark, a Grammy Award-winner), and Jon Hopkins (electronic musician) • The Board of Directors consists of Dame Marjorie Scardino (PureTech Health, London School of Hygiene, MacArthur Foundation), Mr. Joi Ito (MIT Media Lab and PureTech Health), Ms. Daphne Zohar (PureTech Health) and Mr. Stephen Holtzman (Decibel Therapeutics) • Marko Ahtisaari (previously Nokia), a co-founder, serves as CEO, Dr. Yadid Ayzenberg (MIT Media Lab) serves as the Chief Technology and Product Officer, and Dr. Ketki Karanam (Harvard), a co-founder and the Head of Science
Milestones achieved	• Completion of an end-to-end implementation of The Sync Project system as a messaging bot • Completion of a first generative music experiment collecting data on pre-sleep relaxation with biometric input. • Developed machine learning architecture and models for identifying music signatures for health
Expected milestones and timing	• Amazon Alexa "Skill" application to collect data on sleep, relaxation, and anxiety is expected to be completed in the second half of 2017 • Algorithmically programmed music and playlist recommendation pilot studies to generate data in the area of sleep, relaxation, and stress are expected to begin in 2017
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 80.0 percent in The Sync Project on a diluted basis, as defined on page 17

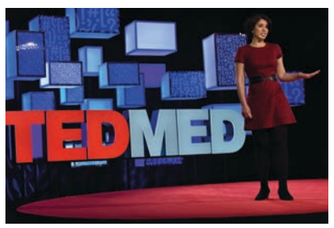
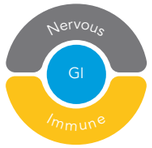


Photo credit: TEDMED and Jerod Harris

Strategic report



resTORbio

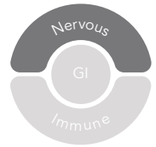
resTORbio is a clinical programme developing a platform to address immunosenescence, an age-dependent decline in immune function.

PureTech's resTORbio is a clinical programme developing a platform to address immunosenescence, an age-dependent decline in immune function. Immunosenescence 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 a need to address aging-related diseases. resTORbio technology targets pathways that may revitalise immune homeostasis.

Market potential and unmet need:	• 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 a need to address ageing-related diseases
Innovative approach to solving the problem:	• Mechanistic target of rapamycin (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 found to have many beneficial effects on ageing, while TORC2 inhibition has been associated with adverse events including hyperglycemia and hypercholesterolemia • The mTORC1 inhibitors being developed by PureTech Health potentially result in selective inhibition of mTORC1 and may therefore have therapeutic potential to ameliorate multiple aging-related conditions with a favourable safety profile
Team:	• Advisory team members comprise Abdellah Sentissi (CMC), Danis Roy (Toxicology), Dennis Fisher (DMPK), Jim Bolognese (BioStat), and Susan Stewart (Regulatory) • Chen Schor (formerly Teva), Dr. Joan Mannick (formerly Novartis), and Michelle Legler (formerly Epizyme) serve as CEO, CMO and VP Clinical Operations, respectively • The Board of Directors consists of Chen Schor, Dr. Joan Mannick, Dr, Bharatt Chowrira (PureTech Health), Dr. Raju Kucherlapati (PureTech Health) and David Steinberg (PureTech Health)
Expected milestones and timing:	• A Phase IIb study will commence in 2017, with a potential readout in 2019
PureTech Health ownership	• As announced on 24 March 2017, PureTech Health progressed resTORbio to a growth-stage programme, of which PureTech may own up to 67.4% on a diluted basis, as defined on page 17, assuming the allocation of $25 million

*resTORbio was progressed to growth stage in March 2017, and is not included in PureTech Health's Growth-Stage Holdings Value as of 31 December 2016

How PureTech Health aims to build value for investors — continued
Project stage: not included in Growth-Stage Holdings Value

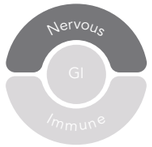


Tal Medical

Tal aims to redefine the clinical practice of psychiatry and neurology by introducing safe, effective medical device treatments as standards of care.

PureTech's Tal Medical is a clinical stage programme developing non-invasive neurostimulation treatments for brain disorders. Tal's proprietary Low Field Magnetic Stimulation (LFMS) technology uses a unique magnetic field waveform, with a mechanism of action different from other brain stimulation techniques. Tal aims to redefine the clinical practice of psychiatry and neurology by introducing safe, effective medical device treatments as standards of care. The programme's current focus is on depression and sleep.

Market potential and unmet need	• Major depressive disorder (MDD), Tal's initial target, is a debilitating condition that affects about 17% of US adults. Drugs and psychotherapy are the two most common approaches to treat MDD. However, they do not work with all patients, are slow-acting, and drugs have numerous undesired side effects. MDD remains the number one cause of disability and suicide worldwide • Insomnia is a common psychiatric disorder, with about 7 million adults in the U.S. treated each year. Drugs and psychotherapy are the standard treatments, though between one-and two-thirds of patients (2-5 million) do not respond to them
Innovative approach to solving the problem	• Tal's approach builds on the electro-chemical nature of the brain. The brain is fundamentally a system of circuits that communicate via electrical signals. Dysfunction of such circuits underlies many mental health disorders • Tal's platform to treat brain disorders utilises novel, non-invasive, magnetic neurostimulation that affects brain electrical activity. LFMS treatment is very safe, with no major side effects observed to date
Intellectual property	• Tal Medical currently owns or has exclusive rights to a total of 13 issued patents and patent applications in four families of patent filings • The four patent families aim to cover both magnetic field stimulation techniques and LFMS devices
Team	• PureTech Health has assembled a team with expertise in neuroscience, medical device development, and clinical study design • Advisory board members comprise Dr. Maurizio Fava (MGH and Harvard), Dr. Mark George (Medical University of South Carolina), Dr. Steven Paul (Voyager Therapeutics, formerly Eli Lilly, NIMH), Dr. Robert Post (NIMH), Dr. Atul Pande (PureTech Health, previously GSK) and Dr. Hal Levine (Beacon Health Options) • Senior advisors include Mr. John Abele (Boston Scientific), the Honourable Patrick Kennedy (former U.S. Representative, U.S. Mental Health Parity Act of 2008 lead author), and Dr. Tom Roth (Henry Ford Hospital) • The Board of Directors consists of Dr. Steven Paul, Ms. Daphne Zohar (PureTech Health), Dr. Jan Skvarka, Dr. Ben Shapiro (PureTech Health) and Dr. Raju Kucherlapati (PureTech Health). See pages 47 to 51 for biographies of the PureTech Health directors • Dr. Jan Skvarka (formerly Bain and PWC), Dr. Atul Pande (PureTech Health, previously GSK), Mr. Mike Madden (formerly NinePoint Medical, Boston Scientific, and Medtronic), Dr. Andrew Miller (Karuna and PureTech Health, MIT), and Dr. Alex Goddard (formerly Novartis, Stanford, Harvard) serve as CEO, CMO, EVP Product Development, COO and Director of Research, respectively
Milestones achieved	• Two randomised, sham-controlled clinical studies with 117 subjects undergoing a single 20-minute LFMS treatment demonstrated clinically meaningful improvement in bipolar depression. The optimal treatment regimen, as well as effect durability, have yet to be determined • A randomised, sham-controlled clinical study with 122 subjects established proof-of-concept for LFMS in MDD. A 60-minute treatment over four consecutive days demonstrated a rapid, clinically meaningful effect that was consistent across multiple end-points, but did not achieve statistical significance on its primary end-point of HAMD6. On MADRS, the most commonly used end-point in depression trials, the treatment showed improvement of 2.7 points over sham (p=0.09), comparable to effects that drugs typically achieve in 4-10 weeks. The optimal treatment regimen has yet to be determined. Unlike in bipolar depression, a 20-minute dose does not appear to be bioactive in MDD • Two independent imaging studies – a PET-FDG study at NIH and a resting state functionality fMRI study at Weill Cornell – demonstrated that LFMS led to a statistically significant decrease in brain activity.
External validation	• Tal Medical closed an external financing round in 2015, with about $10 million coming from investors outside of PureTech Health • Five LFMS studies were funded (fully or partially) with independent grants, including $4.2 million in funding from National Institute of Mental Health for a study in MDD
Expected milestones and timing	• Tal Medical has an ongoing programme in sleep along with several additional mechanistic studies
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 53.4 percent in Tal on a diluted basis, as defined on page 17



Vor

Vor BioPharma is a preclinical programme that is developing next-generation engineered cell therapies in oncology.

Market potential and unmet need	• The prognosis for relapsed and refractory malignancies remains grim, despite significant progress in recent years • Engineered cell therapies, and in particular, CAR-T cells, have been successfully applied to treating B-cell malignancies. Extending the applicability of CAR-T cells beyond B-cell malignancies has been difficult due to challenges in selectively targeting cancer cells • New approaches that could enable successful treatment of non-B cell malignancies represent multiple billion-dollar market opportunities
Innovative approach to solving the problem	• Current CAR-T therapies are limited primarily to B-cell malignancies, where patients can tolerate loss of healthy B-cells along with the cancerous tissue • Vor has developed an approach to targeting other hematologic malignancies • The approach consists of a targeted therapy, such as a CAR-T therapy, which is used to eliminate cells expressing certain antigen types that appear on cancerous tissue but may also appear on healthy tissue • To address the potential toxic effect loss of the healthy tissue, a hematopoietic cell transplantation (HCT) is performed, wherein the HCT cells have been precisely modified to be resistant to the targeted therapy • HCT, which is a standard procedure for many patients, can be performed prior to the targeted therapy, or the targeted therapy can be used as a preconditioning regimen to the HCT • In this way Vor's population of potential target antigens can expand beyond tumor-specific antigens or b-cell antigens
Intellectual property	• Vor has an exclusive license to a technology from Columbia University that is designed to enable broader targeting of cancer cells • Vor recently filed a patent application that extends and enhances its proprietary position in strategies to broaden the targeting potential of engineered cell therapies by modifying hematopoietic cells
Team	• Vor has assembled an advisory and operating team with expertise in immunology, and genome engineering • Advisory board members and advisors include Dr. Siddhartha Mukherjee (Columbia University), a co-founder of Vor, Dr. Joseph Bolen (PureTech Health), Dr. Sanjiv Sam Gambhir (Stanford University), Dr. Dan Littman (NYU, Howard Hughes Medical Institute), Dr. Crystal Mackall (Stanford University), Dr. Derrick Rossi (Harvard), and Dr. Justin Stebbing (Imperial College London) • Mr. David Steinberg serves as the acting CEO and Dr. Joseph Bolen serves as the acting CSO
PureTech Health ownership	• As of 31 December 2016, PureTech Health had holdings of 82.1 percent in Vor on a diluted basis, as defined on page 17

PureTech's Vor Biopharma is a preclinical programme focused on developing technologies that can broaden the applicability of targeted therapies to treat cancer. Engineered cells, such as chimeric antigen receptor (CAR) T cells, have shown promising results in clinical trials for treating B cell malignancies. However, extending these results to other cancer types has proven elusive. A key challenge is selectively targeting cancer cells without causing toxicity to normal hematopoietic cells. Vor is taking a fundamentally novel approach to solve this problem by developing modified hematopoietic stem cells (HSCs) that are protected from depletion by cancer-targeted therapies. This effect is achieved by editing HSCs so that the antigen targeted by the therapy has been deleted or modified. This broad platform can be used to enhance the therapeutic window of CAR-modified cells (such as CAR T cells, CAR NK cells, and others), antibody-drug conjugates, or conventional antibodies. By overcoming hematopoietic toxicity of targeted therapies, Vor believes it can enable a broad array of important new medicines that have a differentiated profile. Vor has an exclusive license to the technology originally developed by Siddhartha Mukherjee, MD, DPhil of Columbia University.

Nybo Therapeutics

PureTech's Nybo Therapeutics is a preclinical, first-in-class cancer immunotherapy programme developing monoclonal antibodies to target immuno-suppressive cells in pancreatic cancer, colorectal cancer and other solid tumours. By neutralising immunosuppressive cells, Nybo aims to allow other immune cells to attached tumours. The overall goal is to address the great unmet medical need in malignancies with dismal prognoses that derive little benefit from current standards of care including ones that have no approved immunotherapy regimens. Nybo will leverage the translational and clinical expertise of its team of scientific co-founders and scientific advisory board members to execute its programme.

Glyph Biosciences

The lymphatic system, often viewed as the body's disposal system, also plays a unique role in absorbing materials from the digestive system and distributing them throughout the body, as well as modulating the body's immune system. Unlike materials absorbed through the gut into the bloodstream, materials absorbed lymphatically bypass the portal vein and enter circulation directly, thereby avoiding first pass metabolism. Glyph is developing novel approaches to enhance delivery and distribution of therapeutics via this under-exploited transport mechanism, currently in preclinical development.

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 would 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 which covers all the major business risks, including technological feasibility, market size, strategy, adoption and intellectual property protection. A capital efficient approach is pursued such that some level of proof of concept has to be achieved before substantial capital is committed and thereafter allocated. Capital is tranched so as to fund programmes only to their next value milestone. Members of the Group's Board serve on the Board of directors of each business so as to maintain control over each business's strategy and to oversee proper execution thereof. The Group uses its extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy.
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 significantly 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 move up an inordinate percentage of the holdings of the Company. 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.
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, may significantly decrease the amount of revenue the Group may receive from product sales. 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 using top tier advisors in the prosecution of its patent applications. 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 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 operating companies. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses.
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.

Viability

PureTech Health plc
Viability Statement

In accordance with the provision of C.2.2 of the U.K. Corporate Governance Code 2016, the Directors have assessed the prospects of the Group over a two-year period to 31 December 2018. This period is deemed appropriate as it progresses the Group's pipeline, with meaningful outcomes for key programmes. 31 December 2018 also coincides with the timeframe highlighted in the Group's 2015 prospectus which noted that the Company's pre-offering cash (and short term investments) and the offering proceeds would be used to fund infrastructure costs and pipeline development and progress the existing growth stage programmes at that time toward meaningful milestone events substantially through 2018. 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 control over the direction of the growth stage and project stage programmes that allows the Group to retain significant control over the timing of funding events and significant expenditures.
- The Group's business model is structured so that the Group is not reliant on the successful outcomes of any one programme. In addition, the fact that the programmes are in the development stage means that the Group is 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.
- In addition to cash balances of $63.0 million, the Group's short term investments, totalling $218.5 million at 31 December 2016, are highly liquid and forecasted to support infrastructure costs, pipeline development activities and the necessary funding of the growth stage programmes 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 programmes 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 programmes product candidates. Further, the Board has considered access to external capital, milestone funding based on existing collaboration and partnership arrangements, and the ability of each programme to enter new collaboration agreements, which could all be expected to generate cash in-flows, but were not included in the assessment.

The Directors note the Group's ownership stakes in the subsidiary programmes are expected to be illiquid in nature. The Group anticipates holding these ownership stakes at least through achievement of significant milestones. 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 highly likely to be able to fund the requirements of the infrastructure, pipeline development activities and the amounts considered necessary for growth stage programmes 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. In addition, this assertion is made without consideration of other funding sources, such as external participation in equity financings of subsidiaries, debt financing and milestone funding based on new and existing arrangements, the combination of which the Group expects will create some level of positive cash in-flows in the period of assessment.

Key performance indicators

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

Growth-Stage Holdings Value

$380.1m

2015	$291.7m
2014	$222.4m

Progress
The value of the Group's growth stage businesses increased by approximately 30% from 31 December 2015 to 31 December 2016.

Amount of Financings for Programmes

$98.2m

2015	$74.6m
2014	$8m

Progress
Akili, Vedanta Biosciences, Entrega, Karuna, and Follica closed financings in 2016, including $29.3 million by validating financial and strategic investors.

Number of Patents and Patent Applications

290

2015	209
2014	111

Progress
The Group continued to aggressively pursue patent protection for its technologies during 2016.

Number of Partnerships entered by the Group

6

2015	4
2014	2

Progress
In 2016, the Group entered into research and development partnerships with NYU Langone Medical Center, Yale University, Stanford University School of Medicine, Leiden University Medical Center, REIKEN (Japan's largest research institution) and University of Massachusetts Memorial Medical Center

Number of Project Stage Programmes Created

3

2015	3
2014	2

Progress
resTORbio, Nybo Therapeutics and Glyph Biosciences.

Number of Theme-Based Technologies Sourced

918

2015	776
2014	521

Progress
The Company continued to identify and review innovative technologies that form the basis of its programmes.

Financial review

During 2016, PureTech Health continued to deploy its cash reserves to advance its pipeline by both progressing and de-risking its growth stage programmes, and identifying and initiating future programmes.

The Company has progressed research and clinical activities, including commencing new clinical trials. The increased activities have been further supported by financings that have occurred at the growth stage programmes in 2016. Akili, Vedanta Biosciences, Entrega, Karuna and Follica have executed financings that generated funding totalling $98 million, with $29.3 million provided from outside validating financial and strategic investors in 2016. This included 2016 financings of $42.4 million for Akili and $50 million for Vedanta Biosciences. $25 million of the Vedanta financing was funded in June 2016 with the remainder funded in January 2017.

The Sync Project, Sonde, Alivio and Commense have graduated to growth stage in 2016 after reaching a requisite level of maturity during the year, including successfully securing intellectual property, establishing management teams and completion of substantive business plans. In addition, all of these programmes have engaged key scientific founders and have achieved some level of technological de-risking during 2016. In 2016, Tal Medical's LFMS technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in TR-MDD. As a result of not demonstrating statistically significant dose-dependent effect, we have reclassified Tal Medical as a project stage programme. The Group continues to source and develop new ideas, including those that formed the basis of Vor, Glyph, resTORbio and Nybo, as well as execute on pipeline opportunities. In addition, PureTech Health continues to evolve shared functions to support the increased level of activities of the growth stage and project stage programmes.

Financial Highlights

	2016 $ millions	2015 $ millions
Growth-Stage Holdings Value		
Growth-Stage Holdings Value[1]	**$380.1**	$291.7
Annual increase in Growth-Stage Holdings Value in Dollars[2]	**$88.4**	$69.3
Annual increase in Growth-Stage Holdings Value Percentage[2]	**30.3%**	31.2%
Cash Reserves		
Consolidated Cash Reserves[3]	**$281.5**	$313.7
PureTech Level Cash Reserves[3]	**$192.1**	$255.5
Results of Operations		
Revenue	**$4.4**	$11.8
Operating Loss	**$(73.9)**	$(43.6)
Adjusted Operating Loss[4]	**$(62.2)**	$(31.8)
Loss for the Period[5]	**$(81.6)**	$(58.2)
Adjusted Loss for the Period[5] [6]	**$(60.1)**	$(35.3)

1 As a means of promoting transparency, the Directors also present, as supplementary information, an ownership adjusted valuation of the growth stage programmes in aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The Growth-Stage Holdings Value is an APM used by the Directors as a KPI to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the group accounts and the value of those investments is not separately disclosed in the statement of financial position.

2 Annual Increase in Growth-Stage Holdings Value, excluding amounts invested by the Group, was $46.7 (2015 – $46.3) or 16% (2015 – 20.8%).

3 Cash reserves includes cash balances and short-term investments.

4 Stated before the effect of share-based payment of $10.2 million (2015 – $11.1 million), depreciation of $1.2 million (2015 – $0.5 million) and amortisation of $0.3 million (2015 – $0.3 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.

5 Stated before the charges discussed in Note 4 above – the IAS 39 fair value accounting charge of $3.4 million (2015 – $7.5 million) and finance cost – subsidiary preferred shares of $6.4 million (2015 – $3.5 million). These items are also non-cash charges. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.

6 In 2016, both the Loss for the period and Adjusted loss for the period were positively impacted by recognition of a $1.6 million tax benefit.

Result of Operations

Revenue

The primary reason for the decrease in revenue relates to a $10.0 million non-refundable milestone payment Vedanta Biosciences received in 2015 as part of its collaboration with Janssen Biotech, Inc. to develop and commercialise VE202, a microbiome product candidate with an initial focus on inflammatory bowel disease. Payments such as this are not expected to be a recurring event each period. In September and December 2016, Vedanta Biosciences successfully achieved two additional milestones under the agreement with Janssen Biotech, Inc., resulting in receipt of two separate $2 million payments to Vedanta Biosciences which have been recognised as revenue in 2016 totalling $4 million. In 2017 and beyond, the Group has opportunities to recognise meaningful revenues by achieving milestones under this collaboration, as well as potentially from future agreements.

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

Operating expenses

Operating expenses before the impact of the non-cash items noted in footnote 1 of the Results of Operations Schedule above increased 53% on a year-over-year basis. Most of the increase in expenses has been to support the Group's research and development efforts. The Group carried out development activities to progress its programmes by initiating new clinical trials and advancing existing clinical studies, adding headcount and expanding its footprint requiring leasing additional space, the result of which was an increase of 126% in research and development expenses over the prior year. General and administrative expenses increased at a much more modest rate of 6% over the prior year. The lower growth rate of general and administrative expenses reflects the ability of the Group to leverage its existing infrastructure. By centralising many of the administrative functions, the Group can efficiently support significant growth in the research and development related activities for all programmes.

The Directors anticipate that operating expenses, particularly research and development-related expenses, will continue to increase as the Group advances its pipeline. These operating expenses will include regulatory activities, preparation for commercial launch of later stage programmes, 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, although at a much lower rate than research and development expenses.

Net finance costs

Net finance costs, before consideration of the items noted in footnote 2 of the Results of Operations Schedule above, increased by $2.6 million from expense of $2.1 million in 2015 to income of $0.5 million in 2016. The expense in 2015 was driven primarily by the conversion of previously outstanding notes payable held by external parties into equity holdings for certain growth stage programmes during 2015.

The Group's IAS 39 fair value accounting charge relates to derivative liabilities associated with preferred stock conversion rights, convertible notes and warrants at the subsidiary level. Consistent with prior periods, this charge was driven by changes in the equity value of the underlying subsidiaries. When the Group realises an increase in the value of the subsidiaries that are consolidated for accounting purposes, a charge will be recognised when there are external preferred shareholders. The decrease in

Financial Position

	2016 (31 December) $ millions	2015 (31 December) $ millions
Assets		
Total non-current assets	**$10.6**	$8.6
Total current assets	**288.1**	318.2
Total assets	**298.7**	326.8
Non-current liabilities	**2.3**	2.2
Total current liabilities[1]	**204.1**	160.5
Total liabilities	**$206.4**	$162.7

1 Included in current liabilities are $183.1 million and $145.3 million related to non-cash liabilities related to derivatives, warrants and preferred shares at 31 December 2016 and 2015, respectively.

the expense of $4.1 million from the prior period was primarily a result of a $5.0 million decrease in the previously reported amount related to the derivative liability associated with the preferred share conversion rights associated with Tal Medical, offset by increases in the derivative liabilities of all other derivative liabilities associated with the subsidiaries' preferred share conversion rights. In addition to the IAS 39 fair value accounting charge, the Group recognised a finance cost of $6.4 million in 2016 due to the accretion to the liquidation preference on subsidiary preferred stock held by external parties. The balance of subsidiary preferred stock held by external parties increased during 2016 due to the issuances of preferred stock in the Akili and Vedanta equity financings.

The Group, as further described in Cash Flows below, has adopted a conservative cash management policy and invested the significant cash reserves generated during 2015 and 2016 in U.S. Treasuries, which has resulted in meaningful income from interest earned on these securities.

Cash and short-term investments make up a significant portion of the Group's current assets of $288.1 million. Amounts that cannot be immediately deployed have been used to purchase U.S. Treasuries with short durations. The Group's cash reserves, consisting of all cash, cash equivalents and U.S. Treasuries, were $281.5 million at 31 December 2016 (2015 – $313.7 million). Of this amount, the Group held $192.1 million (2015 – $255.5 million) of cash reserves at the PureTech Health level to fund all activities of the Group, including supporting future activities of the subsidiaries, progressing the existing growth stage programmes toward meaningful milestone events, funding pipeline development and maintaining an appropriate infrastructure.

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

- Property and equipment increased primarily due to $3.6 million in leasehold improvements and equipment related to Vedanta Biosciences' new facilities located in Cambridge, Massachusetts.
- Prepaid expenses and other current assets increased by $2.7 million, primarily as a result of the expected tax refund related to the carry back of Vedanta Biosciences' current year tax losses and advance funding of clinical trials by Gelesis.
- Current liabilities increased in 2016, primarily as a result of equity financings involving the issuance of liability classified preferred shares by Akili and Vedanta Biosciences totalling $27.3 million to outside investors during 2016 and the increase in liability associated with all derivatives.

As noted above, the Group increased spending as expected, primarily on its research and development operations during 2016. The Directors anticipate that the Group's funds will be sufficient to continue to progress the existing growth stage programmes to meaningful milestone events and pipeline development and to fund infrastructure costs. The Group's net operating cash outflow reflects the payment of operating expenses which, with the exception of the non-cash charges highlighted in Footnotes 4 and 5 of the Results of Operations Schedule, are primarily cash based. Offsetting operating cash inflows were primarily driven by interest earned on U.S. Treasuries.

The net cash outflow from investing activities during 2016 primarily relates to investment of excess cash available in short-term duration U.S. Treasuries, as well as $3.6 million expended for property and equipment.

The net cash inflow from financing activities during 2016 was from $27.3 million of proceeds from outside investors in equity financings of growth stage programmes and $2.0 million from issuances of convertible notes. In addition, Vedanta Biosciences received an additional $9.9 million in equity from outside investors in January 2017.

The Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly-rated, short duration vehicles, primarily U.S. Treasuries with maturities under one year. The Group monitors market conditions to manage any risk to the investment portfolio and investigates opportunities to increase the yield on the amounts invested, while maintaining the Group's liquidity and capital preservation objectives. At 31 December 2016, the Group had $4.7 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

	2016 $ millions	2015 $ millions
Net cash outflow from operating activities[1]	**$(58.0)**	$(28.6)
Net cash inflow/(outflow) from investing activities	**$(43.2)**	$(184.2)
Net cash inflow from financing activities	**$29.5**	$285.9

1 Janssen Biotech, Inc.'s non-refundable milestone payment is included in operating activities for 2015.

Growth-Stage Holdings Value

It is the expectation of the Group's shareholders and others that the value of at least some of our programmes will be realised through exit events, with proceeds accruing to the Group. As all growth stage programmes are fully consolidated in PureTech Health's consolidated financial statements prepared in accordance with IFRS, the consolidated statements of financial position incorporated within PureTech Health's consolidated financial statements do not include current valuations of the growth stage programmes. As a means to more fully meet the information needs of shareholders, the Directors have determined that it is appropriate to voluntarily present, as supplementary information, an ownership adjusted valuation of the growth stage programmes in the aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The Growth-Stage Holdings Value is an APM used by the Directors as a KPI to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the group accounts and the value of those investments is not separately disclosed in the statement of financial position.

The Growth-Stage Holdings Value has increased by $88.4 million to $380.1 million or 30.3 percent in 2016. Excluding the impact of the amounts invested by PureTech Health of $41.7 million (excluding the first tranche of the Akili financing round in January 2016 of $11.5 million) subsequent to the 31 December 2015 valuation, the Growth-Stage Holdings Value increased by approximately 16.0 percent.

The Growth-Stage Holdings Value represents the sum of the parts valuation of the Group's growth stage programmes. In 2015, the sum of the parts valuation included Akili, Vedanta Biosciences, Gelesis, Follica, Karuna, Entrega and Tal. Sonde, Alivio, Commense and The Sync Project graduated to growth stage in 2016 primarily due to achieving some level of de-risking, successfully securing intellectual property, establishing management teams, developing a sustainable business plan and engaging key scientific founders. As such, these subsidiaries are included in the Growth-Stage Holdings Value at 31 December 2016. In 2016, Tal Medical's LFMS technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in TR-MDD. As a result of not demonstrating statistically significant dose-dependent effect, Tal Medical has been reclassified as a project stage programme and, as such, it has not been included in the Growth-Stage Holdings Value at 31 December 2016. However, the Directors believe that Tal has value. Accordingly, in 2016, the Growth-Stage Holdings Value includes Akili, Vedanta Biosciences, Gelesis, Follica, Karuna, Entrega, Sonde, Alivio, Commense and The Sync Project.

Chairman's overview

"We are committed to the highest standards of corporate governance, which we believe is essential for building a successful and sustainable business."

Joichi Ito
Chairman

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

6 April 2017

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.

Mr. Joichi Ito
Non-Executive Chairman

Mr. Ito, the director of the MIT Media Lab, is a leading thinker and writer on innovation, global technology policy, and the role of the Internet in transforming society in substantial and positive ways. He sits on the boards of Sony Corporation, Knight Foundation, the John D. and Catherine T. MacArthur Foundation, The New York Times Company and The Mozilla Foundation. In Japan, Mr. Ito was a founder of Digital Garage, and helped establish and later became CEO of the country's first commercial Internet service provider. He was an early investor in numerous companies, including Twitter, Flickr, littleBits, Formlabs, and Kickstarter. Mr. Ito's honours include TIME magazine's 'Cyber-Elite' listing in 1997 (at age 31) and selection as one of the 'Global Leaders for Tomorrow' by the World Economic Forum (2001). In 2008, BusinessWeek named him one of the '25 Most Influential People on the Web.' In 2011, he received the Lifetime Achievement Award from the Oxford Internet Institute. In 2014, Mr. Ito was inducted into the SXSW Interactive Festival Hall of Fame and awarded the Golden Plate Award by the Academy of Achievement. Mr. Ito received the degree of Doctor of Literature, honoris causa, from The New School in 2013 and Doctor of Humane Letters, honoris causa, from Tufts University in 2015.

Dr. Raju Kucherlapati
Independent Non-Executive Director

Dr. Kucherlapati was a founder and formerly a board member of Abgenix, Cell Genesys and Millennium Pharmaceuticals. He is currently the Paul C. Cabot Professor of Genetics and a Professor of Medicine at Harvard Medical School and 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.
Dr. Kucherlapati received his Ph.D. from the University of Illinois. He trained at Yale and has held faculty positions at Princeton University, University of Illinois College of Medicine and the Albert Einstein College of Medicine. His laboratory at Harvard Medical School is involved in cloning and characterisation of human disease genes with a focus on human syndromes with significant cardiovascular involvement, use of genetic/genomic approaches to understand the biology of cancer and the generation and characterisation of genetically modified mouse models for cancer and other human disorders. He served on the editorial board of the New England Journal of Medicine and was Editor in Chief of the journal Genomics.

Dr. John LaMattina
Independent Non-Executive Director

Dr. LaMattina was previously President at Pfizer Global Research and Development and Senior Vice President at Pfizer. During his 30-year career at Pfizer, Dr. LaMattina held positions of increasing responsibility for Pfizer Central Research, including Vice President of U.S. 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 important new medicines, including Tarceva, Chantix, Zoloft, Selzentry and Lyrica, along with a number of other medicines currently in late stage development for cancer, rheumatoid arthritis and pain. He is the author of numerous scientific publications and U.S. patents. Dr. LaMattina received the 1998 Boston College Alumni Award of Excellence in Science and the 2004 American Diabetes Association Award for Leadership and Commitment in the Fight Against Diabetes. He was awarded an Honorary Doctor of Science degree from the University of New Hampshire in 2007. In 2010 he was the recipient of the American Chemical Society's Earle B. Barnes Award for Leadership in Chemical Research Management. Dr. LaMattina received a B.S. in Chemistry from Boston College in 1971 and received a Ph.D. 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 serves on the board of directors of Ligand Pharmaceuticals, Zafgen, Inc. and Vedanta Biosciences and is Chairman of the board of Gelesis. He is the author of 'Devalued and Distrusted – Can the Pharmaceutical Industry Restore its Broken Image', 'Drug Truths: Dispelling the Myths About Pharma R&D' and an author of the Drug Truths blog at Forbes.com.

* Biographies for our Executive Directors, Daphne Zohar and Stephen Muniz, can be found on page 51.

Dr. Robert Langer
Non-Executive Director

Dr. Langer is a co-founder of PureTech. He is the David H. Koch Institute Professor at MIT and one of only 13 Institute Professors (the highest honour awarded to a faculty member). Dr. Langer has written over 1,300 articles and has over 1,100 issued or pending patents worldwide. His patents have been licensed or sublicensed to over 300 pharmaceutical, chemical, biotechnology and medical device companies. Dr. Langer is the most cited engineer in history. He served as a member of the FDA's Science Board, the FDA's highest advisory board, from 1995 to 2002, and as its Chairman from 1999 to 2002. Dr. Langer has received over 220 major awards, including the 2006 U.S. National Medal of Science, the Charles Stark Draper Prize in 2002, considered the equivalent of the Nobel Prize for engineers and the world's most prestigious engineering prize, and the 2012 Priestley Medal, the highest award of the American Chemical Society. He is also the only engineer to ever receive the Gairdner Foundation International Award. 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'. Among numerous other awards, Dr. Langer has received the Dickson Prize for Science, Heinz Award, the Harvey Prize, the John Fritz Award (given previously to inventors such as Thomas Edison and Orville Wright), the General Motors Kettering Prize for Cancer Research, the Dan David Prize in Materials Science and the Albany Medical Center Prize in Medicine and Biomedical Research. In 2006, he was inducted into the National Inventors Hall of Fame. Dr. Langer is one of a few people ever elected to all four U.S. National Academies and the youngest in history to ever receive this distinction. In January 2015, Dr. Langer was awarded the 2015 Queen Elizabeth Prize for Engineering.

Dame Marjorie Scardino
Senior Independent Director

Dame Marjorie Scardino served as Chief Executive of *The Economist* for 12 years and then from 1997 through 2012 became the Chief Executive of Pearson plc, the world's leading education company and the owner of Penguin Books and The Financial Times Group. She is currently the Chairman of The MacArthur Foundation and is also a member of the non-profit boards of Oxfam, The Royal College of Art and The Carter Center, as well as the for profit boards of Twitter, where she sits on the Audit Committee, and International Airlines Group (the holding company of British Airways, Iberia and other airlines). 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 Arts in the U.K. and the American Association of Arts and Sciences.

Dr. Bennett Shapiro
Non-Executive Director

Dr. Shapiro is a co-founder of PureTech Health and a member of the Board. From 1990 to 2003 Dr. Shapiro was an Executive Vice President at Merck Research Laboratories (of Merck & Co.). Dr. Shapiro initially led Worldwide Basic Research and was responsible for all the basic and preclinical research activities at Merck. He later led Worldwide Licensing and External Research and was responsible for Merck's relationships with the academic and industrial biomedical research community. His leadership resulted in the discovery, development and registration of approximately 25 drugs and vaccines. Previously, he was Professor and Chairman of the Department of Biochemistry at the University of Washington, where he worked from 1970 to 1990. He is the author of over 120 papers on the molecular regulation of cellular behaviour and the biochemical events that integrate the cascade of cellular activations at fertilisation. Dr. Shapiro received his bachelor's degree in Chemistry from Dickinson College and his MD from Jefferson Medical College. Following an internship in Medicine at the University of Pennsylvania Hospital, he was a Research Associate at the NIH, then a Visiting Scientist at the Institut Pasteur in Paris and returned to the NIH as Chief-Section on Cellular Differentiation in the Laboratory of Biochemistry prior to joining the University of Washington. Dr. Shapiro has been a Guggenheim Fellow, a Fellow of the Japan Society for the Promotion of Science and a Visiting Professor at the University of Nice. He has served on many institutional advisory boards and scientific review panels. Dr. Shapiro served as a director of Celera Corporation, Momenta Pharmaceuticals Inc., and Ikaria Inc, and currently serves as a a director of, amongst others, Vedanta Biosciences, Karuna Pharmaceuticals, Tal Medical and Akili. He also is a director of the Drugs for Neglected Diseases initiative and the Mind and Life Institute.

Mr. Christopher Viehbacher
Independent Non-Executive Director

Mr. Viehbacher is the Managing Partner of Gurnet Point Capital. He is also the Chairman of the Board of Directors of Boston Pharmaceuticals and of Vedanta Biosciences as well as the Vice-Chair of Nuvelution. He is a member of the Board of Directors of Pronutria. Mr. Viehbacher is a Trustee of Northeastern University and the Past- Chair of the CEO Roundtable on Cancer. Mr. Viehbacher is the former Chief Executive Officer and member of the board of directors of Sanofi, a Fortune 50 biopharmaceutical company with a market capitalisation of over $100 billion. During Mr. Viehbacher's six-year tenure, Sanofi underwent a significant business transformation, completing over $30 billion of acquisitions, most notably that of Genzyme Ltd. Mr. Viehbacher was also the Executive Chairman of the board of Genzyme Ltd in Boston. Prior to joining Sanofi, Mr. Viehbacher spent 20 years with GlaxoSmithKline, ultimately as President of its North American pharmaceutical division and as a member of the Board of Directors of GSK plc. He began his career with PricewaterhouseCoopers LLP and qualified as a Chartered Accountant. Mr. Viehbacher has co-chaired the Chief Executive Officer Roundtable on Neglected Diseases with Bill Gates, an organisation that led to over 1.3 billion people being treated for such diseases free of charge. He was the Chairman of the Board of the Pharmaceutical Research and Manufacturers of America as well as President of the European Federation of Pharmaceutical Industries and Associations. At the World Economic Forum at Davos, Mr. Viehbacher was a Chair of the Health Governors and co-chaired an initiative to create a Global Charter for Healthy Living. He was also a member of the International Business Council. Mr. Viehbacher has received the Pasteur Foundation Award for outstanding commitment to safeguarding and improving health worldwide. He has also received France's highest civilian honour, the Légion d'Honneur. Various awards from the Thompson Reuters/Extel Investor Survey, including top Chief Executive Officer and top European Company, have recognised his commitment to investor relations.

Robert Horvitz, Ph.D.**
Board Advisor and Scientific Advisory Board Chair

Dr. Horvitz 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 the Massachusetts Institute of Technology, an Investigator of the Howard Hughes Medical Institute, Neurobiologist (Neurology) at Massachusetts General Hospital, and a member of the M.I.T. McGovern Institute for Brain Research and the M.I.T. Koch Institute for Integrative Cancer Research. He is cofounder of multiple life science companies including Epizyme and Idun Pharmaceuticals (acquired by Pfizer). 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 was President of the Genetics Society of America. Dr. Horvitz is a member of the U.S. National Academy of Sciences, the U.S. Institute 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 U.S. 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 Honor; the Alfred G. Knudson Award of the National Cancer Institute; and the U.K. Genetics Society Mendel Medal.

** 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.

Management team

(alphabetically)

Joseph Bolen, Ph.D.
Chief Scientific Officer

Joe Bolen is Chief Scientific Officer at PureTech Health where he works with the Company's creation 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 (acquired by Takeda for $8.8 billion). Prior to joining Millennium in 1999, Dr. Bolen held senior research and development positions at Hoechst Marion Roussel, Schering-Plough, and Bristol-Myers Squibb. Dr. Bolen graduated from the University of Nebraska with a B.S. degree in Microbiology and Chemistry and a Ph.D. in Immunology and conducted his postdoctoral training in Molecular Virology at the Kansas State University Cancer Center.

Bharatt Chowrira, Ph.D., J.D.
President and Chief of Business and Strategy

Bharatt Chowrira is President and Chief of Business and Strategy at PureTech Health. He brings a strong track record with 23+ years of experience in the biopharma industry, combining a unique blend of R&D, corporate development, operations, financing, public offering, M&A, legal, IP, and licensing expertise. Dr. Chowrira was most recently the President of Synlogic, a Cambridge, MA-based biopharmaceutical company focused on developing synthetic microbiome-based therapeutics, where he oversaw and managed corporate and business development, alliance management, financial, HR, IP, and legal operations. Prior to joining Synlogic, Dr. Chowrira was the Chief Operating Officer of Auspex Pharmaceuticals, which was acquired by Teva Pharmaceuticals in the spring of 2015 for $3.5 billion. Previously, he was President and Chief Executive Officer of Addex Therapeutics, a biotechnology company publicly-traded on the SIX Swiss Exchange. Before that, he held various leadership and management positions at Nektar Therapeutics, Merck & Co., Sirna Therapeutics, (acquired by Merck & Co. for $1.1 billion) and Ribozyme Pharmaceuticals. Dr. Chowrira has a J.D. from the University of Denver's Sturm College of Law, a Ph.D. in Molecular Biology from the University of Vermont College of Medicine, an M.S. in Molecular Biology from Illinois State University, and a B.S. in Microbiology from the UAS, Bangalore, India.

Eric Elenko, Ph.D.
Chief of Research and Strategy

Dr. Elenko is the Chief of Research and Strategy at PureTech Health where he has co-founded a number of companies for which he has acted as a board member and an interim member of the management team, including Akili Interactive Labs, Gelesis, Tal Medical, Karuna Pharmaceuticals 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 B.A. in Biology from Swarthmore College and his Ph.D. in Biomedical Sciences from University of California, San Diego.

Michael MacLean
Chief Financial Officer

Michael MacLean joined PureTech Health as Chief Financial Officer in 2015. Previously, he was Chief Financial Officer of Iron Mountain Inc.'s North American business, where he oversaw $2.2 billion of annual revenue and approximately $1 billion of EBITDA. Previously, Mr. MacLean was Senior Vice President, Finance and Chief Accounting Officer at Biogen, a global biopharmaceutical company with annual revenues of more than $9 billion, during which time he managed many of the finance and accounting functions and was responsible for structuring and managing collaborations and strategic acquisitions. He also was an audit partner at global public accounting firms including KPMG, one of the largest professional services companies in the world, where he supported global clients in industries including pharmaceuticals, medical devices and diagnostics.

Mr. Stephen Muniz
Chief Operating Officer and Executive Director

Mr. Muniz is the Chief Operating Officer of PureTech Health and a member of the Board. Prior to joining PureTech, Mr. Muniz was a Partner in the Corporate Department of Locke Lord LLP, where he practised 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 Karuna, 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.

Atul Pande
Chief Medical Officer

Atul Pande is Chief Medical Officer at PureTech Health, where he oversees all clinical operations. Dr. Pande has more than two decades of experience in drug development. He is the former Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline. Dr. Pande has been active in the development of multiple investigational and now marketed drugs while holding various senior roles in Pfizer R&D, Parke-Davis/ Warner-Lambert, and Lilly Research Laboratories. His experience includes drug development, registration, launch and lifecycle management in the areas of anxiety, depression, epilepsy, neuropathic pain, schizophrenia, traumatic brain injury, and Alzheimer's and Parkinson's diseases. Dr. Pande is a psychiatrist and fellow of several scientific societies, including the American Psychiatric Association. He currently serves on the Board of Directors of Karuna Pharmaceuticals. He also sits on the Board of Axovant Sciences and Autifony Therapeutics and on the Scientific Advisory Board of Cennerv Pharma. Dr. Pande began his career as a faculty member at the University of Michigan Medical School where his research focused on mood disorders. He has published over 50 peer-reviewed scientific papers and over 100 abstracts, book chapters, and book reviews.

David Steinberg
Chief Innovation Officer

Mr. Steinberg is the Chief Innovation Officer at PureTech Health. As a member of PureTech Health, Mr. Steinberg has served as founding CEO and board member of multiple programmes, including Vedanta Biosciences, Entrega Biosciences, Vor Biopharma, and Commense Health. He also served as Chief Business Officer of Follica, Inc., and VP of Operations for Satori Pharmaceuticals. Previously, he was a strategy consultant with the Boston Consulting Group and Vertex Partners, focusing on R&D and product strategy and strategic alliances for Fortune 500 pharmaceutical and biotechnology clients. Mr. Steinberg also worked as a research associate in Procter and Gamble Pharmaceuticals' research and development organisation. He received his B.A. in Biology with distinction from Cornell University and graduated with high honours from the University of Chicago Booth School of Business with an MBA in Strategy and Finance. Mr. Steinberg is also a member of the UChicago Tech Innovation Fund Advisory Committee.

Ms. Daphne Zohar
Chief Executive Officer and Executive Director

Ms. Daphne Zohar is a co-founder and the Chief Executive Officer of PureTech and a member of the Board. A successful entrepreneur, Ms. Zohar created PureTech, assembling a leading team to help implement her vision for the Company, and attracting several hundred million dollars to the Company and its businesses. Ms. Zohar has been recognised as a top leader and innovator in biotechnology by a number of sources, including Ernst & Young, BioWorld, MIT's Technology Review, the Boston Globe, and Scientific American. She sits on the boards of PureTech Health and a number of PureTech Health subsidiaries. Ms. Zohar also sits on the Technology Development Fund Advisory Board at Children's Hospital Boston, is an Editorial Adviser to Xconomy, a U.S. biotechnology news company.

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 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 a detailed process of review and challenge by the Board. Once made, the Executive Directors 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 2016 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 all of these Directors are provided on pages 47 to 51. There were no changes to the composition of the Board during 2016.

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 67 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 8 May 2017, 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 are well placed to constructively challenge and scrutinise the performance of management. In addition, each Non-Executive Director also serves as a member of one or more Boards of directors of the Group's businesses and are key drivers for the Group's concept stage initiatives.

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 U.K. Corporate Governance Code recommends that at least 50 percent of the Board of a U.K. 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 U.K. 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 subsidiary 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 percent 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 recommends 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 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 had eight scheduled meetings in 2016, and details on attendance are set forth in the table below:

Director	Number of Board Meetings Attended
Daphne Zohar	8/8
Joichi Ito	7/8
Raju Kucherlapati	7/8
John LaMattina	8/8
Robert Langer	7/8
Marjorie Scardino	8/8
Bennett Shapiro	8/8
Christopher Viehbacher	6/8
Stephen Muniz	8/8

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, U.S., which gives members of the Company's senior management team, as well as the senior management of the programme companies, the opportunity to formally present to the Board on new technology development and business strategies. At least one Board meeting is held each year in London.

Each Director also serves on the Boards of directors of the Group's subsidiary programme companies. These programme 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 listing, 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 subsidiary programme companies, the Board periodically receives the presentations and reports covering the business and operations of each of the Group's subsidiary programmes.

During 2017, the Chairman will review and agree with each Non-Executive Director on their individual training and development needs. In addition, under the guidance of the Chairman, the Company Secretary will establish a formal induction training process for new Directors.

Board effectiveness and performance evaluation

The Board periodically reviews its effectiveness and performance. The Board will seek the assistance of an independent third party provider at least once every three years in its evaluation in compliance with the Code, and will otherwise carry out an internally facilitated Board evaluation led by the Chairman, assisted by the Company Secretary, and covering the effectiveness of the Board as a whole, its individual Directors and its Committees. This review will include each of the Board and Committee members completing a detailed and tailored survey and one-to-one discussions between the Chairman and each of the individual Directors. A summary of the results of the review, together with the Chairman and Company Secretary'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 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 2016, were reviewed by the Audit Committee of the Board of Directors and were considered to be effective throughout the year ended 31 December 2016.

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 all programme companies on a regular basis, and reviews the performance of the Group and its programme 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 37 to 39.

Internal Control — continued

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 37 to 39.

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 does take 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 5.00 pm on 8 May 2017 at the St. Martins Lane Hotel, 45 St. Martins Lane, London WC2N 4HX, 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 to the Chairman, Non-Executive Directors and the Executive Directors in attendance.

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 social responsibility

Policy statement

PureTech 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 U.K., 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 programme companies.

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

For the 2016 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 as it applies to quoted companies.

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 advisor, 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;
- application of US EPA and Defra 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 emissions 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 GHG emissions from the Group's operations in the year ending 31 December 2016 were:

- Location-based: 605.9 tonnes of CO_2 equivalent (tCO_2e)
- Market-based: 625.7 tonnes of CO_2 equivalent (tCO_2e)

Intensity ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes per square metre of occupied office space and tonnes per full time equivalent employee. 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.

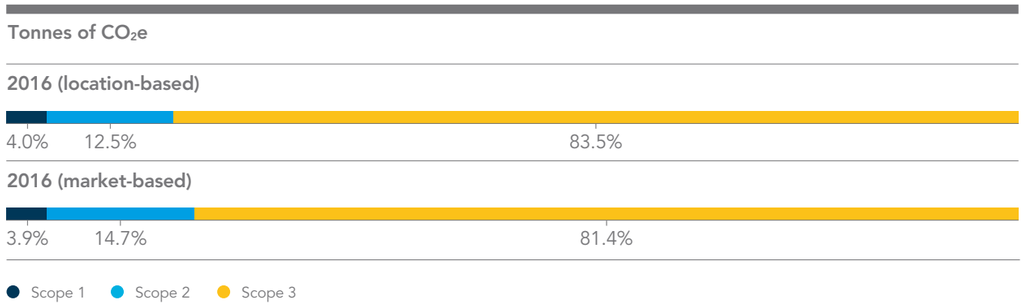
Target and baselines

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 metre of office space each year and will report each year whether it has been successful in this regard.

Because 2016 is the Group's first reporting period for this type of information, no prior year comparison is provided.

Key figures

Breakdown of emissions by scope



GHG emissions

	2016		
	Tonnes CO_2e	Tonnes CO_2e per m^2	Tonnes CO_2e per FTE
Scope 1[1]	24.4	0.01	0.29
Scope 2[2]	75.8	0.04	0.90
Scope 2[3]	92.1	0.04	1.10
Subtotal	**192.3**	**0.09**	**2.29**
Scope 3[4]	505.7	–	–
Scope 3[5]	509.2	–	–
Total GHG emissions (Location-based Scope 1)	**605.9**	**–**	**–**
Total GHG emissions (Market-based Scope 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 Group, including both upstream and downstream.
5 Scope 3 being all indirect emissions (not in scope 2) that occur in the value chain of the Group, including both upstream and downstream emissions (market-based) 2016 (84 employees occupying 2,085.49 m^2 office space, excluding employees who work remotely or in temporary office space).

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 programme companies, has 117 full-time employees (as at 1 March 2017). A breakdown of staff by gender can be seen in the illustrations below. 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 1 March 2017.[1]

	Female	Male
Staff	7 (41%)	10 (59%)
Senior Management	2 (11%)	17 (89%)
Board of Directors	2 (22%)	7 (78%)

1 Does not include employees of programme companies other than CEOs of programme companies. The Group, including programme companies, has 117 full- time employees (as at 1 March 2017).

Directors' Report for the year ended 31 December 2016

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2016.

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 U.K. 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 U.K. Listing Authority and to trading on the main market of the London Stock Exchange on 24 June 2015.

Directors

The membership of the Board and biographical details of the directors can be found on pages 47 to 51 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 72 of this report.

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

Details of the interests of directors in the share capital of the Company as of 31 December 2016 are set out in the Directors' Remuneration Report on page 76. There have been no changes in such interests from 31 December 2016 to 31 March 2017.

Results and dividends

The Group generated a loss for the year ended 31 December 2016 of $82.0 million (2015 $58.2 million). The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

Share capital

As at 31 December 2016, the ordinary issued share capital of the Company stood at 237,387,951 shares of £0.01 each. Details on share capital are set out in note 13 to the financial statements, page 110.

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 13 to the financial statements, page 110.

Pursuant to a corporate reorganisation undertaken in connection with the Company's initial public offering, the Company purchased its own deferred share of £1.00 on 18 June 2015 for a price of £1.00.

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 U.K. 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 1 March 2017, the Company had been advised that the shareholders listed below hold interests of 3% or more in its ordinary share capital (other than interests of the Directors which were 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.

Shareholder	%
Invesco Asset Management Limited	32%
Lansdowne Partners International Limited	9%
Baillie Gifford & Co	5%
Recordati SA	4%

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, which came into force at the Company's

The following have served as Directors of the Company during the 2016 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

Relationship Agreement — continued

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% 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 precludes or inhibits 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, during 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, U.K. 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 52.

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 2017 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 programme companies have been and continue to be covered by directors' & officers' liability insurance. See further description of indemnity and insurance on page 54.

Political donations

No political contributions/donations for political purposes were made by the Company or any programme company in the Group to any political party, politician, elected official or candidate for public office during the financial year ended 31 December 2016.

Significant agreements

There are no agreements between the Company or any subsidiary 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 UK Corporate Governance Code which was issued by the Financial Reporting Council in 2010 and revised in September 2014. The UK Corporate Governance Code is available at the Financial Reporting Council website at www.frc.org.uk. 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, the Corporate Governance section of the Annual Report on pages 37 to 78 and in the Strategic Report on pages 6 to 36.

Sustainable development and environmental matters

The Corporate 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. Details of the Company's policies and performance, as well as disclosures concerning greenhouse gas emissions, are provided in the Corporate Social Responsibility section on pages 57 to 58.

Related party transactions

Details of related party transactions can be found in Note 23 of the Financial Statements on pages 123 and 124.

Issuances of equity by major subsidiary undertaking

In 2016, Akili Interactive Labs raised $42 million through the issuance of preferred shares and will use the proceeds to advance its product development across multiple patient populations and build its commercial infrastructure. PureTech participated in the financing along with JAZZ Venture Partners, Amgen Ventures and M Ventures (Merck KGaA's venture arm).

Also in 2016, Vedanta Biosciences raised $50 million through the issuance of preferred shares and will use the proceeds to advance multiple clinical studies and scale Vedanta's technology. PureTech Health participated in the financing along with Rock Springs Capital, Health For Life Capital (Seventure) and Invesco Asset Management Limited. Invesco Asset Management Limited is a substantial shareholder of PureTech Health.

Future business developments

Information on the Company and its programme companies' future developments can be found in the Strategic Report on pages 6 to 36.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period ending 31 December 2018. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM will be held on 5.00 pm on 8 May 2017 at the St. Martins Lane Hotel, 45 St. Martins Lane, London WC2N 4HX. 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 6 April 2017.

Pension schemes

Information on the Company's 401K Plan can be found in the Directors' Remuneration Report on page 73.

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 reviews 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 73
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.	N/A
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.	N/A
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 Asset Management Relationship Agreement, page 59
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 Asset Management Relationship Agreement, page 59

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 2016 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 IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with U.K. Accounting Standards.

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 and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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 CA 2006. They 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 Strategy 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 U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

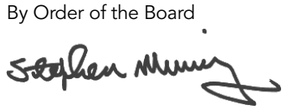
Responsibility statement of the Directors in respect of the Annual Financial Report

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 loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategy Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

By Order of the Board



Stephen Muniz
Company Secretary

6 April 2017

Report of the Nomination Committee

Dr. Robert Langer
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 is chaired by Dr. Robert Langer and its other members are Mr. Joichi Ito and Dr. Bennett Shapiro in compliance with the Code. The biographies of the Committee members can be found on pages 47 to 48.

The U.K. Corporate Governance Code (the Governance Code) recommends that a majority of the members of a nomination committee should be independent Non-Executive Directors. The Board regards Dr. Langer and Dr. Shapiro 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 Dr. Langer and Dr. Shapiro, the Board duly considered (i) their directorships and links with other Directors through their involvement in other subsidiary programmes; (ii) their equity interests in PureTech Health and/or the subsidiary programmes; and (iii) the circumstance that each of them were founding Directors 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 Dr. Langer and Dr. Shapiro 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 2016, the Nomination Committee met one time to review the structure, size and composition of the Board in light of the recommendations of the Governance Code. Dr. Langer, Mr. Ito and Dr. Shapiro 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 page 55.

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, is fair, balanced and understandable and provides 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 also 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 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 47 to 49. The Committee met four times during the year, with Mr. Viehbacher and Dr. Kucherlapati attending all four meetings and Dame Marjorie Scardino attended 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.

Valuation of Growth-Stage Holdings

The valuation of the Group's holdings in 10 growth stage programmes involves the use of material judgements and represents a key audit risk. This valuation is determined primarily from discounted cash flow models and implied values from recent third-party investment participation (when available). At least annually, the Committee discusses with management and the Auditor the approach that has been taken in assessing the valuation models and all key assumptions used to determine the reported Growth-Stage Holdings Value. At 31 December 2016, the Group reports the Growth-Stage Holdings Value has increased to $380.1 million from the 31 December 2015 value of $291.7 million. The Committee satisfied itself that the reported Growth-Stage Holdings Value was prepared using reasonable valuation models which are based on reasonable underlying business assumptions.

Valuation of warrants and derivatives deriving from convertible notes and preferred shares

Another area of material judgement in the financial statements and, therefore, audit risk relates to the valuation of the warrants and derivatives deriving from convertible notes and preferred shares, which at year end had a carrying value totalling $86.2 million (2015 – $79.8 million). These valuations rely, in large part, on the valuation of the Group's growth stage programmes and determine the amount of gain (loss) on the derivative liabilities.

Financial instrument classification and determination of embedded derivatives

As part of the Group's strategy to finance the programme 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 Committee believes that the Group considered the pertinent terms and underlying economics of each of the financial instruments and has appropriately classified them as debt or equity.

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 2016 Annual Report and Accounts and its 2016 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 programme 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 establish and fund new programmes, as well as support existing programmes with further capital, the business model is currently inherently cash consuming. Following the initial public offering which occurred in June 2015 and 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 and growth stage programmes through 2018, assuming broadly our expected level of required funding of the Company's programmes and other operating expenditures. Therefore, while an inability of the programmes to raise funds through equity financings with outside investors, strategic arrangements and licensing deals or debt facilities may require the Group to modify its level of capital deployment into its programmes or to more actively seek to monetise one or more programmes, 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 2016 financial year. The Board has included a statement regarding the Group's longer-term viability on page 40. 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 37 to 39. 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 effectiveness of the external audit process is dependent on appropriate risk identification. In November, the Committee discussed the Auditor's audit plan for 2017. 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 valuation of growth stage programmes, valuation of warrants and derivatives deriving from convertible notes and preferred shares, classification of financial instruments between debt and equity, and ensuring there had 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. During 2016, KPMG LLP has undertaken non audit work, including tax return preparation and iXBRl tagging. An analysis of audit and non-audit fees is provided in Note 5 to the financial statements on page 103.

Directors' Remuneration Report for the year ended 31 December 2016

Dr. Bennett Shapiro
Chairman, Remuneration Committee

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

- This **Annual Statement:** summarising and explaining the major decisions on, and any substantial changes to, Directors' remuneration in the year;
- The **Directors' Remuneration Policy:** setting out the basis of remuneration for the Group's Directors on pages 69 to 72; and
- The **Annual Report on Remuneration:** setting out the remuneration earned by the Group's Directors in the year ended 31 December 2016, together with how the policy will be implemented in 2017 on pages 73 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 Directors' Remuneration Policy was approved by the Company's shareholders at the Company's last AGM and such approval will be effective until the Company's AGM in 2019. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming AGM on 8 May 2017.

Overview of our remuneration policy

The success of PureTech 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 in the relevant sector, which is largely U.S. based, and the corporate governance expectations resulting from the Company's U.K. listing. The resulting remuneration policy places a high weighting on long term performance-based remuneration delivered through the Performance Share Plan (PSP), which is in-line with sector peers, and also incorporates U.K. best practice through, for example, the operation of recovery and withholding provisions for variable remuneration, and by not operating time-vesting stock-options and restricted shares for executive directors which are common at our U.S. competitors. The Committee believes this remuneration policy 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. Shapiro as Chair. The biographies of the Committee members can be found on pages 47 to 48. The Committee met four times during the year, with Dr. Kucherlapati and Dr. LaMattina in attendance for all of the meetings and Dr. Shapiro in attendance for three of the four meetings. 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 2016

During 2016 PureTech Health's performance was strong and this has been reflected in the annual bonus outcomes. The value of the Group's programmes increased, and this, combined with the validating financings of Akili Interactive and Vedanta Biosciences as well as the operational performance at PureTech and at the programme companies, resulted in both Executive Directors satisfying the performance goals set at the beginning of 2016. See highlights of 2016 on page 1.

The year ahead

For 2017, the following key decisions have been made in relation to how the policy will be implemented:

- Base salaries will be increased by 2.1 percent in line with the general workforce.
- The annual bonus target and maximum will remain at 50 percent and 100 percent of base salary, respectively.
- The awards will be made under the PSP consistent with those awarded in 2016.
- During the year, the Company also consulted with shareholders about the aspect of our remuneration policy which provides for the granting of equity to Non-Executive Directors. As a result of the positive feedback received, grants may be made 2017. Further information is set out on page 74.

The Committee recommends that shareholders vote to approve the Annual Report on Remuneration.

Directors' Remuneration Policy

This Remuneration Policy Report has been prepared in accordance with the provisions of the Companies Act 2006 (the CA 2006) and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). It also meets the requirements of the U.K. Listing Authority's Listing Rules and the Disclosure and Transparency Rules. It is intended that the Remuneration Policy, set out in this report, if approved, will, for the purposes of section 226D(6)(b) of the CA 2006, take effect after the AGM on 8 May 2017.

Introduction and overview

In the construction of the Group's senior executive Remuneration Policy, the Committee paid particular regard to the market practice of U.S. peer companies to ensure that packages are competitive, recognising the predominantly U.S. market in which the Group competes for talent. At the same time the structure of the packages has been designed to be in line with U.K. corporate governance best practice. The Remuneration Committee sought independent specialist advice in designing the Remuneration Policy.

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.

As stated above, PureTech's market for talent is predominantly in the U.S., and as a result, its policy is influenced by U.S. remuneration practices. At PureTech Health's U.S. competitors, market practice includes grants of time-vesting share options and restricted shares without performance conditions to both Executive and Non-Executive Directors, and Non-Executive director remuneration is structured differently than in the U.K. and has a significant share-based component. However, PureTech's Remuneration Policy aims to strike a balance between the requirements of U.K. corporate governance best practice and the need to provide competitive packages in relation to the U.S. market. For example, in PureTech's policy, the Company does not grant share awards without performance conditions for its Executive Directors and has the option to grant equity awards to its Non-Executive Directors.

Competition for qualified personnel in the biotechnology, pharmaceutical and medical device field is intense and the Company faces competition for the hiring of scientific and clinical personnel from other biotechnology, pharmaceutical and medical device companies, as well as universities and research institutions. As a result, PureTech's ability to retain and motivate its employees and senior executives as set out in the following Remuneration Policy is critical to its business.

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 Remuneration Policy.

Representatives of the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made 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 have not been consulted in respect of the design of the Group's senior executive 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 U.S. and U.K. The committee also considers U.K.-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 U.S. Executive Directors.	Under the 401k Plan, Company contributions are capped at the lower of 3 percent of base salary or the maximum permitted by the U.S. IRS ($8,000 for 2016).	Not applicable.
Benefits	To provide a market competitive level of benefits.	Includes: private medical and dental cover, disability, life insurance. Other benefits may be provided where relevant.	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.	Up to 100 percent of base salary.	Performance period: Normally one year. Payments are normally based on a scorecard of strategic and/or financial measures. Up to 50 percent of base salary normally payable for the achievement of 'target' performance and 100 percent 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.	400 percent of salary. (500 percent 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 percent of an award vests at threshold performance (0 percent vests below this), increasing to 100 percent 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	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 percent of base salary.	None.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
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, consists 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. Part of the fee may be payable in Shares or Share awards, but any such award will not be subject to the achievement of performance conditions. Fees are reviewed annually and take into account: • the median level of fees for similar positions in the market; • the time commitment each Non-executive Director makes to the Group; and • 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 from the 2016 AGM is set out in the Annual Report on Remuneration.

2 For non-U.S. 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 percent or less of base salary.

3 Below Board, 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.

6 The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, 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 best practice when setting future long term incentive grant policies and, in particular, whether the introduction of a post-vesting holding period, in addition to the existing shareholding guidelines, is appropriate for the Company.

8 For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting/exercise of share awards granted in the past). 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-approved all-employee share scheme.

Directors' Remuneration Policy — continued

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 direct from the employee.

Reward scenarios

The charts below show how the composition of 2017 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.

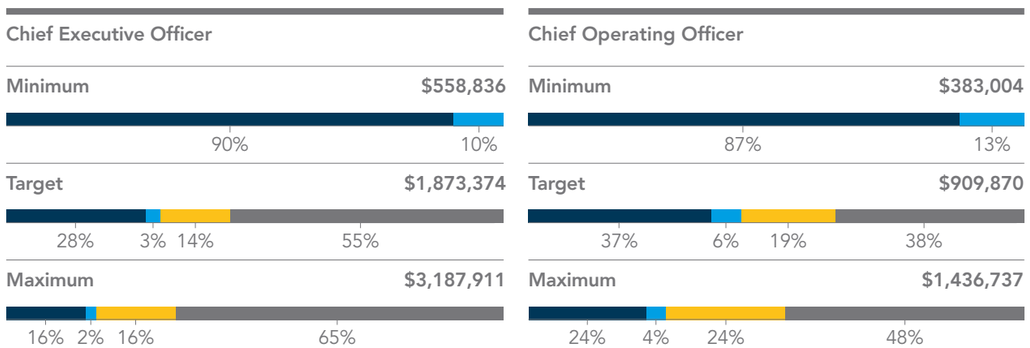
Approach to recruitment and promotions

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 percent of salary and long-term incentive awards would be limited normally between 100 percent to 400 percent of salary, although in exceptional circumstances, long term incentive awards of up to 500 percent of salary may be granted.

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 an Executive Director appointment of a person who is 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.



Notes:

1 The minimum performance scenario comprises the fixed elements of remuneration only, including:
– Salary as for FY2017 as set out in the Annual Report on Remuneration.
– Pension and benefits as disclosed for FY2016 in the Annual Report on Remuneration.

2 The On-Target level of bonus is taken to be 50 percent of the maximum bonus opportunity (50 percent of salary), and the On-Target level of PSP vesting is assumed to be 50 percent of the face value of the PSP award (i.e. 200 percent of base salary for the CEO and 100 percent 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 percent of base salary only) and the full face value of the PSP (i.e. 400 percent of base salary for the CEO and 200 percent 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.

Approach to recruitment and promotions — continued

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 a recruitment of a new executive 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, do not provide for longer periods of notice on a change of control of the Company and do not provide for additional compensation on an Executive Director's cessation of employment with the Group, excepted 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 do 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 do provide for the payment of international tax in non-U.S. 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 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 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-rata basis, with the balance of the awards lapsing.

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

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.

Annual Report on Remuneration

Implementation of the Remuneration Policy for the year ending 31 December 2017

Base salary

Base salary levels for the Executive Directors were reviewed in January 2017 and an increase of 2.1 percent was awarded. This increase was in line with the increase for the general workforce. The table below shows the base salaries for both Executive Directors:

		2016 Base salary	2017 Base salary
Daphne Zohar	Chief Executive Officer	**$515,000**	$525,815
Stephen Muniz	Chief Operating Officer	**$344,020**	$351,244

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 2017, the operation of the annual bonus arrangement will be similar to that operated in 2016. The maximum annual bonus will continue to be 100 percent of base salary for both Executive Directors. The 2017 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 development of commercial strategy. Bonus outcomes will be disclosed in the FY2017 Annual Report and Accounts.

Long term incentives

Awards under the PSP will be made to both Executive Directors in 2017. The CEO will receive a PSP award with a face value of 400 percent of base salary. The Chief Operating Officer will receive an award with a face value of 200 percent of base salary. Both awards will be subject to a performance condition based on the achievement of absolute Total Shareholder Return (TSR) targets, Net Asset Value (NAV) growth targets and strategic measures. In detail:

- 50 percent of the shares under award will vest based on the achievement of TSR targets.
- 25 percent of the shares under award will vest based on the achievement of NAV growth targets.
- 25 percent of the shares under award will vest based on the achievement of strategic targets.

The minimum performance target for the TSR portion of the award will be TSR equal to 7 percent per annum, whilst the maximum target will be TSR equal to 15 percent per annum. The minimum performance target for the NAV portion of the award will be NAV equal to 7 percent per annum, whilst the maximum target will be NAV equal to 15 percent per annum. 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 and NAV measure 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:

	FY2016	FY2017	% 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%

Non-Executive Directors — continued

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.

During the year, the Company consulted with shareholders on the above application of our policy. The feedback received was positive and understood the commercial and market context. In 2017, subsidiary equity grants may be made to Non-Executive Directors in the occurrence of the exceptional circumstances set out above.

Annual remuneration

The table below sets out remuneration paid in relation to the 2016 financial year with a comparative figure for the 2015 financial year.

2016 and 2015 Remuneration ($000s) (audited)

	Year	Basic Salary/ Fees	Benefits[1]	Annual Bonus Plan	Performance Share Plan (Vested)[2]	Pension	Other payments	Total
Executive Directors								
Daphne Zohar	**2016**	**$515**	**$25**	**$200**	**–**	**$8**		**$748**
	2015	$464	$23	$459	–	$8		$956
Stephen Muniz	**2016**	**$344**	**$24**	**$133**	**–**	**$8**		**$509**
	2015	$312	$23	$307	–	$8		$650
Non-Executive Directors								
Joi Ito	**2016**	**$145**	**–**	**–**	**–**	**–**		**$145**
	2015	$93	–	–	–	–		$93
Raju Kucherlapati	**2016**	**$110**	**–**	**–**	**–**	**–**		**$110**
	2015	$68	–	–	–	–		$68
John LaMattina	**2016**	**$100**	**–**	**–**	**–**	**–**		**$100**
	2015	$70	–	–	–	–		$70
Robert Langer	**2016**	**$100**	**–**	**–**	**–**	**–**		**$100**
	2015	$122	–	–	–	–		$122
Marjorie Scardino[3]	**2016**	**$85**	**–**	**–**	**–**	**–**		**$85**
	2015	$43	–	–	–	–		$43
Bennett Shapiro	**2016**	**$130**	**–**	**–**	**–**	**–**		**$130**
	2015	$109	–	–	–	–		$109
Christopher Viehbacher[4]	**2016**	**$95**	**–**	**–**	**–**	**–**		**$95**
	2015	$59	–	–	–	–		$59
TOTAL	**2016**	**$1,624**	**$49**	**$333**	**–**	**$16**		**$2,021**
TOTAL	2015	$1,340	$46	$766	–	$16		$2,169

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

2 The following ordinary shares were granted in 2015 prior to the Company's listing on the London Stock Exchange pursuant to an equity plan that was in place at such time and are not included in the table above: Daphne Zohar (678,341 shares), Stephen Muniz (407,004 shares), Joi Ito (271,336 shares), Raju Kucherlapati (135,668 shares), John LaMattina (135,668 shares), Robert Langer (135,668 shares), Marjorie Scardino (732,603 shares), Bennett Shapiro (135,668 shares) and Chris Viehbacher (1,025,646 shares).

3 Dame Marjorie Scardino joined the Board of Directors on 20 May 2015.

4 Mr. Viehbacher joined the Board of Directors on 6 March 2015.

Non-Executive Directors — continued

Annual bonus outcome for 2016

For the 2016 annual bonus, targets were set for a balanced scorecard at the beginning of the year. The 2016 targets were focused on significantly increasing the aggregate value of PureTech's holdings in its growth stage programmes (Growth-Stage Holdings Value), closing strategic transactions and financings of programme companies and executing on the Company's operating plans to the highest levels. During 2016, management performed well against these targets. The table below sets out the performance assessment and associated bonus outcomes:

Performance Measures FY2016	Performance framework and outcome	Percentage of Eligible Bonus Attained
Growth-Stage Holdings Value	Achievement: The aggregate value of PureTech's holdings in its growth stage programmes increased from $292 million (as of 31 December 2015) to $380 million (as of 31 December 2016) which is a 30% increase. Calculation: 2% towards the attainment of the bonus was awarded for each 1% above the 10% threshold.	40%
Close Strategic Transactions or Financings	Achievement: The Company closed a $42 million financing for its Akili programme and a $50 million financing for its Vedanta Biosciences programme. Calculation: 10% towards the attainment of the bonus was awarded for each significant transaction.	20%
Operational Execution	Achievement: The Company operated within its budget, implemented best practices in respect of its financial controls and reporting, promoted three concept stage initiatives into project stage, promoted four project stage initiatives into growth stage, progressed its clinical trials in a timely manner. Calculation: 17.5% towards the attainment of the bonus was awarded out of a potential 20%.	17.5%
TOTAL		77.5%

The CEO was eligible for a target bonus equal to 50% of her 2016 salary. The Company attained 77.5% of a possible 100% achievement of its target goals. As a result, the CEO was awarded a 2016 bonus equal to 38.75% of her 2016 salary.

The COO was eligible for a target bonus equal to 50% of his 2016 salary. The Company attained 77.5% of a possible 100% achievement of its target 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 2016 bonus equal to 38.75% of his 2016 salary.

Both Executive Directors were eligible for a stretch bonus increasing their respective bonuses to 100% of their salary but that bonus was not achieved.

Long term incentive awards granted during the year

On 20 May 2016 the first awards under the PSP were granted to executive directors:

	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 2016	400% of salary	1,109,959	127.08 pence	$2,060,000	25%	Three financial years to 31 December 2018
Stephen Muniz	PSP 2016	200% of salary	370,726	127.08 pence	$688,040	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 are subject to achievement of TSR targets (50 percent of the awards), Net Asset Value growth targets (25 percent of the awards) and targets based on strategic measures (25 percent of the awards), measured over the three year period to 31 December 2018.

The minimum performance target for the TSR portion of the award will be TSR equal to 7 percent per annum, whilst the maximum target will be TSR equal to 15 percent per annum. The minimum performance target for the NAV portion of the award will be NAV equal to 7 percent per annum, whilst the maximum target will be NAV equal to 15 percent per annum. 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 and NAV measure the success of our management team in identifying and developing medical solutions whilst strategic targets helps 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 — continued

Payments for Loss of Office

There were no payments for Loss of Office during 2016.

Payments to past Directors

No payments to past Directors were made during 2016.

Directors' shareholdings

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

	Director Shareholdings (audited)					
	Interests in ordinary shares not subject to service condition		Share awards subject to performance and/or service condition		Total	
Director	31 Dec 2015	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**
Daphne Zohar[1]	8,866,232	**10,378,195**	3,023,925	**2,621,922**	11,890,157	**13,000,116**
Stephen Muniz	1,689,289	**2,237,729**	1,096,881	**548,441**	2,786,170	**2,786,170**
Joichi Ito	496,459	**1,004,658**	899,120	**390,921**	1,395,579	**1,395,579**
Raju Kucherlapati[2]	1,696,379	**2,136,744**	763,452	**323,087**	2,459,831	**2,459,831**
John LaMattina	1,040,713	**1,246,522**	411,619	**205,810**	1,452,332	**1,452,332**
Robert Langer	2,528,215	**2,734,025**	411,619	**205,809**	2,939,834	**2,939,834**
Marjorie Scardino	50,107	**421,409**	732,603	**366,302**	782,710	**787,710**
Bennett Shapiro	2,218,355	**2,424,165**	411,619	**205,809**	2,629,974	**2,629,974**
Christopher Viehbacher[3]	–	**512,823**	1,025,646	**512,823**	1,025,646	**1,025,646**

1 A portion of Ms. Zohar's shareholding in the Company is indirect. As of 31 December 2016, (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% of the share capital of Zohar LLC.

2 Dr. Kucherlapati's shareholding in the Company is held in part through his trust, Raju Kucherlapati Grantor Retained Annuity Trust dated May 1, 2015, which, as of 31 December 2016, holds 471,118 ordinary shares.

3 As of 31 December 2016, Mr. Viehbacher's shareholding in the Company is held through his trust, Viehbacher 2015 GRAT u/a/d May 22, 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

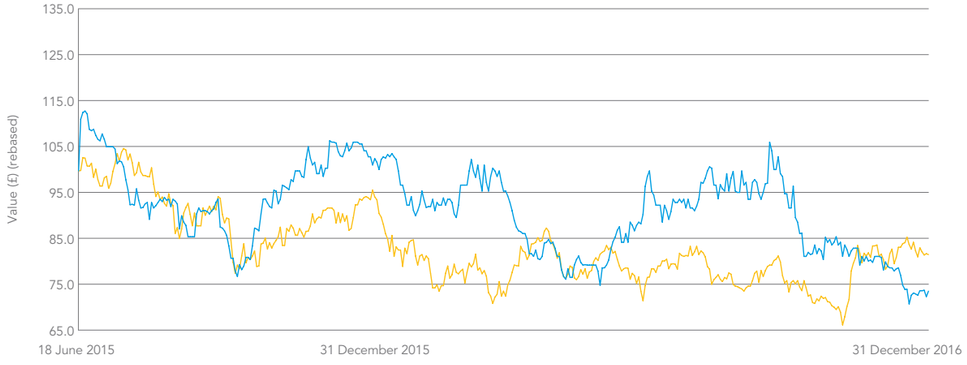
Contracts for the above Executive Directors will continue until terminated by notice either by the Company or the Executive Director.

Non-Executive Directors	Notice period	Contract date	Contract expiration date
Joi Ito	1 month	June 5, 2015	June 5, 2018
Raju Kucherlapati	1 month	June 5, 2015	June 5, 2018
John LaMattina	1 month	June 5, 2015	June 5, 2018
Robert Langer	1 month	June 5, 2015	June 5, 2018
Marjorie Scardino	1 month	June 5, 2015	June 5, 2018
Bennett Shapiro	1 month	June 5, 2015	June 5, 2018
Christopher Viehbacher	1 month	June 5, 2015	June 5, 2018

Non-Executive Directors — continued

TSR performance graph and table

The graph shows the Company's performance, measured by total shareholder return (TSR), compared with the S&P600 Biotechnology Index since the Company's IPO. The Committee considers this to be a relevant index for TSR comparison as it is a broad-based measure of the performance of the small cap biotechnology industry.



* Source: Thomson Reuters

This graph shows the value, by 31 December 2016, of £100 invested in PureTech on 18 June 2015, compared with the value of £100 invested in the S&P600 Biotechnology index on a daily basis.

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**

Percentage change in remuneration of CEO and employees

The table below shows the change in the Chief Executive Officer's remuneration compared to the change in remuneration of all full-time employees across the Group who were employed throughout 2015 and 2016:

	Base salary	Benefits	Annual bonus
CEO	3%	4%	(57)%
Employees[1]	7%	6%	(49)%

1 Does not include employees of subsidiary 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 2016 compared to 2015:

	2016	2015	% change
Staff costs[1]	**$6,088,214**	$4,927,225	24%
Distributions to Shareholders	**–**	–	–
Profit before tax and exceptional items	**$(13,288,266)**	$(18,232,594)	(29)%

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. Shapiro, Dr. LaMattina and Dr. Kucherlapati, with Dr. Shapiro being the Chairman of the Committee. The Committee received independent remuneration advice from New Bridge Street (NBS). This independent advisor was appointed by the Committee and is accountable to it and provides no other services to the Company. The terms of engagement between the Committee and NBS are available from the Company Secretary on request. The Committee also consults with the CEO and Chief Operating Officer. However, no executive is permitted to participate in discussions or decisions about their personal remuneration. NBS does not provide any other services to the Company, and during the year fees in respect of remuneration advice amounted to £18,450. NBS 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 and Remuneration Policy at the Group's 2016 AGM:

Resolutions	For	%	Against	%	Withheld	Total votes cast
To approve the Directors' Remuneration Report	179,445,048	99.65	624,012	0.35	5,633,235	180,069,060
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 on 5.00 pm on 8 May 2017 at St. Martins Lane Hotel, 45 St. Martins Lane, London WC2N 4HX. 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 Annual General Meeting.

On behalf of the Board of Directors

Stephen Muniz
Company Secretary

6 April 2017

Independent Auditor's Report to the Members of PureTech Health plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of PureTech Health plc for the year ended 31 December 2016 set out on pages 84 to 132.
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 2016 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2015 excluding revenue that decreased):

Valuation of subsidiaries disclosure $380.1m (2015: $291.7m)

Refer to page 64 (Audit Committee Report) and pages 101 to 103 (financial disclosures)

The risk – The Group owns 28 (2015: 28) subsidiaries in which it has ownership stakes of between 26.9% and 100% (2015: 22.1% to 100%). The results and financial position of the subsidiaries are consolidated in the Group accounts. Although the fair values of the Group's holdings in subsidiaries are not included in the Group's Statement of Financial Position, as a means to more fully meet the information needs of shareholders, the Directors have determined that it is appropriate to voluntarily present, as supplementary information, an ownership adjusted aggregated **Growth-Stage Holdings Value** of the subsidiaries. The valuation methodologies are based primarily on net present value from discounted cash flows ('DCFs'). Some of the valuations are based on recent third party funding (see Note 4 for more details). The Group's subsidiaries are, for the most part, still at the development stage and the majority do not yet generate revenues. This has therefore been determined to be a significant risk for the following reasons:

- where the valuation is driven by a DCF, the 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;
- for valuations based on recent third party funding rounds, the relatively low number of investors partaking in funding rounds, meaning that there is a risk that recent investment on which fair value is based are not sufficiently at arm's length to ensure an independent market valuation representative of fair value and;
- the relevance of the **Growth-Stage Holdings Value** disclosures in the Group accounts to the users of the financial statements.

Our response – In this area our audit procedures included, among others,

- 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 and assessed for consistency with the approach taken in the prior year, understanding and challenging changes made.
- We obtained and analysed the valuations prepared by an external expert on behalf of the Company. We used our own valuation specialists to assist us in evaluating the assumptions and methodologies used in the valuations.

- 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 and operating costs and 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.
- We critically assessed the appropriateness of the discount rates applied, with specific focus on the company specific premium, the control premium where applicable and the appropriateness of the probability of success, assessing also for consistency with the assumptions used in the prior year.
- 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 review the directors and key management of those investors for any potential overlap with PureTech Health plc.
- We also assessed whether the Group's disclosures were consistent with the valuations performed and whether the Group's disclosures adequately highlighted the uncertainty inherent in the valuations.

Financial instruments – classification and determination of embedded derivatives ($86.2m (2015: $79.8m))

Refer to page 64 (to Audit Committee Report), pages 92 to 93 (accounting policy) and pages 118 to 120 (financial disclosures)

The risk – 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; reviewing the terms of the contract 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 this has been determined to be a significant risk.

Our response – in this area our audit procedures included, among others:

- We critically assessed the conclusions reached by the Group in relation to the debt versus equity classification of the issued financial instruments by reviewing the key terms and features of the contracts and applying and interpreting the relevant sections of the accounting standards;
- We considered the Group's determination as to whether the financial instruments contained embedded derivatives. This was achieved by reviewing 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;
- We considered the Group's determination of whether any separable embedded derivative should be liability or equity classified based on the terms of the related contracts;
- We assessed the Group's assessment of whether the instruments should be classified as current or non-current by considering the key terms of instruments and assessing the impact on the classification;
- We challenged the Group's assessment of the implications of the debt versus equity classification of the preferred shares issued at subsidiary level on the non-controlling interest ("NCI") calculation 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 through review of the NCI calculation;
- We also assessed 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.

Financial instruments – valuation of warrants and derivatives deriving from convertible notes and preferred shares ($86.2m (2015: $79.8m))

Refer to page 64 (Audit Committee Report) and pages 118 to 120 (financial disclosures)

The risk – as noted above, the Group finances its operations and subsidiaries partly through financial instruments such as preferred shares, convertible loan notes and warrants, some of which have been determined to contain embedded derivatives. Determining the fair value of the warrants and embedded derivatives that required separation related to the preferred shares and convertible notes 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 derivatives and financial instruments are derived from the valuation of the subsidiaries which is utilised in the Black-Scholes model used to value the instruments. Due to these factors this has been determined to be a significant risk.

Our response – in this area our audit procedures included, among others:

- The procedures performed in relation to the enterprise value of the subsidiary which drives the option pricing model are detailed in 'our responses' to the 'valuation of subsidiaries disclosure'.
- We used our own valuation specialists to assist us in critically assessing the key assumptions applied to the valuations within the Black-Scholes model which require significant estimation and judgement in their selection and can have a significant impact on the derived value. Specifically this included the time to the conversion event which is relevant where there are conversion options, the exit scenario assumed and applicable probability weighting and the volatility assumptions. These key inputs were assessed for reasonableness by reference to external data or internal data. In the case of the volatility assumption, comparable company data is utilised and is critically assessed for appropriateness. Internal information is utilised for inputs such as exit dates and scenarios where 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. We assessed the assumptions used for consistency with the prior year and with assumptions used in the other subsidiary companies and critically assessed variances as appropriate, understanding and challenging the variances based on our knowledge of the Group;
- We also considered the adequacy of the Group's disclosures in relation to the key assumptions related to the valuations.

In our audit report for the year ended 31 December 2015 we included revenue recognition as one of the risks of material misstatement that had the greatest effect on our audit. We continue to perform procedure over this risk, however, given that there were no new significant revenue agreements entered into during the year and that the revenue recognised in the current year related to contracts reviewed and concluded on from an accounting perspective in the prior year we have not assessed this as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year. This will however be reassessed during the 2017 audit.

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

The materiality for the Group financial statements as a whole was set at $0.8m (2015: $0.7m). This has been determined with reference to a benchmark of total expenses (being general and administrative expenses and research and development expenses) of which it represents 1% (2015: 1.5%), which we consider 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 as a percentage of benchmark has been reduced to reflect industry consensus levels.

We report to the audit committee any corrected or uncorrected misstatements exceeding $40,000 (2015: $35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 4 reporting components, we subjected 3 to audits for Group reporting purposes and 1 to specified risk-focused audit procedures. The latter was not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of Components	Group revenue	Group loss before tax	Group total assets
Audits for Group reporting purposes	3	98%	96%	96%
Audit procedures over significant accounts	1	2%	4%	4%
Total	4	100%	100%	100%
2015				
Audits for Group reporting purposes	3	95%	99%	98%
Audit procedures over significant accounts	1	5%	1%	2%
Total	4	100%	100%	100%

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which ranged from $400,000 to $570,000 (2015: $150,000 to $500,000), having regard to the mix of size and risk profile of the components. The work on 1 of the 4 components was performed by component auditors and the rest by the Group team.

The Group audit team maintained close communication with the component audit team throughout the engagement including but not limited to discussions and meetings in relation to risks identified, the audit approach to be adopted, the results of procedures performed and significant findings and visited the site at which 3 of the components are located.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 46 to 78 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures ("the specified Corporate Governance information") is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report, the Directors' Report and the Corporate Governance Statement:

- we have not identified material misstatements in the Strategic Report, the Directors' Report, or the specified Corporate Governance information;
- in our opinion, the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7 of the Disclosure Guidance and Transparency Rules of the FCA.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of risk management on pages 37 to 39, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the 2 years to 2018; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 Audit Committee report does not appropriately address matters communicated by us to the audit committee.

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 or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 40, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 60 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

6 April 2017

Consolidated Statements of Comprehensive Loss

For the years ended December 31:

	Note	2016 $000s	2015 $000s
Revenue	3	**4,431**	11,828
Operating expenses:			
General and administrative expenses	5	**(37,155)**	(36,471)
Research and development expenses	5	**(41,205)**	(18,999)
Operating loss		**(73,929)**	(43,642)
Other income		**46**	448
Finance costs:			
Finance income	7	**1,292**	262
Finance costs – subsidiary preferred shares	7	**(6,368)**	(3,515)
Finance costs – contractual	7	**(801)**	(2,364)
Finance costs – IAS 39 fair value accounting	7	**(3,422)**	(7,509)
Net finance costs		**(9,299)**	(13,126)
Loss before taxes		**(83,182)**	(56,320)
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets		**(61,669)**	(33,461)
Finance costs – subsidiary preferred shares	7	**(6,368)**	(3,515)
Finance costs – IAS 39 fair value accounting	7	**(3,422)**	(7,509)
Share-based payment expense	6	**(10,153)**	(11,095)
Depreciation of tangible assets	9	**(1,223)**	(452)
Amortisation of intangible assets	10	**(347)**	(288)
Loss before taxes		**(83,182)**	(56,320)
Taxation	24	**1,574**	(1,924)
Loss for the year		**(81,608)**	(58,244)
Other comprehensive (loss)/income:			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**(91)**	(262)
Unrealised gain on available for sale investments		**4**	24
Total other comprehensive loss		**(87)**	(238)
Total comprehensive loss for the year		**(81,695)**	(58,482)
Loss attributable to:			
Owners of the Company		**(48,792)**	(39,393)
Non-controlling interests	15	**(32,816)**	(18,851)
		(81,608)	(58,244)
Comprehensive loss attributable to:			
Owners of the Company		**(48,879)**	(39,631)
Non-controlling interests	15	**(32,816)**	(18,851)
		(81,695)	(58,482)
Loss per share			
Basic (loss) per share	8	**$(0.21)**	$(0.21)
Diluted (loss) per share	8	**$(0.21)**	$(0.21)

Consolidated Statements of Financial Position

For the years ended 31 December:

	Note	2016 $000s	2015 $000s
Assets			
Non-current assets			
Property and equipment, net	9	**6,924**	4,519
Available for sale investments		**83**	106
Intangible assets, net	10	**3,524**	3,871
Other non-current assets		**65**	57
Total non-current assets		**10,596**	8,553
Current assets			
Trade and other receivables	12	**125**	706
Prepaid expenses and other current assets		**5,662**	2,964
Other financial assets	11	**897**	826
Short term investments	20	**218,510**	178,955
Cash and cash equivalents	11	**62,959**	134,751
Total current assets		**288,153**	318,202
Total assets		**298,749**	326,755
Equity and liabilities			
Equity			
Share capital		**4,609**	4,523
Merger reserve		**138,506**	138,506
Share premium		**181,658**	181,744
Translation reserve		**(184)**	(93)
Other reserve*		**13,412**	7,627
Accumulated deficit		**(160,335)**	(111,420)
Parent equity	13	**177,666**	220,887
Non-controlling interests*	15	**(85,255)**	(56,834)
Total equity		**92,411**	164,053
Non-current liabilities			
Deferred revenue	3	**203**	291
Other long term liabilities		**2,055**	1,887
Total non-current liabilities		**2,258**	2,178
Current liabilities			
Deferred revenue	3	**2,202**	2,458
Trade and other payables	18	**11,121**	7,223
Subsidiary:			
Notes payable	16	**6,953**	4,955
Derivative liability	20	**71,240**	65,501
Warrant liability	17,20	**14,942**	14,263
Preferred shares	14	**96,937**	65,502
Other current liabilities		**685**	622
Total current liabilities		**204,080**	160,524
Total liabilities		**206,338**	162,702
Total equity and liabilities		**298,749**	326,755

* The 2015 amounts have been reclassified. See Note 1.

See accompanying notes to the consolidated financial information. Registered number: 09582467.
The financial statements on pages 84 to 127 were approved by the Board of Directors and authorised for issue on 6 April 2017 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

6 April 2017

Financial statements

Consolidated Statement of Changes in Equity

For the years ended 31 December:

	Note	Share Capital: Shares	Share Capital: Amount $000s	Share premium	Merger reserve $000s	Translation reserve $000s	Other reserve (As reclassified, see Note 1) $000s	Accumulated deficit $000s	Total Parent equity (As reclassified, see Note 1) $000s	Non-controlling interests (see Note 15) (As reclassified, see Note 1) $000s	Total equity $000s
Balance 1 January 2015		118,098,967	2,362	—	86,755	169	494	(70,421)	19,359	(42,672)	(23,313)
Net loss		—	—	—	—	—	—	(39,393)	(39,393)	(18,851)	(58,244)
Foreign currency exchange		—	—	—	—	(262)	—	—	(262)	—	(262)
Unrealised gain		—	—	—	—	—	24	—	24	—	24
Total comprehensive loss for the period		**—**	**—**	**—**	**—**	**(262)**	**24**	**(39,393)**	**(39,631)**	**(18,851)**	**(58,482)**
Issuance of shares	13	24,006,500	480	—	51,751	—	—	—	52,231	—	52,231
Issuance of IPO shares (net of issuance costs of $11.8m)	13	67,599,621	1,352	157,923	—	—	—	—	159,275	—	159,275
Issuance of Overallotment shares (net of issuance costs of $772,000)	13	10,139,943	202	23,948	—	—	—	—	24,150	—	24,150
New funds into non-controlling interests	15	—	—	—	—	—	—	—	—	—	—
Gain/(loss) arising from change in NCI	15	—	—	—	—	—	—	(1,727)	(1,727)	694	(1,033)
Issuance of shares as equity incentives		6,328,720	127	(127)	—	—	—	—	—	—	—
Conversion of convertible notes		—	—		—	—	—	88	88	—	88
Subsidiary distribution to members		—	—	—	—	—	9	33	42	—	42
Equity settled share based payments	6	—	—	—	—	—	7,100	—	7,100	3,995	11,095
Balance 31 December 2015		226,173,751	4,523	181,744	138,506	(93)	7,627	(111,420)	220,887	(56,834)	164,053
Net loss		—	—	—	—	—	—	(48,792)	(48,792)	(32,816)	(81,608)
Foreign currency exchange		—	—	—	—	(91)	—	—	(91)	—	(91)
Unrealised gain		—	—	—	—	—	4	—	4	—	4
Total comprehensive loss for the period		**—**	**—**	**—**	**—**	**(91)**	**4**	**(48,792)**	**(48,879)**	**(32,816)**	**(81,695)**
Issuance of shares											
Gain/(loss) arising from change in NCI		—	—	—	—	—	—	(23)	(23)	23	—
Issuance of shares as equity incentives		6,538,791	86	(86)	—	—	—	—	—	—	—
Subsidiary dividends		—	—	—	—	—	—	(100)	(100)	—	(100)
Equity settled share based payments		—	—	—	—	—	5,781	—	5,781	4,372	10,153
Balance 31 December 2016		**232,712,542**	**4,609**	**181,658**	**138,506**	**(184)**	**13,412**	**(160,335)**	**177,666**	**(85,255)**	**92,411**

Consolidated Statements of Cash Flows

For the years ended 31 December:

	Note	2016 $000s	2015 $000s
Cash flows from operating activities:			
Loss for the year		**(81,608)**	(58,244)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non cash items:			
Depreciation and amortisation	9,10	**1,570**	740
Equity settled share based payment expense	6	**10,153**	11,095
Subsidiary research and development tax credit		**(783)**	(395)
Non-cash rent expense		**174**	248
Unrealised gain on foreign currency transactions		**—**	12
Finance costs	7	**10,526**	13,126
Changes in operating assets and liabilities:			
Accounts receivable, net	12	**581**	1,112
Other financial assets		**—**	(354)
Prepaid expenses and other current assets		**(1,994)**	(780)
Deferred revenues	3	**(344)**	(1,104)
Other long term liabilities		**168**	1,614
Accounts payable and accrued expenses	18	**3,524**	4,319
Net cash used in operating activities		**(58,033)**	(28,611)
Cash flows from investing activities:			
Purchase of property and equipment	9	**(3,676)**	(3,455)
Purchases of intangible assets	10	**—**	(1,155)
Purchases of short term investments		**(312,825)**	(385,383)
Proceeds from maturity of short term investments		**273,270**	205,752
Net cash provided (used in)/by investing activities		**(43,231)**	(184,241)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	16	**2,060**	1,845
Proceeds from subsidiary notes payable	16	**268**	—
Repayments of long term debt	16	**—**	(366)
Proceeds from the issuance of shares, net of issuance costs	14	**27,260**	52,231
Proceeds from initial public offering, net of issuance costs		**—**	159,275
Proceeds for overallotment shares		**—**	24,150
Proceeds from issuance of share capital and warrants in subsidiaries		**—**	48,760
Other financing activities		**(100)**	42
Net cash provided by financing activities		**29,488**	285,937
Effect of exchange rates on cash and cash equivalents		**(16)**	(294)
Net (decrease)/increase in cash and cash equivalents		**(71,792)**	72,791
Cash and cash equivalents at beginning of year		**134,751**	61,960
Cash and cash equivalents at end of year		**62,959**	134,751
Supplemental disclosure of non cash investment and financing activities:			
Conversion of subsidiary notes payable and accrued interest into preferred stock		**95**	5,936
(Loss) on NCI		**—**	(2,098)

Notes to the Consolidated Financial Statements

1. Accounting policies

Basis of preparation

PureTech consists of PureTech Health plc (the "Parent" or the "Company") and its subsidiaries (together, the "Group"). The Company's ordinary shares are admitted to the premium listing segment of the Official List of the U.K. Listing Authority and are traded on the Main Market of the London Stock Exchange. PureTech is a cross-disciplinary biopharmaceutical company creating 21st century medicines that modulate the adaptive human systems. PureTech's therapies target the immune, nervous, and gastro-intestinal systems by addressing the underlying pathophysiology of disease from a systems perspective rather than through a single receptor or pathway. The Company has multiple human proof-of-concept studies and pivotal or registration studies expected to read out in the near-term. PureTech's rich and growing research and development pipeline has been developed in collaboration with some of the world's leading scientific experts who, along with PureTech's experienced team and board, analyse scientific discoveries to identify and advance only the opportunities believed to hold the most promise for patients. This team and process place PureTech Health on the cutting edge of ground-breaking science and technological innovation and leads the Company between and beyond existing disciplines. The Group provides a combination of experienced management and administrative support to its businesses in which it typically holds a significant ownership interest. Cash contributed by the Parent to its subsidiaries is used to fund research, development, regulatory and commercialisation preparation activities and to support administration and operations.

The Annual Report and Accounts of PureTech and its subsidiaries are presented for the year ended 31 December 2016. The Group financial statements consolidate those of the Company and its subsidiaries. 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"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

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: 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 ongoing basis. Revisions to estimates are recognised prospectively.

Significant estimates are made by the Group when determining the appropriate methodology for valuing the subsidiary companies for disclosure purposes and then in deriving the estimated fair value, including making certain estimates of the future earnings potential of the companies and determining the appropriate discount rate. Significant judgement is applied in determining:

- valuation of aggregate holdings of growth stage programmes;
- valuation of warrants and derivatives deriving from the preferred shares and convertible notes
- financial instrument classification (debt vs. equity);
- revenue recognition.

In relation to financial instrument classification, due to the complexity of the accounting standards and the nature of agreements, this is considered to be a significant area of judgement. Revenue recognition involves a significant level of judgement due to the non-standard nature of some of the contracts that make up the revenue streams of the Group (subscription revenue, collaboration revenue and grant revenue) and the judgement required in assessing the implications of the terms of bespoke agreements in relation to the appropriate revenue recognition policy such as in relation to the timing of recognition of the revenue and the accounting for the associated costs. Information about the other critical judgments and estimates is included in the following notes.

1. Accounting policies — continued

Going concern

After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence through the period ended December 2018. Following the equity offering which occurred in June 2015, the Group has sufficient cash reserves to continue to provide capital to its existing subsidiary companies and to create and fund project stage and growth stage programmes at a similar rate to previous years through 2018, assuming broadly our expected level of required investments in businesses and other operating expenditures.

Basis of consolidation

The Company was formed on 8 May 2015. On 18 June 2015, a reorganisation of PureTech's corporate structure was completed through which the Company became the sole owner of PureTech Health LLC ("PureTech LLC"). Preceding this reorganisation, on 18 June 2015 each outstanding PureTech LLC preferred share was converted into one Series 1 Common Share of PureTech LLC. Thereafter, pursuant to an agreement entered into between the Company, PureTech LLC and each of the members of PureTech LLC who had signed joinder signature pages, the issued and outstanding PureTech LLC Common Shares were exchanged as follows: (i) each Series 1 Common Share was exchanged for 10 ordinary shares in the Company; (ii) each Series 2 Common Share was exchanged for ordinary shares in the Company on the basis of an exchange ratio calculated by reference to 10 ordinary shares for each Series 2 Common Share, adjusted for the currency exchange rate of £1:$1.5648 and to take account of the Series 2 Common Share floor price of $4.31 per share associated with each Series 2 Common Share so exchanged, with each such number of ordinary shares to be issued by the Company being rounded down to the nearest whole number; and (iii) each Series 3 Common Share was exchanged for ordinary shares in the Company on the basis of an exchange ratio calculated by reference to 10 ordinary shares for each Series 3 Common Share, adjusted for the currency exchange rate of £1:$1.5648 and to take account of the Series 3 Common Share floor price of $11.45 per share associated with each Series 3 Common Share so exchanged, with each such number of ordinary shares to be issued by the Company being rounded down to the nearest whole number. This has been accounted for as a common control transaction under IFRS 3.B1 (see note 13), therefore the consolidated financial information for each of the years ended 31 December 2016 and 2015 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech LLC.

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. For entities for which the Group's ownership percentage is less than 50 percent, which are Gelesis and its subsidiaries, it was determined that the Group has control of these entities as the Group controls the majority of the board of directors, holds the largest equity shareholding of Gelesis and has employees as members of Gelesis' management.

Subsidiaries are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when control ceases. A list of all subsidiaries and the Group's ownership, based on outstanding voting common and preferred shares, is outlined below. As discussed in note 14, certain of the Group's subsidiaries' outstanding preferred shares have been classified as a liability.

1. Accounting policies — continued

	Ownership percentage of voting stock as at 31 December[2][8]	
Subsidiary[1]	**2016**	2015
Subsidiaries		
Akili Interactive Lab, Inc.[4]	**61.80%**	64.40%
Akili Securities Corp. (indirectly held through Akili)[4]	**61.80%**	n/a
Alivio Therapeutics, Inc.[4]	**92.00%**	100.00%
Commense Inc.[4]	**100.00%**	100.00%
Enlight Biosciences, LLC[4]	**86.00%**	86.00%
Entrega Inc. (indirectly held through Enlight)[4]	**85.90%**	85.90%
Follica Incorporated[4]	**72.10%**	72.10%
Gelesis, Inc.[4]	**26.90%**	22.10%
Gelesis, S.r.l. (indirectly held through Gelesis)[5]	**26.90%**	22.10%
Gelesis, LLC (indirectly held through Gelesis)[6]	**26.90%**	22.10%
Karuna Pharmaceuticals, Inc.[4]	**90.70%**	90.70%
Knode Inc. (indirectly held through Enlight)[4]	**86.00%**	86.00%
Mandara Sciences, LLC[4]	**98.30%**	98.30%
The Sync Project Inc.[4]	**100.00%**	100.00%
Appeering, Inc.[4]	**100.00%**	100.00%
PureTech Management, Inc.[7]	**100.00%**	100.00%
PureTech Health LLC[3][7]	**100.00%**	100.00%
Sonde Health, Inc.[4]	**96.40%**	100.00%
Tal Medical, Inc.[4]	**64.50%**	64.50%
Vedanta Biosciences, Inc.[4]	**91.30%**	100.00%
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta)[4]	**91.30%**	n/a
Vor Biopharma Inc.[4]	**94.10%**	100.00%
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]	**26.90%**	22.10%
PureTech Securities Corp.[4]	**100.00%**	100.00%
Inactive subsidiaries		
Ensof Biosystems, Inc. (held, indirectly through Enlight)[4]	**86.00%**	86.00%
Libra Biosciences, Inc.[4]	**100.00%**	100.00%

Notes:

1 All subsidiaries are registered in the U.S. except for Gelesis, S.r.l. which is registered in Italy.

2 Represents ownership percentage used in allocations to non-controlling interests except for Akili, Entrega, Mandara, Follica, Gelesis, Sonde Health, Vor Biopharma, Enlight Biosciences, Vedanta Biosciences and Alivio Therapeutics in which cases the percentage allocated to non-controlling interests was 100%, 0%, 2%, 81%, 50%, 100%, 100%, 0%, 0% and 100% respectively, where in these cases there are liability classified preferred shares in issue.

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

8 The Company's interests in its subsidiaries are in the form of preferred shares which have a liquidation preference over the common shares, are convertible into common shares at the subsidiary's discretion or upon certain liquidity events, are entitled to one vote 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 in which the holdings are membership interests in an LLC, and in the case of Gelesis, Follica and Tal where the Company holds common shares of 6.3%, 3.1% and less than 0.1%, respectively. The common shares are entitled to one vote on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra group transactions and dividends are eliminated in full. Losses attributed to non-controlling interests ("NCIs") are allocated to the NCIs even if doing so causes the NCIs to have a deficit balance.

Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars. The functional currency of all members of the Group is the U.S. Dollar, except for an Italian subsidiary whose functional currency is the Euro. The assets and liabilities of this subsidiary are translated to U.S. 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 other comprehensive income/(loss).

1. **Accounting policies** — continued

Foreign currency
Transactions in foreign currencies are translated into the functional currencies of the Group using the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency on the balance sheet date. Exchange differences are recognised in profit or loss. Non monetary balances that are not re-measured at fair value are translated to the functional currency at the exchange rate prevailing on the transaction date.

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

Financial instruments
Financial assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables, debt and equity securities and security and other deposits. The Group's financial assets are classified into the following categories: available for sale 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.

Available for sale financial assets 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. Unrealised gains and losses are recognised in other comprehensive income/(loss). Available for sale financial assets are presented in the consolidated balance sheets as non-current assets, unless the Group intends to dispose of them within 12 months of 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 non payment, 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 loss. Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

Financial liabilities

The Group's financial liabilities consist of subsidiary notes payable, subsidiary preferred shares, trade and other payables, subsidiary derivative liability and subsidiary warrant liability. Subsidiary notes payable and trade and other payables are initially recognised at fair value less the value attributed to any separately accounted for embedded derivatives. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. The amortisation is included in financial costs – contractual in the consolidated statements of comprehensive loss.

Derivative liabilities include features within the subsidiary notes payable and subsidiary preferred shares that require bifurcation from the notes under IAS 39; Financial Instruments: Recognition and Measurement and liability classified warrants. Derivative liabilities are carried at fair value with changes recognised in finance costs in the consolidated statements of comprehensive loss (see Note 20). In the case of subsidiary preferred shares classified as a current liability, the expected amount at conversion or settlement and the associated timing of any conversion is assessed at each reporting period. To the extent necessary, any expected additional liability is accreted to the balance of the liability over the anticipated period under the effective interest rate method.

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

Financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

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

1. **Accounting policies** — continued

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.

Derivative and warrant policy
Equity conversion features and put options within host instruments that meet the definition of a derivative and have economic and risk characteristics that are not closely related to the host are considered embedded derivatives and are bifurcated from the host and accounted for separately. The Group has recognised embedded derivative liabilities related to features within convertible notes and conversion features with subsidiary preferred shares. Derivative financial liabilities are initially recorded at fair value and are re-measured to fair value at each period end while such instruments are outstanding, with gains and losses arising from changes in fair value recognised in finance costs in the consolidated statements of comprehensive loss. The embedded derivative liabilities are being valued using a probability weighted expected return model or an option pricing allocation model.

The Group derecognises the embedded derivative liability when the host instrument is extinguished or converted or when the feature no longer meets the definition of a derivative.

The Group has recognised common shares and preferred share warrants on subsidiary shares issued to investors and note holders. Warrants are recognised as derivative financial liabilities if the underlying shares are liability classified or the terms of the warrants are not fixed due to potential adjustments in the exercise price and/or the number of shares issuable under the warrants. Warrant liabilities are recorded at fair value, with gains and losses arising from changes in fair value recognised in finance costs in the consolidated statements of comprehensive loss at each period end while such instruments are outstanding. The warrant liabilities were valued using a Black-Scholes option pricing model.

The Group has also recognised common share warrants issued to investors which are classified in equity and initially measured at fair value using a Black-Scholes option pricing model.

Share capital
Ordinary shares are classified as equity. The Group considers its capital to comprise 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 expenditure that is 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 lives of the related assets:

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 least annually and adjusted if appropriate.

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.

1. Accounting policies — continued

Development Costs

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is 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 the Group can 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 expenditure considered for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overhead costs. Otherwise, the development expenditure is recognised in profit or loss as incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

For the year ended 31 December 2016, the Group intends to file a consolidated Federal tax return. The Group elected not to file a consolidated Federal tax return for the year ended 31 December 2015, filing individual returns at the subsidiary level.

Current Income Tax

Current 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 Income Tax

Deferred tax is recognised in respect of 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 tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities where the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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 is any indication of impairment. If any such indication exists, 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 profit and loss.

Impairment of Financial Assets Carried at Fair Value

The Group's available for sale financial assets are carried at fair value through other comprehensive income/(loss) and 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 profit and loss. The only amounts reclassified from other comprehensive income/(loss) into operating loss were realised gains related to the sale of an investment.

1. Accounting policies — continued

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 occurs 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 profit or loss.

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.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were 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 of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Employee benefits

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are 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 to pay this amount as a result of 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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of 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.

Revenue recognition

Revenue is derived primarily from fees related to subscription agreements, collaboration agreements and government grants entered into or received by the Group's subsidiaries. Revenue is measured at the fair value of consideration received or receivable and is recognised in accordance with IAS 18 Revenue when each of the following criteria for revenue recognition have been met:

- the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with the transaction will flow to the Group; and
- when the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The Group recognises revenue from services under subscription and collaboration agreements in the period in which the services are rendered, on a straight line basis or assessed by the percentage of completion method over the period to which services relate. Revenue from government grants is recognised on a gross basis when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. The Group submits qualifying expenses and capital purchases for reimbursement only after qualifying

1. **Accounting policies** — continued

for the grant programmes, which occur after capital purchases and/or research and development costs have been incurred.

Deferred revenue and deferred costs

Deferred revenue includes amounts that have been billed per the contractual terms but have 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 as non-current the portion of deferred revenue and deferred costs that are expected to be recognised beyond one year, or one operating cycle.

Finance income and finance costs

Finance income mainly comprises interest income on funds invested in US treasuries. Interest income is recognised as it accrues in profit or loss, using 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.

Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. 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 leases

The Group classifies leases as either finance or operating leases at inception, depending on whether substantially all the risks and rewards of ownership transfer to the Group. Leases where the lessee has substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group had only operating leases during the reporting periods. Payments made under operating leases are recognised in profit or 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.

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 Directors.

Reclassification

During the year management further considered certain aspects of accounting for share options issued by subsidiary companies and concluded that the credit in equity associated with the related IFRS 2 charges is more appropriately allocated wholly to non-controlling interests rather than pro-rata to parent equity and non-controlling interests. As a result a reclassification has been reflected at 31 December 2015 to reduce negative non-controlling interests and reduce other reserve within parent equity by $5.2 million (31 December 2014: $2.6 million). There is no impact on total equity at either 31 December 2015 or 31 December 2014 and no impact on the consolidated statement of comprehensive loss for the years ended 31 December 2015.

2. New standards and interpretations not yet adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing the consolidated financial information. Management has yet to complete an analysis of these new standards, interpretations and amendments to existing standards on the results of its operations, financial position, and disclosures. The Group intends to adopt these standards on their respective effective dates.

The following three are amended or new standards and interpretations that may impact the Group:

IFRS 9, Financial instruments

The standard addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. 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 and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model 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 fair value through profit or loss. 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 actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 and early adoption is permitted. The Group is in the process of assessing the impact of IFRS 9.

IFRS 15, Revenue from contracts with customers

The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is amended to be effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. As of 31 December 2016, the majority of the Group's limited revenue is generated from licenses, milestones and collaboration arrangements. The consideration that the Group is eligible to receive under these agreements includes upfront payments, research and development funding, milestone payments and royalties. There could be a material impact on revenue recognition in relation to collaboration agreements and milestones payments under the new revenue standards. The Group is currently evaluating the potential impact.

IFRS 16, Leases

The standard changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard effective date is to be confirmed. Management has yet to complete an analysis of this new standard and its impact.

Amendments to IAS 7, "Statement of cash flows" disclosure initiative (effective date to be confirmed)

Amendments to IAS 12, "Income taxes" regarding the recognition of deferred tax assets for unrealised losses (effective date to be confirmed)

Amendments to IFRS 2, "Share-based Payment" to clarify classification and measurement (effective date to be confirmed)

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 statement of comprehensive loss consists of the following:

For the years ended 31 December:	2016 $000s	2015 $000s
Subscription fees	**333**	1,175
Collaboration revenue	**4,000**	10,565
Grant revenue	**98**	88
Total revenue	**4,431**	11,828

Deferred revenue recorded in the consolidated statements of financial position consists of the following:

As at 31 December:	2016 $000s	2015 $000s
Subscription fees	**—**	333
Collaboration revenue	**2,040**	2,040
Grant revenue	**162**	85
Deferred revenue, current	**2,202**	2,458
Grant revenue	**203**	291
Deferred revenue, non-current	**203**	291
Total deferred revenue	**2,405**	2,749

4. Operating segments

Basis for segmentation

The Directors are the Group's strategic decision makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of two 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 U.S. and accordingly, no geographical disclosures are provided.

Growth stage programmes

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

Subsidiary	Principal Activities and Target Market
Akili	A clinical stage programme developing technology and products for the screening, diagnosis and treatment of neurological disorders such as ADHD, autism and depression through computer software.
Gelesis	A clinical stage programme developing products that seek to induce weight loss and potentially improve glycaemic control through an orally administered capsule that expands in the GI tract as it absorbs water.
Vedanta Biosciences	A preclinical stage programme developing a microbiome immune system drug-discovery platform and drug candidates for the treatment of immune-mediated diseases.
Karuna	A clinical stage programme developing an innovative combination therapy for the treatment of schizophrenia.
Follica	A clinical stage programme developing products to generate new human hair follicles and hair.
Entrega	A preclinical stage programme developing a drug platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads, including magnetic nanoparticles.
Alivio	A preclinical stage programme developing a proprietary drug delivery platform for drugs that treat inflammation and associated disorders.
Commense	A preclinical stage programme developing commensal organism-based products for the improvement of human health in, for example, early childhood.
Sonde Health	A clinical stage programme developing voice-based tools for the passive assessment and tracking of patient health.
The Sync Project	A clinical stage programme developing a platform and products that seek to explore and leverage the health potential of music by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components (e.g. beat and rhythm).

4. Operating segments — continued

Project stage *programmes*

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

Subsidiary	Principal Activities and Target Market
Project stage programmes	
resTORbio	A clinical programme developing a platform to address immunosenescence, an age-dependent decline in immune function.
Vor	A preclinical programme developing novel targeted immunotherapies for cancer.
Nybo	A preclinical programme developing monoclonal antibodies to target immuno-suppressive gamma delta T cells in pancreatic cancer, colorectal cancer and other solid tumors.
Glyph	A preclinical programme developing novel approaches to enhance delivery and distribution of therapeutics.
Tal	A clinical stage medical device programme developing an innovative, noninvasive neurostimulation treatment for psychiatric disorders including depression and bipolar disorder.
Other businesses	
Enlight Biosciences, LLC	Developing digital health technologies.
Mandara Sciences, LLC	Improving health through food through the creation of innovative nutrition technology companies.
Knode	A technology platform being developed to identify experts in healthcare and other research-based disciplines based on the content they have produced.
Appeering	Identifying healthcare expert networks and reviewing their conversations and content on social media.

The Group expects subsidiaries within the project stage will become growth stage programmes. Upon the transition of a project stage programme to the growth stage, the Group plans to retrospectively restate operating segments as if the subsidiary had been a growth stage programme for all periods presented. During 2016, The Sync Project, Sonde, Alivio and Commense have graduated to growth stage primarily due to successfully securing intellectual property, establishing management teams, developing a sustainable business plan, achieving some level of de-risking, and engaging key scientific founders.

In 2016, Tal's Low Field Magnetic Stimulation ("LFMS") technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in treatment-resistant major depressive disorder (TR-MDD). As a result of not demonstrating statistically significant dose-dependent effect, we have reclassified Tal as a project stage programme.

The Group has retrospectively restated 2015 segment amounts to reflect the above transitions.

4. Operating segments — continued

Information about reportable segments

The following provides detailed information of the Group's two reportable segments and Parent activity as of and for the years ended 31 December 2016 and 2015, respectively:

	2016			
	Growth stage programmes $000s	Project stage programmes $000s	Parent company & other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss				
Revenue	**4,098**	**333**	**—**	**4,431**
General and administrative expenses	**(18,259)**	**(2,134)**	**(16,762)**	**(37,155)**
Research and development expenses	**(35,190)**	**(5,684)**	**(331)**	**(41,205)**
Total operating expenses	**(53,449)**	**(7,818)**	**(17,093)**	**(78,360)**[1]
Other income	**46**	**—**	**—**	**46**
Net finance costs	**(14,844)**	**4,459**	**1,086**	**(9,299)**
Loss from continuing operations	**(64,149)**	**(3,026)**	**(16,007)**	**(83,182)**
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	**(44,616)**	**(7,054)**	**(9,999)**	**(61,669)**
Finance costs – subsidiary preferred shares	**(5,816)**	**(552)**	**—**	**(6,368)**
Finance costs – IAS 39 fair value accounting	**(8,439)**	**5,017**	**—**	**(3,422)**
Share-based payment expense	**(4,185)**	**(187)**	**(5,781)**	**(10,153)**
Depreciation of tangible assets	**(768)**	**(228)**	**(227)**	**(1,223)**
Amortisation of intangible assets	**(325)**	**(22)**	**—**	**(347)**
Loss before taxes	**(64,149)**	**(3,026)**	**(16,007)**	**(83,182)**
Provision for income taxes	**1,577**	**8**	**(11)**	**1,574**
Loss for the year	**(62,572)**	**(3,018)**	**(16,018)**	**(81,608)**
Other comprehensive income/(loss)	**(87)**	**—**	**—**	**(87)**
Total Comprehensive Loss for the Year	**(62,659)**	**(3,018)**	**(16,018)**	**(81,695)**
Total comprehensive loss attributable to:				
Owners of the Company	**(30,429)**	**(2,432)**	**(16,018)**	**(48,879)**
Non-controlling interests	**(32,230)**	**(586)**	**—**	**(32,816)**
Consolidated Statements of Financial Position				
Total assets	**153,691**	**9,289**	**135,769**	**298,749**
Total liabilities	**(269,084)**	**(17,244)**	**79,990**	**(206,338)**
Net (liabilities)/assets	**(115,393)**	**(7,955)**	**215,759**	**92,411**

4. Operating segments — continued

	2015			
	Growth stage programmes $000s	Project stage programmes $000s	Parent company & other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss				
Revenue	10,189	1,639	—	11,828
General and administrative expenses	(13,733)	(2,318)	(20,420)	(36,471)
Research and development expenses	(15,744)	(2,973)	(282)	(18,999)
Total operating expenses	(29,477)	(5,291)	(20,702)[3]	(55,470)[2]
Other income	448	—	—	448
Net finance costs	(10,774)	(2,954)	602	(13,126)
Loss from continuing operations	(29,614)	(6,606)	(20,100)	(56,320)
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(17,412)	(3,298)	(12,751)	(33,461)
Finance costs – subsidiary preferred shares	(3,066)	(449)	—	(3,515)
Finance costs – IAS 39 fair value accounting	(5,010)	(2,499)	—	(7,509)
Share-based payment expense	(3,609)	(276)	(7,210)	(11,095)
Depreciation of tangible assets	(250)	(63)	(139)	(452)
Amortisation of intangible assets	(267)	(21)	—	(288)
Loss before taxes	(29,614)	(6,606)	(20,100)	(56,320)
Provision for income taxes	(2,158)	(85)	319	(1,924)
Loss for the year	(31,772)	(6,691)	(19,781)	(58,244)
Other comprehensive income/(loss)	(262)	—	24	(238)
Total Comprehensive Loss for the Year	(32,034)	(6,691)	(19,757)	(58,482)
Total comprehensive loss attributable to:				
Owners of the Company	(13,180)	(6,694)	(19,757)	(39,631)
Non-controlling interests	(18,854)	3	—	(18,851)
Consolidated Statements of Financial Position				
Total assets	57,937	11,922	256,896	326,755
Total liabilities	(154,833)	(16,360)	8,491	(162,702)
Net (liabilities)/assets	(96,896)	(4,438)	265,387	164,053

1 For 2016, operating expenses for our reportable segments, Parent company and other and in total, stated prior to share-based compensation, depreciation and amortisation, were $48.1 million, $7.4 million, $11.1 million and $66.6 million for growth stage programmes, project stage programmes, Parent company and other and in total, respectively.

2 For 2015, operating expenses for our reportable segments, Parent company and other and in total, stated prior to share-based compensation, depreciation and amortisation, were $25.3 million, $4.9 million, $13.4 million and $43.6 million for growth stage programmes, project stage programmes, Parent company and other and in total, respectively.

3 Parent company and other operating expenses further adjusted for the cost of professional services totalling $5.5 million associated with our IPO, which is non recurring in nature, was $7.9 million for 2015.

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

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

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 15.

The Group's revenue generated outside of the United States was $86,000 and $89,000 for the years ended 31 December 2016 and 2015, respectively.

The Group's non-current assets consist of investments, property and equipment, intangible assets and other assets, of which $1.2 million were located in Italy as of 31 December 2016 and 2015.

Growth stage programme valuation

At the close of each annual financial period, the Directors estimate and formally approve the value of PureTech's growth stage programmes which is used to derive the Growth-Stage Holdings Value. The Directors engage an external valuation expert in assisting the Company in estimating the Growth-Stage Holdings Value. The valuations disclosed in respect of the prior periods are not retrospectively adjusted in line with changes to the operating

4. **Operating segments** — continued

segments classification, therefore where programmes are promoted or demoted between project stage and growth stage this classification is applied prospectively in the disclosure. This is to enable visibility of the development of the Growth-Stage Holdings Value of programmes in terms of their progress between periods. The Growth-Stage Holdings Value was $380.1 million as at 31 December 2016 (2015: $291.7 million). The Growth-Stage Holdings Value consists of PureTech's ownership-adjusted interests in its 10 growth stage programmes (2015: seven). The Growth-Stage Holdings Value does not include PureTech's interests in its five project stage programmes in 2015 and 2016, in which PureTech holds, on average, approximately 90 percent on a diluted basis, or PureTech's interests in its 10 concept stage initiatives in 2015 and 2016, which are, in effect, wholly owned by PureTech.

The methodology for the Group's growth stage programme valuations, extracts of which are set out below, is based on the American Institute of Certified Public Accountants' Valuation of Privately Held Company Equity Securities Issued as Compensation ("AICPA Guidelines"). The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS.

The Growth-Stage Holdings Value excludes cash, cash equivalents and short term investment balances of $192.1 million and $255.5 million held at the PureTech level as at 31 December 2016 and 2015, respectively. In 2015 the Growth-Stage Holdings Value includes the $11.5 million invested by PureTech in the first tranche of the Akili financing round in January 2016.

The Growth-Stage Holdings Value has been calculated on the basis of the Company's percentage ownership as at 31 December 2016 and 2015. Where Akili had raised financing from external parties immediately subsequent to 31 December 2015, the 2015 value reflects the percentage ownership following the financing and the valuation implied by that external investment on a post new money basis.

The Company's percentage ownership has been calculated on a diluted basis, including issued and outstanding shares and outstanding warrants and options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

Valuation methodology

The Growth-Stage Holdings Value represents the sum of the parts ("SOTP") of, principally, risk adjusted net present value ("rNPV") from discounted cash flow ("DCF") valuations (for Entrega, Karuna, Akili, Follica, Alivio, Sonde, Commense and The Sync Project), probability-weighted expected return method (for Gelesis) and valuations based on recent investments at the programme level (for Vedanta). In the absence of recent arm's length, third-party investments at the programme level which could otherwise have formed the basis for the valuations, DCF valuations are used for the valuation of the Group's programmes and any anticipated royalty streams paid directly to PureTech stemming from license agreements with some of the growth stage programmes. DCF valuations are highly sensitive to key input assumptions, including estimates associated with discount rates and projected financial performance. Due to the stage of development of the programmes, projections are particularly sensitive to certain key assumptions, namely:

- Discount rate, and in particular the varying components of the Equity Risk Premium and probability of success;
- The ability to predict the investment and timing of achieving technical and commercial viability;
- Projected revenue and operating costs in the post product development phase of each programme; and
- The size and share of addressable market for intellectual property, products and services developed.

4. **Operating segments** — continued

Notwithstanding the fact that the valuation methodologies applied are based on the AICPA Guidelines and the Directors' view that the methodologies and assumptions adopted in each valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. While this uncertainty applies to all programmes included in the Growth-Stage Holdings Value, it could have a higher degree of impact in the case of the four programmes that graduated from project stage to growth stage in 2016: Sonde, Alivio, Commense and The Sync Project. The Growth-Stage Holdings Value is an alternative performance measure ("APM") used by the Directors as a key performance indicator ("KPI") to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the Group accounts and the value of those investments is not separately disclosed in the statement of financial position.

5. 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:	**2016**	2015
General and administrative	**43**	28
Research and development	**52**	36
Total	**95**	64

The aggregate payroll costs of these persons were as follows:

For the years ending 31 December:	**2016 $000s**	2015 $000s
General and administrative	**19,498**	18,093
Research and development	**10,848**	5,591
Total	**30,346**	23,684

Total operating expenses were as follows:

For the years ending 31 December:	**2016 $000s**	2015 $000s
Salaries and wages	**16,012**	10,798
Healthcare benefits	**2,256**	904
Payroll taxes	**1,925**	887
Share-based payments	**10,153**	11,095
Total	**30,346**	23,684
Other SG&A expenses	**17,657**	18,378
Other R&D expenses	**30,357**	13,408
Total operating expenses	**78,360**	55,470

Auditor's remuneration	**2016 $000s**	2015 $000s
Audit of these financial statements	**729**	690
Audit of the financial statements of subsidiaries	**—**	—
Audit-related assurance services	**—**	30
IPO-related assurance services	**—**	2,212
Taxation	**8**	—
	737	2,932

The Group incurred $2.2 million of assurance service costs related to the initial public offering in 2015.

See note 6 for further disclosures related to share-based payments and note 23 for management's remuneration disclosures.

6. Share-based payments

The Performance Share Plan ("PSP")

In June 2015, the Company adopted the PSP. Under the PSP, awards over 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. As of the years ended 31 December 2016 and 2015, the Company issued 1,241,459 and 608,524, respectively, of options to purchase shares under this plan.

As of 31 December 2016 and 2015, 207,239 and 34,273 of options, respectively, were exercisable. The intrinsic value of the vested portion of such options is nil and $56,000, respectively.

In May 2016, the Company issued 2,592,863 restricted share units ("RSUs") under the PSP. Each RSU entitles the holder to one ordinary share on vesting. 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 performance conditions attaching to the RSUs are based on the achievement of Total Shareholder Return ("TSR") targets (50 percent of the awards), Net Asset Value growth targets (25 percent of the awards) and targets based on strategic measures (25 percent of the awards), measured over the three-year period to 31 December 2018, as further described in the Directors' Remuneration Report of PureTech's 2016 Annual Report and Accounts.

The share grants vest as follows:

- The share grants that vest upon the occurrence of a market condition (i.e. upon achievement of Total Shareholder Return targets) and service condition were adjusted to current market price at the date of the grant to reflect the effect of the market condition on the non-vested shares' value. The Company used a Monte Carlo simulation analysis utilising a Geometric Brownian Motion process with 250,000 simulations to value those shares. The model takes into account share price volatilities, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance. This is applied to the reward criteria to arrive at expected value of the TSR awards.
- The share grants that vest only upon the occurrence of a performance condition and service condition were valued at the fair value of the shares on the date of the grants.

In September 2016, the Company issued an additional 287,090 RSUs under the PSP. The shares have various vesting terms over a period of service of four years, provided the recipient remains continuously engaged as a service provider.

PureTech incurred stock based compensation expense of $771,000 and $83,000 for the years ended 31 December 2016 and 2015, respectively, for this plan.

Fair value measurements

The fair value of the shares awarded by the PureTech Directors during 2016 and 2015 were estimated at the grant date using the Black-Scholes option valuation model that uses the following weighted average assumptions:

	2016	2015
Expected award life (in years)	**5.93 – 6.50**	5.9
Expected award price volatility	**29.70% – 29.83%**	30.62%
Risk free interest rate	**1.27% – 2.20%**	1.78%
Expected dividend yield	**—**	—
Grant date fair value	**$0.58 – $0.63**	$0.75
Share price at grant date	**$1.75 – $1.91**	$2.28

Expected volatility has been based on an evaluation of the historical volatility of the share price of publicly traded companies comparable to PureTech, particularly over the historical period commensurate with the expected term. As there is not sufficient historical share exercise data to calculate the expected term of the options, PureTech 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.

6. Share-based payments — continued

Puretech LLC incentive stock issuance

In 2014, PureTech LLC's Directors approved the issuance of shares to management, the Directors and advisors. The shares have various vesting terms over a period of service between zero and three years, provided the recipient remains continuously engaged as a service provider. The estimated fair value of shares, including the effect of estimated forfeitures, is recognised over the shares' vesting period.

Shares granted and outstanding at 31 December 2016 as incentive equity by PureTech LLC as converted to plc shares were 17,723,682. 12,063,730 shares were vested at year end.

PureTech LLC incurred stock-based compensation expense of $5.0 million and $7.1 million for the years ended 31 December 2016 and 2015, respectively, for this plan.

Fair value measurements

The fair value of the shares awarded by the PureTech LLC Directors during 2015 was estimated at the grant date using the Black-Scholes option valuation model that uses the following weighted average assumptions:

	2015
Expected award life (in years)	3.1
Expected award price volatility	25.22%
Risk free interest rate	0.98%
Expected dividend yield	—
Grant date fair value	$9.97
Share price at grant date	$19.45

Expected volatility has been based on an evaluation of the historical volatility of the share price of publicly traded companies comparable to PureTech, particularly over the historical period commensurate with the expected term. As there is not sufficient historical share exercise data to calculate the expected term of the options, PureTech LLC 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.

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 2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as of 31 December 2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as of 31 December 2016
Gelesis	1,603,180	122,685	(15,500)	—	1,710,365	817,826	—	(11,460)	**2,516,731**
Akili	638,000	263,746	—	—	901,746	771,927	(74,250)	—	**1,599,423**
Karuna	541,927	27,500	—	—	569,427	165,000	—	—	**734,427**
Tal	1,229,800	396,136	—	—	1,625,936	137,870	—	—	**1,763,806**
Vedanta Biosciences	550,000	177,500	—	—	727,500	159,750	—	(5,000)	**882,250**
Knode	154,480	—	(1,875)	(3,125)	149,480	—	—	—	**149,480**
Entrega	662,500	422,500	—	—	1,085,000	61,500	—	(325,000)	**821,500**
Follica	—	396,655	—	—	396,655	—	—	—	**396,655**
The Sync Project	—	850,000	—	—	850,000	—	—	—	**850,000**
Commense	—	212,500	—	—	212,500	—	—	—	**212,500**

The exercise prices for the options granted in 2015 were $2.38, $2.69, $2.35, $10.74, $2.28, $0.75, $0 and $0 for Akili, Karuna, Tal, Vedanta Biosciences, Entrega, Follica, The Sync Project and Commense, respectively. The exercise prices for the options granted in 2016 were $2.46, $3.79, $3.44, $12.70 - $12.88, and $2.36 for Akili, Karuna, Tal, Vedanta Biosciences and Entrega, respectively.

Significant subsidiary plan

Gelesis 2006 Stock Option Plan

In May 2006, the Directors of Gelesis approved the 2006 Stock Incentive Plan (the "2006 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 2016, no shares remained available for issuance under the 2006 Gelesis Plan.

6. Share-based payments — continued

The options granted under the 2006 Gelesis Plan are equity settled and expire 10 years from the grant date. In general, awards typically vest in three years but vesting conditions can vary based on the discretion of Gelesis' Directors.

Options granted under the 2006 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.

Gelesis 2016 Stock Option 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 2016, the number of shares that remained available for issuance under the Gelesis Plan was 161,673.

The options granted under the 2016 Gelesis Plan are equity settled and expire 10 years from the grant date. In general, awards typically vest in three years but vesting conditions can vary based on the discretion of Gelesis' 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.

Gelesis incurred stock-based compensation expense of $2.6 million and $2.2 million for the years ended 31 December 2016 and 2015, respectively.

Gelesis fair value measurements

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

Assumption/Input	**2016**	2015
Expected award life (in years)	**5.66 – 10**	7.8
Expected award price volatility	**66% – 76%**	72.84%
Risk free interest rate	**1.13% – 2.37%**	2.05%
Expected dividend yield	**—**	—
Grant date fair value	**$6.76 – $9.01**	$7.34
Share price at grant date	**$11.56**	$9.13

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.

Other plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis was $1.7 million for the years ended 31 December 2016 and 2015.

Share-based payment expense

The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the consolidated statements of comprehensive loss:

For the years ended 31 December:	**2016 $000s**	2015 $000s
General and administrative	**7,668**	9,318
Research and development	**2,485**	1,777
Total	**10,153**	11,095

There was no income tax benefit recognised for share-based payment arrangements during the periods presented.

7. Finance cost, net

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

For the years ended 31 December:	**2016 $000s**	2015 $000s
Finance income		
Realised gain on available for sale investments	**99**	—
Interest from financial assets not at fair value through profit or loss	**1,193**	262
Total finance income	**1,292**	262
Finance costs		
Contractual interest expense on convertible notes	**(283)**	(598)
Interest expense on other borrowings	**(4)**	(200)
Non-cash interest expense on convertible notes	**(153)**	(37)
Loss on extinguishment of subsidiary notes payable	**—**	(1,856)
Loss on extinguishment of derivatives	**(301)**	—
Gain on foreign currency exchange	**(60)**	327
Total finance costs – contractual	**(801)**	(2,364)
Loss from change in fair value of warrant liability	**(678)**	(138)
Loss on fair value measurement of derivative liability	**(2,744)**	(7,371)
Total finance costs – IAS 39 fair value accounting	**(3,422)**	(7,509)
Total finance costs – subsidiary preferred shares	**(6,368)**	(3,515)
Total finance costs	**(10,591)**	(13,388)
Finance costs, net	**(9,299)**	(13,126)

See note 20 for further disclosure related to loss on fair value measurement of the derivative liability.

8. Earnings per share

The calculation of basic and diluted earnings per share has been calculated by dividing the loss for the period attributable to ordinary shareholders of $48.8 million (2015: $39.4 million), by the weighted average number of ordinary shares outstanding of 229,511,866 (2015: 185,281,244) during the year ended 31 December 2016:

Loss attributable to ordinary shareholders:

	2016		2015	
	Basic $000s	**Diluted $000s**	Basic $000s	Diluted $000s
Loss for the year, attributable to the owners of the Company	**(48,792)**	**(48,792)**	(39,393)	(39,393)
Loss attributable to ordinary shareholders	**(48,792)**	**(48,792)**	(39,393)	(39,393)

Weighted-average number of ordinary shares

	2016		2015	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 1 January	**226,173,751**	**226,173,751**	118,100,407	118,100,407
Effect of shares issued	**3,338,215**	**3,338,215**	67,180,837	67,180,837
Weighted average number of ordinary shares	**229,511,866**	**229,511,866**	185,281,244	185,281,244

Loss per share

	2016		2015	
	Basic	**Diluted**	Basic	Diluted
Loss per share	**$ (0.21)**	**$ (0.21)**	$ (0.21)	$ (0.21)

The potentially dilutive securities excluded from the computation of diluted weighted average shares outstanding as they would be anti-dilutive was 8,860,528 and 9,441,126 as at 31 December 2016 and 2015, respectively.

9. Property and equipment

Property and equipment, net, consists of the following at:

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 2015	999	98	190	188	401	1,876
Additions, net of transfers	1,723	70	362	1,302	400	3,857
Exchange differences	(107)	—	—	(21)	(31)	(159)
Balance as of 31 December 2015	2,615	168	552	1,469	770	5,574
Additions, net of transfers	2,410	76	284	895	11	3,676
Reclassifications	394	34	18	324	(770)	—
Exchange differences	(74)	—	—	(12)	—	(86)
Balance as of 31 December 2016	**5,345**	**278**	**854**	**2,676**	**11**	**9,164**

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 2015	(367)	(67)	(153)	(62)	—	(649)
Depreciation	(246)	(22)	(62)	(122)	—	(452)
Exchange differences	36	—	—	10	—	46
Balance as of 31 December 2015	(577)	(89)	(215)	(174)	—	(1,055)
Depreciation	(791)	(27)	(100)	(305)	—	(1,223)
Exchange differences	31	—	—	7	—	38
Balance as of 31 December 2016	**(1,337)**	**(116)**	**(315)**	**(472)**	**—**	**(2,240)**

Property & 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 2015	2,038	79	337	1,295	770	4,519
Balance as of 31 December 2016	**4,008**	**162**	**539**	**2,204**	**11**	**6,924**

Depreciation of property and equipment is included in general and administrative expenses and research and development expenses in the consolidated statement of comprehensive loss.

10. Intangible assets

Intangible assets consist of licenses of intellectual property acquired by the Group through various agreements with third parties. Licenses and intellectual property acquired 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 2015	3,778
Additions	1,160
Balance at 31 December 2015	4,938
Additions	—
Balance at 31 December 2016	**4,938**

Accumulated amortisation	Licenses $000s
Balance at 1 January 2015	(779)
Amortisation	(288)
Balance at 31 December 2015	(1,067)
Amortisation	(347)
Balance at 31 December 2016	**(1,414)**

Intangible assets, net	Licenses $000s
Balance at 31 December 2015	3,871
Balance at 31 December 2016	**3,524**

Amortisation expense is included in research and development expenses in the consolidated statements of comprehensive loss. Amortisation expense, recorded using the straight-line method, was approximately $347,000 and $288,000 for the years ended 31 December 2016 and 2015, respectively.

11. Cash and cash equivalents

As of 31 December:	**2016 $000s**	2015 $000s
Bank balances	**63,856**	135,577
Restricted cash	**(897)**	(826)
Total cash and cash equivalents	**62,959**	134,751

Restricted cash represents cash reserved as collateral against letters of credit with a bank issued for the benefit of a landlord in lieu of a security deposit for office space leased by the Parent and its subsidiaries. The restricted cash is held in certificate of deposits and is classified as current assets within other financial assets in the consolidated balance sheet.

12. Trade and other receivables

As of 31 December:	**2016 $000s**	2015 $000s
Trade Receivables	**125**	636
Other Receivables	**—**	70
Total trade and other receivables	**125**	706

13. Equity

On 9 January 2015 the Company completed a private financing round with Invesco Asset Management Limited as the lead investor and issued 24,006,500 ordinary shares resulting in cash proceeds of $52.2 million.

On 18 June 2015, the Company acquired the entire issued share capital of PureTech LLC in return for 159,648,387 ordinary shares. This has been accounted for as a common control transaction and has been given effect retrospectively for all periods presented herein. It has therefore been deemed that the share capital was issued in line with movements in share capital as shown prior to the transaction taking place. In addition the merger reserve records amounts previously recorded as share premium.

On 24 June 2015 the Company's entire issued ordinary share capital of 227,248,008 ordinary shares of one pence each were admitted to the premium listing segment of the Official List of the U.K. Listing Authority and to trading on the Main Market of the London Stock Exchange for listed securities. The Initial Public Offering ("IPO") was for 67,599,621 new ordinary shares issued by the Company at 160 pence per ordinary share. This resulted in $159.3 million of net proceeds from the IPO (net of issue cost of $11.8 million) reflected in the share premium balance as of 31 December 2015. Included in operating expenses in 2015 is $5.5 million of professional services associated with the IPO which were not otherwise offset against the net proceeds of the offering.

The Company had the option, at its absolute discretion, to pay an incentive fee to the IPO underwriter. PureTech paid $1.2 million, which was expensed upon payment.

The IPO also included an over-allotment option equivalent to 15 percent of the total number of new ordinary shares, or 10,139,943. The stabilisation manager gave notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Company issued 10,139,943 ordinary shares at the offer price of 160 pence per share achieving further net proceeds for the Company of £15.7 million, or approximately $24.2 million (net of issue cost of approximately $772,000). The total number of issued ordinary shares, including unvested equity incentive awards, and voting rights in the Company after issuing the over-allotment shares is 237,387,951.

Equity	Note	31 December 2016 $000s	31 December 2015 $000s
Share capital, £0.01 par value, issued and fully paid 232,574,572 and 226,173,751 as of 31 December 2016 and 31 December 2015 respectively		**4,609**	4,523
Share premium		**181,658**	181,744
Merger reserve		**138,506**	138,506
Translation reserve		**(184)**	(93)
Other reserves		**13,412**	7,627
Accumulated deficit		**(160,335)**	(111,420)
Equity attributable to owners of the Group		**177,666**	220,887
Non controlling interests	15	**(85,255)**	(56,834)
Total equity		**92,411**	164,053

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 profit or loss.

14. Subsidiary preferred shares

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

The conversion feature has been accounted for as a derivative liability at fair value with the residual proceeds allocated to the subsidiary preferred share at issuance. The preferred shares are entitled to a vote with holders of common stock on an as converted basis. The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a sale of the respective subsidiary.

The Group recognises the preferred share balance upon the receipt of cash financing or upon the conversion of notes into preferred shares at the amount received, or carrying balance of any notes and derivatives converted into preferred shares. Preferred shares are not allocated shares of the subsidiary losses.

The following summarises the subsidiary preferred share balance:

As of 31 December:	2016 $000s	2015 $000s
Akili	**18,465**	2,625
Follica	**159**	94
Gelesis	**56,333**	52,640
Tal	**10,695**	10,143
Vedanta	**11,285**	—
Subsidiary preferred shares	**96,937**	65,502

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

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

As of 31 December:	2016 $000s	2015 $000s
Akili	**21,972**	4,613
Follica	**2,020**	2,020
Gelesis	**60,490**	60,490
Karuna	**413**	413
Tal	**11,430**	11,430
Vedanta Biosciences	**15,445**	—
Total	**111,770**	78,966

14. Subsidiary preferred shares — continued

For the two-year period ending 31 December 2016, the Group recognised the following changes in subsidiary preferred shares:

	$000s
Balance at 1 January 2015	11,494
Issuance of new preferred shares	56,534
Value of derivatives at issuance	(6,041)
Accretion	3,515
Balance at 1 January 2016	65,502
Issuance of new preferred shares	27,655
Value of derivatives at issuance	(2,588)
Accretion	6,368
Balance at 31 December 2016	**96,937**

2015

In March 2015, Gelesis closed an $18.0 million private equity financing of which PureTech invested $3.0 million in the financing. Also, in conjunction with this transaction, preferred shares were issued upon conversion of $4.3 million of outstanding convertible notes.

In March 2015, Tal closed a $14.5 million private equity financing of which PureTech invested $5.0 million in the financing. Also, in conjunction with this transaction, preferred shares were issued upon conversion of outstanding convertible notes.

In December 2015, Gelesis closed a $31.5 million private equity financing of which PureTech invested approximately $7 million.

2016

During 2016, Akili closed a total of $42.4 million of private equity financings of which PureTech invested $25.0 million.

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

15. Non-controlling interest

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

	Growth stage programmes $000s	Project stage programmes $000s	Total $000s
Non-controlling interest as of 1 January 2015	(42,677)	5	(42,672)
New funds into non-controlling interest	—	—	—
Share of comprehensive loss	(18,854)	3	(18,851)
Effect of change in Group's ownership interest	4,689	—	4,689
Non-controlling interest as of 31 December 2015	(56,842)	8	(56,834)
New funds into non-controlling interest	—	—	—
Share of comprehensive loss	(32,230)	(586)	(32,816)
Effect of change in Group's ownership interest	4,395	—	4,395
Non-controlling interest as of 31 December 2016	**(84,677)**	**(578)**	**(85,255)**

15. Non-controlling interest — continued

The following table summarises 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.

	2016		2015	
For the year ended 31 December:	**Growth stage programmes $000s**	**Project stage programmes $000s**	Growth stage programmes $000s	Project stage programmes $000s
Statement of Comprehensive Loss				
Revenue	**98**	**—**	189	458
Loss for the year	**(48,413)**	**(586)**	(32,695)	148
Other comprehensive loss	**(87)**	**—**	—	—
Total comprehensive loss	**(48,500)**	**(586)**	(32,695)	148
Comprehensive loss attributable to non-controlling interest	**(32,230)**	**(586)**	(18,854)	3
Statement of Financial Position				
Non-current assets	**4,900**	**2,395**	4,976	—
Current assets	**98,716**	**6,894**	44,594	509
Total Assets	**103,616**	**9,289**	49,570	509
Non-current liabilities	**(14,272)**	**—**	(12,439)	—
Current liabilities	**(203,545)**	**(1,123)**	(130,712)	(78)
Total Liabilities	**(217,817)**	**(1,123)**	(143,151)	(78)
Net Liabilities	**(114,201)**	**8,166**	(93,581)	431
Carrying amount of non-controlling interest	**(84,677)**	**(578)**	(56,364)	8
Statement of Cash Flows				
Cash flows from operating activities	**(33,618)**	**(586)**	(20,084)	413
Cash flows from investing activities	**(37,267)**	**—**	(2,463)	—
Cash flows from financing activities	**17,360**	**—**	40,041	—
	(53,525)	**(586)**	17,494	413

16. Subsidiary notes payable

The notes payable balance consists of the following:

As of 31 December:	**2016 $000s**	2015 $000s
Loans	**2,549**	2,281
Convertible notes	**4,404**	2,674
Total subsidiary notes payable	**6,953**	4,955

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. ("Lighthouse Capital"). The loans are secured by all of Follica's assets, including Follica's intellectual property. The loans totalled approximately $1.3 millon and $1.2 million at 31 December 2016 and 2015, respectively.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €1,252,000 and €980,000 at 31 December 2016 and 2015, respectively (approximately $1.3 million and $1.1 million at 31 December 2016 and 2015, respectively), and the loan bears interest at 0.33 percent per year. Gelesis was required to make interest payments only in 2014 and 2015, with principal and interest payments from January 2016 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.

Convertible Notes

Certain of the Group's subsidiaries have issued convertible promissory notes ("Notes") to fund their operations, with an expectation of an eventual share-based settlement of the Notes.

Substantially all Notes become due and payable on or after either 31 December of the year of issuance on the thirtieth day following a demand by the majority of Note holders, as defined in the Notes. Substantially all of the Notes bear interest at a rate of 8 percent (or 12 percent upon an Event of Default, as defined in the Notes) or 10 percent (or 15 percent upon an Event of Default, as defined in the Notes). Interest is calculated based on actual days elapsed for a 360-day calendar year. Generally, the Notes cannot be prepaid without approval from a majority of the holders of a subsidiary's Notes.

16. Subsidiary notes payable — continued

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, as defined in the Notes, the unpaid principal and interest amounts are automatically converted into shares of the subsidiary at the conversion price equal to the price shares are sold at upon a Qualified Financing, less a discount. The discounts range from 5 percent to 25 percent.
- Optional conversion feature – upon a Non Qualified Financing, as defined in the Notes, holders may convert the outstanding principal balance and unpaid interest to shares at the conversion price equal to the price shares are sold at upon a Non Qualified Financing, less a discount. The discounts range from 5 percent to 25 percent.
- 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, as defined in the Notes, 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.

The conversion features and put option represent embedded derivative instruments requiring bifurcation from the debt instruments under IAS 39, Financial Instruments: Recognition and Measurement. The embedded derivatives are accounted for as liability components, separate from the host debt.

Convertible Notes outstanding were as follows:

	Vedanta Biosciences $000s	Gelesis $000s	Tal $000s	Karuna $000s	Follica $000s	Entrega $000s	Knode $000s	Endra, Inc $000s	Sync $000s	Total $000s
1 January 2015	367	2,932	435	505	—	125	50	75	—	4,489
Gross Principle	—	—	—	1,644	200	—	—	—	—	1,844
Discount	—	—	—	(166)	(40)	—	—	—	—	(206)
Accretion	8	228	65	166	40	—	—	—	—	507
Conversion	—	(3,160)	(500)	—	—	—	—	—	—	(3,660)
Repayment	(300)	—	—	—	—	—	—	—	—	(300)
31 December 2015	75	—	—	2,149	200	125	50	75	—	2,674
Gross Principle	—	—	—	1,800	250	—	—	—	10	2,060
Discount	—	—	—	(408)	—	—	—	—	—	(408)
Accretion	—	—	—	153	—	—	—	—	—	153
Conversion	(75)	—	—	—	—	—	—	—	—	(75)
Repayment	—	—	—	—	—	—	—	—	—	—
31 December 2016	**—**	**—**	**—**	**3,694**	**450**	**125**	**50**	**75**	**10**	**4,404**

In August 2015, Karuna entered into an agreement to issue up to $3.8 million of convertible notes to the Wellcome Trust subject to meeting certain development milestones. At 31 December 2016, the Company had issued $3.4 million of the notes.

In May 2015, Vedanta Biosciences repaid convertible notes and related accrued interest of $366,000.

In conjunction with its March 2015 private financing, Gelesis converted convertible notes and related accrued interest of $3.5 million into preferred shares. The conversion also includes $759,000 of related convertible note derivatives.

In March 2015, Tal, also in conjunction with its private financing, converted convertible notes and related accrued interest of $517,000 into preferred shares. The conversion also includes $200,000 of related convertible note derivatives.

In March 2016, Follica received $250,000 from outside investors through the issuance of convertible notes.

In conjunction with its June 2016 private financing, Vedanta Biosciences converted $75,000 of notes payable plus accrued interest into preferred shares.

17. Subsidiary warrants

The following is a summary of the warrants on subsidiary shares outstanding related to various borrowings, share issuances and business transactions:

				Recorded value as at 31 December:	
Issued	Classification	Exercisable for	Number of Shares	**2016 $000s**	2015 $000s
Gelesis and Gelesis LLC					
Aug-08	Equity	Common shares	1,314	**6**	6
May-09	Equity	Common shares	1,314	**6**	6
May-09	Equity	Common shares	1,501	**1**	1
Nov-09	Equity	Common shares	28,361	**18**	18
Apr-11	Liability	Series A-1 preferred shares	—	**699**	664
Jun-12	Liability	Series A-3 preferred shares	238,190	**3,025**	2,830
Aug-13	Liability	Series A-4 preferred shares	719,677	**8,081**	7,561
Aug-13	Equity	Common shares	719,677	**52**	52
Follica					
Jul-13	Liability	Preferred shares	2,263,508	**2,538**	2,593
Aug-13	Liability	Preferred shares	193,023	**216**	222
Jan-14	Liability	Preferred shares	193,023	**217**	223
Oct-14	Liability	Preferred shares	146,697	**166**	170
Dec-15	Equity	Common shares	19,688	**20**	20
Total Liabilities				**14,942**	14,263
Total Equity				**103**	103

In connection with obtaining various amendments to its 2008 Loan, Gelesis issued the following warrants:

- In 2008 and 2009, Gelesis issued warrants to purchase 1,314 and 1,314 shares of its common stock, respectively, at an exercise price of $59.94 per share. The warrants expire upon the earlier of (i) 10 years from the issuance date, (ii) five years after the effective date of an initial public offering of Gelesis, or (iii) a sale of Gelesis.
- A warrant was issued in 2009, amended in 2009 and in 2011, ultimately for 1,501 shares of common stock at an exercise price of $0.56 per share. The warrants terminate upon the earlier of (i) 7 May 2019, (ii) five years after the effective date of an initial public offering of Gelesis, or (iii) the sale of Gelesis.
- In 2009, Gelesis issued a warrant to purchase 28,361 shares of Gelesis' common stock and in 2011 the warrant exercise price was amended to $0.56 per share. The warrant terminates upon the earlier of (i) 30 November 2019, (ii) three years after the effective date of an initial public offering, or (iii) a sale of Gelesis.
- In 2011, Gelesis issued a warrant to purchase shares of Series A-1 preferred shares at an exercise price equal to the lower of $4.44 per share or the price per share received in the first sale of shares of Gelesis' stock resulting in at least $5 million gross proceeds to Gelesis. The warrant is exercisable for the number of shares of Series A-1 preferred stock equal to the quotient of $332,000 divided by the exercise price of the warrant. The warrant terminates upon the earlier of (i) 27 April 2021, (ii) three years after the effective date of an initial public offering, or (iii) a sale of Gelesis. The fair value of the warrants was $699,000 and $664,000 at 31 December 2016 and 2015, respectively.

In June 2012, in connection with an amendment to a master purchase and licensing agreement with one of its customers, in exchange for the right to expand the field use of the intellectual property purchased, Gelesis issued fully vested warrants to purchase 238,190 shares of Series A-3 preferred shares at an exercise price of $0.04 per share. The warrant is subject to automatic exercise upon a deemed liquidation event. The warrants expire in June 2022. The warrants were amended in December 2014, and became exercisable upon completion of Gelesis' acquisition of a particular company in February 2015.

17. Subsidiary warrants — continued

The fair value of the warrants was $708,000 at the date of issuance and was recorded as an intangible license asset, and a corresponding warrant liability. The fair value of the warrants was $3.0 million and $2.8 million at 31 December 2016 and 2015, respectively.

In February 2015, warrants were issued to purchase 719,677 shares of Series A-4 convertible preferred stock at an exercise price of $0.04 per share pursuant to a contingency included as part of the issuance of Series A-4 convertible preferred stock in 2013.

The warrants were classified as a liability and recorded at fair value, which was estimated at $1.5 million at the date of issuance. The fair value of the warrants was $8.1 million and $7.5 million at 31 December 2016 and 2015, respectively.

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2016:

	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	4.3 years	5.5 years	6.6 years
Expected volatility	58.00%	58.00%	61.00%
Expected dividend yield	—	—	—
Risk free interest rate	1.70%	2.01%	2.25%
Estimated fair value of the convertible preferred stock	$12.73	$12.73	$12.73
Exercise price of warrants	$4.44	$0.04	$0.04

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2015:

	Series A-1 Warrants	Series A-3 Warrants	Series A-4 Warrants
Expected term	5.3 years	6.5 years	7.6 years
Expected volatility	59.00%	68.00%	72.00%
Expected dividend yield	—	—	—
Risk free interest rate	1.76%	2.01%	2.09%
Estimated fair value of the convertible preferred stock	$11.51	$11.51	$11.51
Exercise price of warrants	$4.44	$0.04	$0.04

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 January 2014 were deemed to have no value at the time of their issuance. The warrant liability has been marked to market at each subsequent reporting date and at 31 December 2016 and 2015 the warrants were deemed to have a value of $3.1 million and $3.2 million, respectively.

A warrant was issued 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.

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December:

	2016	2015
Expected term	**6.56 – 7.80 years**	7.56 – 8.80 years
Expected volatility	**47.84% – 50.49%**	59.93% – 63.96%
Expected dividend yield	**—**	—
Risk free interest rate	**2.09% – 2.22%**	2.02% – 2.15%
Estimated fair value of the convertible preferred stock	**$1.24**	$1.25
Exercise price of warrants	**$0.14**	$0.14

18. Trade and other payables

As of 31 December:	**2016 $000s**	2015 $000s
Trade payables	**2,077**	2,393
Accrued expenses	**9,044**	4,830
Total trade and other payables	**11,121**	7,223

19. 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.

In December 2014, the Company entered into a 10-year lease for 9,446 square feet of office space beginning in April 2015 and ending on 31 August 2025. The lease requires a letter of credit of $350,000, which is held in a certificate of deposit, as further discussed in note 11. The lease has a base rent of approximately $444,000, which increases by approximately two percent per year over the lease term.

In August 2015, Vedanta Biosciences entered into a lease for 9,027 square feet of office space beginning in February 2016 and ending in December 2022. The lease requires a letter of credit of $350,000, which is held in a certificate of deposit, as further discussed in note 11. The lease has an initial base rent of approximately $330,000, which increases to approximately $576,000 over the lease term. In October 2016, Vedanta Biosciences amended the lease, adding 4,791 square feet of office space beginning in December 2016 and ending in November 2021. The amendment has an initial annual base rent of $234,000 which increases to $351,000 over the lease term.

In November 2015, Akili entered into a lease for 3,603 square feet of office space beginning in December 2015 and ending in January 2019. The lease requires a security deposit of approximately $21,000 recorded as other non-current assets. The lease has a base rent of approximately $128,000, which increase approximately 3 percent per year over the lease term.

Minimum rental commitments under non cancellable leases were payable as follows

As of 31 December:	**2016 $000s**	2015 $000s
Within one year	**1,530**	867
Between one and five years	**5,831**	4,255
More than five years	**2,562**	3,570
Total minimum lease payments	**9,923**	8,692

Total rent expense under these leases was approximately $1,252,000 and $432,000 during the years ended 31 December 2016 and 2015, respectively. Rent expense is included in general and administrative expenses in the consolidated statements of comprehensive loss.

20. Financial instrument and related disclosures

Subsidiary notes payable and trade and other payables are initially recognised at fair value less the value attributed to any separately accounted for embedded derivatives. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. The amortisation is included in financial costs-contractual in the consolidated statements of comprehensive loss.

In the case of subsidiary preferred shares classified as a current liability, the expected amount at conversion or settlement and the associated timing of any conversion is assessed at each reporting period. To the extent necessary, any expected additional liability is accreted to the balance of the liability over the anticipated period under the effective interest rate method.

The derivative and warrant liabilities are carried at fair value with changes recognised in through Finance costs, net in the consolidated statements of comprehensive loss. Assumptions of the Group in the estimation of fair value of the derivative liability are below and refer to note 17 for assumptions used in the estimation of the warrant fair value.

Financial instruments by category at 31 December:

	2016					
	Carrying amount		Fair Value			
	Financial assets $000s	Financial liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets						
Cash and cash equivalents	62,959	—	62,959	—	—	62,959
U.S. Treasuries	218,510	—	218,510	—	—	218,510
Certificates of deposit	897	—	—	897	—	897
Other deposits	65	—	—	65	—	65
Loans and receivables:						
Trade and other receivables	125	—	—	125	—	125
Total financial assets	**282,556**	**—**	**281,469**	**1,087**	**—**	**282,556**
Financial liabilities						
Subsidiary warrant liability	—	14,942	—	—	14,942	14,942
Subsidiary derivative liability	—	71,240	—	—	71,240	71,240
Financial liabilities measured at amortised cost:						
Subsidiary preferred shares	—	96,937	—	—	96,937	96,937
Subsidiary notes payable	—	6,953	—	6,953	—	6,953
Total financial liabilities	**—**	**190,072**	**—**	**6,953**	**183,119**	**190,072**

	2015					
	Carrying amount		Fair Value			
	Financial assets $000s	Financial liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets						
Cash and cash equivalents	134,751	—	134,751	—	—	134,751
U.S. Treasuries	178,955	—	178,955	—	—	178,955
Certificates of deposit	826	—	—	826	—	826
Other deposits	57	—	—	57	—	57
Loans and receivables:						
Trade and other receivables	706	—	—	706	—	706
Total financial assets	315,295	—	313,706	1,589	—	315,295
Financial liabilities						
Subsidiary warrant liability	—	14,263	—	—	14,263	14,263
Subsidiary derivative liability	—	65,501	—	—	65,501	65,501
Financial liabilities measured at amortised cost:						
Subsidiary preferred shares	—	65,502	—	—	65,502	65,502
Subsidiary notes payable	—	4,955	—	4,955	—	4,955
Total financial liabilities	—	150,221	—	4,955	145,266	150,221

The embedded derivatives associated with the subsidiary convertible promissory notes and the conversion option within the subsidiary preferred shares are accounted for as liabilities and are marked to fair value at each reporting period. The fair value of the embedded derivative liability at inception, 31 December 2016 and 2015 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 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.

A summary of the changes in the Group's embedded derivative liabilities and warrant liabilities measured at fair value using significant Level 3 inputs as of and for the years ended 31 December 2016 and 2015 is as follows:

	Derivative Liability-Preferred Stock Conversion $000s	Derivative Liability-Convertible Notes $000s	Warrant Liability $000s
Balance as of 1 January 2015	51,721	1,073	14,125
Value of derivatives at issuance	6,041	206	—
Change in fair value	7,402	26	138
Settlement of derivatives	—	(968)	—
Balance as of 31 December 2015	65,164	337	14,263
Value of derivatives at issuance	2,588	408	—
Change in fair value	2,440	303	679
Settlement of derivatives	—	—	—
Balance as of 31 December 2016	**70,192**	**1,048**	**14,942**

The change in the fair value of derivatives and warrants is recorded in Finance costs, net in the consolidated statements of comprehensive loss.

At each measurement date, the fair value of the conversion rights embedded in the preferred shares was determined using 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. For key judgements and estimates in relation to these valuations see note 4.

Second, the value of the subject preferred shares was determined using either an option pricing allocation model or a probability weighted expected return model, where the conversion rights of the preferred shareholders were included and then excluded. 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

	Range of Values		
Measurement Date	Expiration Date	Volatility	Risk Free Rate
28/2/2014	3.5 years	60.00%	0.94%
31/3/2014	5 years	75.00%	1.73%
31/12/2014	2.0-5.0 years	60.00%	0.67%-1.65%
30/6/2015	1.5-4.5 years	35.0%-65.0%	0.48%-1.53%
31/12/2015	1.5-4.0 years	35.0%-60.0%	0.86%-1.54%
31/12/2016	1.5-5.0 years	35.0%-80.0%	1.03%-1.93%

20. Financial instrument and related disclosures — continued

Probability Weighted Expected Return Method Inputs

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO/M&A/ Dissolution Sale
31/3/2014	1.0 year	40.0%/45.0%/15.0%
31/12/2014	0.33 years	70.0%/25.0%/5.0%
30/6/2015	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%

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:

	As at 31 December:		
Significant Unobservable Inputs	At Issuance	2016	2015
Time to next qualified equity financing	1-2.03 years	0.17-1.5 years	0.5-1 years
Implied discount rate	11.3%-2,459.0%	9.3%-39.5%	11.0%-31.7%
Probabilities of a qualified financing	0%-100%	50.0%-95.0%	45.0%-75.0%

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.

The fair value of these embedded derivative liabilities may differ significantly in the future from the carrying value as of 31 December 2016, and, accordingly, adjustments may be recorded in the consolidated statements of comprehensive loss at that time.

21. 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 the Group's 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 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.

21. Capital and financial risk management — continued

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:

	2016 $000s	2015 $000s
Cash and cash equivalents	**62,959**	134,751
Short term investments	**218,510**	178,955
Trade and other receivables	**125**	706
Total	**281,594**	314,412

The Group invests excess cash in U.S. Treasury Bills, U.S. debt obligations and money market accounts, which the Group believes are of high credit quality.

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:

	2015 $000s	2015 $000s
Neither past due nor impaired	**—**	496
Past due 30-90 days	**—**	—
Past due 90-365 days	**125**	210
Total	**125**	706

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 shortage of funds 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. The table below summarises the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as at 31 December 2016 and 2015 based on contractual undiscounted payments:

	2016				
	Carrying amount $000s	**Within 3 months $000s**	**3 to 12 months $000s**	**1 to 5 years $000s**	**Total $000s**
Subsidiary notes payable	6,953	6,953	—	—	6,953
Trade and other payables	11,121	11,121	—	—	11,121
Subsidiary preferred shares (Note 14)	96,937	96,937	—	—	96,937
Other liabilities	685	685	—	—	685
Total	**115,696**	**115,696**	**—**	**—**	**115,696**

	2015				
	Carrying amount $000s	Within 3 months $000s	3 to 12 months $000s	1 to 5 years $000s	Total $000s
Subsidiary notes payable	4,955	4,310	—	1,072	5,382
Trade and other payables	7,223	5,341	1,882	—	7,223
Subsidiary preferred shares (Note 14)	65,502	65,502	—	—	65,502
Other liabilities	622	554	68	—	622
Total	78,302	75,707	1,950	1,072	78,729

21. Capital and financial risk management — continued

In addition to the above financial liabilities, the Group is required to spend the following minimum amounts under intellectual property license agreements:

	2017 $000s	2018 $000s	2019 $000s	2020 $000s
License fees	40	50	75	100
Total	**40**	**50**	**75**	**100**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the 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 is 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.

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 the Group's 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. In order 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 13.

As discussed in note 14, 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 common shares.

22. Commitments and contingencies

Gelesis is a party to a patent license and assignment agreement whereby it will be required to pay approximately $8 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. None of the milestones have been met.

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.

On 12 January 2015, Vedanta Biosciences entered into an 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 has entered into a license agreement whereby it agreed to pay 10 percent of the license fee income generated by the JBI Agreement to the University of Tokyo. As of 31 December 2015, the Company received an upfront payment of $10 million from JBI, resulting in $1 million in payments to University of Tokyo. In 2016, Vedanta was granted patents which triggered milestone payments totalling $4 million from JBI, resulting in $0.4 million in payments to 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 the milestones have been met and the amounts of any potential future milestone or royalty payments cannot be reliably measured as of the date of the financial information.

23. Related parties

Transactions with key management personnel compensation.

Key management personnel compensation

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

	2016 $000s	2015 $000s
Short term employee benefits	**3,514**	2,150
Share based payments	**2,402**	2,235
Total	**5,916**	4,385

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 debt issued to directors, key management personnel and key personnel of the businesses

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. Activity of related parties by subsidiary are presented below.

	Vedanta Biosciences $000s	Karuna $000s	Appeering $000s	Total $000s
Balance as of 1 January 2015	53	43	59	155
Loans advanced	—	—	—	—
Loan repayments made	—	—	—	—
Interest charged	5	3	5	13
Interest paid	—	—	—	—
Conversions	—	—	—	—
Balance as of 31 December 2015	58	46	64	168
Loans advanced	—	—	—	—
Loan repayments made	—	—	—	—
Interest charged	3	2	5	10
Interest paid	—	—	—	—
Conversions	(61)	—	—	(61)
Balance as of 31 December 2016	**—**	**48**	**69**	**117**

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 16.

All of the outstanding principal and interest on the notes issued by Vedanta Biosciences to related parties were converted to 11,202 Series B preferred shares in June 2016.

23. Related parties — 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 2016:

Directors	Business name (share class)	Number of shares held as at 31 December 2016	Number of options held as at 31 December 2016	Ownership interest[1]
Mr. Joichi Ito	Akili (Series A-2 preferred)	26,627	—	0.10%
Ms. Daphne Zohar[2]	Gelesis (common)	59,443	744,423	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)	—	250,000	5.20%
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				
Mr. Michael MacLean		—	—	—
Dr. Eric Elenko		—	—	—
Mr. David Steinberg		—	—	—

Notes:

1 Ownership interests are as at 31 December 2016 calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans, and any shares of common stock issuable upon conversion of outstanding convertible promissory notes.

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

3 Shares held through Dr. Bennett M. Shapiro and Ms. Fredericka F. Shapiro, JTWROS.

4 49,523 shares of common stock and 49,523 shares of Series A-1 preferred stock in Gelesis held by Dr. John and Ms. Mary LaMattina. 12,642 shares in Gelesis held individually by Dr. LaMattina. Dr. John LaMattina holds convertible notes issued by Appeering in the aggregate principal amount of $50,000.

Directors and senior managers hold 34,707,820 shares and 14.6% voting rights of the Company as of 31 December 2016.

24. Taxation

Amounts recognised in profit or loss:

	2016 $000s	2015 $000s
Net loss	**(81,608)**	(58,244)
Income taxes expense/(benefit)	**(1,574)**	1,924
Net loss before taxes	**(83,182)**	(56,320)

Recognised income tax expense/(benefit)

	2016 $000s	2015 $000s
Federal	**(1,757)**	1,895
Foreign	**164**	95
State	**20**	(16)
Total current income tax expense	**(1,573)**	1,974
Federal	**—**	—
Foreign	**(1)**	(50)
State	**—**	—
Total deferred income tax (benefit)	**(1)**	(50)
Total income tax expense/(benefit), recognised	**(1,574)**	1,924

The Federal tax benefit of $1.8 million is the result of a U.S. carryback of net operating losses from the 2016 tax year to offset the 2015 tax liability providing the Group with a Federal refund receivable of such amount.

Reconciliation of effective tax rate

The Group is primarily subject to taxation in the U.S.; therefore the reconciliation of the effective tax rate has been prepared using the U.S. statutory tax rate. A reconciliation of the U.S. statutory rate to the effective tax rate is as follows:

	2016 %	2015 %
Weighted average statutory rate	**33.99%**	34.00%
Effect of state tax rate in U.S.	**4.21%**	3.24%
Credits	**1.27%**	0.27%
Share based payment measurement	**-3.20%**	-0.54%
Mark to market adjustments	**-1.50%**	-4.53%
Income of partnerships not subject to tax	**0.04%**	-3.97%
Accretion on preferred shares	**-2.63%**	-2.12%
Other	**-0.52%**	-3.92%
Current year losses for which no deferred tax asset is recognised	**-29.77%**	-25.85%
	1.89%	-3.42%

The Group is subject to taxation in the U.S. and U.K. Additionally, the Group is exposed to state taxation in certain jurisdictions within the U.S. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). The maximum corporate tax rate in the U.S. for the corresponding periods is 35 percent. The Group is generally subject to a 34 percent rate applicable to smaller taxpayers.

U.S. corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. During 2016 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.

24. Taxation — continued

Deferred tax assets

Deferred tax assets have not been recognised for the U.S. amounts in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. Deferred tax assets have been recognised for the foreign amounts in respect of the following items:

	2016 $000s	2015 $000s
Operating tax losses	**45,165**	22,057
Capital loss carryovers	**758**	758
Research credits	**2,059**	850
Investment in subsidiaries	**905**	1,061
Other	**1,974**	2,568
Share-based payments	**8,321**	7,256
Deferred tax assets	**59,182**	34,550
Other	**(1,453)**	(1,590)
Deferred tax liabilities	**(1,453)**	(1,590)
Deferred tax assets/(liabilities), net, recognised	**1**	—
Deferred tax assets/(liabilities), net, not recognised	**57,728**	32,960

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

There were no movements in deferred tax recognised in income or equity for the United States in 2016 or 2015 as the deferred tax asset was not recognised in any of those years. There was movement in deferred tax recognised in income or equity in 2016 and 2015 for the foreign jurisdiction in the following amounts, respectively ($1,000) and ($55,000).

As of 31 December 2016 the Company had U.S. federal net operating losses carry forwards (NOLs) of approximately $117.5 million (2015: $59.8 million) available to offset future taxable income, if any. These NOLs expire through 2036 and are subject to review and possible adjustment by the Internal Revenue Service. As of 31 December 2016 the Company had U.S. Federal research and development tax credits of approximately $1.7 million (2015 $0.6 million) available to offset future tax which expire through 2036.

Utilisation of the NOL 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 2016. 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 U.S. taxes have not been provided on undistributed earnings.

24. Taxation — continued

Uncertain tax positions

The changes to uncertain tax positions from 1 January 2015 through 31 December 2016, were as follows:

	U.S. $000s	Foreign $000s	Total $000s
Gross tax liabilities at 1 January 2015	—	90	90
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	78	—	78
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	—	(57)	(57)
Gross tax liabilities at 31 December 2015	78	33	111
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	—	(5)	(5)
Gross tax liabilities at 31 December 2016	**78**	**28**	**106**

Included in the balance of uncertain tax positions at 31 December 2016 was approximately $28,000 of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate.

The liability for uncertain tax benefits as of 31 December 2016 and 2015 included accrued interest of $230,000 and $187,000 respectively.

PureTech Health plc Balance Sheet

Registered number: 09582467

As of 31 December:

	Note	2016 $000s	2015 $000s
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	**189,306**	189,306
Total current assets		**189,306**	189,306
Total assets		**330,654**	330,654
Equity			
Share capital	4	**4,609**	4,523
Share premium	4	**181,658**	181,744
Merger reserve	4	**138,506**	138,506
Other reserve	4	**855**	84
Accumulated deficit	4	**(3,664)**	(1,929)
Total equity		**321,964**	322,928
Current liabilities			
Trade and other payables		**585**	296
Related party payables	5	**8,105**	7,430
Total current liabilities		**8,690**	7,726
Total equity and liabilities		**330,654**	330,654

The Company presents its financial statements from the date of incorporation on 8 May 2015 to 31 December 2016. The financial statements on pages 128 to 132 were approved by the Board of Directors and authorised for issue on 6 April 2017 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

6 April 2017

PureTech Health plc Statement of Changes in Equity

	Share Capital		Share Premium $000s	Merger Reserve $000s	Other Reserve $000s	Accumulated deficit $000s	Total equity $000s
	Shares	Amount $000s					
Balance 8 May 2015	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the period							
Issuance of shares	219,845,031	4,396	181,871	138,506	—	—	324,773
Issuance of shares as equity incentives	6,328,720	127	(127)	—	—	—	—
Equity-settled share based payments	**—**	—	—	—	84	—	84
Net loss	**—**	—	—	—	—	(1,929)	(1,929)
Balance 31 December 2015	**226,173,751**	**4,523**	**181,744**	**138,506**	**84**	**(1,929)**	**322,928**
Total comprehensive loss for the period							
Issuance of shares as equity incentives	6,538,791	86	(86)	—	—	—	—
Equity-settled share based payments	**—**	—	—	—	771	—	771
Net loss	**—**	—	—	—	—	(1,735)	(1,735)
Balance 31 December 2016	**232,712,542**	**4,609**	**181,658**	**138,506**	**855**	**(3,664)**	**321,964**

PureTech Health plc Statement of Cash Flows

For the year ended 31 December:

	2016 $000s	2015 $000s
Cash flow from operating activities:		
Net income	**(1,735)**	(1,929)
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash items:		
Stock compensation expense	**771**	83
Change in operating assets and liabilities:		
Increase in accounts payable and accrued expenses	**289**	1,846
Increase in related party receivables	**675**	—
Net cash used in operating activities	**—**	—
Cash flows from investing activities:	**—**	
Net cash provided (used in)/by investing activities	**—**	—
Cash flows from financing activities:	**—**	
Net cash provided (used in)/by financing activities	**—**	—
Non-cash investing and financing activities:		
Proceeds from issuance of Growth preferred shares, net of issuance costs	**—**	52,231
Proceeds from initial public offering, net of issuance costs	**—**	159,275
Proceeds from overallotment shares	**—**	24,150
Reclassification of PureTech LLC equity to PLC	**—**	89,117
Vesting of Equity incentive shares	**86**	127

The Parent Company does not have cash holdings or maintain accounts with financial institutions. The above cash flow does not present cash flows from investing or financing activities, as all cash is maintained by its subsidiaries.

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent Company") 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 which have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent Company is U.S. Dollars. The financial statements of the Parent Company are presented in U.S. Dollars.

Investments

Investments are stated at historic cost less any provision for impairment in value and are held for long-term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Impairment

If there is an indication that an asset might be impaired, the Parent Company will 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 ("DCF") 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 Company 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 2015 and 2016	**141,348**

Investment in subsidiary represents the Parent Company's investment in PureTech LLC as a result of the reverse acquisition described above in note 13 of the Group's financial statements immediately prior to the Parent Company's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the U.S. as a U.S.-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 Company's indirect subsidiaries see note 1 of Consolidated Financial Statements of PureTech Health plc.

3. Related party receivables

The Parent Company has accounts receivable from its operating subsidiary PureTech LLC of $189.3 million as a result of 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 24 June 2015 the Company's entire issued ordinary share capital of 227,248,008 ordinary shares of one pence each were 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 for listed securities. The IPO was for 67,599,621 new ordinary shares issued by the Company at 160 pence per ordinary share. This resulted in approximately $159.3 million of net proceeds from the IPO (net of issue cost of approximately $11.8 million) reflected in the share premium balance as of 31 December 2015.

The IPO also included an over-allotment option equivalent to 15% of the total number of new ordinary shares, or 10,139,943. The stabilisation manager gave notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Company issued 10,139,943 ordinary shares at the offer price of 160 pence per share achieving further net proceeds for the Company of £15.7 million, or approximately $24.2 million (net of issue cost of approximately $772,000).

5. Related party payables

The Parent Company has accounts payable to its operating subsidiary PureTech LLC of $8.1 million related to IPO costs and operating expenses. However, there is no intention of its settlement in the foreseeable future.

6. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The Parent Company's loss for the year was $1.7 million.

7. Directors' remuneration, employee information and share-based payments

The remuneration of the Directors of the Parent Company is disclosed in note 23 on page 123. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 67 to 78. Full detail of the share-based payment charge and related disclosures can be found in note 6 on page 104 to the consolidated financial statements.

The Parent Company had no employees during 2015 or 2016.

Company information

Directors, Secretary and Advisors to PureTech

Company Registration Number
09582467

Registered Office
5th Floor
6 St. Andrew Street
London EC4A 3AE
United Kingdom

Website
www.puretechhealth.com

Board of Directors
Mr. Joichi Ito
(Chairman)
Ms. Daphne Zohar
(Chief Executive Officer)
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 Non-Executive Director)
Mr. Christopher Viehbacher
(Independent Non-Executive Director)
Mr. Stephen Muniz
(Executive Vice President, Legal and Operations)

Company Secretary
Stephen Muniz

Media and Public Relations
FTI Consulting, Inc.
200 Aldersgate
Aldersgate Street
London EC1A 4HD
United Kingdom
TEL: +44 203 727 1000

Independent Auditor
KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom
TEL: +44 207 311 1000

Brokers
Jefferies International Limited
68 Upper Thames Street
London EC4V 3BJ
United Kingdom
TEL: +44 207 029 8000

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom
TEL: +44 207 260 1000

Registrar
ComputerShare
Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
United Kingdom
TEL: +44 (0)370 707 1147

Solicitors
DLA Piper UK LLP
3 Noble Street
London EC2V 7EE
United Kingdom
TEL: +44 870 011 1111

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PureTech Health
501 Boylston Street
Suite 6102
Boston
MA 02116

T: +1 617 482 2333
E: info@puretechhealth.com