PureTech Health plc
Annual report and accounts 2019

PureTech Health

Developing BIG medicines

PureTech Health plc (HQ: Boston, MA; LSE: PRTC) ("PureTech Health", "PureTech", or "the Company"), which is comprised of PureTech and its Founded Entities[1] (together, "the Group"), is a clinical-stage biotherapeutics company dedicated to discovering, developing and commercialising highly differentiated medicines for devastating diseases, including intractable cancers, lymphatic and gastrointestinal diseases, central nervous system disorders and inflammatory and immunological diseases, among others. The Group has created a broad and deep pipeline through the expertise of its experienced research and development team and its extensive network of scientists, clinicians and industry leaders. This pipeline, which is being advanced both internally and through PureTech's Founded Entities[1], is comprised of 23 product candidates and one product that has been cleared by the US Food and Drug Administration (FDA). All of the underlying programmes and platforms that resulted in this pipeline of product candidates were initially identified or discovered and then advanced by the PureTech team through key validation points based on their unique insights into the biology of the brain, immune and gut, or BIG, systems and the interface between those systems, referred to as the BIG Axis.

PureTech is led by a proven and seasoned management team of business leaders with significant experience in discovering and developing important new medicines, delivering them to market and maximising shareholder value.

In addition to the management team, PureTech's accomplished board of directors and research and development committee contribute to its robust innovation and development engine. Having joined from senior positions at top biopharmaceutical companies and research institutions, the board and members of the research and development committee possess substantial expertise and experience in drug discovery, development and commercialisation.

Across its Wholly Owned Pipeline and Founded Entities, PureTech is developing BIG medicines with:

- disease-focused drug discovery based on proprietary insights that have yielded 23 product candidates, of which 14 are clinical-stage product candidates, and one product that has been cleared by the US Food and Drug Administration (FDA);
- a unique and collaborative approach to research and development that enables rapid and capital-efficient prioritisation and validation;
- a distinctive business model that drives shareholder value through a Wholly Owned Pipeline, equity growth in Founded Entities and non-dilutive partnerships and grants;
- a strong capital base with PureTech Level Cash Reserves of $120.6 million as of 31 December 2019 along with $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares totalling PureTech Level Pro-forma Cash Reserves of $321.5 million[2];
- relationships with major pharmaceutical companies or their investment arms to advance some of the underlying programmes and platforms; and
- an innovative and entrepreneurial culture that attracts and retains top talent.

1 Unless the context specifically indicates otherwise, references in this report to "Founded Entities" refer to the entities that PureTech founded and in which PureTech continues to hold equity. While PureTech maintains ownership of equity interests in its Founded Entities, the Company does not, in all cases, maintain control over these entities (by virtue of (i) majority voting control and (ii) the right to elect representation to the entities' board of directors) or direct the management and development efforts for these entities. Consequently, not all such entities are consolidated in the financial statements. Where PureTech maintains control, the entity is referred to as a Controlled Founded Entity in this report and is consolidated in the financial statements. Where PureTech does not maintain control, the entity is referred to as a Non-Controlled Founded Entity in this report and is not consolidated in the financial statements. As of 31 December 2019, Controlled Founded Entities include Alivio Therapeutics, Inc., Follica, Incorporated, Entrega, Inc., Vedanta Biosciences, Inc. and Sonde Health, Inc., and Non-Controlled Founded Entities include Akili Interactive Labs, Inc., Gelesis, Inc., Karuna Therapeutics, Inc., Vor Biopharma Inc. and, for all periods prior to December 18, 2019, resTORbio, Inc.

2 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million for the year ended 2019 and the internal pipeline of $8.6 million for the year ended 2019, all of which are wholly-owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

Highlights of the Year – 2019

2019 PureTech Level Pro-forma Cash Reserves

$321.5m[3]

Cash Reserves at Year End

$120.6m[4]

2018: $177.7m
2017: $126.7m
2016: $192.1m
2015: $255.5m
2014: $53.2m

2019 Consolidated Pro-forma Cash Reserves

$363.3m[5]

Consolidated Cash Reserves at Year End

$162.4m[6]

2018: $250.9m
2017: $188.7m
2016: $281.5m
2015: $313.7m
2014: $62.7m

Amount of funding secured for Founded Entities

$666.8m[7,8]

$622.8m (93.4%) came from third parties

2018: $274.0m
2017: $102.9m
2016: $98.2m
2015: $74.6m
2014: $8.0m

Clinical trials initiated

6[8,9]

Clinical trial readouts

5[8,10]

Wholly Owned Pipeline

In 2019, PureTech grew and strengthened its Wholly Owned Pipeline, which is centred on the lymphatic system and related immunological disorders. This pipeline includes one clinical-stage product candidate for the potential treatment of a range of conditions involving fibrosis, inflammation and impaired lymphatic flow (LYT-100), two preclinical product candidates for intractable cancers (LYT-200 and LYT-210) and three discovery platforms. Key developments include the following:

- In July 2019, PureTech announced the acquisition of a clinical-stage product candidate LYT-100 (deupirfenidone) for the potential treatment of a range of conditions of fibrosis, inflammation and impaired lymphatic flow, including lymphoedema. Lymphoedema is a debilitating and chronic condition that affects millions of people and is characterised by swelling due to the build-up of lymph fluid and inflammation.
- In the March 2020 post-period, PureTech announced the initiation of a multiple ascending dose study to evaluate the safety, tolerability and pharmacokinetic profile of LYT-100 in healthy participants. Results are expected in 2020 and may enable the initiation of a proof-of-concept study in people with breast cancer-related, upper limb secondary lymphoedema later in 2020. PureTech may also explore the application of LYT-100 in idiopathic pulmonary fibrosis (IPF), interstitial pneumonias, unclassifiable interstitial lung disease (uILD) and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS).
- In April 2019, PureTech announced a collaboration agreement with Boehringer Ingelheim (BI) to evaluate the feasibility of applying PureTech's lymphatic targeting technology to advance certain of BI's immuno-oncology product candidates. Under the terms of the agreement, PureTech is eligible to receive up to $26 million in upfront payments, research support and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.
- PureTech presented preclinical data supporting its first-in-class, fully-human monoclonal antibodies targeting galectin-9 (LYT-200) and immunosuppressive γδ1 (gamma delta-1) T cells (LYT-210) at the American Association for Cancer Research (AACR) Annual Meeting in April 2019 and the Society for Immunotherapy of Cancer (SITC) Annual Meeting in November 2019. PureTech is developing LYT-200 and LYT-210 to treat intractable cancers, including colorectal cancer (CRC), cholangiocarcinoma and pancreatic cancer, along with other relevant cancers and immunological disorders.
- In June 2019, PureTech expanded to new corporate headquarters and labs in Boston's Seaport District to advance and accelerate development of the Company's Wholly Owned Pipeline. In addition to the programmes mentioned above (LYT-100, LYT-200, LYT-210 and the lymphatic targeting chemistry platform), PureTech's Wholly Owned Pipeline includes a milk exosome platform to traffic therapeutics via the lymphatic system and a meningeal lymphatics platform for treating neurodegenerative diseases.

3 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

4 PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million for the year ended 2019 and the internal pipeline of $8.6 million for the year ended 2019, all of which are wholly-owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities. The balance excludes the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares.

5 Consolidated Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the Consolidated Cash Reserves of $162.4 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. Consolidated Pro-forma Cash Reserves is therefore considered to be more representative of the Group's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

6 Consolidated Cash Reserves includes cash balances of $132.4 million and short-term investments of $30.1 million for the year ended 2019 as shown on the Consolidated Statements of Financial Position.

7 Funding figure includes private equity financings, public offerings or grant awards. Funding figure excludes upfront payments and future milestone considerations received in conjunction with partnerships and collaborations such as those with Roche, Boehringer Ingelheim, Imbrium Therapeutics L.P., Shionogi & Co., Ltd. or Eli Lilly.

8 Number represents figure for the relevant fiscal year only and is not cumulative.

9 Karuna, Vedanta and resTORbio each initiated two clinical trials in 2019.

10 Gelesis, Karuna, Follica, Akili and resTORbio reported clinical results from across their pipelines in 2019.

Founded Entities

PureTech's Founded Entities have made significant progress advancing 20 product candidates, 13 of which are clinical stage. Key developments include the following:

KARUNA THERAPEUTICS

- In June 2019, Karuna announced the successful pricing of its initial public offering (IPO) of common stock on the Nasdaq Global Market under the symbol "KRTX." Gross proceeds were approximately $102.6 million, including the full exercise of the underwriters' over-allotment option. Karuna previously completed an $82.1 million Series B round in April 2019, including the issuance of $7.1 million in shares upon conversion of debt into equity.
- In November 2019, Karuna announced that KarXT achieved the primary endpoint of its Phase 2 clinical trial for the treatment of acute psychosis in patients with schizophrenia. In the clinical trial, KarXT demonstrated a statistically significant and clinically meaningful 11.6 point mean reduction in total Positive and Negative Syndrome Scale (PANSS) score compared to placebo ($p<0.0001$) and also demonstrated good overall tolerability. A statistically significant reduction in the secondary endpoints of PANSS-Positive and PANSS-Negative scores were also observed ($p<0.001$). Karuna plans to hold an end-of-Phase 2 meeting with the FDA in the second quarter of 2020, and pending the outcome of that meeting, anticipates advancing KarXT into a Phase 3 clinical trial by the end of 2020.
- In November 2019, Karuna completed a follow-on offering of 2,600,000 shares of its common stock, with gross proceeds of approximately $250 million.
- In the January 2020 post-period, PureTech sold 2.1 million of its Karuna shares for a cash consideration of approximately $200 million. PureTech intends to use the proceeds from this transaction to fund its operations and growth for the foreseeable future and to further expand and advance its clinical-stage Wholly Owned Pipeline. Following the sale, PureTech continues to hold 5,295,397 shares of Karuna common stock (20.3% as of 13 March 2020) and has a right to royalty payments as a percentage of net sales.

GELESIS

- In April 2019, Gelesis received clearance from the FDA for its first product, Plenity™[1] (Gelesis100), a prescription aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis initiated a Plenity early experience programme in the United States in the second half of 2019 and anticipates Plenity will be available by prescription in the United States in the second half of 2020, with a broad launch in early 2021. Gelesis also filed Plenity for marketing authorisation in Europe in February 2019. Important safety information regarding Plenity can be found at www.myplenity.com.
- In December 2019, Gelesis announced a partnership with Ro, a leading US telehealth provider, to support the US commercialisation of Plenity, which is expected in the second half of 2020, with a broad launch in early 2021.
- In 2019, Gelesis secured nearly $100 million in new capital and non-dilutive grants to support the US commercialisation of Plenity, including over $84 million announced in December 2019 and $10.6 million announced in April 2019.
- In 2019, Gelesis and its research collaborators presented clinical data supporting its proprietary hydrogel platform. Additional safety and efficacy data for Plenity was presented at ObesityWeek, and clinical data for a GS500 prototype in patients with chronic idiopathic constipation (CIC) was presented at Digestive Disease Week. Gelesis also presented preclinical research at the Endocrine Society Annual Meeting and The International Liver Congress suggesting that GS300 may restore gut barrier function after damage as well as prevent the harmful effects of a high-fat diet on the liver and associated metabolic disorders.
- In the March 2020 post-period, Gelesis was named to *Fast Company's* annual list of the World's Most Innovative Companies for 2020, which honours the businesses making the most profound impact on both industry and culture.

AKILI

- In the January 2020 post-period, Akili announced that a study achieved its primary endpoint evaluating the effects of lead product candidate AKL-T01 in children with Attention Deficit Hyperactivity Disorder (ADHD) when used with and without stimulant medication.
- In December 2019, Akili presented the results from a trial of AKL-T03 as a potential treatment for cognitive impairments adjunct to anti-depressant medication in adults with Major Depressive Disorder (MDD) at the 58th Annual Meeting of the American College of Neuropsychopharmacology. In the trial, AKL-T03 demonstrated a statistically significant improvement in sustained attention compared to control. AKL-T03 is designed to improve specific cognitive functions and may play a complementary role to antidepressants in the holistic treatment of MDD.
- Akili is currently actively pursuing FDA clearance for AKL-T01. Clearance for AKL-T01 has not yet been granted, and Akili continues to work with the FDA in an effort to make the product available for children living with ADHD.
- In March 2019, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the development and commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million, with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.

follica

- In December 2019, Follica announced topline results from its safety and efficacy optimisation study of its lead candidate to treat hair loss in male androgenetic alopecia. The study was designed to select the optimal treatment regimen using Follica's proprietary device in combination with a topical drug and successfully met its primary endpoint. The selected treatment regimen demonstrated a statistically significant 44% improvement of non-vellus (visible) hair count after three months of treatment compared to baseline ($p < 0.001$, $n = 19$). The initiation of a Phase 3 registration study in male androgenetic alopecia is expected in 2020.

ALIVIO THERAPEUTICS

- In January 2019, Alivio Therapeutics entered into a partnership focused on non-opioid approaches to pain management with Imbrium Therapeutics L.P. to advance ALV-107, a non-opioid treatment being developed for interstitial cystitis/bladder pain syndrome (IC/BPS), through clinical development. Under the terms of the agreement, Alivio is eligible to receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Alivio retains the rights of its inflammation targeting platform for a broad range of internal and partnering applications.

VEDANTA BIOSCIENCES

- In December 2019, Vedanta Biosciences announced the initiation of a first-in-patient clinical trial of its immuno-oncology candidate, VE800, in patients with select types of advanced or metastatic cancer. The trial will evaluate clinical activity of VE800 in combination with Bristol-Myers Squibb's programmed death-1 (PD-1) immune checkpoint inhibitor Opdivo® (nivolumab). Topline results are anticipated in 2021.
- In July 2019, Vedanta Biosciences announced the enrolment of the first patient in its Phase 1/2 clinical study of its product candidate VE416 for food allergy. Topline results are expected in 2021.
- In January 2019, Vedanta Biosciences published seminal research in *Nature* that underlies Vedanta's proprietary oral immuno-oncology product candidate, VE800.
- In May 2019 and September 2019, Vedanta Biosciences announced extensions to its Series C financing round, bringing the total capital raised in the round to $62.1 million.
- In December 2019, Vedanta Biosciences announced that it had been awarded a $5.8 million grant from Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) to advance its VE707 programme targeting multi-drug resistant organisms.
- In May 2019, Vedanta Biosciences presented expanded data from its Phase 1a/1b study of VE303, the company's product candidate for high-risk *Clostridioides difficile* infection (CDI) at Digestive Disease Week.

VOR BIOPHARMA

- In February 2019, Vor completed a $42.9 million Series A financing round to advance its lead cell therapy product candidate for the treatment of acute myeloid leukaemia (AML) and to further build its pipeline to treat haematologic malignancies.
- In May 2019, the scientific founder of Vor Biopharma, Dr Siddhartha Mukherjee, and key individuals from his lab at Columbia University, published a preclinical proof-of-concept study supporting Vor's lead product candidate, VOR33, and its technology platform for treating cancer via engineered haematopoietic stem cells (HSCs) in the *Proceedings of the National Academy of Sciences (PNAS)*.
- In the January 2020 post-period, Vor held a pre-IND meeting with the FDA to gather important feedback to assemble the data package necessary for a potential IND filing.

SONDE

- In April 2019, Sonde completed a $16 million Series A financing round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand the capability of its voice-based technology platform for monitoring and diagnosing mental and physical medical conditions across additional health conditions and device types and to fund commercialisation activities.
- Sonde has collected voice data from over 40,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into Alzheimer's disease and respiratory and cardiovascular disease, as well as other health and wellness conditions.

entrega

- Entrega continued to advance its platform for the oral delivery of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally, progressing a broad range of prototypes in additional preclinical studies as part of its collaboration with Eli Lilly.

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

Components of Value

Wholly Owned Pipeline

Product Candidate	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
LYT-100 Deupirfenidone	Lymphatic flow disorders, including lymphoedema				Initiation of POC study in **2020**	
LYT-100 Deupirfenidone	Other fibrotic and inflammatory disorders				Initiation of POC study in **2020**	
LYT-200 Anti-Galectin-9 MAb	Solid Tumours			IND and initiation of Ph1a/1b study in **2020**		
LYT-210 Anti-Delta-1 MAb	Solid Tumours					
LYT-210 Anti-Delta-1 MAb	GI Autoimmunity					
Lymphatic Targeting Chemistry Platform						
Milk Exosome Platform						
Meningeal Lymphatics Platform						

Cash at PureTech Parent Level

$321.5m PureTech Level **Pro-forma Cash Reserves**[1]

$120.6m PureTech Level **Cash Reserves**[2] as of 31 December 2019

1 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

2 PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million for the year ended 2019 and the internal pipeline of $8.6 million for the year ended 2019, all of which are wholly-owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities. The balance excludes the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares.

Founded Entities[1]

Controlling interest or right to receive royalties

Developing therapies for people with severe neuropsychiatric disorders and pain

Interest[2] (KRTX)	Stage of Development
20.3% Equity plus Royalties	Phase 2 Complete[3]

A regenerative platform for hair growth

Interest[2]	Stage of Development
78.3% Equity plus Royalties	Phase 3 Ready

Targeting the GI system locally to treat the genesis of chronic disease

Interest[2]	Stage of Development
22.0% Equity plus Royalties	FDA Cleared

Founded by scientific leaders in the fields of immunology and the microbiome

Interest[2]	Stage of Development
53.3% Equity	Phase 2

Targeting devastating GI disease

Interest[2]	Stage of Development
78.6% Equity	Preclinical

Unlocking voice as a vital sign and meaningful predictor of health

Interest[2]	Stage of Development
45.9% Equity	Phase 1

Engineering hydrogels to enable oral delivery of biologics

Interest[2]	Stage of Development
72.9% Equity	Preclinical

Limited to equity interest

Digital therapeutics for people living with cognitive impairment

Interest[2]	Stage of Development
34.4% Equity	Pursuing FDA Clearance

Engineered haematopoietic stem cells that unleash the potential of targeted therapies

Interest[2]	Stage of Development
28.1% Equity	Preclinical

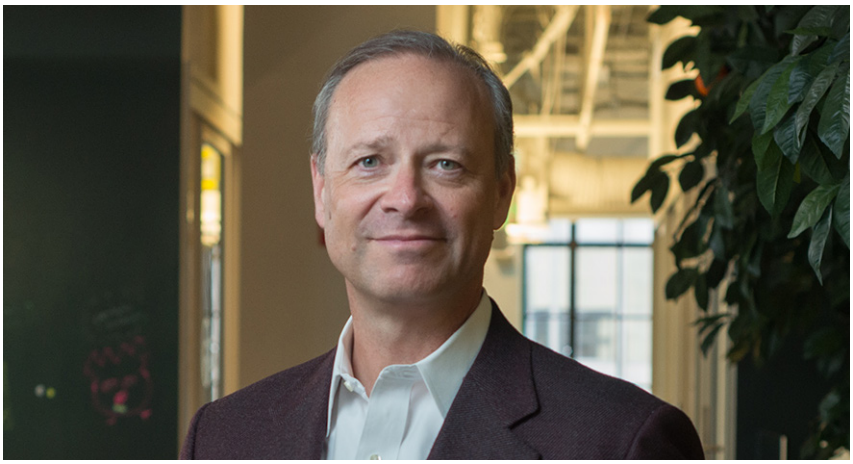
1 This figure represents the stage of development for each Founded Entity's most advanced product candidate. While PureTech maintains ownership of equity interests in its Founded Entities, the Company does not, in all cases, maintain control over these entities (by virtue of (i) majority voting control and (ii) the right to elect representation to the entities' board of directors) or direct the management and development efforts for these entities. Consequently, not all such entities are consolidated in the financial statements. Where PureTech maintains control, the entity is referred to as a Controlled Founded Entity in this report and is consolidated in the financial statements. Where PureTech does not maintain control, the entity is referred to as a Non-Controlled Founded Entity in this report and is not consolidated in the financial statements. As of 31 December 2019, Controlled Founded Entities include Alivio Therapeutics, Inc., Follica, Incorporated, Entrega, Inc., Vedanta Biosciences, Inc. and Sonde Health, Inc., and Non-Controlled Founded Entities include Akili Interactive Labs, Inc., Gelesis, Inc., Karuna Therapeutics, Inc., Vor Biopharma Inc. and, for all periods prior to December 18, 2019, resTORbio, Inc.

2 Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of 31 December 2019 (with the exception of Gelesis ownership which is as of 1 April 2020), including outstanding shares, options and warrants, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans. Ownership of Vor and Sonde is based on the assumption that all future tranches of their most recent financing rounds are funded. Karuna ownership is calculated on an outstanding voting share basis as of 13 March 2020.

3 Pending the outcome of an End-of-Phase 2 meeting with the FDA, Karuna expects to initiate a Phase 3 clinical trial.

Letter from the Chairman

"What really drives value for investors and patients alike are positive clinical outcomes, regulatory progress and the validation of third-party investors – and PureTech has had an incredible series of such results this past year."



2019 was a year of validation and transformation for PureTech. PureTech has a long track record of identifying and incubating highly innovative technologies to address significant unmet need, then building highly talented and passionate teams around each programme while making remarkably efficient use of resources. What really drives value for investors and patients alike are positive clinical outcomes, regulatory progress and the validation of third-party investors – and PureTech has had an incredible series of such results this past year.

One such example is Karuna. The team identified a portfolio medicine from Eli Lilly with compelling efficacy signals in schizophrenia and Alzheimer's disease suggesting it could outstrip existing therapies. But, unable to resolve the tolerability profile, Eli Lilly abandoned the drug. PureTech came up with a novel, scientifically elegant way to offset the mechanism causing the tolerability problems without reducing efficacy. Karuna's successful proof-of-concept studies showed that PureTech's patience and persistence paid off. Karuna subsequently completed an IPO in July 2019 and, following positive Phase 2 results in November 2019, became a company worth approximately $2 billion[1]. Now seeking to validate its Phase 2 findings in a Phase 3 trial, there is new hope for patients with schizophrenia, who have had very few new therapeutic options for decades. At the same time, tremendous value has been created for PureTech investors.

The Karuna results were outstanding in our industry but this was only one of many positive developments for PureTech in 2019.

Among the many metrics that validate PureTech's novel approach to drug development, this one stands out as particularly striking: 23 product candidates are now in development across PureTech's Founded Entities and Wholly Owned Pipeline, including 14 in the clinic. Another point of pride: Gelesis' Plenity™[2], a highly differentiated approach for weight management, is moving rapidly toward commercialisation after receiving clearance from the US Food and Drug Administration in April 2019.

Across PureTech's Founded Entities are novel therapeutic approaches to address cancer, schizophrenia, severe infection, ADHD, inflammatory bowel disease and other serious disorders. Tellingly, all these potential breakthroughs originated from research conducted by PureTech's internal team together with its global network of advisers and collaborators. We have built a truly unparalleled ecosystem for identifying pioneering ideas, subjecting them to rigorous evaluation and then moving the best forward.

This track record of success makes me even more excited about our focused work to advance our Wholly Owned Pipeline. In these programmes, we aim to translate our expertise in the Brain-Immune-Gut axis into novel therapeutics for lymphatic and immunological disorders and intractable cancers. It's a thrill to be in the clinic with our most advanced wholly-owned programme, LYT-100, which we are initially evaluating for a range of immune and fibrotic disorders, including the potential treatment of lymphoedema, a serious and often disfiguring disease for which there are no approved drugs. LYT-100 has the potential to be developed for a range of fibrotic conditions in addition to lymphoedema. Also advancing quickly through our pipeline are two novel antibody candidates for hard-to-treat cancers. Our proprietary lymphatic targeting platform and our meningeal discovery platform are also building value through substantial partnerships with top-notch collaborators, such as Boehringer Ingelheim, and through our own internal R&D efforts.

PureTech is able to take on such an ambitious scope of work due to strong leadership from the executive team and thoughtful guidance from our wonderful board. We are all committed to creating value as we bring transformational medicines to patients living with substantial need. I extend a sincere thank you to all our shareholders for supporting and enabling our continued growth and to my fellow board members for their thoughtful and strategic guidance. I am proud to be part of the PureTech team and I look forward to continued success in 2020.

Christopher Viehbacher
Chairman

8 April 2020

1 Based on market cap of $1.96 billion on 31 December 2019.

2 Plenity has been cleared by the United States Food and Drug Administration (US FDA) as an aid to weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Important Safety Information: Plenity is contraindicated in patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatine, or titanium oxide. Plenity may alter the absorption of medications. Read Sections 6 and 8.3 of the Instructions for Use carefully. Avoid use in patients with the following conditions: oesophageal anatomic anomalies, including webs, diverticuli, and rings; suspected strictures (such as patients with Crohn's disease); or complications from prior gastrointestinal (GI) surgery that could affect GI transit and motility. Use with caution in patients with: active GI conditions such as gastro-oesophageal reflux disease (GERD), ulcers, or heartburn. Overall, the most common treatment related adverse events (TRAEs) were GI-related TRAEs with 38 per cent of adults in the Plenity group and 28 per cent of adults in the placebo group experiencing a GI-related TRAE. The overall incidence of AEs in the Plenity group was no different than the placebo group. Rx Only. For the safe and proper use of Plenity, refer to the Instructions for Use.

Letter from the Chief Executive Officer

"We are proud of our record of rapidly advancing therapies that could prove transformational for millions of people who have long struggled to find effective treatments."

Making a difference in human health

The team at PureTech has consistently been united behind a shared goal: to make a difference in human health by bringing truly novel and differentiated therapeutics to patients where great needs exist.

We are proud of our record of rapidly advancing therapies that could prove transformational for millions of people who have long struggled to find effective treatments. These potential breakthroughs include Karuna's KarXT, which achieved the primary endpoint in a Phase 2 clinical trial of acute psychosis in patients with **schizophrenia, a condition estimated to affect one per cent of the population**; our wholly-owned product candidate LYT-100, which entered a clinical trial and has the potential to treat a range of **serious conditions related to fibrosis, inflammation and impaired lymphatic flow**, including lymphoedema, a condition that affects approximately one million people in the United States and has no FDA-approved drug treatment; our wholly-owned LYT-200 and LYT-210 programmes for **intractable cancers, such as pancreatic cancer, colorectal cancer and cholangiocarcinoma** as well as gastrointestinal autoimmune diseases; Vedanta's microbiome product candidates, four of which are being evaluated in the clinic for the potential treatment of **severe infection, cancer, food allergy and inflammatory bowel disease**; Akili's digital therapeutics for cognition and attention in multiple conditions, such as **paediatric attention deficit hyperactivity disorder, multiple sclerosis and major depressive disorder**; Follica's new approach to potentially treat **millions of men and women with androgenetic alopecia**, which is expected to enter a Phase 3 registration study in 2020; and – importantly – Gelesis' Plenity™[1], a novel weight management aid that was cleared by the US Food and Drug Administration in April 2019, with

a label that **extends to approximately 150 million[2] people in the US with overweight and obesity**.

That's a remarkable record of which I am very proud.

Leveraging strategic partnerships to accelerate programme development has always been core to the PureTech strategy. In 2019, a number of new collaborations were formed, including PureTech's research collaboration with **Boehringer Ingelheim** to leverage PureTech's proprietary lymphatic targeting technology for immune modulation, starting in immuno-oncology; Akili's strategic partnership with **Shionogi & Co., Ltd** to commercialise two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02, in Japan and Taiwan; Gelesis' deal with leading US telehealth provider **Ro**, making Plenity the first FDA-cleared weight management aid and first primary care product to launch with both traditional healthcare provider and telehealth services; and Alivio's partnership with **Imbrium Therapeutics L.P.** to advance ALV-107, a non-opioid treatment being developed for interstitial cystitis/ bladder pain syndrome.

Meanwhile, PureTech's scientific team and collaborators continued to generate high quality publications and engage at leading conferences. Among the highlights of 2019: cutting-edge science being advanced by the Company was published in *Nature* and the *Proceedings of the National Academy of Sciences* and presented at the annual meetings of the Society for Immunotherapy of Cancer (SITC) and the American Association for Cancer Research (AACR).

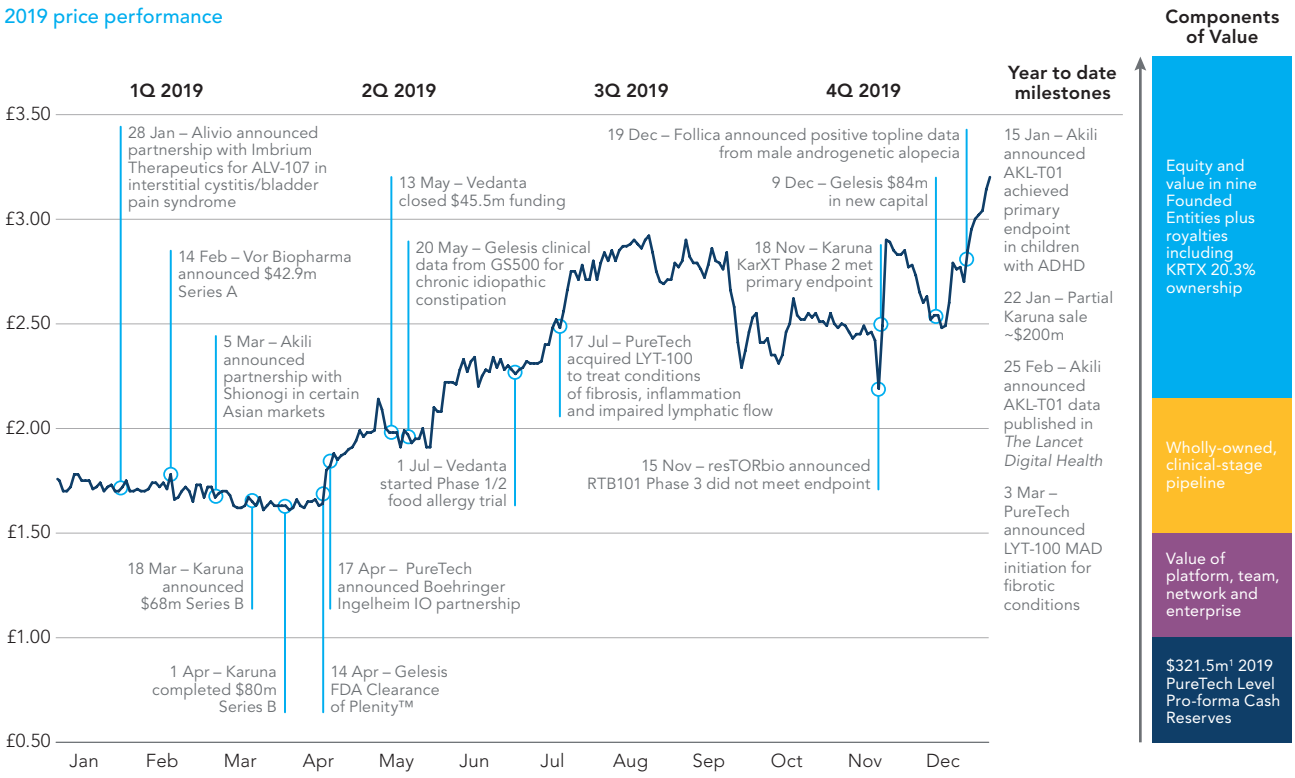
All of these programmes – and indeed, the underlying programmes and platforms resulting in all **23 of the product candidates in development** across our Wholly Owned Pipeline and those of our Founded Entities – were discovered and launched by PureTech's team of world-class scientists and entrepreneurs. In fact, **employees of PureTech have contributed as inventors of key intellectual property supporting nearly all of our Founded Entities**. Our unique model for drug development and value creation was validated again and again over the course of last year: we now have 14 product candidates in the clinic, spanning multiple modalities and indications, across our wholly-owned programmes and our Founded Entities. These milestones across the Wholly Owned Pipeline and Founded Entities resulted in significant share price appreciation in 2019 and drove value of several hundred millions of dollars, well beyond what was reflected in our share

1 Plenity has been cleared by the United States Food and Drug Administration (US FDA) as an aid to weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Important Safety Information: Plenity is contraindicated in patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatine, or titanium oxide. Plenity may alter the absorption of medications. Read Sections 6 and 8.3 of the Instructions for Use carefully. Avoid use in patients with the following conditions: oesophageal anatomic anomalies, including webs, diverticuli, and rings; suspected strictures (such as patients with Crohn's disease); or complications from prior gastrointestinal (GI) surgery that could affect GI transit and motility. Use with caution in patients with: active GI conditions such as gastro-oesophageal reflux disease (GERD), ulcers, or heartburn. Overall, the most common treatment related adverse events (TRAEs) were GI-related TRAEs with 38 per cent of adults in the Plenity group and 28 per cent of adults in the placebo group experiencing a GI-related TRAE. The overall incidence of AEs in the Plenity group was no different than the placebo group. Rx Only. For the safe and proper use of Plenity, refer to the Instructions for Use.

2 Plenity has been cleared by the United States Food and Drug Administration (US FDA) as an aid to weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. A BMI of 25 kg/m^2 and over is the accepted definition of overweight, and a BMI of 30 kg/m^2 and above commonly defines obesity. Rx Only. For the safe and proper use of Plenity, refer to the Instructions for Use.

Significant fundamental value created

2019 price performance



1 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

price. There are many additional value-driving milestones on the horizon.

We got to this point by thinking differently – very differently.

Many biotech companies start with a target, a specific discovery technology or a molecule. We start with a disease where there is significant unmet need. Our unmatched network of experts helps us scour the globe for breakthrough research that might suggest a new way of tackling the disease. Long before it has hit scientific journals, we've usually seen the best and most novel research in our area of focus anywhere in the world. If we're intrigued, we bring the concept or research into our labs and subject it to rigorous evaluation designed to answer our key "sceptical" questions. If it fails, we've lost little in the way of investment, and we've gained substantial scientific knowledge along the way. If it passes our stringent evaluation, we advance it to the next step of research and development and in the process have de-risked the concept.

Historically, we've housed many of those promising early programmes in Founded Entities, of which we would initially own close to one hundred per cent. Our model is unique in our industry, where many companies face binary readouts that will determine their fate. Biology is a surprising discipline, so **we have chosen to carefully spread risk across multiple wholly-owned programmes and our Founded Entities**. We saw this strategy validated in 2019 with an outstanding Phase 2 clinical readout from Karuna Therapeutics that generated nearly $600 million in value for PureTech as of 31 March 2020, along with a binary setback for resTORbio that resulted in limited losses to PureTech. After resTORbio's disappointing development, we were able to recover approximately half of our investment; therefore, our total cash loss on resTORbio was only around $10 million. This juxtaposition of two binary events is a perfect example of how our model decreases the risk of any individual event while creating the opportunity for tremendous value realisation.

In the January 2020 post-period, we sold a minority of our Karuna shares for approximately $200 million, and, while this was a significant sale, we continue to own over 20 per cent of Karuna. In addition to our equity stake, we also have a right to receive royalty payments on net sales of its lead product.

While we continue to hold significant equity stakes in our Founded Entities, which we believe will continue to grow and potentially serve as a source of funding for us, we have also embarked on a carefully considered strategy to focus on our internal research programmes, backed by a stellar R&D team helmed by chief scientific officer Joe Bolen, PhD. This Wholly Owned Pipeline is exciting for its scientific promise in the areas of immunology and oncology, and the potential it holds for patients. **This evolution of our model also allows us to more fully capture the value of future milestones at a PureTech parent company level**.

In our Wholly Owned Pipeline, we already have a clinical stage programme, which could be applicable to a range of conditions involving fibrosis, inflammation and impaired lymphatic flow, including lymphoedema, idiopathic pulmonary fibrosis (IPF), interstitial pneumonias, unclassifiable interstitial lung disease (uILD) and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS), multiple immunomodulatory programmes for cancer and autoimmunity, and strong milk exosome and lymphatic targeting platforms that hold promise for expanding a variety of modalities, such as messenger RNA and antisense, to new disease areas and treatment regimens. This work has benefited enormously from our leadership position at the forefront of Brain-Immune-Gut (BIG) and lymphatic biology, which has given us unparalleled insights and an edge in

identifying the opportunities that will enable us to tackle some of the most devastating diseases facing humans.

We used a similar lens to identify our immuno-oncology candidates, undertaking a global, proactive search to discover important new scientific insights and technologies that could address the challenge of multiple mechanisms of immunosuppression in current therapeutics. We identified pioneering research prior to its publication that formed the basis for our two product candidates, LYT-200 and LYT-210, and we are planning to file an Investigational New Drug (IND) application for LYT-200 and initiate a Phase 1a/1b in solid tumours in 2020.

COVID-19 perspective and update

Given our focus on making a difference in human health, we have been closely monitoring the global SARS-CoV-2 (COVID-19) outbreak since January and have put plans and contingencies in place to enable our business to progress productively while doing our part as global citizens. This pandemic has brought significant healthcare concerns to the forefront, and we believe it will also surface significant opportunities for the industry to innovate, including the importance of telemedicine and fast monitoring and screening. The broader community has also begun to glimpse the power of a more collaborative and fast-moving approach engaging academic, clinical and industry scientists – a collaborative and inter-disciplinary problem-solving approach that PureTech has been harnessing for years.

For the team at PureTech, our mission to develop new classes of medicines for serious and underserved diseases will continue to be driven by our internal capabilities and collaborations with our network of leading experts in an effort to advance important healthcare needs for vulnerable populations affected by immunological diseases, severe infections, neurological disorders and intractable cancers, among other serious disorders.

We've also demonstrated a longstanding commitment to healthcare innovation, with our eyes set on identifying and addressing significant unmet needs well ahead of the curve. For example, Sonde is using seconds of voice that can be captured in consumer devices to detect and quantify disease in a low to no-burden manner that could allow for more proactive and potentially effective interventions. Near-continuous health information, powered by Sonde's technology, has the potential to improve screening, monitoring and timeliness of high-cost conditions, broadly improving outcomes and care efficiency in areas like mental health, respiratory and cardiovascular disease. Gelesis is another example of the forward thinking nature of the approaches that we have taken. The Gelesis-Ro partnership is dedicated to high-quality remote care for weight management and prescription fulfilment of Plenity. Akili has also been building a commercial infrastructure that is based on remote monitoring, care and fulfilment. These are a few examples of the forward thinking remote medicine driven approaches deployed across the Group.

Across our organisation, we have also taken measures to ensure the safety and well-being of our employees while continuing to execute against our business objectives. As of 8 April, **we do not believe that any of our ongoing work has been materially delayed**, but we do anticipate the strain on the global healthcare system may eventually impact timelines, as healthcare providers rightly prioritise acute, near-term needs. We are so grateful to those on the front lines, and we have donated lab supplies and personal protective equipment (PPE) to local hospitals to aid in their heroic efforts.

Strong financing to support focused development

This was an unprecedented period for new capital raising for PureTech and our Founded Entities with over $666.8 million raised, $622.8 million of which came from third party investors.

At the PureTech level, we are in a strong cash position. With the 31 December 2019 cash balance of $120.6 million[1], we had enough funding to extend operations into the first quarter of 2022. Following the sale of Karuna common shares worth $200.9 million on 22 January 2020, our **pro-forma cash reserves of $321.5 million**[2] will now extend operations over a four-year period into the first quarter of 2024.

We also announced in July that we are exploring the potential for a US listing on Nasdaq of American Depository Shares. Given the catalysts of the past year and the strength of our current cash position, we're still very much committed to considering the ADR listing or other means to broaden our access to the US capital markets, and we will launch that process from a position of strength in due course. We believe we have built significant value for our stakeholders across our growing clinical and preclinical research programmes, business developments, regulatory achievements and a deepened capital base, and we are committed to making sure that value is realised by our shareholders.

I would like to thank Joep Muijrers, PhD, for helping to drive these accomplishments in his role as chief financial officer (CFO). Joep has recently moved to Europe with his family, and he will continue to lead our portfolio analysis, monetisation and strategy in his new role as chief of portfolio strategy, effective May 2020, which is a natural fit with his significant background as a portfolio manager. It is important to have someone based in Boston full-time to manage operational aspects, so we have begun a search for a new CFO. We have a strong finance team in place that will be overseen by our chief operating officer, Stephen Muniz, Esq., who has run this function for us in the past, until a new CFO is selected.

I congratulate the PureTech team on an incredibly productive year and thank our Board for their oversight and counsel. Our wide network of collaborators continues to be incredible partners in our shared vision of developing transformational treatments for devastating diseases, and we look forward to deepening our work together in the year ahead. To our shareholders – thank you for your support in this exciting new phase of PureTech's development as we focus on maximising the value of our ground-breaking platform.

Daphne Zohar
Chief Executive Officer

8 April 2020

1 PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million for the year ended 2019 and the internal pipeline of $8.6 million for the year ended 2019, all of which are wholly-owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities. The balance excludes the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares.

2 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

Letter from the Chief Scientific Officer

"PureTech's mission has always been to develop new classes of medicines for serious and underserved diseases."

This has been a year of immense excitement for PureTech's formidable R&D team as we built out and advanced a promising Wholly Owned Pipeline that leverages our leadership position in the Brain-Immune-Gut (BIG) Axis and the lymphatic system in service of our mission to develop new classes of medicines for serious and underserved diseases.

As our Founded Entities advance a number of highly differentiated approaches targeting the BIG Axis, we have a strong focus in our internal programmes on the lymphatic system and related immunology mechanisms. We have been harnessing our understanding of the underappreciated lymphatic infrastructure to develop immunomodulatory drugs to treat an array of serious diseases, including lymphatic and immunological disorders and intractable cancers.

We're thrilled that our most advanced wholly-owned programme, LYT-100, has entered the clinic, with the first participants dosed in a Phase 1 multiple ascending dose study in March 2020. LYT-100 is a deuterium-containing analogue of pirfenidone, which is approved for the treatment of idiopathic pulmonary fibrosis (IPF) in the United States, European Union and a number of other countries. Pirfenidone has also recently been granted Breakthrough Therapy designation from the FDA for unclassifiable interstitial lung disease (uILD). LYT-100 retains the same intrinsic pharmacology of pirfenidone, while potentially improving its tolerability and safety through its enhanced pharmacokinetic profile. LYT-100 previously completed a Phase 1 clinical trial conducted by Auspex Pharmaceuticals (now a wholly-owned subsidiary of Teva Pharmaceuticals) for another indication, and it may hold therapeutic potential across a range of disorders characterised by fibrosis, inflammation and impaired lymphatic flow.

We are initially evaluating LYT-100 for the potential treatment of lymphoedema, a painful and chronic condition that can lead to disability, disfigurement and risks of serious comorbidities. There are currently no FDA-approved drugs for lymphoedema; the standard of care is management, primarily via compression and physical therapy. We hope to bring this large patient population – estimated to be at least one million people in the US alone – the first drug to address the root cause of this debilitating disease, and we plan to initiate a proof-of-concept study in patients with breast cancer-related secondary lymphoedema later this year.

LYT-100 also has the potential to treat a range of fibrotic and inflammatory conditions of the lung, kidney, liver and other organs, including IPF, interstitial pneumonias, uILD and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS). There are several lung diseases that have a common mechanism of fibrosis and inflammation. There are acute diseases that have high mortality and lead to long-term fibrosis. There are chronic diseases linked to a specific cause, like a virus or autoimmune disease. And there are diseases like idiopathic pulmonary fibrosis (IPF), where the cause is unclear. Outside of IPF, there are no approved treatments that address inflammation and fibrosis. Many of these diseases can increase risk for worsening lung fibrosis, and there is a clear unmet need to stop inflammation and fibrosis and preserve lung function.

We have GMP supply of LYT-100 from our ongoing Phase 1, multiple ascending dose study, which is designed to evaluate the safety, tolerability and pharmacokinetics of LYT-100, and we have increased our clinical supply and are actively pursuing a path forward for this candidate for the treatment of another fibrotic and inflammatory disorder in 2020.

We are also delighted with the progress of both our novel, fully-human monoclonal antibody candidates targeting powerful immunosuppressors to treat intractable cancers and other immune disorders. We are advancing LYT-200, which targets galectin-9 for a range of cancer indications, and LYT-210, which targets γδ1 T cells for a range of solid tumours and autoimmune disorders. We were proud to present significant – and quite encouraging – preclinical findings for these candidates at the Society for Immunotherapy of Cancer (SITC) 34th Annual Meeting and the American Association for Cancer Research (AACR) 110th Annual Meeting.

For LYT-200, we have shown preliminary proof-of-concept in both human organoids and preclinical cancer models. We're particularly excited about this compound because galectin-9 is a foundational immunosuppressive protein that is prominently expressed in a number of cancers, especially in hard-to-treat cancers, such as colorectal and pancreatic cancer and cholangiocarcinomas. This is aligned with our mission to deliver transformative therapies to patients with serious diseases who are not well served by existing therapies. We intend to file an Investigational New Drug (IND) application for LYT-200 in 2020 and anticipate initiating a Phase 1a/1b in solid tumours soon after.

LYT-100 (deupirfenidone): a potent anti-inflammatory and anti-fibrotic oral molecule

Deuteration modifies metabolism

LYT-100 deupirfenidone

- NCE with a differentiated PK profile
- Potential advantages include:
  - enhanced exposure;
  - less frequent dosing, reduced pill burden;
  - improved tolerability; and
  - increased efficacy
- Issued composition of matter patent – exclusivity up to 2033

~1M individuals in the US have lymphoedema

- Proprietary, preclinical POC in lymphoedema

~130k patients in the US with IPF or uILD

- Pirfenidone approved for IPF and breakthrough designation for uILD

LYT-210 targets pathogenic and immunosuppressive γδ1 T cells. To our knowledge, no other company is developing a candidate against this target. We believe LYT-210 has strong potential as a novel immuno-oncology agent acting against solid tumours by killing immunosuppressive γδ1 T cells. We also plan to evaluate it in autoimmune diseases affecting the gastrointestinal (GI) tract.

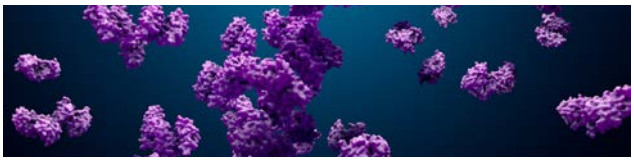
In addition to these three product candidates, our R&D team is exploring other mechanisms to modulate lymphatic flow throughout the body and brain. This is a cutting-edge line of inquiry, driven in part by ground-breaking research from one of our collaborators, Jonathan Kipnis, PhD. He discovered a functional lymphatic system in the meninges of the brain and then demonstrated that blocking the lymphatic flow in the meninges leads to an accumulation of pathogenic macromolecules, such as amyloid-beta and tau, which are both associated with Alzheimer's disease, and alpha-synuclein, which is associated with Parkinson's disease. This research adds to the large body of evidence we have developed about the crucial role of the lymphatic system in health and disease. In the past year, we have made significant progress in mapping the lymphatics networks in the brain – something that has never been done before.

This meningeal discovery platform is just one plank of our internal R&D. Lymphatic flow also plays a critical role in the immune and GI systems. Our insights into these connections have guided our development of two additional discovery platforms: a synthetic lymphatic targeting chemistry platform and a milk exosome platform.

In April of 2019, we announced a research collaboration with Boehringer Ingelheim to develop novel product candidates to leverage our proprietary lymphatic targeting chemistry platform for immune modulation. The collaboration will initially focus on applying our technology to an immuno-oncology product candidate. By masking the drug as a fat, we hope to steer it into the lymphatic vasculature and thereby send it directly to the gut, where it will come into direct contact with the tumour cells it's targeting. Outside of the specific programmes covered under this partnership, we have maintained ownership for all other applications, which we will advance through both our own discovery efforts and other potential partnerships.

We have also made significant progress with our milk exosome technology for the oral administration of macromolecules. This technology is designed to ferry macromolecular medicines, such as peptides, proteins and nucleic acids, to selected mucosal cell types of the intestinal tract where the therapeutics act either directly in the GI tract, transit through the mucosa to the underlying lymphatic vascular network or, in the case of cargos that yield mRNAs, produce complex biologics such as antibodies within mucosal cells that are secreted into the mucosal lymphatic vascular network for subsequent systemic distribution. We believe our proprietary milk exosome technology has the potential to transform the treatment paradigm for a number of serious diseases, such as rheumatoid arthritis, diabetes and cancer, in which the standard of care requires intravenous infusion or subcutaneous injection of monoclonal antibodies (e.g. anti-PD1, anti-TNF) or protein/peptides (e.g. GLP-1, β-glucocerebrosidase, Factor IX, Erythropoietin). Using our milk exosome technology, it may be possible for a patient to take an oral drug product that will permit their own GI tract cells to make virtually any type of therapeutic protein. This approach also has the potential to provide a more convenient and significantly less expensive means to deliver biological medicines.

Biotherapeutics hold huge promise but have significant limitations



The global biologics market is anticipated to reach

~$400b by 2025*

- Encompasses a range of protein and mRNA medicines (e.g., mAbs, peptide hormones, enzymes, vaccines)
- Broad range of indications
- Significant share of global pharmaceutical market

Limitations of protein-based therapeutics

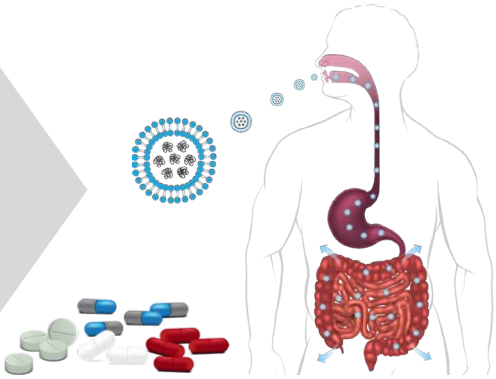
- **Intravenous or subcutaneous administration** (infusion reactions, barrier for repeat dosing)
- **High upfront manufacturing costs**
- **Expensive cold supply chain**
- **Lengthy scale-up timeline**

Limitations of mRNA-based therapeutics and vaccines

- **Intravenous, intramuscular or subcutaneous administration** (infusion reactions, co-medications needed for dosing, very limited repeat dose options)
- **Significant drug manufacturing cost**
- **Expensive cold supply chain**
- **Formulation-based immune and cellular toxicities** (protein synthesis by liver hepatocytes)
- **High dose requirement for protein production**

PureTech is well-positioned to unleash the potential of oral biotherapeutics

PureTech's milk exosomes technology has the potential to **transform biologics** and **RNA-based therapies** by enabling patients to **take the medicines orally** and have the **body make the therapeutic proteins**



- **Orally administered** (flexible repeat dosing)
- **Body manufactures the therapeutic proteins**
- **Low manufacturing cost**
- **Cold supply chain not required**
- **Very low immune and cell toxicity** (protein synthesis in GI tract)
- **Low dose requirement for protein production**

* Grand View Research, 2017, Biologics Market Analysis By Source (Microbial, Mammalian), By Products (Monoclonal Antibodies, Vaccines, Recombinant Proteins, Antisense, RNAi), By Disease Category, By Manufacturing, & Segment Forecasts, 2018 – 2025.

This approach is particularly relevant as world health authorities consider the potential impact of infectious diseases, and the clear utility of providing passive immune protection for those most seriously affected, as well as for health care professionals on the front line of treatment has been highlighted. Towards this goal, scientists around the world have generated monoclonal antibodies that have the ability to lessen the impact of disease in SARS-CoV-2 infected individuals and lower the inter-individual transmission rate. However, the lengthy time required to produce sufficient supplies of such monoclonal antibodies by standard manufacturing processes, accompanied by the significant manufacturing cost and the need for intravenous monoclonal antibody infusion, render this approach less than ideal. This is underscored if it turns out that not one, but two, or potentially three anti-virus antibodies need to be combined in order to achieve virus control. In contrast, the milk exosome platform may allow for rapid transfer of the DNA sequences or other nucleic acid expression systems coding for the monoclonal antibodies into the milk exosomes, thereby enabling the body to make its own "drug" and permitting oral administration at significantly lower cost than traditional approaches. Importantly, we believe this approach will permit the generation of multiple antibody combinations where needed for more optimal therapeutic efficacy. Thus, whether combating emerging epidemic/pandemic pathogens or other diseases where monoclonal antibody therapeutics offer significant clinical benefit, our milk exosome platform has the potential to transform the range of biotherapeutics clinical indications while also lowering costs and simplifying administration.

As you can see, this has been quite a momentous year for PureTech's R&D team. It's exciting to see what we have been able to accomplish since we combined our labs and corporate activities in our new headquarters in Boston's Seaport District. The first thing you see when you step off the elevator is the lab, front and centre, which buzzes with energy and ideas. It's a statement about our commitment to science leading the way as we tackle important diseases.

Our insights into to the lymphatic system have paved the way for pioneering drug discovery. Our internal team and our global network of collaborators bring unmatched experience to bolster these efforts. Most importantly, we all share an unquenchable drive to transform the lives of patients, and I am overjoyed to see this aspiration coming to fruition through several of our Founded Entities. We are proud of what we've accomplished across the organisation in 2019 and are excited about the milestones to come. I look forward to sharing updates as we advance towards these goals.

Dr Joseph Bolen
Chief Scientific Officer

8 April 2020

How PureTech is building value for investors

"PureTech's team, network and expertise in the BIG Axis enable it to identify and advance the latest scientific discoveries at the interface of the BIG systems."

PureTech, which is comprised of PureTech Health plc and its Founded Entities (together, "the Group"), is a clinical-stage biotherapeutics company dedicated to discovering, developing and commercialising highly differentiated medicines for devastating diseases, including intractable cancers, lymphatic and gastrointestinal (GI) diseases, central nervous system (CNS) disorders and inflammatory and immunological diseases, among others.

PureTech established the underlying programmes and platforms that have resulted in 23 product candidates and one product cleared by the US Food and Drug Administration (FDA) that are being advanced within PureTech's Wholly Owned Pipeline or by its Founded Entities.

All of these underlying programmes and platforms were initially identified or discovered and then advanced by PureTech through key validation points based on the Company's unique insights into the biology of the Brain, Immune and Gut (BIG) systems and the interface between those systems (the BIG Axis).

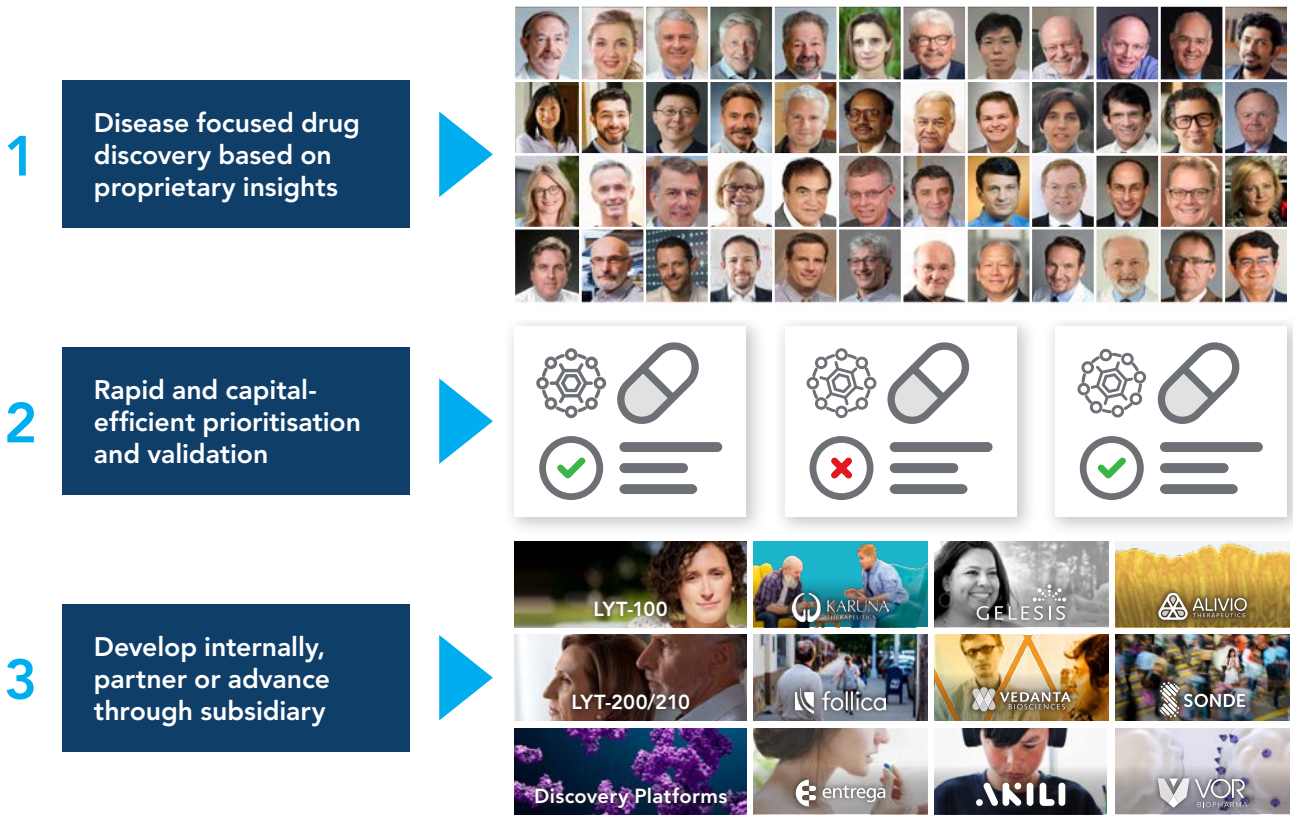
The architectural framework supporting BIG Axis cross-talk is built on evidence highlighting the presence of 70 per cent of the entire immune cell population in the gut, approximately 500 million neurons innervating the GI tract, enteric neurons as part of the autonomic nervous system and key components such as the gut epithelial barrier, microbiome, metabolites and neurotransmitters that play important roles in protecting and influencing the immune system and CNS.

The brain, immune system and gut lymphatic system form an interconnected adaptive network to respond to acute and chronic environmental change. Using the immune system to act as a bridge, the body relies on the bidirectional relationship between the gut and brain to maintain normal homoeostasis. Dysregulation of immune signalling through gut inflammation, microbiome changes and a compromised intestinal barrier all contribute to a range of immunological, GI and CNS disorders. PureTech has been at the forefront of research and development in the BIG Axis, including the role of gut-immune transport, immune-microbial signalling, gut barrier dysfunction and repair and gut and inflammation selective targeting strategies. Through the Company's wholly-owned programmes, PureTech is pursuing strategies to directly reach the immune system via the mesenteric lymph nodes, addressing lymphatic flow and vessel restoration disorders and targeting immunosuppressive and pathogenic lymphocytes.

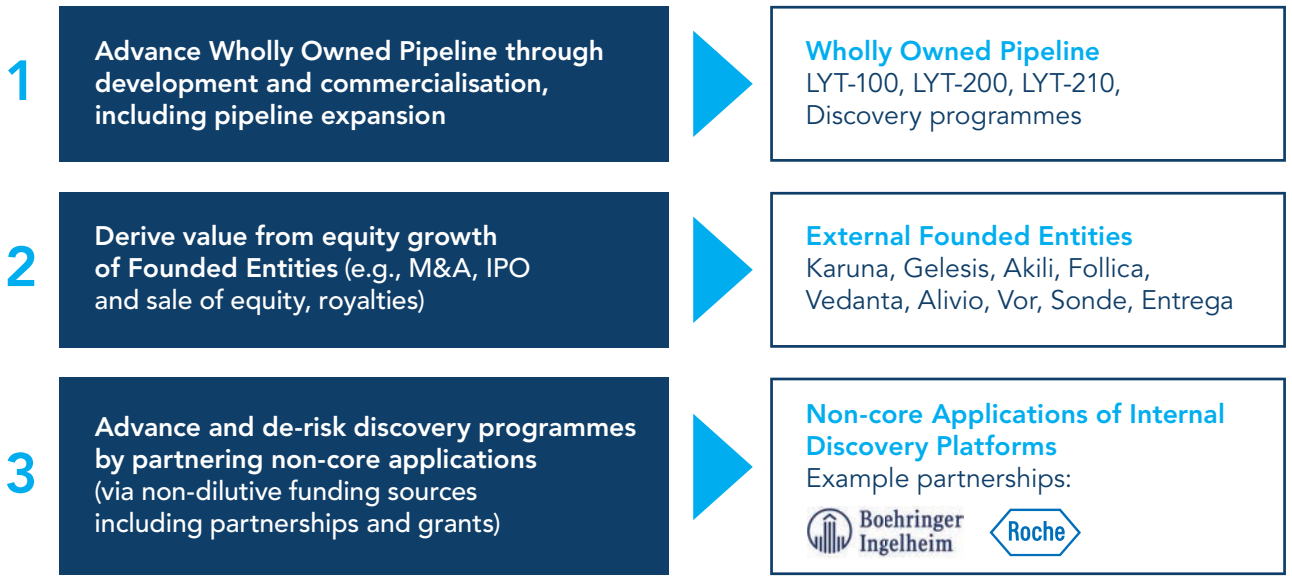
PureTech's team, network and expertise in the BIG Axis enable it to identify and advance the latest scientific discoveries at the interface of the BIG systems. PureTech begins by collaborating with a cross-disciplinary group of experienced clinicians and the world's leading experts in brain, immune and gut biology in a discovery process that breaks down specific diseases and comprehensively identifies, reviews and empirically tests unpublished scientific discoveries in a modality agnostic and unbiased way. Through this process, PureTech prioritises approaches that have the potential to reduce early development risk based on preliminary signals of human efficacy and favourable expected safety profiles. PureTech identifies potential programmes from their laboratories of origin, other companies or its own internal discovery platforms. The Company's key relationships have consistently provided access to important discoveries before they were known to others in the industry. This proactive approach has enabled PureTech to license or file patents around the discoveries underlying its Wholly Owned Pipeline and Founded Entities' product candidates prior to the publication of that work in dozens of papers in top tier scientific journals like *Science*, *Cell* and *Nature*.

This model has enabled PureTech to rapidly convert these findings into valuable therapeutic product candidates. Historically, these programmes and product candidates have been developed with strategic allies, including equity partners who helped advance those programmes via PureTech's Founded Entities. As these programmes have succeeded and PureTech's resources have grown, the Company has increasingly focused on its wholly-owned programmes.

PureTech's unique collaborative research and development model for advancing new medicines



Driving development of potential new medicines and accretion of value via three paths



PureTech will continue to leverage its experience and network with the goal of identifying, inventing, developing and commercialising innovative new therapeutics leveraging the science of the BIG Axis to address significant medical needs. This also enables the accretion of value via three paths as illustrated above. The first is centred on the development of PureTech's wholly-owned programmes, which includes three product candidates (LYT-100, LYT-200 and LYT-210) and three innovative technology platforms. The second is based on the strategic monetisation of PureTech's equity holdings in its Founded Entities after significant value creation has occurred. The third is through advancing PureTech's discovery programmes by partnering non-core applications via non-dilutive funding sources, including partnerships and grants, to enable retention of value.

This combination of development of the wholly-owned programmes, advancement of the Founded Entities and non-dilutive partnerships and funding provides a unique and multi-pronged engine fuelling potential future growth.

As part of PureTech's commitment to driving value for shareholders, the Company announced in July 2019 that it is exploring the potential for a US listing on Nasdaq of American Depository Shares. Given the catalysts of 2019 and the strength of the Company's current cash position, PureTech is assessing the ADR listing or other means to access US capital and will launch that process in due course.

Numerous milestones expected, including at least 7 readouts and 10 initiations in 2020

Product Candidate	PureTech Ownership*	2020 (key milestones in **bold**)
■ LYT-100	100%	**Results from Ph1b MAD** and initiation of POC study in patients
■ LYT-100	100%	Initiation of POC study in another fibrotic and inflammatory disorder
■ LYT-200	100%	IND filing and initiation of Ph1a/1b study in solid tumours
■ LYT-210	100%	Preclinical and biomarker studies
■ Discovery programmes	100%	Nomination of preclinical candidate(s)
● KarXT	20.3%	**End-of-Phase 2 meeting**, Ph3 study initiation, add'l. readouts
● Plenity™	22.0%	**Commercial rollout of Plenity (H2 2020)**
● Gelesis200	22.0%	**Topline results for weight management in T2D/prediabetes**
● GS300	22.0%	Initiation of Ph2 in NASH/NAFLD
● GS500	22.0%	Initiation of Ph3 study in chronic constipation
● AKL-T01	34.4%	**Currently pursuing FDA clearance in paediatric ADHD**
▲ FOL-004	78.3%	Initiation of Ph3 registration study in AGA
▲ VE202	53.3%	**PK/PD results from Ph1 healthy subject study for IBD**
▲ VE303	53.3%	**Topline results from Ph2 study in high-risk CDI**
▲ ALV-306	78.6%	Nomination of clinical candidate
● VOR33	28.1%	Pre-IND meeting with FDA
▲ Sonde	45.9%	**Readout from depression detection study**
▲ ENT-100	72.9%	Continued advancement of platform

2021

- Topline results from multiple clinical studies
- Multiple IND filings
- At least one potential FDA NDA submission
- Additional strategic partnerships
- New clinical candidate selections
- Progress of discovery/ preclinical programmes

▲ **Potential financings and strategic transactions across Founded Entities** ▲

■ Wholly Owned ▲ Controlled Founded Entities ● Non-controlled Founded Entities

Product candidate related to the Brain · Product candidate related to the Immune system · Product candidate related to the Gut

Wholly Owned Pipeline

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

In July 2019, PureTech announced the acquisition of deupirfenidone (LYT-100), a clinical-stage, oral small molecule drug candidate for the potential treatment of lymphoedema and other lymphatic and fibrotic disorders. In the March 2020 post-period, PureTech initiated a Phase 1 multiple ascending dose and food effect study in healthy volunteers. Results from this study are expected in 2020 and may enable the initiation of a proof-of-concept study in people with breast cancer-related, upper limb secondary lymphoedema later in 2020. PureTech may also explore the application of LYT-100 in idiopathic pulmonary fibrosis (IPF), interstitial pneumonias, unclassifiable interstitial lung disease (uILD) and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS).

In April 2019, PureTech announced an alliance with Boehringer Ingelheim (BI), which is initially focused on evaluating the feasibility of applying PureTech's lymphatic targeting technology to one of BI's immuno-oncology product candidates. Under the terms of the agreement, PureTech is eligible to receive up to $26 million in upfront payments, research support and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Also in April 2019, PureTech presented two posters highlighting data on the development and preclinical efficacy of PureTech's immuno-oncology product candidates, LYT-200 and LYT-210 (in development for the potential treatment of historically difficult-to-treat cancers), at the American Association for Cancer Research (AACR) 2019 Annual Meeting. In November 2019, PureTech presented additional preclinical data on LYT-200 and LYT-210 at the Society for Immunotherapy of Cancer (SITC) 34th Annual Meeting. The findings presented at SITC further support the ability of LYT-210 to potentially restore the immune system's ability to fight difficult-to-treat cancers. Also presented at SITC were new preclinical data on LYT-200, which indicated that galectin-9 is not only a potent therapeutic target, but also a potentially relevant biomarker. PureTech intends to file an investigative new drug application (IND) for LYT-200 and to initiate a Phase 1a/1b study in solid tumours in 2020.

* Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of 31 December 2019 (with the exception of Gelesis ownership which is as of 1 April 2020), including outstanding shares, options and warrants, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans. Ownership of Vor and Sonde is based on the assumption that all future tranches of their most recent financing rounds are funded. Karuna ownership is calculated on an outstanding voting share basis as of 13 March 2020.

Founded Entities

PureTech's Founded Entities had a momentous 2019, with excellent clinical progress, new strategic partnerships and validating financings.

BRAIN IMMUNE GUT

Karuna

Karuna made strong progress towards developing novel therapies to address disabling neuropsychiatric conditions, including schizophrenia, dementia-related psychosis and pain. In November 2019, Karuna announced that KarXT achieved the primary endpoint of its Phase 2 clinical trial for the treatment of acute psychosis in patients with schizophrenia, demonstrating a statistically significant and clinically meaningful 11.6 point mean reduction in total Positive and Negative Syndrome Scale (PANSS) score compared to placebo ($p<0.0001$) and also demonstrating improved tolerability as compared to placebo. Karuna plans to hold an end-of-Phase 2 meeting with the FDA in the second quarter of 2020 and, pending the outcome of that meeting, anticipates advancing KarXT into a Phase 3 clinical trial by the end of 2020. Karuna also anticipates topline results from a Phase 1b clinical trial for the treatment of experimentally induced pain in healthy volunteers in mid-2020, and topline results from a Phase 1b clinical trial in healthy elderly volunteers to assess the safety and tolerability of KarXT for the treatment of dementia-related psychosis by the end of 2020.

Additionally, Karuna announced the pricing of its initial public offering (IPO) on Nasdaq under the ticker symbol "KRTX" in June 2019. Gross proceeds were approximately $102.6 million, including the full exercise of the underwriters' over-allotment option. In November 2019, Karuna completed a follow-on offering of 2,600,000 shares of its common stock, with gross proceeds of approximately $250 million. Prior to this, in April 2019, the company completed an $82.1 million Series B financing, including the issuance of $7.1 million in shares upon conversion of debt into equity.

Gelesis

During 2019, Gelesis rapidly advanced its pipeline of mechanobiology-based therapies to treat chronic diseases related to the gastrointestinal (GI) system. In April 2019, Gelesis received clearance from the FDA for Plenity™[1] as an aid for weight management in adults with a BMI of 25-40 kg/m^2 when used in conjunction with diet and exercise. In December 2019, Gelesis announced a partnership with Ro, a leading US telehealth provider, to support the US commercialisation of Plenity. Gelesis initiated a Plenity early experience programme in the United States in the second half of 2019 and anticipates Plenity will be available by prescription in the United States in the second half of 2020, with a broad launch in early 2021. Gelesis also secured nearly $100 million in new capital in 2019 to support the US commercialisation of Plenity, including over $84 million announced in December 2019 and $10.6 million announced in April 2019. Gelesis also filed Plenity for marketing authorisation in Europe in February 2019.

Gelesis has also continued to progress additional product candidates through clinical and preclinical evaluation. In 2019, Gelesis presented clinical and preclinical data at four major medical meetings. In March 2019, Gelesis presented three posters at the Endocrine Society Annual Meeting. In addition to highlighting clinical data from the pivotal study of Plenity, the posters showcased preclinical research suggesting that Gelesis' pipeline candidate, GS300, which is in development for NASH/NAFLD, could restore gut barrier function after damage. Gelesis presented additional preclinical data for GS300 at The International Liver Congress 2019 in April 2019 demonstrating that GS300 could prevent the harmful effects of a high-fat diet on the liver and associated metabolic disorders. Gelesis anticipates initiating a Phase 2 study of Gelesis300 in 2020. In May 2019, Gelesis presented promising clinical data of its novel hydrogel GS500 prototype at Digestive Disease Week. GS500, which is being evaluated for the potential treatment of chronic idiopathic constipation (CIC), demonstrated a significant 16-hour reduction in colonic transit time in patients with CIC. Based on these findings, the company plans to initiate a Phase 3 study in 2020. In November 2019, Gelesis presented two oral presentations and one poster at ObesityWeek 2019, which highlighted the safety and efficacy of Plenity, including a new post-hoc analysis of the pivotal GLOW (Gelesis Loss of Weight) study. The presented analysis also showed that twice as many adults (11 per cent) reached a BMI of 27 kg/m^2 when treated with Plenity as compared to placebo (5 per cent).

Gelesis plans to initiate a Phase 2 study of Gelesis100 for weight management in adolescents with overweight and obesity in 2021. Additionally, topline results are anticipated in 2020 from the Gelesis200 Phase 2 study in weight management and glycaemic control in adults with type 2 diabetes and prediabetes.

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

Akili

Akili has continued to progress its pipeline of digital therapeutics designed to treat cognitive dysfunction associated with medical conditions across neurology and psychiatry, as well as complementary management-based care applications for caregivers to track behaviours and symptoms. In March 2019, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the development and commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million, with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to royalties. The Akili and Shionogi teams have begun work on product localisation and clinical study design toward future regulatory submission and commercialisation.

In December 2019, Akili presented results from a trial of AKL-T03 as a potential treatment for cognitive impairments adjunct to anti-depressant medication in adults with Major Depressive Disorder (MDD) at the 58th Annual Meeting of the American College of Neuropsychopharmacology. In the trial, AKL-T03 demonstrated a statistically significant improvement in sustained attention compared to control. AKL-T03 is designed to improve specific cognitive functions and may play a complementary role to antidepressants in the holistic treatment of MDD.

In the January 2020 post-period, Akili announced topline results from its STARS-ADHD Adjunctive Study of AKL-T01, which showed statistically significant improvement in the ADHD Impairment Rating Scale (IRS) when used with and without stimulant medication. In the February 2020 post-period, *The Lancet Digital Health* journal published the pivotal study results from Akili's STARS-ADHD trial of AKL-T01. The publication represents the first presentation of complete results from the STARS-ADHD trial, a first-of-its-kind large, randomised, multi-centre, controlled study of the company's foundational technology and the first seminal trial in a series of recent and ongoing studies of the attentional treatment. Clearance for AKL-T01 has not yet been granted, and Akili continues to work with the FDA in an effort to make the product available for children living with ADHD.

Follica

Follica has continued to progress its regenerative biology platform designed to treat androgenetic alopecia, epithelial ageing and other medical conditions. In December 2019, Follica announced topline results from the safety and efficacy optimisation study of its lead candidate to treat hair loss in male androgenetic alopecia. The study was designed to select the optimal treatment regimen using Follica's proprietary device in combination with a topical drug and successfully met its primary endpoint. The initiation of a Phase 3 registration study in male androgenetic alopecia is expected in 2020. Follica has also been optimising its device and conducting tests in androgenetic alopecia and other medical indications and is further developing and testing compounds that enhance the newly formed follicles and hairs. Additionally, Follica is studying the potential for its proprietary device approach to address other regenerative conditions, including female pattern hair loss and facial skin rejuvenation, for which Follica has a second product candidate.

Vedanta Biosciences

Vedanta Biosciences has continued to advance its pipeline of rationally-defined bacterial consortia-based product candidates to address immune-mediated diseases through a number of milestones in 2019. Four of the company's orally-administered product candidates are currently being evaluated in clinical studies. In May 2019, Vedanta Biosciences presented expanded, long-term positive data from its Phase 1a/1b study of VE303 for high-risk *Clostridioides difficile* infection (CDI). A Phase 2 study of VE303 is ongoing, with results anticipated in 2020. Vedanta Biosciences also announced the enrolment of the first patient in the Phase 1/2 clinical study of VE416, Vedanta's product candidate in development for treatment of food allergies in adults and adolescents with a history of peanut allergy, in June 2019. Topline results from this study are expected in 2021. A Phase 1 study of Vedanta's IBD candidate, VE202, is also progressing, with results anticipated in 2020. In December 2019, the company initiated its first-in-patient clinical study of VE800 in combination with Bristol-Myers Squibb's checkpoint inhibitor OPDIVO® (nivolumab) in advanced or metastatic cancers, with topline results expected in 2021. Notably, foundational preclinical research supporting the identification and development of VE800 was published in one of the top scientific journals, *Nature*, in January 2019.

Alivio Therapeutics

Alivio Therapeutics continued to advance its targeted disease immunomodulation platform for the potential treatment of chronic and acute inflammatory disorders. In January 2019, Alivio entered into a strategic partnership with Imbrium Therapeutics L.P. to advance Alivio's product candidate ALV-107 (in development for the potential treatment of (interstitial cystitis or bladder pain syndrome (IC/BPS)) through clinical development. Under the terms of the agreement, Alivio is eligible to receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Imbrium also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology. Alivio expects to file an IND for ALV-306, its lead product candidate, in pouchitis and distal colitis and to initiate a clinical trial in 2021. Alivio also plans to file an IND for ALV-107 for IC/BPS in 2021 and an IND for ALV-304 in IBD in 2022.

Vor

Vor progressed its pipeline of haematopoietic stem cell-based therapies for the potential treatment of haematologic malignancies. Vor has achieved *ex vivo* proof of concept for its technology and received validation of its technology in engineered humanised mouse models. In February 2019, Vor announced a $42.9 million Series A financing round to advance its lead candidate, VOR33, towards the clinic for the treatment of AML, and to further build its pipeline to treat haematologic malignancies. The scientific founder of Vor Biopharma, Dr Siddhartha Mukherjee, and key individuals from his lab at Columbia University, published foundational proof-of-concept research supporting the development of VOR33 in PNAS in May 2019. In the January 2020 post-period, Vor held a pre-IND meeting with the FDA to gather important feedback to assemble the data package necessary for a potential IND filing.

Sonde

Sonde continued to advance its vocal biomarker technology designed to monitor and diagnose psychological and physical medical conditions. Sonde has collected voice data from over 40,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into Alzheimer's disease and respiratory and cardiovascular disease, as well as other health and wellness conditions. In April 2019, Sonde completed a $16 million Series A financing round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand its capability across additional health conditions and device types and to fund commercialisation activities. Additionally, topline results from Sonde's ongoing depression detection study are anticipated in 2020.

Entrega

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

Stephen Muniz, Esq.
Company Secretary

8 April 2020

PureTech's Wholly Owned Pipeline

Our programmes

Product candidate	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
LYT-100 Deupirfenidone	Lymphatic flow disorders, including lymphoedema				Initiation of POC study in **2020**	
LYT-100 Deupirfenidone	Other fibrotic and inflammatory disorders				Initiation of POC study in **2020**	
LYT-200 Anti-Galectin-9 MAb	Solid Tumours			IND and initiation of Ph1a/1b study in **2020**		
LYT-210 Anti-Delta-1 MAb	Solid Tumours					
LYT-210 Anti-Delta-1 MAb	GI Autoimmunity					
Lymphatic Targeting Chemistry Platform						
Milk Exosome Platform						
Meningeal Lymphatics Platform						

Phase in progress Phase completed

LYT-100

Founded Entity	PureTech Ownership	Description
LYT-100	Wholly-Owned	PureTech is developing LYT-100, a clinical-stage product candidate for the potential treatment of a range of conditions involving fibrosis, inflammation and impaired lymphatic flow, including lymphoedema, idiopathic pulmonary fibrosis (IPF), interstitial pneumonias, unclassifiable interstitial lung disease (uILD) and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS).

Programme discovery process by the PureTech team

PureTech acquired LYT-100 in July 2019 based on the company's insights into immunology and lymphatic biology coupled with knowledge of unpublished findings from academic collaborators and awareness of data generated by Auspex Pharmaceuticals (Auspex). LYT-100 was originally developed by Auspex, which is now a wholly-owned subsidiary of Teva Pharmaceuticals, for the treatment of idiopathic pulmonary fibrosis (IPF) and other fibrotic conditions. LYT-100 has demonstrated potent anti-fibrotic and anti-inflammatory activity with significant reduction in IL-6 and TNF-alpha levels in preclinical disease models including lymphoedema, and – importantly – it has been evaluated in human clinical safety studies. PureTech believes LYT-100, if successfully developed and approved, could become a promising treatment for a range of these serious fibrotic and inflammatory conditions, with an initial focus on lymphoedema.

Patient need and market potential

- Lymphatic flow disorders
  - Lymphoedema is a chronic and progressive disorder that is characterised by severe swelling in parts of the body, typically the arms or legs, due to the build-up of lymph fluid and inflammation, fibrosis and adipose deposition. Lymphoedema can cause loss of range of motion and function in the affected limb, disfigurement and pain. Lymphoedema typically progresses through multiple stages, with increased fibrosis and limb volume and tissue changes.
  - Secondary lymphoedema is the most prevalent form of lymphoedema, and it can develop after surgery, infection or trauma and is frequently caused by cancer or cancer treatments.
  - Approximately one million people in the United States have lymphoedema, including approximately 500,000 breast cancer survivors with secondary lymphoedema. Each year, up to one in five of the more than 250,000 Americans estimated to be diagnosed with breast cancer who undergo surgery will develop secondary lymphoedema. Beyond breast cancer, lymphoedema can occur in up to 15 per cent of cancer survivors with malignancies ranging from melanoma to sarcoma.
  - The standard of care is management, primarily by compression and physical therapy to control swelling. There are currently no FDA approved drug therapies to treat lymphoedema.
- Fibrotic and inflammatory disorders
  - Interstitial lung disease (ILD) includes chronic fibrosing diseases like IPF, as well as acute forms like acute exacerbations of IPF and acute interstitial pneumonia, which have high mortality and limited therapeutic options. These acute ILDs can be triggered by viral infections, including coronaviruses such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). Long-term pulmonary fibrosis and reduced respiratory function similar to chronic ILD has been observed in SARS and MERS. A drug therapy with anti-inflammatory and anti-fibrotic activity may have the potential to reduce the symptoms of acute interstitial pneumonia as well as treat the progressive lung damage that can end up affecting survivors of the disease.
  - Apart from the direct destruction of lung function caused by infections, severe and prolonged inflammatory reactions mediated by numerous cytokines, including TNF-alpha and IL-6, are also a characteristic feature. Therefore, treatment strategies should include not only inhibitors of virus proliferation but also include therapies like LYT-100 that suppress pro-inflammatory mediators that can damage lung tissue.

Innovative approach for solving the problem

- LYT-100, or deupirfenidone, is an oral deuterium-containing analogue of pirfenidone. LYT-100 retains the same intrinsic pharmacology of pirfenidone, while potentially improving its tolerability and safety profile. LYT-100 has shown a differentiated and superior pharmacokinetic (PK) profile compared to pirfenidone in human studies, and it would be classified as a New Chemical Entity. Pirfenidone is an orally-administered, small molecule currently approved for the treatment of IPF, and it was recently given Breakthrough Therapy designation from the FDA for uILD. Pirfenidone has also demonstrated significant activity in lymphoedema resolution in preclinical models, and it also has documented activity in patients with rare kidney disorders, such as focal segmental glomerulosclerosis (FSGS), as well as radiation-induced fibrosis and a number of other fibrotic conditions.
- LYT-100 is being developed for the potential treatment of a range of conditions involving fibrosis, inflammation, and impaired lymphatic flow. These conditions include lymphoedema, IPF, interstitial pneumonias, uILD and other ILD, radiation-induced fibrosis and FSGS.
- PureTech has GMP supply of LYT-100 for its ongoing Phase 1, multiple ascending dose study, which is designed to evaluate the safety, tolerability and PK of LYT-100. PureTech has increased its clinical supply and is planning to advance LYT-100 for the treatment of breast cancer-related, upper limb secondary lymphoedema and other fibrotic and inflammatory disorders.

Intellectual property

- As of 31 December 2019, the LYT-100 patent portfolio includes 31 active patents acquired and one patent application licensed from Auspex. These patents and application provide broad coverage of compositions of matter, formulations and methods of use for deuterated pirfenidone, including the LYT-100 deupirfenidone compound, comprising six issued US patents, which are expected to expire in 2028, one US patent application which, if issued, is expected to expire in 2035, and 25 patents issued in 23 foreign jurisdictions, without taking into account any possible patent term extension or regulatory exclusivities.
- In addition, PureTech has filed additional patent applications on deupirfenidone, including two pending US patent applications and one international PCT application directed to the use of deuterated pirfenidone, including LYT-100 deupirfenidone, for the treatment of lymphoedema and other relevant disorders.
- Any issued patents claiming priority to these applications are expected to expire in 2039 through 2040, exclusive of possible patent term adjustments or extensions or other exclusivities.

Milestones achieved

- In March 2020, PureTech initiated a Phase 1 multiple ascending dose study in healthy volunteers.
- In July 2019, PureTech acquired LYT-100 from Auspex, a leader in deuteration, which was acquired by Teva Pharmaceutical Industries in 2015.
- LYT-100 was studied in a single dose crossover Phase 1 clinical trial of 24 healthy volunteers to assess safety and PK. These results demonstrate that LYT-100 displays improved PK relative to pirfenidone and suggest the possibility of twice-daily dosing of LYT-100 in patients with lymphoedema. In addition, LYT-100 was well-tolerated and there were no serious adverse events observed in the Phase 1 clinical trial of healthy volunteers.

Expected milestones

- PureTech expects results from the multiple ascending dose and food effect study in 2020, which, if successful, may enable the initiation of a proof-of-concept study in people with breast cancer-related, upper limb secondary lymphoedema in 2020, as well as additional studies in people with other fibrotic and inflammatory conditions.
- PureTech also plans to initiate a proof-of-concept study evaluating LYT-100 in another fibrotic and inflammatory disorder in 2020.

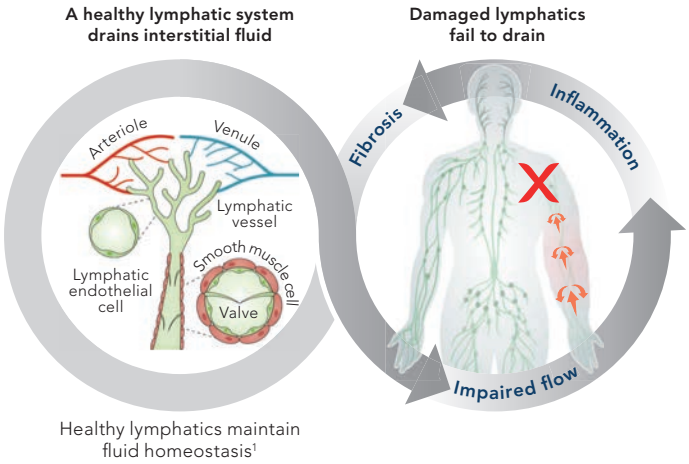
LYT-100 product candidates

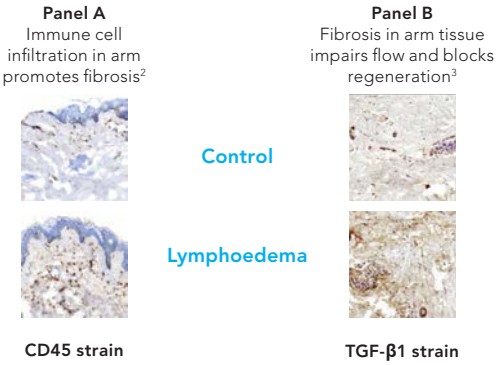
Product candidate	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
LYT-100 Deupirfenidone	Lymphatic flow disorders, including lymphoedema				Initiation of POC study in **2020**	
LYT-100 Deupirfenidone	Other fibrotic and inflammatory disorders				Initiation of POC study in **2020**	

Phase in progress Phase completed

This figure depicts the feedback loop between inflammation and fibrosis-driven lymphoedema

Panel A shows lymphoedema skin biopsy samples from lymphoedematous and normal limbs of patients. As shown in Panel B, lymphoedema skin biopsy samples from lymphoedematous and normal limbs of patients show increased intracellular TGF-β1 staining in immunohistochemical staining.

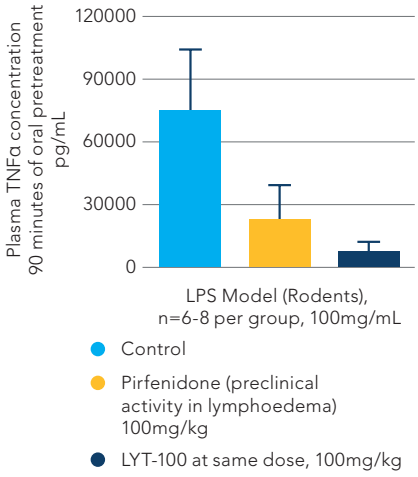




LYT-100 has been studied in a single dose crossover study in healthy volunteers and is currently being evaluated in a Phase 1 multiple ascending dose study

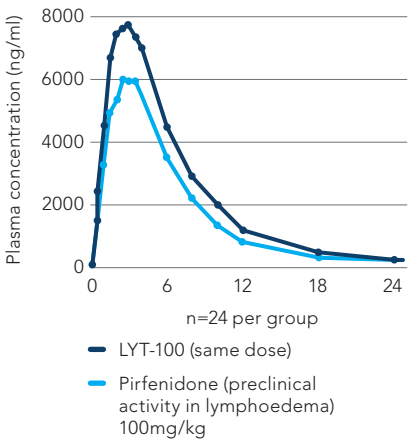
Preclinical

LYT-100 showed anti-fibrotic and anti-inflammatory activity which may break the feedback loop in lymphoedema.



Clinical

LYT-100 showed favourable PK to pirfenidone.



Planned

LYT-100 entered a Phase 1 trial in 2020, and two patient proof-of-concepts are expected to begin in 2020.

LYT-100 is expected to have:

- Potential lower dose and less frequent dosing
- Potential better safety profile

Advised by the world's leading lymphoedema experts:

Babak Mehrara
Memorial Sloan Kettering

Stanley Rockson
Stanford Medicine

Memorial Sloan Kettering Cancer Center

Stanford MEDICINE

1 Rockson et al., 2019, Nat Rev Dis Primer
2 Gousopolos et al., 2016, JCI Insight – CD-45 stain
3 Avraham et al., 2010; Am J Pathology – TGF-β stain

LYT-200

Founded Entity	PureTech Ownership	Description
LYT-200	Wholly-Owned	LYT-200 is an investigational, fully human, IgG4 monoclonal antibody (mAb) that is designed to target galectin-9, a protein that regulates immunosuppression and is prominently expressed in hard-to-treat cancers, such as colorectal cancer, or CRC, cholangiocarcinoma, pancreatic cancer and others.

Programme discovery process by the PureTech team	PureTech undertook a global, proactive search to discover important new scientific insights and technologies that could address the challenge of multiple mechanisms of immunosuppression in current therapeutics. Through this process, PureTech identified the pioneering work of George Miller, MD, at New York University. PureTech began collaborating with Dr Miller prior to his ground-breaking research being published in *Cell* and *Nature Medicine*. The publications demonstrate the role of newly discovered immunosuppressive mechanisms involving galectin-9, which was the basis of developing LYT-200.
Patient need and market potential	• Each year in the US there are approximately: – 57,000 new pancreatic cancer patients, of which 50 per cent present with metastatic disease; – 146,000 new CRC patients, of which 35 per cent present with metastatic disease; and – 8,000 new cholangiocarcinoma patients, of which 50 per cent present with metastatic disease. • These all represent significant patient populations that have yet to receive benefits from any immuno-therapy agents.
Innovative approach for solving the problem	• LYT-200 is an investigational, fully human IgG4 mAb that is designed to block galectin-9, which PureTech is developing for the treatment of solid tumours, including CRC, pancreatic cancer, cholangiocarcinoma and others that do not respond to approved checkpoint inhibitors and have poor survival rates. • PureTech believes LYT-200 holds potential as an immuno-oncology therapeutic because galectin-9: – Polarises macrophages from the M1 to M2 phenotype, induces apoptosis of cytotoxic CD8+ T cells and facilitates expansion of and immunosuppression via Tregs and myeloid derived suppressor cells (MDSCs); – Has high expression that correlates with poor outcomes for multiple solid tumour types as well as resistance to approved checkpoint inhibitors; – Has preclinical evidence using a reagent anti-galectin-9 antibody that showed improvement in survival in a KPC pancreatic cancer mouse model where, like their human counterparts, checkpoint inhibitors have failed. PureTech has since obtained data using LYT-200 in pancreatic cancer and melanoma rodent models where administration of LYT-200 led to greater tumour reduction and activity than an anti-PD-1 antibody as well as in patient-derived organoid, or PDOT, systems; – While elevated in the context of cancer, galectin-9 has low expression under normal physiological conditions, indicating a potential safety window which has been further supported by the lack of tolerability concerns to date in PureTech's studies with LYT-200, even at extremely high doses such as 300 mg/kg in non-human primates.
Intellectual property	• PureTech has broad intellectual property coverage for this antibody-based immuno-therapy technology, including exclusive rights to four families of patent filings that are exclusively licensed from or co-owned with New York University, which cover antibodies that target immunosuppressive agents and mechanisms and methods of use for the treatment of solid tumours, such as pancreatic cancer, CRC, melanoma, gastric cancer, breast cancer and various other cancers. • As of 31 December 2019, there are three families of intellectual property within this patent portfolio covering compositions of matter and methods of use for antibodies targeting galectin-9, including LYT-200. These three families comprise in total two issued US patents which are expected to expire in 2038, 13 pending US patent applications, which, if issued, are expected to expire in 2038 through 2040 and one international PCT application. • In addition, there is one family of intellectual property covering compositions of matter and methods of use for related immuno-oncology technologies, which in total comprises three pending patent applications in US and foreign jurisdictions. This family is expected to expire in 2037. All expiration dates are exclusive of possible patent term adjustments or extensions or other periods of exclusivity.
Milestones achieved	• In November 2019, PureTech presented new preclinical data at the Society for Immuno-therapy of Cancer (SITC) 34th Annual Meeting. The presented data indicate that galectin-9 is not only a potent therapeutic target, but also a potentially relevant biomarker. Across multiple cohorts, galectin-9 was significantly increased in blood samples of individuals with primary and metastatic pancreatic cancer, lung tumours and colorectal carcinoma, compared to healthy individuals.
Expected milestones	• PureTech plans to file an IND application and initiate a Phase 1a/1b in solid tumours in 2020. The planned clinical trial is a Phase 1a/1b open label non-randomised clinical trial of LYT-200 alone or in combination with chemotherapy or an approved anti-PD-1 agent in relapsed/refractory metastatic patients.

LYT-200 product candidate

Product candidate	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
LYT-200 Anti-Galectin-9 MAb	Solid Tumours			IND and initiation of Ph1a/1b study in **2020**		

Phase in progress Phase completed

Galectin-9 triggers and mediates multiple pathways of immunosuppression

Foundational biology

Affects multiple pathways of immunosuppression, potentially enabling a single-agent therapeutic

Proof-of-concept in preclinical models

- Tumour reduction in pancreatic cancer model where anti-PD1 has failed
- Outperforms anti-PD1 in standard checkpoint inhibitor (CPI) responsive melanoma model
- Restoration of T cell activity in patient-derived organoids

Biomarker opportunity

Expression increased in blood and tissue of multiple tumour types, correlating with adverse prognosis

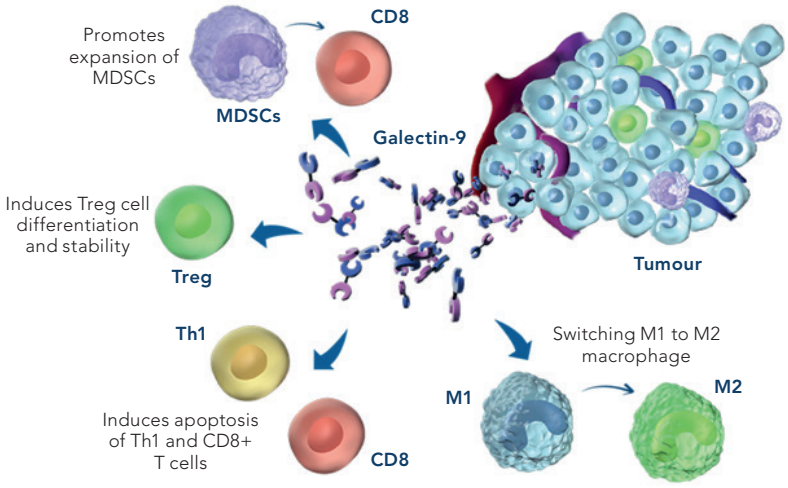


Image adapted from J Mol Biol; 428 (16): 3266-3281; 2016

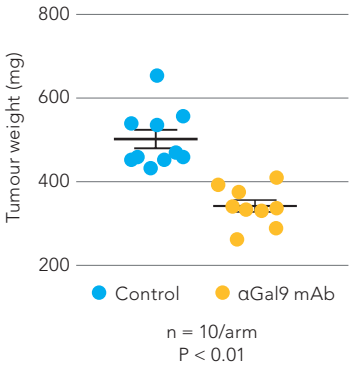
Treg = T regulatory cell; MDSC = myeloid derived suppressor cell; M1/M2 = tumour associated macrophage (TAM)1 (immunoactive) and 2 (immunosuppressed) cell; Th1 = T helper1 cell

The below figure on the left depicts LYT-200 mouse mAb activity in an orthotopic pancreatic cancer KPC model

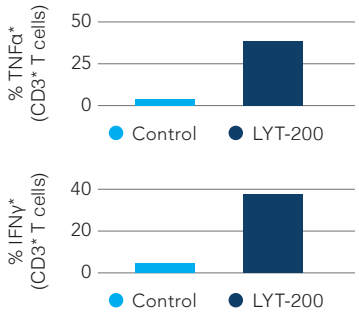
KPC cells were engrafted into the pancreata of immunocompetent mice and were treated systemically with the mouse version of the LYT-200 antibody, or LYT-200 mouse mAb. PureTech observed significant tumour growth reduction at the end of the experiment with LYT-200 mouse mAb as a single agent ($p < 0.01$) as assessed by decrease in tumour weight. The below figure in the middle illustrates examples of *in vitro* T cell activation with LYT-200.

Single agent activity in KPC (pancreatic cancer) model

A model where anti-PD1s do not work



T cell activation with LYT-200 in patient-derived organoid model



LYT-200 drug properties make it an excellent clinical clone

- High affinity and specificity for galectin-9
- Desired function: Blocking galectin-9 mediated immunosuppression
- Robust activity in preclinical studies:
  - Single agent causes tumour reduction in pancreatic and melanoma mouse models
  - Observed ~50% tumour reduction with LYT-200 vs. ~22% tumour reduction with anti-PD1 in melanoma model
  - Increase in intra-tumoural CD8 T cells in combination with anti-PD1
  - Activation of intra-tumoural immunity in patient-derived tumour models

Note: For patient-derived organoids, n = 23 tumour samples; Success defined as: >20% upregulation of at least two out of three T cell activation markers; success achieved in 60% of tumours with majority showing >2 fold activation

LYT-210

Founded Entity	PureTech Ownership	Description
LYT-210	Wholly-Owned	PureTech is developing LYT-210, an investigational, fully human IgG1 monoclonal antibody (mAb) directed against the delta-1 (γδ1) chain of T cells bearing γδ1 T cell receptors (TCRs) for antibody-dependent cell-mediated cytotoxicity and antibody-dependent cellular phagocytosis (ADCP).

Programme discovery process by the PureTech team	PureTech undertook a global, proactive search to discover important new scientific insights and technologies that could address the challenge of multiple mechanisms of immunosuppression in current therapeutics. Through this process, PureTech identified the pioneering work of George Miller, MD, at New York University. PureTech began collaborating with Dr Miller prior to his ground-breaking research being published in *Cell*. The publication demonstrated the role of newly discovered immunosuppressive mechanisms involving immunosuppressive γδ1 T cells, which was the basis of developing LYT-210.
Patient need and market potential	• Each year in the US there are approximately: – 57,000 new pancreatic cancer patients, of which 50 per cent present with metastatic disease; – 146,000 new CRC patients, of which 35 per cent present with metastatic disease; and – 8,000 new cholangiocarcinoma patients, of which 50 per cent present with metastatic disease. • These all represent significant patient populations that have yet to receive benefits from any immuno-therapy agents.
Innovative approach for solving the problem	• LYT-210 is an investigational, fully human, IgG4 mAb targeting immunosuppressive/pathogenic γδ1 T cells for a range of cancer indications and autoimmune disorders. • γδ1 T cells execute potent immunosuppressive function via multiple mechanisms, which facilitates cancer progression. PureTech has designed LYT-210 to eliminate γδ1 T cells, and thereby potentially relieve immunosuppression, which PureTech believes could enable immune-mediated cancer attack. • PureTech believes that γδ1 T cells represent an important new immuno-oncology target because they: – Activate multiple immunosuppressive pathways; – Have expression correlated with poor outcomes for multiple solid tumour types; – Have preclinical evidence that showed improvement in survival in the KPC pancreatic cancer mouse model where approved checkpoint inhibitors are ineffective; – While elevated in the context of cancer, have low expression under normal physiological conditions which indicates a potential safety window; – Represent an attractive target; to our knowledge, there are no other companies developing a therapeutic candidate targeting immunosuppressive and pathogenic γδ1 T cells.
Intellectual property	• PureTech has broad intellectual property coverage for this immuno-therapy technology, including exclusive rights to four families of patent filings that are exclusively licensed from or co-owned with New York University. Three of these families cover antibodies that target immunosuppressive agents and mechanisms and methods of use for the treatment of solid tumours, such as pancreatic cancer, CRC, melanoma, gastric cancer, breast cancer and various other cancers. The fourth family covers antibodies that are directed to pro-inflammatory γδ T cells for use in the treatment of inflammatory conditions, such as autoimmune disorders, for example, IBD, ulcerative colitis, Crohn's disease and coeliac disease, among others. • As of December 2019, there are three families of intellectual property within this patent portfolio covering compositions of matter and methods of use for antibodies targeting delta-1 chain of T cell Receptor, including LYT-210, which include one issued patent, nine pending US applications and one PCT application. Two of these families, one of which includes the issued patent, are related to compositions and methods of use in oncology applications. The third family is directed to methods of use in the treatment of inflammatory conditions, such as autoimmune disorders. The issued patent and any patents issuing from pending applications with respect to LYT-210 are expected to expire in 2039 through 2040. • In addition, there is one family of intellectual property covering compositions of matter and methods of use for related immuno-oncology technologies, which in total comprises three pending patent applications in US and foreign jurisdictions. This family is expected to expire in 2037. All expiration dates are exclusive of possible patent term adjustments or extensions or other periods of exclusivity.
Milestones achieved	• In November 2019, PureTech presented new preclinical data at the Society for Immunotherapy of Cancer (SITC) 34th Annual Meeting. The data presented on LYT-210 showed that γδ1 T cells were the abundant T cell within the studied tumours, which included pancreatic, colorectal, cholangiocarcinoma and liver cancer. PureTech also presented data showing that LYT-210 depletes immunosuppressive γδ1 T cells through cytotoxicity and phagocytosis in patient blood and tumour samples. Together, these findings further support the ability of LYT-210 to potentially restore the immune system's ability to fight difficult-to-treat cancers.
Expected milestones	• PureTech plans to continue to advance preclinical and biomarker studies for LYT-210 in 2020.

LYT-210 product candidates

Product candidate	Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
LYT-210 Anti-Delta-1 MAb	Solid Tumours					
LYT-210 Anti-Delta-1 MAb	GI Autoimmunity					

Phase in progress Phase completed

This figure illustrates the impact of protumourigenic γδ1 T cells on tumour progression

Immunosuppressive γδ1 T cells

- Solid tumours harbour immunosuppressive γδ1 T cells that correlate with tumour aggressiveness/lower rate survival
- Works through multiple pathways to cause immunosuppression in the tumour micro-environment
- LYT-210 is a fully human monoclonal IgG1 antibody (cross reacts with monkey)

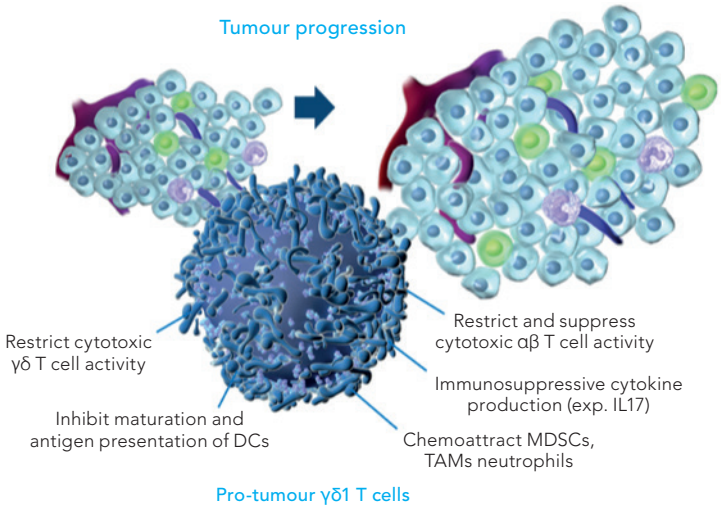
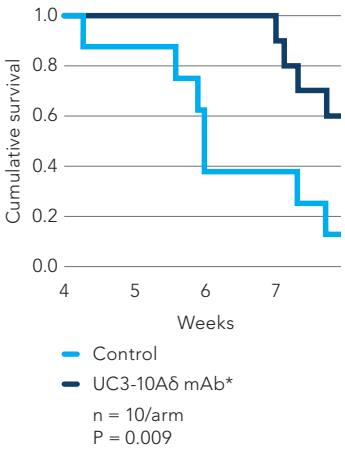


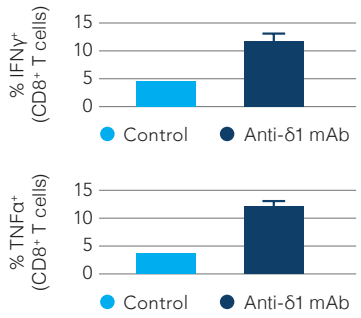
Image adapted from CellPress: REVIEW: γδ T cells: Unexpected Regulators of Cancer Development and Progression.
DC = dendritic cell; TAM = tumour associated macrophage; MDSC = myeloid derived suppressor cell; IL17 = interleukin 17

As shown in the below figure on the left, when mice with pancreatic cancer were treated with an antibody against immunosuppressive γδ T cells, which is represented by the dark blue curve, survival was greatly increased. The below figure in the middle illustrates examples of *in vitro* T cell activation with antibodies against γδ T cells.

Single agent activity in KPC (pancreatic cancer) model (Published in *Cell*)



T cell activation with an anti-δ1 mAb in patient-derived organoid model



LYT-210 candidate clone has excellent drug properties

- High affinity and specificity/selectivity for pathogenic γδ1 T cells
- Species cross reactivity to enable IND tox
- Desired function: Inducing ADCC/ADCP and activating suppressed effector T cells in patient-derived tumour models
- Proof of principle in animal models:
  - Targeting immunosuppressive γδ T cells significantly prolongs survival in a KPC model
  - Targeting immunosuppressive γδ T cells synergises with checkpoint inhibitors in melanoma and lung cancer models

Cell. 2016 Sep 8;166(6):1485-1499; *Tool antibody that blocks mouse immunosuppressive γδ T cells

Note: For patient-derived organoids: Analysed n = 22 tumour samples; success defined as: >20% upregulation of at least two out of three T cell activation markers; Success achieved in 63% of tumours with majority showing >2-fold activation

PureTech's wholly-owned programmes also include three discovery platforms designed to harness the lymphatic system functions for immunology, oncology and CNS indications.

Lymphatic Targeting Chemistry Platform

PureTech is developing a synthetic lymphatic targeting chemistry platform that employs the body's natural lipid absorption and transport process to orally administer drugs via the lymphatic system by (1) targeting the mesenteric lymph nodes and (2) bypassing first-pass metabolism.

Consumed nutrients and orally-administered pharmaceuticals are initially absorbed by the small intestine mucosa and distributed to the liver by the portal vein before entering systemic circulation. Importantly, many consumed dietary lipids, particularly triglycerides, enter systemic circulation by an alternate route. Triglycerides, which are composed of three fatty acid chains tethered to a 3-carbon glycerol molecule, are absorbed by small intestine mucosal enterocytes where they are incorporated into large lipid-protein complexes called chylomicrons and released into the submucosa. Chylomicrons are too large to enter blood vessels and are instead taken up by submucosal lymphatic vessels. Once in the lymphatic vessels, they are transported to mesenteric lymph nodes associated with the gastro-intestinal (GI) tract where they pass into larger lymphatic sinuses connected to the thoracic duct, then transition to systemic circulation. This is in contrast to conventional systemic circulation via the gut and liver.

PureTech's lymphatic targeting technology has important features potentially offering meaningful advantages in the creation of orally-administered medicines, especially those that need to reach immune system drug targets that are present in the GI tract mucosa and submucosa (e.g., intestine-associated immune cells), or in the mesenteric lymphatic vasculature (e.g., circulating immune cells) and mesenteric lymph nodes (e.g., lymph node stromal cells, antigen-presenting dendritic cells (DCs) and lymph node-associated immune cells). The platform takes advantage of the fact that one of the triglyceride-associated fatty acids remains bound to dietary lipids during intestinal absorption, chylomicron conversion, lymphatic vessel uptake and eventual transport into the circulatory system. Using a modular set of proprietary chemical entities, small molecule pharmaceutical compounds can be docked to triglycerides where, following oral administration, the small molecule is directed into the mesenteric lymphatic system and on to systemic circulation.

The point of original small molecule release from the triglyceride is governed by self-cleaving chemical structures with different release-timing features that tether the small molecule to the module connected to the triglyceride.

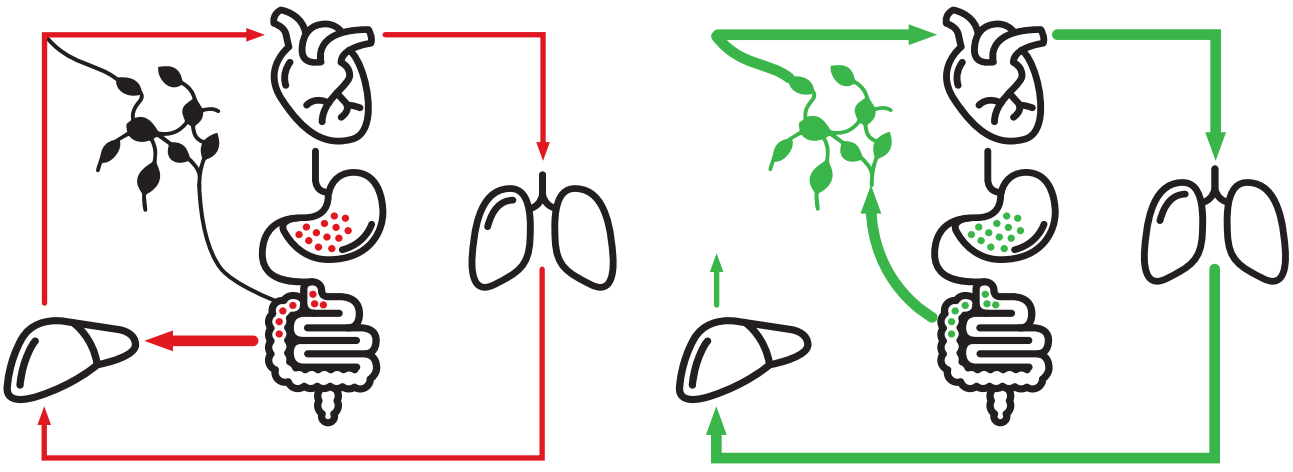
Targeting the mesenteric lymph node

To demonstrate the mesenteric lymphatic targeting capability of the platform, prodrugs were created from unmodified mycophenolic acid (MPA), which is an immune-suppressive agent widely used in solid organ transplant rejection therapy and the treatment of lupus autoimmunity. Preclinical studies in rodent models conducted by one of the co-inventors of this technology and a PureTech collaborator, Chris Porter, PhD, at Monash University, and subsequently reproduced by PureTech, demonstrated that lipid prodrugs of MPA were capable of achieving MPA concentrations in mesenteric lymph, mesenteric lymph nodes and in mesenteric lymph node immune cells that were ten to 100-fold higher than observed with unmodified MPA.

Enhancing oral bioavailability

This technology could provide a broadly-applicable modular means to significantly enhance the bioavailability of orally-administered drugs that suffer from substantial first-pass liver metabolism or those drugs, especially those utilised in drug combination therapies, that act as modulators (inducers and/or inhibitors) of drug-metabolising systems in the liver. To explore the utility of the platform in such cases, PureTech has created several lipid prodrugs of allopregnanolone, an inhibitory pregnane neurosteroid that acts as a highly potent positive allosteric modulator of the GABAA receptor and is approved by the FDA as a 60-hour infusion for the treatment of postpartum depression under the brand name Zulresso. PureTech demonstrated that oral-dosing of these prodrugs achieved therapeutically relevant plasma levels in small and large animal models. Coupled with other preclinical studies, these results support the possible utility of this approach for converting allopregnanolone into an orally-dosed drug as well as for numerous other potential therapeutics with intrinsic hepatic metabolism liabilities and/or oral absorption limitations.

Conventional drug circulation versus lymphatic systemic circulation



Gut – Portal – Systemic Circulation

Gut – Lymphatic – Systemic Circulation

To date, PureTech has successfully extended the platform to encompass more than 20 potential product candidates as well as a range of novel linker chemistries that have demonstrated promising lymphatic targeting in preclinical studies. From this work, PureTech may be able to nominate a prodrug candidate as soon as the first half of 2020. Additionally, PureTech announced an alliance with Boehringer Ingelheim in April 2019, which is initially focused on evaluating the feasibility of applying its lymphatic targeting technology to one of Boehringer Ingelheim's immuno-oncology product candidates. Under the terms of the agreement, PureTech is eligible to receive up to $26 million in upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales. PureTech retains all other applications of this technology.

Intellectual Property

PureTech has broad intellectual property coverage for its proprietary lymphatic targeting platform, which includes exclusively licensed and co-owned patent applications, as well as company-owned patent applications. These patent applications cover compositions of matter, methods of use and methods of treatment encompassing specific chemical modifications, including a wide range of novel linker chemistries, as well as various classes of lymphatic targeting therapeutics, which include prodrugs for a large number of active pharmaceutical ingredients (APIs), for use in the treatment of a wide range of diseases and disorders.

As of 31 December 2019, PureTech's lymphatic targeting platform intellectual property portfolio consists of 17 patent families comprising 15 US patent applications, four international PCT applications and ten foreign patent applications. Of these, company-owned IP consists of eight US patent applications in six patent families. PureTech exclusively licensed and co-owns a patent portfolio of 11 patent families comprising 18 US and foreign patent applications and four international PCT applications from Monash University. Any issued patents from the in-licensed patent applications are expected to expire in 2035 through 2036 and any issued patents from the co-owned and company-owned patent applications are expected to expire in 2038 through 2040, exclusive of possible patent term adjustments or extensions or other forms of exclusivity.

Milk Exosome Platform

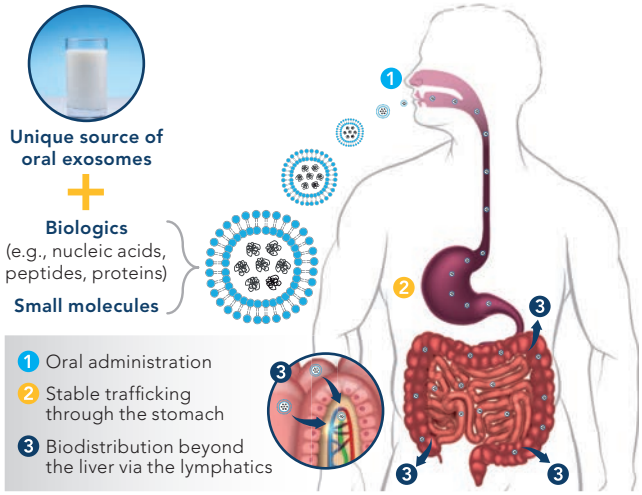
PureTech is developing a milk exosome-based technology to enable oral administration of macromolecule therapeutic payloads, including antisense oligonucleotides, short interfering RNA, messenger RNA (mRNA), peptides and nanoparticles that are otherwise administered exclusively by injection.

Exosomes are a type of extracellular vesicle approximately 100nm in diameter that are produced in the endosomal compartment and secreted from most types of eukaryotic cells. Human cell-derived exosomes have attractive promise as vehicles for systemic drug delivery due to their tolerability over synthetic polymer-based delivery technologies. However, the fragile nature of exosomes derived from human cells limits the type of post-isolation manipulations that can be applied in order to optimise such vesicles for exogenous drug cargo loading, administration and storage. This contrasts with milk-derived exosomes, which form the basis of PureTech's technology and have evolved in all mammals to remain stable following oral consumption and transit through the upper GI tract.

PureTech's platform utilises bovine-derived milk exosomes. Bovine milk is a rich, readily available and inexpensive source of exosomes harbouring approximately 10^{11} to 10^{12} purifiable exosomes per millilitre. By comparison, serum or plasma contains approximately 1,000-fold fewer exosomes (10^{8} to 10^{9} exosomes) per millilitre. The concept for utilising bovine milk-derived exosomes for drug delivery is based on earlier research conducted in the laboratory of Ramesh Gupta, PhD, at the University of Louisville. PureTech has in-licensed the underlying foundational intellectual property derived from this research. Subsequently, PureTech has expanded and industrialised this technology developing easily scalable processes for low cost exosome purification, efficient universal cargo loading and formulations for oral administration.

PureTech's milk-derived exosome platform is currently constructed to transport macromolecular medicines to selected mucosal cell types of the intestinal tract where the therapeutics act either directly in the GI tract, transit through the mucosa to the underlying lymphatic vascular network or, in the case of cargos that yield mRNAs, produce complex biologics such as antibodies within mucosal cells that are secreted into the mucosal lymphatic vascular network for subsequent systemic distribution. Using PureTech's milk exosome technology, it may be possible for a patient to take an oral drug product that will permit their own GI tract cells to make virtually any type of therapeutic protein. This approach also has the potential to provide a more convenient and significantly less expensive means to deliver biological medicines. This proprietary milk-derived exosome technology has the potential to alter the treatment paradigm for diseases, such as rheumatoid arthritis, diabetes and cancer for which the standard of care requires intravenous infusion or subcutaneous injection of monoclonal antibodies (e.g. anti-PD1, anti-TNF) or protein/peptides (e.g. GLP-1, β-glucocerebrosidase, Factor IX, Erythropoietin). Within the

Harnessing milk exosomes for oral administration of nucleic acids and other biologics



This figure depicts milk exosomes enabling the oral intake of large molecules via the gut and the lymphatic system.

context of the current COVID-19 pandemic, PureTech's milk-derived exosome platform has the potential to support oral administration of anti-SARS CoV-2 monoclonal antibodies or antibody combinations to supply passive immune therapies for infected individuals and passive immune protection for health care and first responder professionals.

Thus, whether combating emerging epidemic/pandemic pathogens or other diseases where monoclonal antibody therapeutics offer significant clinical benefit, the milk exosome platform has the potential to transform the range of biotherapeutics clinical indications, while also lowering costs and simplifying administration.

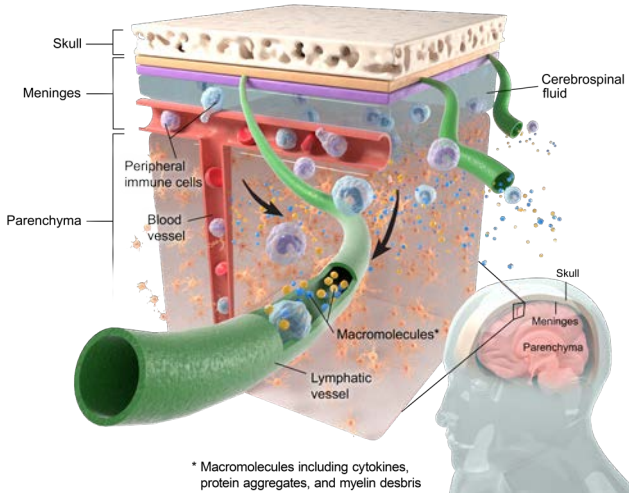
Intellectual Property

PureTech has broad intellectual property coverage for its milk exosome platform technologies, which includes both exclusively licensed and company-owned patents and patent applications. PureTech's milk exosome intellectual property portfolio covers compositions of matter, methods of use and methods of treatment spanning various platform-based technologies, as well as various broad classes of milk-exosome formulated therapeutics, which include nucleic acid-based therapeutics (such as messenger RNA, nucleic acid expression systems, short interfering RNA and antisense oligonucleotide-based approaches), small molecules, biologics (such as peptides, proteins and antibodies) and other therapeutics for use in the treatment of a wide range of diseases and disorders, including various cancers and inflammatory diseases.

As of 31 December 2019, PureTech's milk exosome patent portfolio consists of eight patent families comprising three issued US patents, five US patent applications, two international PCT applications and five foreign patent applications. Of these, company-owned IP consists of eight US and foreign patent applications and one pending international PCT application in four patent families. PureTech exclusively licensed a patent portfolio consisting of two patent families from 3P Biotechnologies, Inc. based on technology originating from the University of Louisville. In addition, PureTech exclusively licensed a patent portfolio consisting of two patent families from NuTech Ventures based on technology originating from the University of Nebraska. PureTech's issued patents and any patents issuing from their related filings are expected to expire in 2034 and 2037. Any issued patents from the other patent applications are expected to expire in 2037 through 2041, exclusive of possible patent term adjustments or extensions or other forms of exclusivity.

Meningeal Lymphatics Platform

The lymphatic system is an important part of the immune system, GI system and central nervous system (CNS), and loss of lymphatic flow can play a critical role in diseases of these systems. This concept underlies PureTech's meningeal lymphatics platform, which aims to correct lymphatic dysfunction in the brain to potentially improve outcomes for a range of neurodegenerative and neuroinflammatory conditions that are not currently effectively treated, such as Alzheimer's disease (AD) and Parkinson's disease.



The meningeal lymphatics is a functional lymphatic system in the meninges of the brain that was recently discovered by one of PureTech's collaborators, Jonathan Kipnis, PhD, a professor at the University of Virginia. These meningeal lymphatics have been described as the "brain drain," a route through which macromolecules are flushed from the brain in cerebrospinal fluid. Among the macromolecules that are drained via the lymphatics are pathogenic macromolecules such as amyloid-beta and tau, which are both associated with AD pathology, as well as alpha-synuclein, which is associated with Parkinson's disease. In animal models of AD, AD associated tauopathies and Parkinson's disease, blocking meningeal lymphatic flow significantly exacerbated disease progression and severity, and improving flow through aged meningeal lymphatics improved cognitive brain function in these animal models. With ageing, the lymphatic vessels that drain the brain become dysfunctional and no longer drain as efficiently. The "lymphoedematous characteristics" of meningeal lymphatic vessels in aged animals might be leading to inefficient clearance of pathologic macromolecules and potentially increase risk for neurodegenerative diseases.

PureTech is exploring multiple ways of altering lymphatic flow, both in the CNS and other parts of the body. Starting with LYT-100, PureTech is developing novel therapeutic candidates that target inflammation, fibrosis and other mechanisms that impair lymphatic flow.

Intellectual Property

PureTech has broad intellectual property coverage around its meningeal lymphatics platform, which includes exclusively licensed patent applications covering compositions of matter, methods of use and methods of treatment encompassing its platform-based brain lymphatic technologies, including the identification of macromolecular targets, as well as various classes of brain lymphatic targeting therapeutics for use in the treatment of a wide range of neurodegenerative and neuroinflammatory conditions, as well as various neuropathies and cancers.

As of 31 December 2019, PureTech's brain lymphatics patent portfolio consists of eight patent families comprising seven US patent applications, two international PCT applications and five foreign patent applications exclusively licensed from the University of Virginia Licensing & Ventures Group. Any issued patents from the in-licensed patent applications are expected to expire in 2037 through 2040, exclusive of possible patent term adjustments or extensions or other forms of exclusivity.

PureTech's Founded Entities

Founded Entities where PureTech has a controlling interest or right to receive royalties*

Founded Entity	PureTech Ownership[1]	Product Candidate[2]		Indication	Stage of Development	Royalties[3]
Karuna (KRTX)	20.3%	KarXT	P	Schizophrenia	Phase 2 Complete[4]	Royalties
				Dementia-related psychosis	Phase 1	
				Pain	Phase 1	
Follica	78.3%	FOL-004	P/D	Androgenetic alopecia	Phase 3 Ready	Royalties
		FOL-005	D	Skin rejuvenation	Phase 2	
Gelesis	22.0%	Plenity™[5]	D	Weight management	FDA Cleared	Royalties
		GS100[5]	D	Adolescent weight management	Phase 2 Ready[6]	
		GS500[5]	D	CIC	Phase 3 Ready[6]	
		Gelesis200[5]	D	Weight management in T2D/prediabetes	Phase 2	
		GS300[5]	D	NASH/NAFLD	Phase 2 Ready[6]	
		GS400[5]	D	IBD	Preclinical	
Vedanta	53.3%	VE303	B	High-risk CDI	Phase 2	N/A
		VE416	B	Food allergy	Phase 1/2	
		VE202	B	IBD	Phase 1	
		VE800	B	Solid tumours	Phase 1	
Alivio	78.6%	ALV-306	P	Pouchitis and distal colitis	Preclinical	N/A
		ALV-304	P	IBD	Preclinical	
		ALV-107	P	IC/BPS	Preclinical	
Sonde	45.9%	Sonde†	D	Depression detection	Phase 1	N/A
Entrega	72.9%	ENT-100	B	Oral delivery of biologics, vaccines and other drugs	Preclinical	N/A

Founded Entities where PureTech has an equity interest*

Founded Entity	PureTech Ownership[1]	Product Candidate[2]		Indication	Stage of Development	Royalties[3]
Akili	34.4%	AKL-T01	D	Paediatric ADHD	Pursuing FDA Clearance	N/A
				Parkinson's/MCI	Phase 1 (Feasibility)	
				Traumatic brain injury	Phase 1 (Feasibility)	
		AKL-T02	D	Paediatric Autism	Phase 2 (POC)	
		AKL-T03	D	Major depressive disorder	Pivotal Study Ready[7]	
				Multiple sclerosis	Phase 2 (POC)	
		AKL-T04	D	Major depressive disorder	Preclinical	
		AKL-X01	D	ADHD caregiver app	Clinical Trials	
Vor	28.1%	VOR33	B	Acute myeloid leukaemia	Preclinical	N/A

Founded Entity related to the Brain | Founded Entity related to the Immune System | Founded Entity related to the Gut

* While PureTech maintains ownership of equity interests in its Founded Entities, the Company does not, in all cases, maintain control over these entities (by virtue of (i) majority voting control and (ii) the right to elect representation to the entities' board of directors) or direct the management and development efforts for these entities. Consequently, not all such entities are consolidated in the financial statements. Where PureTech maintains control, the entity is referred to as a Controlled Founded Entity in this report and is consolidated in the financial statements. Where PureTech does not maintain control, the entity is referred to as a Non-Controlled Founded Entity in this report and is not consolidated in the financial statements. As of 31 December 2019, Controlled Founded Entities include Alivio Therapeutics, Inc., Follica, Incorporated, Entrega, Inc., Vedanta Biosciences, Inc. and Sonde Health, Inc., and Non-Controlled Founded Entities include Akili Interactive Labs, Inc., Gelesis, Inc., Karuna Therapeutics, Inc., Vor Biopharma Inc. and, for all periods prior to 18 December 2019, resTORbio, Inc.

1 Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of 31 December 2019 (with the exception of Gelesis ownership which is as of 1 April 2020), including outstanding shares, options and warrants, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans. Ownership of Vor and Sonde is based on the assumption that all future tranches of their most recent financing rounds are funded. Karuna ownership is calculated on an outstanding voting share basis as of 13 March 2020.

2 The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B) or device (D).

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

4 Pending the outcome of an End-of-Phase 2 meeting with the FDA, Karuna expects to initiate a Phase 3 clinical trial.

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

6 Contingent on FDA review of the research plan.

7 Future clinical research plans and priorities in process.

KARUNA THERAPEUTICS

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Karuna (KRTX)	20.3%	KarXT	P	Schizophrenia Dementia-related psychosis Pain	Phase 2 Complete*** Phase 1 Phase 1

Programme discovery process by the PureTech team

PureTech was interested in developing a new approach to treat schizophrenia that was effective but did not have the debilitating side effects of the current class of antipsychotics, realising that any potential new approaches could have wider applicability. PureTech engaged with a group of leading schizophrenia experts who were most excited about muscarinic agonists, pointing to the data generated by Eli Lilly with xanomeline, which was not advanced at that time due to tolerability issues. PureTech invented and broadly filed patents to cover the concept of combining a muscarinic receptor agonist with a peripherally acting antagonist, and it in-licensed xanomeline from Eli Lilly in May 2012. The core team member who was running this programme at PureTech became Karuna's chief operating officer and PureTech built a team of leading drug developers and neuroscientists around him, including Steven Paul, MD, an expert in central nervous system (CNS) drug discovery and development. Karuna completed an initial public offering (IPO) on the Nasdaq Global Market in July 2019.

Dr Paul was formerly executive vice president for science and technology and president of the Lilly Research Laboratories at Eli Lilly, and was involved in the original xanomeline work at Eli Lilly. Dr Paul was also a co-founder of Sage Therapeutics and Voyager Therapeutics, where he also served as chief executive officer, and the former scientific director of the National Institute of Mental Health.

Patient need and market potential

- Psychosis and cognitive impairments are debilitating features of schizophrenia, dementia-related psychosis and other mental illnesses that affect tens of millions of people, but there are no existing medicines that sufficiently and safely treat psychosis and cognition impairments.
  - There are approximately 2.7 million adults living with schizophrenia and approximately 8.4 million people living with dementia in the United States.
  - Approximately 1.2 million of the estimated 8.4 million patients with dementia in the United States experience psychosis at some point during the course of their disease.
  - People with schizophrenia have a ten to fifteen-year reduction in life expectancy compared to the general population, struggle to maintain employment or live independently and are often unable to maintain meaningful interpersonal relationships.
- 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. Current antipsychotics have modest efficacy in many patients and significant side effects.
  - Current antipsychotics only address psychosis, also known as positive symptoms, such as hallucinations and delusions, but despite treatment, patients often experience residual positive symptoms throughout their lives.
  - There are no approved treatments for the negative symptoms, such as apathy and loss of motivation, or cognitive symptoms, such as changes in working memory and attention, of schizophrenia, or the treatment of dementia-related psychosis.
  - At least half of patients fail to adequately respond to current antipsychotic drugs.
  - Additionally, current treatments are often associated with severe side effects, including sedation, extrapyramidal side effects such as motor rigidity, tremors and slurred speech and significant weight gain resulting in the complications of diabetes, hyperlipidaemia, hypertension and cardiovascular disease.
- There is an unmet need for new treatments in schizophrenia that could address the positive, negative and cognitive symptoms and are free of the problematic safety issues with existing medicines. There are currently no approved treatments for dementia-related psychosis.
- The current standard of care for neuropathic and inflammatory pain include opioids, nonsteroidal anti-inflammatory drugs, topical agents, anticonvulsants and antidepressants.

Innovative approach for solving the problem

- Karuna is targeting muscarinic cholinergic receptors for the treatment of psychosis and cognitive impairment across CNS disorders, including schizophrenia and dementia-related psychosis, as well as pain.
- KarXT consists of xanomeline, a novel muscarinic acetylcholine receptor agonist that has demonstrated decreases in multiple psychotic symptoms and improvements in cognitive symptoms in placebo-controlled human trials in schizophrenia and Alzheimer's disease, and trospium chloride, an FDA approved and well-established muscarinic receptor antagonist that has been shown not to measurably cross the blood-brain barrier. KarXT is designed to preferentially stimulate M1/M4 muscarinic receptors in the brain without stimulating muscarinic receptors in peripheral tissues to significantly improve tolerability.
- Xanomeline was previously studied by Eli Lilly in randomised, double-blind, placebo-controlled trials in schizophrenia and AD, demonstrating dose-dependent decreases in multiple psychotic symptoms and related behaviours, including hallucinations, delusions and agitation, as compared to patients on placebo in the treatment of psychosis and improvements in symptoms as measured by both the Alzheimer's disease Assessment Scale-Cognitive Subscale and the Clinician Interview-Based Impression of Change plus caregiver interview standards.
- To PureTech's knowledge, xanomeline is the only muscarinic agonist that has demonstrated potential therapeutic benefit in humans in either schizophrenia or AD. Like all muscarinic receptor agonists studied to date, however, xanomeline's tolerability has been limited by side effects arising from muscarinic receptor stimulation in peripheral tissues, leading to nausea, vomiting, diarrhoea and increased salivation and sweating, which led Eli Lilly to discontinue development of xanomeline. By pairing xanomeline with trospium chloride, Karuna believes KarXT could potentially alleviate the tolerability issues seen with xanomeline while maintaining the improvement of positive, negative and cognitive symptoms of schizophrenia and psychosis in AD observed in previous Phase 2 studies.

Milestones achieved

- In November 2019, Karuna announced that KarXT achieved the primary endpoint of its Phase 2 clinical trial for the treatment of acute psychosis in patients with schizophrenia, demonstrating a statistically significant and clinically meaningful 11.6 point mean reduction in total Positive and Negative Syndrome Scale (PANSS) score compared to placebo ($p<0.0001$) and also demonstrated improved tolerability as compared to placebo. A statistically significant reduction in the secondary endpoints of PANSS-Positive and PANSS-Negative scores were also observed ($p<0.001$). KarXT demonstrated improved tolerability as compared to placebo, with similar discontinuation rates between KarXT (20 per cent) and placebo (21 per cent). The study enrolled 182 schizophrenia patients with acute psychosis, 90 of whom received KarXT. The number of discontinuations due to treatment emergent adverse events (AEs) were equal in the KarXT and placebo arms (n=2 in each group). One serious adverse event (SAE) was experienced in the drug treatment arm, in which the patient discontinued treatment and subsequently sought hospital care for worsening psychosis, meeting the regulatory definition of an SAE. In Karuna's Phase 1 tolerability POC study, KarXT was better tolerated than xanomeline plus placebo and no serious or severe adverse events, or SAEs, were reported.
- The safety and tolerability of KarXT and dose selection for the Phase 2 clinical trial was supported by results from Karuna's two Phase 1 healthy volunteer studies in over 140 patients with KarXT. As disclosed in its public filings, Karuna observed in its first Phase 1 randomised, double-blind placebo-controlled study that the addition of trospium to xanomeline was associated with clinically meaningful reductions in the rate of the most common treatment-emergent cholinergic adverse events (ChAEs) than reported with xanomeline plus placebo, including nausea, vomiting, diarrhoea and excess sweating and salivation.

* PureTech Health has a right to royalty payments as a percentage of net sales from Karuna. As of 13 March 2020, PureTech's percentage ownership of Karuna was approximately 20.3 per cent on an outstanding share basis.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

*** Pending the outcome of an End-of-Phase 2 meeting with the FDA, Karuna expects to initiate a Phase 3 clinical trial.

Milestones achieved (continued)

- Karuna's second Phase 1 study was a randomised, double-blind, placebo-controlled multiple ascending dose trial of KarXT. This trial evaluated twice-a-day dosing of the proprietary KarXT co-formulation containing fixed ratios of xanomeline and trospium, rather than the three-times-a-day dosing previously used with xanomeline. The study demonstrated tolerability at xanomeline dose levels exceeding those shown in previous studies of xanomeline alone. The co-formulation also achieved exposure levels equivalent to or higher than the separate dosage forms used previously.
- Xanomeline has also shown potent activity preclinically in a number of models of analgesia, demonstrating the potential of KarXT to treat a variety of pain indications, including acute, inflammatory and neuropathic pain, and addressing the need for non-opioid pain medications.

Expected milestones

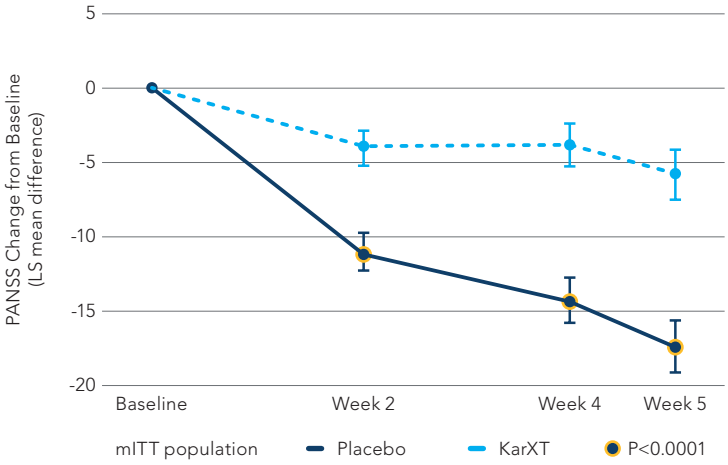
- Karuna plans to hold an end-of-Phase 2 meeting with the United States Food and Drug Administration (FDA) in the second quarter of 2020, and pending the outcome of that meeting, anticipates advancing KarXT into a Phase 3 clinical trial by the end of 2020.
- Karuna anticipates topline results from a Phase 1b clinical trial for the treatment of experimentally induced pain in healthy volunteers in mid-2020, and topline results from a Phase 1b clinical trial in healthy elderly volunteers to assess the safety and tolerability of KarXT for the treatment of dementia-related psychosis by the end of 2020.

KarXT selectively activates muscarinic receptors in the brain

↑ Increase Activity ↓ Decrease Activity ⊷ Offsetting Effect

System	Potential Impact on Symptoms xanomeline	Potential Impact on Symptoms trospium	Potential Impact on Symptoms xanomeline + trospium = KarXT	Commentary
Central Nervous System	↑	n/a	↑	Improvement in psychosis and cognition
Salivation Glands	↑	↓	⊷	Tolerability from neutralisation of peripheral activity
Sweat Glands	↑	↓	⊷	
GI Tract	↑	↓	⊷	
Bladder	↑	↓	⊷	

Phase 2 clinical trial primary endpoint: PANSS total score at Week 5



Clinically meaningful and statistically significant improvement in total PANSS vs. placebo

- 11.6 point improvement at week 5 with p<0.0001 (-17.4 KarXT vs. -5.9 placebo)
- Statistical separation at every assessed time point
- Cohen's d effect size of 0.75

Karuna's product candidates

Product candidate	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Upcoming Milestone
KarXT	Schizophrenia – psychosis					End-of-Phase 2 meeting Q2 2020
	Schizophrenia – cognitive symptoms					Phase 1b study initiation H1 2020
	Schizophrenia – negative symptoms					Phase 1b study initiation H1 2020
	Dementia-related psychosis					Phase 1b topline data end of 2020
	Pain					Phase 1b topline data mid-2020
Other	Muscarinic-targeted pain candidate					IND-enabling studies 2020

Phase in progress Phase completed

GELESIS

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Gelesis	22.0%	Plenity™†	D	Weight management	FDA Cleared
		GS100†	D	Adolescent weight management	Phase 2 Ready***
		GS500†	D	CIC	Phase 3 Ready***
		Gelesis200†	D	Weight management in T2D/prediabetes	Phase 2
		GS300†	D	NASH/NAFLD	Phase 2 Ready***
		GS400†	D	IBD	Preclinical

Programme discovery process by the PureTech team

PureTech was interested in creating an effective and safe therapy for obesity given the tremendous need, significant health implications and failure of prior approaches to effectively engage and serve the breadth of the population affected. PureTech consulted with leading obesity experts to brainstorm on the characteristics of an ideal approach, which it decided was an orally-administered mechanically acting device, and then conducted a worldwide search for compelling technologies meeting these criteria. PureTech identified and in-licensed the core intellectual property from its collaborator Alessandro Sannino, PhD, at Università del Salento in October 2008, and PureTech subsequently co-invented additional intellectual property around a novel class of biocompatible, superabsorbent hydrogels. One of the core PureTech team members involved in the initial identification and development process subsequently assumed the role of chief executive officer of Gelesis, successfully attracted financing and built a strong development and commercial leadership team.

The Gelesis advisory team is comprised of leading experts in obesity and its related comorbidities, clinical research and development and advanced biomaterials, including Caroline Apovian, MD, professor of medicine and pediatrics at Boston University School of Medicine; Louis J. Aronne, MD, FACP, director of the Comprehensive Weight Control Center at Weill Cornell Medicine; Arne Astrup, MD, head of the Department of Nutrition, Exercise and Sports at University of Copenhagen; Ken Fujioka, MD, director of the Nutrition and Metabolic Research Center and the Center for Weight Management at the Scripps Clinic; James Hill, PhD, chairman of the Department of Nutrition Sciences, director of the Nutrition Obesity Research Center at University of Alabama; professor of medicine and pediatrics at University of Colorado; Lee M. Kaplan, MD, PhD, director of the Obesity, Metabolism and Nutrition Institute at Massachusetts General Hospital; Bennett Shapiro, MD, co-founder and non-executive director at PureTech and former executive vice president of Research for Merck; and Angelo Tremblay, PhD, professor at Laval University.

Patient need and market potential

- Excess weight is growing rapidly in prevalence worldwide, with approximately 70 per cent of American adults struggling with overweight and obesity. Globally there are more than 1.9 billion adults 18 years of age or older who are overweight and 600 million who have obesity.
- Obesity-related conditions, such as heart disease, stroke, type 2 diabetes, non-alcoholic steatohepatitis (NASH)/non-alcoholic fatty liver disease (NAFLD) and certain types of cancer, are some of the leading causes of preventable death.
- Chronic idiopathic constipation (CIC), NASH/NAFLD and inflammatory bowel disease (IBD) affect approximately 35 million, 80 to 100 million and three million individuals, respectively, in the United States.
- Type 2 diabetes and prediabetes affect approximately 30 million and 84 million individuals, respectively, in the United States.
- Current treatments for overweight and obese patients begin with lifestyle modification, such as diet and exercise. When healthy eating and physical activity fail to produce the desired results, physicians may consider pharmaceutical therapies, device implantation or surgical treatments, such as gastric bypass and gastric banding (for patients with more severe obesity). These approaches are associated with safety concerns, lifestyle impact, complexity of use, high cost and compliance issues that have limited their adoption.

Innovative approach for solving the problem

- Gelesis is developing oral therapeutics based on a novel, superabsorbent hydrogel technology platform to treat excess weight and other chronic diseases related to the gastrointestinal (GI) pathway. Gelesis' proprietary approach is designed to act mechanically in the GI pathway to potentially alter the course of chronic diseases. In April 2019, Gelesis received clearance from the United States Food and Drug Administration (FDA) for its first product, Plenity‡ (Gelesis100), an aid for weight management in adults with a body mass index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise.
- Given challenges associated with pharmacological and invasive surgical treatments for obesity, Gelesis designed an approach with an oral, non-invasive, non-systemic mechanism of action and a highly favourable safety and efficacy profile. Gelesis' product candidates work in the GI tract and pass through the body without being absorbed. They are synthesised from two naturally derived building blocks (citric acid and cellulose) that form a novel, patent-protected three-dimensional structural composition and occupies volume in the stomach and small intestine to promote satiety and fullness. Because Gelesis' technology acts mechanically and is not systemically absorbed, the product candidates are treated as devices for regulatory approval purposes.

Milestones achieved

- Gelesis received clearance from the FDA to market and sell its lead product Plenity as an aid for weight management in adults with a BMI of 25-40 kg/m^2, when used in conjunction with diet and exercise. Plenity is FDA-cleared for the largest number of adults struggling with overweight and obesity of any prescription weight-management aid and the only prescription weight management product to be cleared for use by overweight adults with a BMI as low as 25 kg/m^2, with or without comorbidities. Nearly 150 million adults with excess weight in the United States fall within the BMI range included in the Plenity label.
- Gelesis initiated a Plenity early experience programme in the United States in the second half of 2019.
- Gelesis filed for marketing authorisation of Plenity in the European Union.
- Data from a clinical study demonstrated that administration of Gelesis200 ten minutes prior to a meal increased fullness throughout the entire day (p=0.012).
- A clinical study of 40 individuals showed that a prototype of GS500 demonstrated a significant reduction in colonic transit time in patients with CIC by approximately 16 hours (approximately 31 per cent) compared to baseline (p=0.02 compared to placebo).
- Gelesis announced a partnership with Ro, a leading US telehealth provider, to support the US commercialisation of Plenity.

Expected milestones

- Gelesis anticipates Plenity will be available by prescription in the United States in the second half of 2020, with a broad launch in early 2021.
- Gelesis anticipates a decision on CE mark approval for Plenity in the European Union.
- Gelesis200 is being evaluated for weight management and glycaemic control in adults with type 2 diabetes and prediabetes. Topline results from this Phase 2 study are anticipated in 2020.
- Gelesis plans to initiate a Phase 2 study of GS100 for weight management in adolescents with overweight and obesity in 2021.
- A Phase 3 study of GS500 in CIC is expected to begin in 2020.
- Gelesis expects to initiate a Phase 2 study for NASH/NAFLD in 2020.

* PureTech has a right to royalty payments as a percentage of net sales from Gelesis. As of 1 April 2020, PureTech's percentage ownership of Gelesis was approximately 22.0 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans and assumes all committed tranches are funded in the Series 3 Growth financing round.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

*** Contingent on FDA review of the research plan.

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

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

Gelesis received FDA clearance for Plenity™ as an aid for weight management in adults with a BMI of 25-40 kg/m², when used in conjunction with diet and exercise

Responders

Adults achieving 5% or greater weight loss

6 out of 10

- 59% of adults with overweight or obesity had a clinically meaningful response to Plenity, losing on average 10% of their weight (22 pounds) or ~3.5 inches from their waist
- Plenity doubled the odds of achieving 5% or greater weight loss compared with placebo

	Plenity (n)	Placebo (n)
% of subjects with severe TEAE	**3.6% (8)**	4.7% (10)
# of subjects with serious TEAE	**0**	1*

Super Responders

Adults achieving 10% or greater weight loss

26%

- 26% of adults with overweight or obesity were super-responders to Plenity, losing on average 14% of their weight (30 pounds)

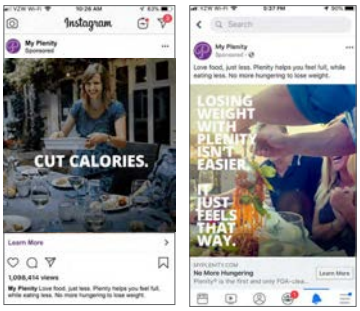
Co-primary endpoint – The study also demonstrated statistically superior weight loss compared with the placebo group (-6% vs -4%, respectively; P=0.0007) and did not meet the predefined super-superiority margin of 3%

Safety – Plenity had no overall increased risks versus placebo, no serious adverse events and a lower dropout rate versus placebo

Most common side effects are fullness, bloating, flatulence, and/or abdominal pain

Plenity go-to-market approach

For illustrative purposes only.



1	Patients drive demand of Plenity	Directly tap consumer demand via targeted digital engagement and influencer focus
2	Strong base of physicians ready to prescribe	Lower barrier to access by both driving telehealth and traditional physician visits while leveraging mail order to create an Amazon-like experience
3	Member-centric customer experience	A support programme that encourages diet, exercise, mindful eating, plus packaging that fits into lifestyle

Gelesis' product candidates

Product Candidate	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	FDA Clearance	Upcoming Milestone
Plenity (GELESIS100)	Weight management in overweight and obese patients					Cleared by FDA	US launch and EU CE mark application decision
GS100*	Weight management in adolescent overweight and obese patients						Phase 2 study initiation 2021**
GELESIS200*	Weight management and glycaemic control in patients with T2D and prediabetes						Phase 2 study topline data readout 2020
GS300*	NAFLD/NASH						Phase 2 study initiation 2020**
GS400*	Mucositis/IBD						
GS500*	Chronic Constipation (CIC)						Phase 3 study initiation 2020**

Phase in progress Phase completed

* Products are investigational and have not been cleared by the FDA for use in the United States.
** Contingent on FDA review of the research plan.

AKILI

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Akili	34.4%	AKL-T01	D	Paediatric ADHD	Pursuing FDA Clearance
				Parkinson's/MCI	Phase 1 (Feasibility)
				Traumatic brain injury	Phase 1 (Feasibility)
		AKL-T02	D	Paediatric Autism	Phase 2 (POC)
		AKL-T03	D	Major depressive disorder	Pivotal Study Ready†
				Multiple sclerosis	Phase 2 (POC)
		AKL-T04	D	Major depressive disorder	Preclinical
		AKL-X01	D	ADHD caregiver app	Clinical Trials

Programme discovery process by the PureTech team

PureTech was interested in identifying novel approaches to measure and improve cognition in a safe and non-invasive manner. PureTech engaged with leading neuroscientists and clinicians who had been studying the effects of video games on cognition and the underlying neural processes accessible by sensory stimulation, and identified and in-licensed from University of California, San Francisco (UCSF) the intellectual property invented by Adam Gazzaley, MD, PhD, professor of neurology, psychiatry and physiology at UCSF and the inventor of this platform technology, in October 2013 before his work was published as a cover story in the journal *Nature*. PureTech then collaborated with Dr Gazzaley to translate the underlying academic device into a medical intervention, including overseeing the initial product development and design and the implementation of the initial POC studies. PureTech helped to build development and commercial teams and raise funds, including from the investment arms of Amgen and Merck KGaA, Darmstadt, Germany as a part of Akili's series B financing round. One of the core PureTech team members who helped lead the identification and platform development is now the CEO of Akili.

Akili's lead product candidate, AKL-T01, is based on a platform technology exclusively licensed from UCSF. The proprietary platform targets cognitive interference processing while also adapting difficulty automatically in real-time, allowing individuals of wide-ranging ability levels to interact with the product in their homes without the need for physician calibration or additional hardware. Dr Gazzaley currently serves as the chief scientific advisor and a board member of Akili. Daphne Bavelier, PhD, associate professor in the Department of Brain and Cognitive Sciences at the University of Rochester and at the University of Geneva, is a co-founding scientific advisor.

Patient need and market potential

- Cognitive dysfunction is a key feature of many neuropsychiatric disorders, including ADHD, ASD, MS, MDD, MCI, TBI and AD. The treatment of these conditions is only partially served, or not served at all, by currently available medications or by in-person behavioural therapy.
- There are approximately 6.4 million paediatric ADHD patients in the United States, approximately 1.5 million children with autism, 17 million adults with MDD and approximately 900,000 people with MS and Akili believes that this market – and other markets where Akili's cognitive dysfunction targeting products may act as a stand-alone medical treatment, add-on therapy, or digital biomarker – represent significant opportunities for the company.

Innovative approach for solving the problem

- Akili is a leading digital therapeutics company, combining scientific and clinical rigour with the ingenuity of the tech industry with a goal of changing how medicine is developed, delivered and experienced. Akili is pioneering the development of treatments designed to have direct therapeutic activity, delivered not through a traditional pill but via a high-quality video game experience.
- Akili's platform is based on a patented technology that deploys sensory and motor stimuli that targets and activates the neurological systems known to play a key role in certain cognitive functions, including attentional control. Akili's approach aims to improve cognitive impairment and related symptoms through improving neural processing at the functional neurological level. The treatment is delivered through an immersive video-game, resulting in non-invasive, patient-friendly medicine that can be used at home.
- By combining high-quality neurological and clinical science, and consumer-grade entertainment, Akili is seeking to produce a new type of medical product that can potentially offer safe, effective, scalable and personalised treatments for patients across a range of neuropsychiatric conditions and allow patients to experience medicine in a new way.
- Akili has a broad pipeline of programmes to target cognitive dysfunction associated with medical conditions across neurology and psychiatry. Akili is pursuing FDA clearance in the United States and, through a collaboration and development agreement with Shionogi, regulatory approval in Japan, for AKL-T01, its lead therapeutic designed to improve attention in paediatric patients diagnosed with ADHD. Akili is evaluating its platform technology in studies of various sizes across a variety of patient populations suffering from cognitive dysfunction, including adult ADHD, ASD, multiple sclerosis, or MS, major depression disorder, or MDD, Parkinson's-related mild cognitive impairment, or MCI, and traumatic brain injury, or TBI. Akili is also developing complementary and integrated monitoring and measurement-based care applications. AKL-X01 is a monitoring and measurement-based care application currently being developed and tested by Akili both as an independent product and as a complement to AKL-T01.

Milestones achieved

- Akili's lead product candidate, AKL-T01, is designed to deploy sensory and motor stimuli to target and activate the prefrontal cortex, the area of the brain known to play a key role in cognitive function. Following a number of pilot studies, Akili conducted a multi-centre, randomised, blinded, controlled pivotal study of AKL-T01 in 348 paediatric ADHD patients. In this study, AKL-T01 achieved its primary endpoint, showing a statistically significant change in the Attention Performance Index, a composite score of attention from the Test of Variables of Attention (TOVA.) compared to an expectancy matched digital control ($p=0.006$). There were no serious adverse events or discontinuations. Treatment-related adverse events were mild and included frustration (2.8 per cent) and headache (1.7 per cent). Mean patient compliance with AKL-T01 was 83 per cent of instructed use. Subjective secondary outcome measures, including the ADHD Rating Scale and the Impairment Rating Scale, showed statistically significant improvements in both the treatment and control groups and there was no statistically significant separation on those measures between groups.
- In March 2019, Akili entered into a strategic partnership with Shionogi for the development and commercialisation of AKL-T01 and AKL-T02 (in development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to royalties. Akili and Shionogi have begun work on product localisation and clinical study design in preparation for a regulatory submission in Japan.
- In December 2019, Akili presented the results from a trial of AKL-T03 as a potential treatment for cognitive impairments adjunct to anti-depressant medication in adults with Major Depressive Disorder (MDD) at the 58th Annual Meeting of the American College of Neuropsychopharmacology. In the trial, AKL-T03 demonstrated a statistically significant improvement in sustained attention compared to control. AKL-T03 is designed to improve specific cognitive functions and may play a complementary role to antidepressants in the holistic treatment of MDD.
- In the January 2020 post-period, Akili announced topline results from its multi-site open-label study to evaluate the effects of AKL-T01 in children with ADHD when used with and without stimulant medication. The effects of increasing the duration of treatment were also studied. The study achieved its predefined primary efficacy outcome, demonstrating a statistically significant improvement in the ADHD Impairment Rating Scale (IRS) from baseline after one month of treatment ($p<0.001$) in both children taking stimulant medications and in those not taking stimulants.

Expected milestones

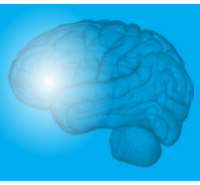
- Akili is currently actively pursuing FDA clearance for AKL-T01.
- Akili is building its own commercial distribution platform for its digital therapeutic products to enable launch in a variety of commercial models. The company is building an integrated system for patient service, data processing and distribution functions for its initial product launch, to allow flexibility, learning and iteration as it continues to invest in the delivery of digital therapeutic solutions to the market. Akili's Shionogi partnership is structured to enable the implementation of this localised platform in Japan.

* As of 31 December 2019, PureTech's percentage ownership of Akili was approximately 34.4 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

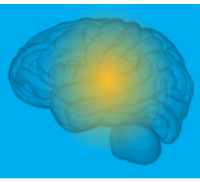
** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

† Future clinical research plans and priorities in process.

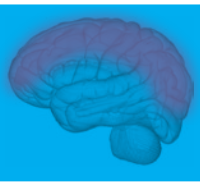
Akili's core technologies



SSME™
Selective Stimulus Management Engine
Cognitive control, attention, processing speed



SNAV™
Spatial Navigation Engine
Spacial navigation, episodic memory



BBT™
Body-Brain Trainer
Attention, goal management, working memory

Total treatment solution: integrated suite of technologies, distribution model and data delivery

AKILI ASSIST
Services/Support


Cognitive Digital Therapeutics


Patient Reported Data

Data Delivery and Insights

Care Management Platform

Akili's product candidates

Product Candidate		Indication	Discovery/ Preclinical	Phase 1 (Feasibility)	Phase 2 (POC)	Phase 3 (Pivotal)	FDA Filing
Behavioural	AKL-T01	Paediatric ADHD[1]					
	AKL-T02	Paediatric autism[2]					
Mood and affective	AKL-T03	Major depressive disorder[3]					
	AKL-T04	Major depressive disorder					
Immune	AKL-T03	Multiple sclerosis					
Other	AKL-T01	Parkinson's/MCI					
	AKL-T01	Traumatic brain injury					

Product Candidate		Indication	In Development	Clinical Trials	Released
Health care solutions apps	AKL-X01	ADHD caregiver app			

Phase in progress Phase completed

* Protected by 98 patents/patent applications

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

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

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

follica

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Follica	78.3%	FOL-004 FOL-005	P/D D	Androgenetic alopecia Skin rejuvenation	Phase 3 Ready Phase 2

Programme discovery process by the PureTech team

PureTech was interested in conditions of ageing and focused on hair follicles given their importance in regulating human hair and skin rejuvenation across many medical conditions. PureTech engaged leading dermatologists and hair follicle experts and identified and in-licensed IP from George Cotsarelis, MD, the chair of the Department of Dermatology at the University of Pennsylvania, on hair follicle neogenesis (HFN) prior to its publication in the journal *Nature*. PureTech translated the academic work into an in-office procedure after testing a number of modalities for initiating HFN, identified and co-invented intellectual property around modalities and drug compounds to enhance the newly formed hair follicles and helped conduct multiple proof-of-concept (POC) studies to prioritise HFN inducing modalities and prioritise potential drug compounds.

Follica's core technology and patent suite has been developed in collaboration with leading researchers, building on the work of Dr Cotsarelis. Follica's other key scientific advisors include Richard Rox Anderson, MD, chairman of the Wellman Center for Photomedicine at the Massachusetts General Hospital, and Ken Washenik, MD, PhD, medical director of Bosley and the executive vice president of scientific and medical development of the Aderans Research Institute.

Patient need and market potential

- Androgenetic alopecia represents the most common form of hair loss in men and women, with an estimated 90 million people who are eligible for treatment in the United States alone.
- Only two drugs, both of which have demonstrated a 12 per cent increase of non-vellus hair count over baseline for their primary endpoints, are currently approved for the treatment of androgenetic alopecia.
- The most effective current approach for the treatment of hair loss is hair transplant surgery, comprising a range of invasive, expensive procedures for a subset of patients who have enough donor hair to be eligible.
- As a result, Follica believes that there is significant unmet need for safe, effective, non-surgical treatments which grow new hair.
- Follica's regenerative biology platform has potential applications beyond hair growth to other ageing-related conditions and wound healing, such as facial skin rejuvenation.

Innovative approach for solving the problem

- Follica is developing a regenerative biology platform designed to treat androgenetic alopecia, epithelial ageing and other medical indications. Follica's approach is based on generating an "embryonic window" in adults via a targeted, proprietary method of scalp disruption, stimulating stem cells causing new hair follicles to grow. PureTech believes Follica is the first to bring forward an approach to grow new hair that is now supported by strong human efficacy data.

Milestones achieved

- In December 2019, Follica announced topline results from the safety and efficacy optimisation study of its lead candidate to treat hair loss in male androgenetic alopecia. The study was designed to select the optimal treatment regimen using Follica's proprietary device in combination with a topical drug and successfully met its primary endpoint. The selected treatment regimen demonstrated a statistically significant 44 per cent improvement of non-vellus (visible) hair count after three months of treatment compared to baseline ($p < 0.001$, $n = 19$). Across all three treatment arms, the overall improvement of non-vellus hair count after three months of treatment was 29 per cent compared to baseline ($p < 0.001$, $n = 48$), reflecting a substantially improved outcome seen with the optimal treatment regimen. Additionally, a prespecified analysis comparing the 44 per cent change in non-vellus hair count to a 12 per cent historical benchmark set by approved pharmaceutical products established statistical significance ($p = 0.005$).
- The study was an endpoint-blinded, randomised, controlled study designed to establish therapeutic parameters for Follica's proprietary HFN device in combination with a topical on-market drug. The study involved a less than five-minute in-office experimental scalp procedure using the HFN and evaluated the optimal frequency and number of treatments across three arms. The study consisted of 48 men aged 18 to 40 who had moderate grades of androgenetic alopecia as determined by the Hamilton Norwood III-IV scale.
- The regimen was well tolerated across all treatment arms with no reported serious adverse events. No adverse events were related to device treatment. A single non-severe event (headache) was determined to be related to use of the drug and is in line with minor side effects seen from treatment with the approved drug alone.
- In the three previously conducted clinical studies of patients with androgenetic alopecia, Follica demonstrated hair follicle neogenesis via biopsy following skin disruption, and hair growth through target area hair count. One of these studies demonstrated that skin disruption alone generates not only new hair follicles but also terminal (visible, thick) hairs.

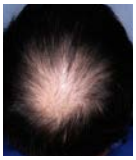
Expected milestones

- The initiation of a Phase 3 registration study in male androgenetic alopecia is expected in 2020.
- Follica has been optimising its device and conducting tests in androgenetic alopecia and other medical indications and is further developing and testing compounds that enhance the newly formed follicles and hairs.
- Follica is also studying the potential for its proprietary device approach to address other regenerative conditions, including female pattern hair loss and facial skin rejuvenation.
- Follica also has proprietary amplification compounds in development and ongoing discovery efforts to expand its pipeline.

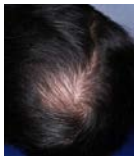
Sample patient outcome from FOL-004 data

Note: Results depicted in the images are above the average demonstrated in the optimisation trial.

Screening



Day 85



Follica's product candidates

Product candidate	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Upcoming Milestone
FOL-004	Androgenetic alopecia					Initiation of Phase 3 registration study 2020
FOL-005	Skin rejuvenation					

Phase in progress Phase completed

* PureTech Health has a right to royalty payments as a percentage of net sales from Follica. As of 31 December 2019, PureTech's percentage ownership of Follica was approximately 78.3 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

ALIVIO THERAPEUTICS

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Alivio	78.6%	ALV-306	P	Pouchitis and distal colitis	Preclinical
		ALV-304	P	IBD	Preclinical
		ALV-107	P	IC/BPS	Preclinical

Programme discovery process by the PureTech team

A key challenge in new drug development for autoimmune and inflammatory disease is that attractive drug targets are frequently expressed in both diseased and normal tissue. Consequently, PureTech was interested in identifying ways to address autoimmune disease in a targeted manner. PureTech was inspired by a key observation, which is that pathologic inflammation frequently manifests at specific sites in tissues and organs and is driven by dysfunctional immune signalling. However, traditional approaches act to broadly suppress the immune system throughout the body. This mismatch substantially limits the potential targets that can be pursued and frequently results in narrow therapeutic windows. PureTech worked with leading immunology experts and identified and in-licensed a technology created by Alivio's co-founder Jeffrey Karp, PhD, professor of medicine at Harvard Medical School and Brigham and Women's Hospital, and Robert Langer, ScD, David H Koch Institute Professor at MIT, that was centred around this unique inflammation-targeting and inflammation-responsive platform in May 2016. In addition to repeating key academic work and developing product candidates, Alivio continues to move those product candidates into the clinic while PureTech oversees business development.

Patient need and market potential

- Results in preclinical models suggest the Alivio technology could be applied to diseases, such as inflammatory bowel disease (IBD), pouchitis, inflammatory arthritis, organ transplantation and interstitial cystitis or bladder pain syndrome (IC/BPS). These diseases collectively impact tens of millions of patients in the United States alone and have limited treatment options.
- IC/BPS is a chronic bladder condition that consists of discomfort or pain in the bladder or surrounding pelvic region and is often associated with frequent urination. It is estimated to affect four million to 12 million people in the United States. Current treatments fail to control pain in many patients.
- Pouchitis is estimated to affect between 70,000 and 135,000 people in the United States.
- Distal colitis impacts approximately 225,000 people in the United States.
- IBD is estimated to affect approximately three million people in the United States.

Innovative approach for solving the problem

- Alivio is pioneering targeted disease immunomodulation, which involves selectively restoring immune homeostasis at inflamed sites in the body, while having minimal impact on the rest of the body's immune system, as a novel strategy to treat a range of chronic and acute inflammatory disorders. This long sought-after approach has the potential to broadly enable new medicines to treat a range of chronic and acute inflammatory disorders, including enabling the use of drugs which were previously limited by issues of systemic toxicity or pharmacokinetics (PK).
- To achieve the vision of selective immunomodulation, Alivio is developing a proprietary platform centred on a class of self-assembling hydrogels that selectively bind to inflamed tissue. Alivio's platform has been validated in multiple labs using a range of animal models and indications. The platform is able to entrap a wide array of active pharmaceutical ingredients (APIs), including small molecules, biologics and nucleic acids. By selectively targeting API pharmacology to inflamed tissue, Alivio is developing product candidates that are designed to selectively treat autoimmune disease without having related systemic toxicities. Alivio's pipeline includes candidates for inflammatory pouchitis, IBD and IC/BPS.

Milestones achieved

- In January 2019, Alivio entered into a research collaboration, option and license agreement with Imbrium Therapeutics L.P. to advance Alivio's product candidate, ALV-107, through clinical development. Under the terms of the agreement, Alivio is eligible to receive up to $14.8 million in upfront and near-term license option exercise payments and is eligible to receive royalties on product sales and over $260.0 million in research and development milestones. Alivio retains the rights of its inflammation targeting platform for a broad range of internal and partnering applications.

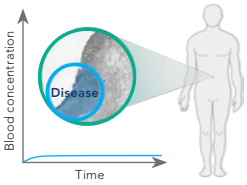
Expected milestones

- Alivio expects to file an IND for ALV-306, its lead product candidate, in pouchitis and distal colitis and initiate a clinical trial in 2021.
- Alivio also plans to file an IND for ALV-107 for IC/BPS in 2021 and an IND for ALV-304 in IBD in 2022.

Alivio is pioneering targeted disease immunomodulation

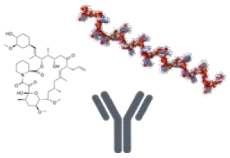
Inflammation-targeted

Active at the site of disease with limited systemic exposure



Engage targets in immune and/or nervous system

Can engage target using whatever molecule(s) is optimal



Bona fide pipeline potential

Built using unique and proprietary platform

HARVARD MEDICAL SCHOOL
BRIGHAM AND WOMEN'S HOSPITAL
MIT

Alivio's product candidates

Product Candidate		Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Upcoming Milestone
Internal GI programmes	**ALV-306** Inflammation-targeting tacrolimus (local)	Pouchitis and distal colitis					IND 2021
	ALV-304 Inflammation-targeting tacrolimus (oral)	IBD (Ulcerative colitis and Crohn's disease)					IND 2022
Platform	**ALV-107†** Inflammation-targeting lidocaine (intravesical)	Interstitial cystitis/ bladder pain syndrome					IMBRIUM IND 2021

Phase in progress Phase completed

* As of 31 December 2019, PureTech's percentage ownership of Alivio was approximately 78.6 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

† ALV-107 preclinical development was supported, in part, by a $3.3m grant from the US Department of Defense and in collaboration with Imbrium Therapeutics.

VEDANTA BIOSCIENCES

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Vedanta	53.3%	VE303	B	High-risk CDI	Phase 2
		VE416	B	Food allergy	Phase 1/2
		VE202	B	IBD	Phase 1
		VE800	B	Solid tumours	Phase 1

Programme discovery process by the PureTech team

PureTech was interested in translating the crosstalk between the immune system and commensal microbes that live in our bodies into therapeutics to modulate a range of immunological processes. PureTech engaged with leading world-renowned experts in immunology, including Ruslan Medzhitov, PhD, professor of immunobiology at Yale, Alexander Rudensky, PhD, a tri-institutional Professor at the Memorial Sloan-Kettering Institute, the Rockefeller University, and Cornell University, Dan Littman, MD, PhD, professor of molecular immunology at NYU, Brett Finlay, PhD, professor at the University of British Columbia, and Kenya Honda, MD, PhD, professor at the School of Medicine, Keio University.

Drs Honda and Rudensky demonstrated the role of the microbiota in inducing regulatory T cells and uncovered some of the molecular mediators, known as short chain fatty acids. PureTech identified and in-licensed intellectual property from Dr Honda when he was at Tokyo University in November 2011 before his seminal work was published in the journals *Science* and *Nature*. Based on Dr Honda's work, PureTech pioneered the concept of defined consortia of microbes to modulate the immune system or treat bacterial infections. PureTech played a critical role in the initial product development, initial experiments and planning of key clinical studies, business development and fundraising, and a core PureTech team member who helped lead the identification and platform development is now the chief executive officer of Vedanta.

Patient need and market potential

Clostridioides Difficile (C. *difficile*) Infection:

- The Center for Disease Control and Prevention (CDC) considers C. *difficile* infections one of the most urgent bacterial threats. C. *difficile* infections account for approximately 12,800 deaths each year in the United States alone and there are approximately 500,000 cases annually, of which 100,000 to 120,000 patients experience recurrence.
- Existing interventions include antibiotics such as vancomycin or metronidazole, which have the undesirable side effect of damaging the gut microbiome and leaving patients vulnerable to re-infection. An alternative intervention, faecal transplantation, is an experimental procedure which is exceedingly difficult to standardise and scale and is fraught with potential safety issues.

Inflammatory Bowel Disease (IBD):

- IBD is estimated to affect approximately three million people in the United States, and other autoimmune diseases affect over 20 million people in the United States.
- Many of the existing interventions are limited by toxicities and systemic immune suppression.

Allergies:

- Food allergies are a growing public health concern in the United States and have an estimated annual economic cost near $25 billion.
- Peanut allergies specifically affect an estimated 2.5 million people in the United States.
- Current treatment options primarily centre around allergen avoidance. Desensitisation regimens in development have limited efficacy, are risky, require treatment for life and may not be cost-effective.
- Vedanta's product candidate, VE416, is being developed to safely induce permanent tolerance to food allergens including peanut allergy.

Immuno-oncology:

- Despite profound survival improvements in some patients, checkpoint inhibitors, such as PD-1, PDL-1 and CTLA-4, are only effective in 20 to 30 per cent of patients.
- Common tumour types where checkpoint inhibitors are utilised include lung, bladder, skin and renal cancers.
- Vedanta's immuno-oncology product candidate, VE800, is designed to act in combination with approved checkpoint inhibitors and potentially other immuno-therapies to safely improve their efficacy.
- Initial proposed indications include advanced and metastatic microsatellite-stable colorectal cancers, affecting more than 46,000 patients in the United States per year, gastric cancers, affecting more than 11,000 patients in the United States per year and melanoma, affecting more than 9,000 patients in the United States per year.

Innovative approach for solving the problem

- Vedanta is developing a new category of therapies for immune-mediated diseases based on a rationally-defined consortia of human microbiome-derived bacteria. The human microbiome is increasingly implicated in various immune-mediated diseases.
- Vedanta is a leader in the field with capabilities and deep expertise to discover, develop and manufacture live bacteria drugs. These include what is believed to be a leading intellectual property position in the field, the largest collection of human microbiome-associated bacterial strains, a suite of proprietary assays to select pharmacologically potent strains, vast proprietary datasets from human interventional studies and facilities for current good manufacturing practice (cGMP) compliant manufacturing of rationally-defined bacterial consortia in powder form. All of this work has helped move the microbiome field beyond correlation to causation, and beyond faecal transplants or fractions to defined, characterised biologic drugs.
- Unlike faecal transplants, which require use of donors and are untargeted, inherently variable procedures, Vedanta's approach is based on bacterial consortia therapeutics, which are defined drug compositions produced from clonally isolated bacteria that can trigger targeted immune responses. Unlike single strain probiotics, defined consortia can robustly shift the composition of the gut microbiota and provide colonisation resistance against a range of intestinal infectious pathogens.
- Vedanta's novel product candidates are administered as a lyophilised powder in a capsule dosage form, designed to have specific effects on the immune system, including restoring the balance of the microbiome in the gut to treat immune and infectious diseases and immunopotentiating responses to treat cancer.

* As of 31 December 2019, PureTech's percentage ownership of Vedanta Biosciences was approximately 53.3 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

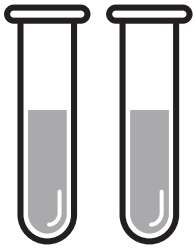
** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

Milestones achieved	• VE303, Vedanta's product candidate for the treatment of high-risk C. *difficile* infection (CDI) is being studied in a Phase 2 clinical trial in patients at high risk of CDI. The trial was initiated in December 2018, and dose selection was based on the results from the Phase 1a/1b clinical trial in healthy volunteers, which showed that VE303 treatment resulted in rapid, durable, dose-dependent colonisation and accelerated gut microbiota restoration after antibiotics. • VE202, Vedanta's product candidate in IBD, is being evaluated in a Phase 1 clinical trial in healthy volunteers. • VE416, Vedanta's product candidate in food allergy, is being evaluated in a Phase 1/2 investigator sponsored trial at MassGeneral Hospital for Children for patients 12 years of age or older with a history of peanut allergy. The first patient was enrolled in July 2019 and will explore VE416 both as a monotherapy and in combination with an oral peanut immuno-therapy over the course of several months. • VE800, Vedanta's immuno-oncology product candidate, is being evaluated in a first-in-patient clinical trial with Bristol-Myers Squibb's, or BMS, checkpoint inhibitor OPDIVO® (nivolumab) in patients with selected types of advanced or metastatic cancer. The trial was initiated in December 2019. As part of the agreement with BMS, Vedanta will conduct the clinical trial and BMS will supply nivolumab. • Vedanta also has ongoing discovery efforts to expands its pipeline, including VE707. VE707 is Vedanta's preclinical discovery programme for the prevention of infection and reoccurrence of several multi-drug resistant organisms (MDROs) including carbapenem-resistant Enterobacteriaceae (CRE), extended-spectrum beta lactamase producers (ESBL), and vancomycin-resistant Enterococci (VRE), which are some of the most common hospital-acquired infections.
Expected milestones	• Topline results for the Phase 2 clinical trial of VE303 are anticipated in 2020. • PK/PD results for the Phase 1 clinical trial of VE202 are anticipated in 2020. • Topline data from the Phase 1/2 clinical trial of VE416 in food allergy are expected in 2021. • Topline results from the first-in-patient clinical trial of VE800 are anticipated in 2021.

Rationally defined bacterial consortia

Faecal transplant procedures

Can shift ecosystem, untargeted, variable procedure, non-reproducible input

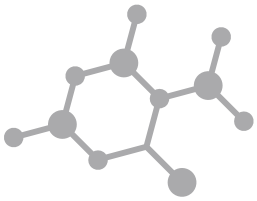


Defined bacterial consortia drugs

Shifts ecosystem with targeted immune responses

Single strains or small molecules

Overly reductionistic, fail to capture pleiotropic MoAs and bacteria-bacteria interactions



More complex ▸ ▸ ▸ ▸ ▸ ▸ ▸ **Less complex**

Vedanta's product candidates

Product Candidate	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Upcoming Milestone
VE303	High-risk CDI					Phase 2 data readout 2020
VE416	Food allergy					Phase 1/2 data readout 2021
VE202	Inflammatory bowel disease					Phase 1 PK/PD data readout 2020
VE800	Cancer immuno-therapy indication					Phase 1 data readout 2021

Phase in progress Phase completed

VOR BIOPHARMA

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Vor	28.1%	VOR33	B	Acute myeloid leukaemia	Preclinical

Programme discovery process by the PureTech team

PureTech was interested in approaches to treat haematological malignancies that currently have poor response rates or poor adverse event profiles despite recent advances in cell therapies and targeted therapies. PureTech engaged leading haematological cancer specialists and became aware of work from the laboratory of Vor scientific board chair, Siddhartha Mukherjee, MD, PhD, assistant professor of medicine at Columbia University and Pulitzer Prize-winning author of *The Emperor of All Maladies: A Biography of Cancer* and *The Gene*. Dr Mukherjee pioneered the idea of genetically engineering stem cells to eliminate a particular target such that healthy stem cells and progeny cells would be spared from targeted cancer therapy. PureTech worked with Dr Mukherjee on this intellectual property, which it exclusively in-licensed from Columbia in April 2016, and on advancing this concept through critical proof-of-concept (POC) experiments. PureTech has filed additional intellectual property (both in-licensed from Columbia and owned by Vor), assembling an excellent research team and completing a round of fundraising.

In July 2019, Bill Lundberg, MD, was appointed to Vor's board of directors. Dr Lundberg is the former chief scientific officer of CRISPR Therapeutics. In August 2019, Robert Ang, MBBS, MBA, was appointed president and chief executive officer of Vor. Dr Ang is the former chief business officer of Neon Therapeutics.

Patient need and market potential

- The prognosis for relapsed and refractory blood-borne malignancies is very poor and can be measured in a few months, depending on patient-specific risk factors. For example, for acute myeloid leukaemia (AML) which affects approximately 60,000 patients at any one time in the United States, only about 30 per cent of patients with active disease following a bone marrow transplant survive past 12 months.
- Targeted therapies, such as CAR-T cells and bispecific antibodies, antibody-drug conjugates and conventional mAbs, have shown excellent outcomes, particularly in patients with certain haematologic malignancies expressing B-cell markers. However, these targeted therapies frequently target both cancer and normal cells, causing substantial toxicities and limiting their potential. There is a need for new strategies that can enable selectively targeting cancer cells without impacting a patient's normal cells.

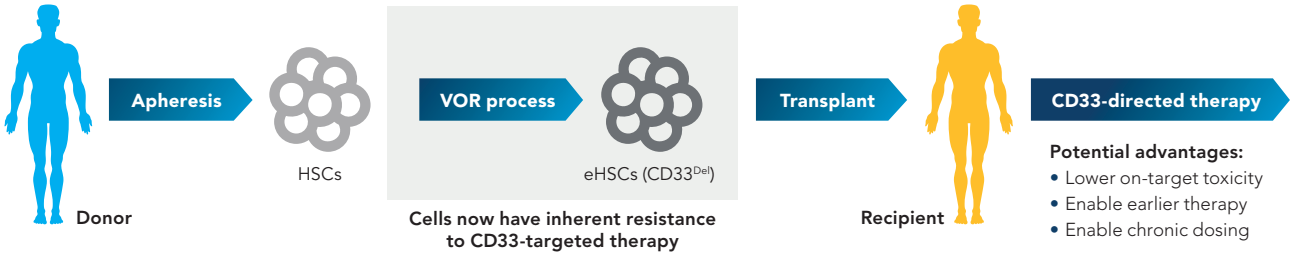
Innovative approach for solving the problem

- Vor is taking a fundamentally novel approach for targeting cancer selectively by addressing the detrimental effects of on-target toxicity to healthy tissue. Vor is developing engineered haematopoietic stem cells (eHSCs) for the treatment of haematological cancers. Vor's differentiated approach is designed to enable broad targeting of lineage antigens, which are attractive targets but face serious limitations, since they are expressed on both healthy cells and cancerous cells.
- Vor's eHSCs do not display a particular antigen, therefore making these antigens tumour-specific and potentially safer to target while protecting the healthy blood cells from depletion. This enables maximal targeted therapy doses to be administered without fear of on-target toxicity. Vor's approach may also enable new targeted therapies to be developed that otherwise would be too toxic to consider developing.
- Vor's technology is enabled via gene editing of haematopoietic stem cells, generating eHSCs which can be transplanted into patients as part of standard transplant procedures. Transplants can be performed prior to the targeted therapy or the targeted therapy can be used prior to the haematopoietic stem cell transplantation. By using Vor's approach the population of potential target antigens could potentially be expanded beyond tumour-specific antigens such as neoantigens or B-cell antigens, for example CD19, to antigens which are present in broad ranges of haematological malignancies.
- Vor's platform can potentially be used to improve the safety profile of targeted therapies, such as antibody drug conjugates, bispecific antibodies, chimeric antigen receptor T (CAR-T) cells and others, expanding their reach beyond B-cell malignancies to other myeloid leukaemias, such as AML, as well as enhancing the effectiveness of similar therapies. When combined with targeted therapies, this technology could potentially enable transformative outcomes in patients with otherwise grim prognoses.
- Vor's lead product candidate, VOR33, is a novel haematopoietic stem cells (HSC) therapy in development for AML consisting of donor-derived HSCs that are engineered to lack the cell surface protein CD33. When removed from the cell surface, VOR33 engineered haematopoietic stem cells (eHSCs) lack cell surface expression of CD33, do not appear to have any measurable changes to their biological function and have been shown to be highly resistant to attack from CD33-targeted therapies. When infused into a patient, these eHSCs are designed to mature and differentiate into a full spectrum of healthy immune and blood cells that would be unaffected by the cancer treatment. This approach has the potential to minimise targeted therapy toxicities and maximise the potency of anti-CD33 therapies for treating AML.

Milestones achieved

- In May 2019, preclinical research was published in the scientific journal *Proceedings of the National Academy of Sciences* supporting Vor's novel approach to treating cancer via eHSCs.
- Vor has achieved *ex vivo* POC for its technology and received validation of its technology in engineered humanised mouse models.
- In the January 2020 post-period, Vor held a pre-IND meeting with the FDA to gather important feedback to assemble the data package necessary for a potential IND filing.

Vor's eHSC technology



Vor's product candidate

Product candidate	Indication	Discovery/Preclinical	Phase 1	Phase 2	Phase 3
VOR33	Acute myeloid leukaemia				

Phase in progress Phase completed

* As of 31 December 2019, PureTech's percentage ownership of Vor was approximately 28.1 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans, and assumes all future tranches are funded in the Series A financing round, with PureTech investing an additional $0.7 million.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

SONDE

Founded Entity	PureTech Ownership*	Product Candidate**		Indication	Stage of Development
Sonde	45.9%	Sonde†	D	Depression detection	Phase 1

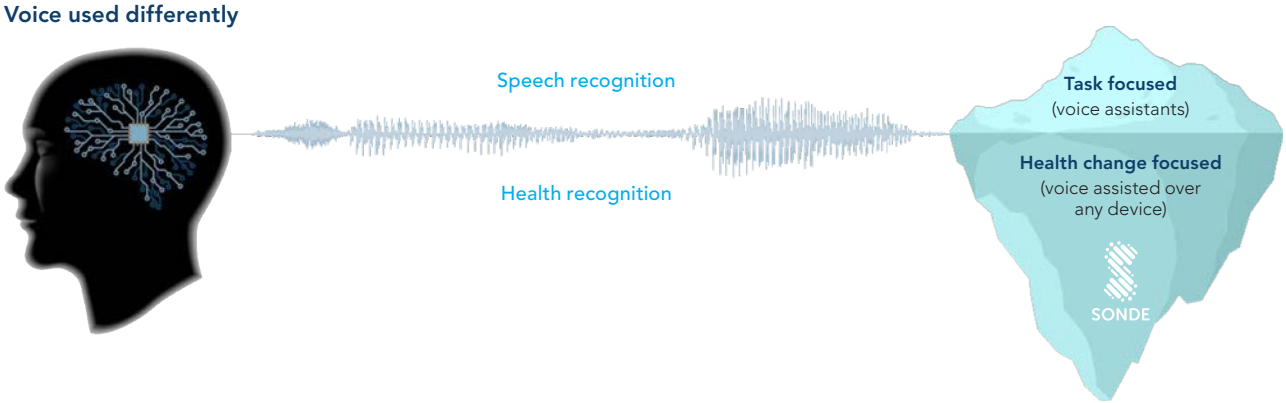
Programme discovery process by the PureTech team	PureTech was interested in new ways to detect and quantify disease in a low- to no-burden manner that could allow for more proactive and potentially effective interventions. PureTech selected vocal features as leading source of health data for this purpose, particularly given the evolving technology landscape where voice interactions with devices are rapidly increasing, and identified and in-licensed proprietary technology from Thomas Quatieri, PhD, at MIT's Lincoln Laboratory in May 2016. PureTech developed additional, novel intellectual property around this concept and helped advance the technology from an academic concept to a commercially-focused technology. A core PureTech team member who played a critical role in founding Sonde is currently the chief operating officer.
Patient need and market potential	• The lag between onset of disease and accurate diagnosis and beginning of treatment can be measured in years for many high-burden health conditions, including depression, Alzheimer's disease (AD), multiple sclerosis, Parkinson's disease and cardiovascular and respiratory diseases, to name just a few. • Depression alone affects approximately 17 million adults in the United States. • Near-continuous health information, powered by Sonde's technology, has the potential to improve screening, monitoring and timeliness of treatment of high-cost conditions, broadly improving outcomes and care efficiency. • Development of effective therapies for central nervous system (CNS) diseases and disorders is hampered by the high cost and inherent variability of these diseases and the reference diagnostic measures used to characterise them. Objective digital tools that can augment, and perhaps one day replace, the current clinical endpoints with novel measures that can be quantified with more meaningful accuracy and less burden can improve patient enrolment and drug development for a range of important conditions.
Innovative approach for solving the problem	• Sonde is developing a voice-based technology platform to measure health when a person speaks. Sonde's proprietary technology is designed to sense and analyse subtle changes in the voice to create a range of persistent brain, muscle and respiratory health measurements that provide a more complete picture of health in just seconds. • PureTech believes Sonde's Vocal Biomarker programme has demonstrated the potential to screen and monitor for disease using information obtained from an individual's voice on commonly-owned devices, such as smartphones and smart speakers, and it has the potential to fundamentally change the way mental and physical health is screened and monitored. • Currently, Sonde is accelerating the development of respiratory measures that are directly relevant to its current customer pipeline and the immediate challenges facing global healthcare systems, including COVID-19. Sonde has voice data from over 2,000 asthma patients in India, including a large subset with spirometry data, which provides evidence that vocal biomarkers change significantly with respiratory impairment.
Milestones achieved	• Sonde has collected voice data from over 40,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into AD, respiratory and cardiovascular disease, as well as other health and wellness conditions. • Sonde is collaborating with the University of New South Wales and Black Dog Institute in Australia to create the first mobile device-based automatic assessment of depression from acoustic speech and has entered into collaborative partnerships with leading institutions, including UMass Memorial Medical Center, Yale University, Partners Massachusetts General Hospital and multiple other ex-US hospitals, clinics and academic medicine centres. • In April 2019, Sonde completed a $16 million Series A financing round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand the capability of its voice-based technology platform for monitoring and diagnosing mental and physical medical conditions across additional health conditions and device types and to fund commercialisation activities. • In October 2019, David Liu joined Sonde as chief executive officer and a member of its board of directors.
Expected milestones	• Sonde expects topline results from a depression detection study in 2020. • Sonde expects to launch its application programming interface (API) platform, which will allow the world to license and build products with Sonde's voice biomarker based health detection technology, in 2020. • Sonde also has ongoing discovery efforts to expand its pipeline.

Sonde's product candidate

Product candidate	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Upcoming Milestone
Sonde	Depression detection					Depression detection data readout 2020

Phase in progress Phase completed

Voice used differently



* As of 31 December 2019, PureTech's percentage ownership of Sonde was approximately 45.9 per cent on a diluted basis. This calculation assumes all future closings of the Series A financing and includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

** The letters next to the product candidates denote whether the product candidate is a pharmaceutical product (P), biologic (B), or device (D).

entrega

Founded Entity	PureTech Ownership*	Description
Entrega	72.9%	Entrega is focused on the oral delivery of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally. Entrega believes oral administration thus represents an ideal administration approach for this increasingly large class of therapies reshaping many areas of medicine, including the treatment of diabetes.
Programme discovery process by the PureTech team	PureTech was interested in enabling the oral administration of biologics, which has been a long-standing problem in drug development. PureTech engaged with leading experts in drug delivery, including Robert Langer, ScD, David H Koch Institute Professor at MIT, and screened over 100 technologies and the initial platform was licensed from Samir Mitragotri, PhD, professor of chemical engineering at UC Santa Barbara. PureTech later enhanced this platform with intellectual property developed by its team. Other scientific and business advisors include Colin Gardner, PhD, former chief scientific officer of Transform Pharmaceuticals, former senior vice president of research and site head at Johnson & Johnson and formerly VP of pharmaceutical R&D at Merck & Co., Inc.; Robert Armstrong, PhD, cofounder and chief executive officer of Boston Pharmaceuticals; and Mr Howie Rosen, former President of ALZA.	
Innovative approach for solving the problem	• Entrega is focused on the oral delivery of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally. The vast majority of biologic drugs, including peptides, proteins and other macromolecules, are currently administered by injection, which can present challenges for healthcare delivery and compliance with treatment regimes. Entrega believes oral administration thus represents an ideal administration approach for this increasingly large class of therapies reshaping many areas of medicine, including the treatment of diabetes. • Entrega's technology platform is an innovative approach to oral delivery which uses a proprietary, customisable hydrogel dosage form to control local fluid microenvironments in the gastrointestinal tract in an effort to both enhance absorption and reduce the variability of drug exposure.	
Milestones achieved	• To validate its technology, Entrega generated POC preclinical data demonstrating delivery of therapeutic peptides into the bloodstream of large animals. • Entrega received $5 million in equity and research funding from Eli Lilly to investigate the application of its peptide delivery technology to certain Lilly therapeutic candidates.	

Engineered hydrogels to enable oral delivery of biologic drugs

* As of 31 December 2019, PureTech's percentage ownership of Entrega was approximately 72.9 per cent on a diluted basis. This calculation includes outstanding shares, options, and warrants, but excludes unallocated shares authorised to be issued pursuant to equity incentive plans.

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 on an ongoing basis. If more than one event occurs, it is possible that the overall effect of such events would compound the possible effect on the Group. The principal risks that the Board has identified as the key business risks facing the Group are set out in the table below along with the consequences and mitigation of each risk. 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. Additional information regarding risks related to financial instruments can be found on page 134.

Risk	Impact*	Mitigation
1 Risks related to science and technology failure The science and technology being developed or commercialised by some of the Group's businesses may fail and/or the Group's businesses may not be able to develop their intellectual property into commercially viable products or technologies. There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of the Group's value.	The failure of any of the Group's businesses could decrease the Group's value. A failure of one of the major businesses could also impact on the perception of the Group as a developer of high value technologies and possibly make additional fundraising at the PureTech or subsidiary company level more difficult.	Before making any decision to develop any technology, extensive due diligence is carried out by the Group that covers all the major business risks, including technological feasibility, market size, strategy, adoption and intellectual property protection. A capital efficient approach is pursued such that some level of proof of concept has to be achieved before substantial capital is committed and thereafter allocated. Capital deployment is generally tranched so as to fund programmes only to their next value milestone. Members of the Group's Board serve on the Board of directors of each business so as to continue to guide each business's strategy and to oversee proper execution thereof. The Group uses its extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy. Additionally, the Group has a diversified model with numerous assets such that the failure of any one of the Group's businesses would not result in a significant decline of the Group's value.
2 Risks related to clinical trial failure Clinical trials and other tests to assess the commercial viability of a product candidate are typically expensive, complex and time-consuming, and have uncertain outcomes. Conditions in which clinical trials are conducted differ, and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If the Group's product candidates fail to achieve successful outcomes in their respective clinical trials, the products will not receive regulatory approval and in such event cannot be commercialised. In addition, if the Group fails to complete or experiences delays in completing clinical tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all.	A critical failure of a clinical trial may result in termination of the programme and a significant decrease in the Group's value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis.	The Group has a diversified model such that any one clinical trial outcome would not significantly impact the Group's ability to operate as a going concern. It has dedicated internal resources to establish and monitor each of the clinical programmes in order to try to maximise successful outcomes. Significant scientific due diligence and preclinical experiments are done prior to a clinical trial to attempt to assess the odds of the success of the trial. In the event of the outsourcing of these trials, care and attention is given to assure the quality of the vendors used to perform the work.
3 Risks related to regulatory approval The pharmaceutical industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations which govern the testing, approval, manufacturing, labelling and marketing of pharmaceutical products. Stringent standards are imposed which relate to the quality, safety and efficacy of these products. These requirements are a major determinant of whether it is commercially feasible to develop a drug substance or medical device given the time, expertise, and expense which must be invested. The Group may not obtain regulatory approval for its products. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects.	The failure of one of the Group's products to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in the Group's value.	The Group manages its regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of the Group's preclinical and clinical programmes. These experts ensure that high-quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organisations with global capabilities are retained to manage the trials. Additionally, the Group has a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to any one product would not result in a significant decline of the Group's value.

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

Risk	Impact*	Mitigation
4 Risks related to product safety 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. These risks are also applicable to our Founded Entities and any trials they conduct or product candidates they develop.	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 Risks related to product profitability 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. These risks are also applicable to our Founded Entities and could result in a decrease in their value.	The failure of the Group to obtain reimbursement from third party payers, as well as competition from other products, could significantly decrease the amount of revenue the Group may receive from product sales for certain products. This may result in a significant decrease in the Group's value.	The Group engages reimbursement experts to conduct pricing and reimbursement studies for its products to ensure that a viable path to reimbursement, or direct user payment, is available. The Group also closely monitors the competitive landscape for all of its products and adapts its business plans accordingly.
6 Risks related to intellectual property protection The Group may not be able to obtain patent protection for some of its products or maintain the secrecy of its trade secrets and know-how. If the Group is unsuccessful in doing so, others may market competitive products at significantly lower prices. Alternatively, the Group may be sued for infringement of third-party patent rights. If these actions are successful, then the Group would have to pay substantial damages and potentially remove its products from the market. The Group licenses certain intellectual property rights from third parties. If the Group fails to comply with its obligations under these agreements, it may enable the other party to terminate the agreement. This could impair the Group's freedom to operate and potentially lead to third parties preventing it from selling certain of its products.	The failure of the Group to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue the Group may receive from product sales. Any infringement litigation against the Group may result in the payment of substantial damages by the Group and result in a significant decrease in the Group's value.	The Group spends significant resources in the prosecution of its patent applications and has an in-house patent counsel. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both of the Group and belonging to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in the Group's employment and advisory contracts. Licenses are monitored for compliance with their terms.
7 Risks related to enterprise profitability The Group expects to continue to incur substantial expenditure in further research and development activities. There is no guarantee that the Group will become profitable, either through commercial sales, strategic partnerships or sales of a business, and, even if it does so, it may be unable to sustain profitability.	The strategic aim of the business is to generate profits for its shareholders through the commercialisation of technologies through product sales, strategic partnerships and sales of businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the Group's business.	The Group retains significant cash in order to support funding of its Founded Entities and its Wholly Owned Pipeline. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses. Additionally, its Founded Entities are able to raise money directly from third party investors and strategic partners.

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

Brexit

The United Kingdom withdrew from the European Union on 31 January 2020 (Brexit). However, it remains unclear what the regulatory and economic position will be for the United Kingdom after the transition period ends on 31 December 2020. The uncertainty in the political, economic and regulatory landscape is expected to continue while negotiations between the United Kingdom and the European Union continue to establish an exit agreement and ongoing trade arrangements. The uncertainty surrounding Brexit has and may continue to contribute to volatility in the prices of securities of companies listed in Europe and currency exchange rates, including the valuation of the euro and British pound in particular. Any one of these factors, or the combination of more than one of these factors, could negatively affect such foreign securities market and the price of securities therein.

Although the Board has considered the potential impact of Brexit as part of its risk management, given that the Group principally operates in the United States and holds substantially all assets in US dollars, the Group does not believe there will be any material financial effect on our business, or any significant operational issues which could arise, as a result of Brexit.

Viability

PureTech Health plc Viability Statement

In accordance with the UK Corporate Governance Code (Governance Code) published in July 2018, the Directors have assessed the prospects of the Group, and with the 31 December 2019 cash balance, the Group had enough funding to extend operations into the first quarter of 2022 and following the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020, the Group will now extend operations over a four year period into the first quarter of 2024. This period is deemed appropriate having assessed the financial health of the Group's Parent as of 31 December 2019 along with the sale of Karuna shares. Further, we expect the Group's wholly owned internal pipeline (or "Internal segment") to significantly progress during this period and for key Controlled Founded Entities and Non-Controlled Founded Entities to reach significant development milestones over the period of the assessment.

We anticipate the Group's funding to be used in advancing two of the Group's Internal segment programmes to human clinical testing by the end of 2020; investing in the development of new high-potential product candidates; and funding the Company's head office costs into the first quarter of 2024. We further anticipate the Group to support its Founded Entities to reach significant development milestones over the period of the assessment in conjunction with the Group's external partners. This budget projection is conservative as it includes only existing funds as well as some limited inflows from current collaborations. The budget projection does not include potential inflows of cash which may occur, for example, as a result of future strategic partnerships, sales of holdings, and grants as well as equity fundraising at Founded Entities.

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

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

- The Group has significant influence over the spending and strategic direction of its Internal segment programmes and Controlled Founded Entities.
- The Group's business model is structured so that the Group is not reliant on the successful outcomes of any one Internal segment programme, Controlled Founded Entity, or investment in Non-Controlled Founded Entity.

In addition, the fact that the Internal segment programmes, Controlled Founded Entities and Non-Controlled Founded Entities (with the exception of Gelesis) are currently in the research and development stage means that these programmes and entities are not reliant on cash inflows from sales of products or services during the period of this assessment. This also means that the Group is not highly susceptible to conditions in one or more market sectors in this time frame. Although engaging with collaboration partners is highly valuable to the Group from a validation and, in some cases, funding perspective, the Group is not solely reliant on cash flows from such sources over the period of assessment.

The PureTech-level 2019 year end cash reserve of $120.6 million, with a pro forma cash reserve of $321.5 million[1], is highly liquid and forecast to support infrastructure costs, Internal segment research and development activities and the appropriate funding of its Controlled Founded Entities and Non-Controlled Founded Entities 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 its Internal segment, Controlled Founded Entities and Non-Controlled Founded Entities 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 product candidate being developed within its Internal segment programmes as well as those of its Founded Entities. Further, the Board has considered milestone funding based on existing collaboration and partnership arrangements, and the ability of each Internal segment programme, Controlled Founded Entity and Non-Controlled Founded Entity to enter new collaboration agreements, all of which could be expected to generate cash in-flows but were not included in the assessment. Additionally, given that spending and investment decisions are largely discretionary, there is management control on reducing discretionary spending if unforeseen liquidity risks arise.

The Directors note that the Group's ownership stakes in the Controlled Founded Entities and Non-Controlled Founded Entities are expected to be illiquid in nature, with the exception of its ownership stakes in resTORbio and Karuna, which are both publicly traded on NASDAQ. While the Group anticipates holding these ownership stakes through the achievement of significant milestones or other events, the Group will continue to be diligent in exploring monetisation opportunities similar to the execution of the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020. In November and December 2019, the Group also sold 7.7 million common shares of resTORbio for aggregate proceeds of $9.3 million. However, the Group's budget does not include any further monetisation opportunities, which would further extend operations over a four year period beyond the first quarter of 2024. It is also expected that certain of these Founded Entities 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 the remaining milestone events and fund infrastructure costs.

The Directors have concluded, based on the Group's strong financial position and readily available cash reserves (inclusive of short-term investments), that the Group is likely to be able to fund its infrastructure requirements, advancing two of the Group's Internal segment programmes to human clinical testing by the end of 2020, and the amounts considered necessary for the Controlled Founded Entities and Non-Controlled Founded Entities 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.

1 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

Key Performance Indicators – 2019

The key performance indicators (KPIs) below measure the Group's performance against its strategy. As PureTech's strategy has evolved, new KPIs have replaced older metrics that are no longer representative of the Group's progress.

Amount of funding secured for Founded Entities[1,2]

$666.8m

$622.8m (93.4%) came from third parties

2018: $274.0m
2017: $102.9m
2016: $98.2m
2015: $74.6m
2014: $8.0m

Progress

Karuna, Gelesis, Vedanta, Vor and Sonde all raised funds in the form of financings and non-dilutive grants in 2019, including $622.8 million by third-party financial and strategic investors.

Number of programmes created for pipeline expansion[1]

1

2018: 1
2017: 1
2016: 3
2015: 3
2014: 2

Progress

As a part of its Wholly Owned Pipeline, PureTech selected and acquired LYT-100 in July 2019 based on proprietary insights into the lymphatic system, unpublished findings from its network of collaborators, and prior knowledge of the programme. PureTech believes LYT-100, if successfully developed and approved, could become a promising treatment for lymphoedema as well as other disorders of impaired lymphatic flow and conditions involving inflammation and fibrosis.

Number of theme-based assets evaluated[1]

211

2018: 1449
2017: 951
2016: 918
2015: 776
2014: 521

Progress

The Company continued to identify and review innovative technologies that form the basis of its Wholly Owned Pipeline. In the past, these efforts have been broader in scope, resulting in a larger number of assets considered. Current sourcing activities (including diligence and experiments) are centred on the lymphatic system and related immunology mechanisms for the treatment of cancer and immunological, lymphatic and CNS-related disorders.

In 2019, PureTech screened approximately 4,500 assets in total. Of these, PureTech conducted literature reviews and secondary research for 211, held discussions with the asset holding institution for 25, performed a deep dive analysis for three, and in-licensed one clinical-stage asset, deupirfenidone.

Number of clinical trials initiated[1,3]

6

Progress

In 2019, Karuna, Vedanta and resTORbio each initiated two clinical trials.

Number of clinical readouts[1,4]

5

Progress

In 2019 Gelesis, Karuna, Follica, Akili and resTORbio reported clinical results from across their pipelines.

1 Number represents figure for the relevant fiscal year only and is not cumulative.
2 Funding figure includes private equity financings, public offerings or grant awards. Funding figure excludes upfront payments and future milestone considerations received in conjunction with partnerships and collaborations such as those with Roche, Boehringer Ingelheim, Imbrium Therapeutics L.P., Shionogi & Co., Ltd. or Eli Lilly.
3 Karuna, Vedanta and resTORbio each initiated two clinical trials in 2019.
4 Gelesis, Karuna, Follica, Akili and resTORbio reported clinical results from across their pipelines in 2019.

Financial Review

Financial Highlights

	2019 $ millions	2018 $ millions
Cash Reserves		
Consolidated Cash Reserves[1]	**162.4**	250.9
Consolidated Pro-forma Cash Reserves – Alternative Performance Measure (APM)[1,3]	**363.3**	—
PureTech Level Cash Reserves[2]	**120.6**	178.2
PureTech Level Pro-forma Cash Reserves – Alternative Performance Measure (APM)[1,4]	**321.5**	—
Results of Operations		
Revenue	**9.8**	20.7
Operating Loss	**(135.4)**	(104.0)
Adjusted Operating Loss – Alternative Performance Measure (APM)[5]	**(114.3)**	(88.6)
Income/(loss) for the Period	**366.1**	(70.7)
Adjusted Loss for the Period – Alternative Performance Measure (APM)[6]	**(112.4)**	(83.7)

1 Consolidated Cash Reserves includes cash balances of $132.4 million and $117.1 million, and short-term investments of $30.1 million and $133.8 million for the year ended 2019 and 2018, respectively as shown on the Consolidated Statements of Financial Position.

2 PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million and $177.7 million for the year ended 2019 and 2018, respectively, and the internal pipeline of $8.6 million and $0.5 million for the year ended 2019 and 2018, respectively, all of which are wholly owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities.

3 Consolidated Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the Consolidated Cash Reserves of $162.4 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. As of 13 March 2020, PureTech Health held 5.3 million common shares, or 20.3 per cent of Karuna. Consolidated Pro-forma Cash Reserves is therefore considered to be more representative of the Group's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

4 PureTech Level Pro-forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.

5 Stated before the effect of non-cash charges consisting of share-based payments of $14.5 million (2018 – $12.6 million), depreciation of $3.2 million (2018 – $2.5 million) and amortisation of $3.4 million (2018 – $0.3 million). Non-cash items are excluded due to the fact that the Group's businesses require cash investment in order to operate and continue with their R&D activities. Adjusted operating loss is therefore considered to be more representative of the operating performance of the Group and an appropriate alternative performance measure.

6 Stated before the charges discussed in Note 5 above as well as fair value accounting costs of $46.5 million (2018 – charge of $22.6 million) and finance cost – subsidiary preferred shares of $1.5 million (2018 – $0.1 million) and share of net gain/ (loss) of associates accounted for using the equity method of $30.8 million (2018 – ($11.5) million). Adjusted Loss for the Period is also adjusted for impairment of investment in associate totalling $42.9 million (2018 – nil), the non-cash gain from the deconsolidation of subsidiary of $264.4 million (2018 – $41.7 million), a Loss on investments held at fair value of $37.9 million (2018 – $34.6), and tax impact of $112.4 million. Adjusted Loss for the Period is further adjusted for the Gain on Loss of Significant Influence of $445.6 million for the year ended 31 December 2019 (2018 – $10.3 million). These items are also non-cash expenses and income, respectively. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.

Revenue

Revenue for 2019 relates primarily to the Internal segment's agreements with Roche and Boehringer Ingelheim, and Entrega's research collaboration agreement with Eli Lilly, as well as the Alivio's agreement with Imbrium Therapeutics, and grant revenue. Future revenue may be earned under existing license and collaboration agreements, as well as under grant awards. Management evaluates opportunities to enter new license and collaboration agreements with the aim of balancing the potential value of these partnerships with our interest in retaining ownership over our programmes as they achieve meaningful milestones. Revenue from license and collaboration agreements during the development and approval period is typically driven by the achievement of contractual milestones, which tend to be event-driven. Furthermore, grant revenues are typically associated with specific deliverables that have finite timelines and do not extend over long periods. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Consolidated Group's overall revenue trend.

Operating Expenses

Operating Losses increased by 30.2 per cent, or $31.4 million, for the year ended 31 December 2019 compared to the year ended 31 December 2018. The largest driver of the increase was the increase in research and development expenditures within the Internal segment. In 2019, the Group continued to shift its focus towards the Internal segment, investing in research and development activities to advance a wholly owned pipeline of lymphatic system and related immuno-oncology programmes. We progressed LYT-100 and LYT-200 towards first patient dosing in 2020. Research and development expenditures within the Internal segment increased by 190.9 per cent, or $17.0 million, for the year ended 31 December 2019 compared to the year ended 31 December 2018.

Within the Internal segment, general and administrative expenses increased by $0.9 million, or 59.2 per cent, for the year ended 31 December 2019 compared to the year ended 31 December 2018. The year-over-year increase in general and administrative expenses reflects costs incurred in conjunction with the move to new corporate headquarters and labs in Boston's Seaport area and the subsequent development of this space, as well as wage and benefit growth related to increased headcount.

The Group continued to support research and development activities within its Controlled Founded Entities segment, which resulted in an increase of 15.8 per cent, or $5.8 million, for the year ended 31 December 2019 compared to the year ended 31 December 2018. As the Controlled Founded Entities approached meaningful milestones, general and administrative expenses within the Controlled Founded Entities segment increased by $4.2 million or 40.7 per cent for the year ended 31 December compared to the year ended 31 December 2019.

The Parent segment continued to support the operating activities of the Internal and Controlled Founded Entities segments. General and administrative expenses increased by $12.8 million, or 66.8 per cent, for the year ended 31 December 2019 compared to the year ended 31 December 2018. In 2019, the Parent segment incurred one-time costs associated with the acquisition of minority interests in internal pipeline programmes, the move to Boston's Seaport area, and additional tax expense related to share based payment awards.

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, conducting clinical and preclinical studies, intellectual property registration and the cost of acquiring, developing and manufacturing clinical study materials. General and administrative costs, consisting primarily of personnel-related costs, lease costs and professional fees, are anticipated to grow as well, and are primarily attributed to increases in overall corporate expenses.

Net finance costs

Net finance costs excluding finance income/(costs) in respect of fair value accounting (2019 – $46.5 million expense; 2018 – $22.6 million income) and finance costs – subsidiary preferred shares (2019 – $1.5 million expense; 2018 – $0.1 million expense) resulted in income of $1.8 million for the year ended 31 December 2019 compared to income of $3.4 million for the year ended 31 December 2018, a decrease in income of $1.6 million. The income in both periods is related to interest received on short-term investments held at PureTech Health and certain subsidiaries. The Consolidated Group, as described below, has adopted a conservative cash management policy and invested the significant cash reserves generated since the IPO in US Treasuries, which resulted in $4.4 million and $3.4 million of income from interest earned on these securities for the years ended 31 December 2019 and 2018, respectively. The increase in interest income was more than offset by an increase in contractual finance costs of $2.6 million for the year ended 31 December 2019 in respect of the Company's lease obligations. The lease obligations resulted from the adoption of IFRS 16 Leases as of 1 January 2019 as well as from new lease agreements the Company entered into during the year ended 31 December 2019. Therefore no such finance costs exist for the year ended 31 December 2018.

During the year ended 31 December 2019, the Group recognised finance costs related to fair value accounting of $46.5 million, as compared to a finance income related to fair value accounting for the year ended 31 December 2018 of $22.6 million. The costs generated within Finance income/(costs) – fair value accounting during 2019 is primarily attributable to the increase in fair value of the Group's investments in Follica, Sonde and Vedanta as well as Gelesis during the period of consolidation in addition to Sonde and Vedanta preferred share issuances during the year.

The balance of subsidiary preferred shares held by external parties, and therefore the related balance of the aggregate liquidation preference, decreased during 2019 due to the deconsolidations of Vor, Karuna and Gelesis, which was partially offset by new issuances of Series A-2 preferred shares by Sonde and Series C and C-2 preferred shares by Vedanta. Please refer to Note 15 in the financial statements for more information.

During the year ended 31 December 2019, the Group realised a year-over-year decrease of $72.1 million as it recognised finance costs of $46.1 million, compared to a finance income of $25.9 million for the year ended 31 December 2018. The decrease resulted from the change in fair value of the Group's investments in the common and preferred shares of other entities.

Deconsolidations

Vor

In February 2019, Vor completed the first closing of its Series A-2 preferred shares financing round. As a result of this closing, PureTech Health's ownership percentage of Vor's voting shares dropped from 79.5 per cent to 47.5 per cent, triggering deconsolidation. Although PureTech Health no longer controls Vor, PureTech Health maintains significant influence over the Company's strategy and the direction of the Company by virtue of its large, albeit non-majority, ownership stake and continued representation on Vor's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1 and Series A-2 preferred shares (collectively the "Vor preferred shares"), resulting in a gain of $6.4 million. The Vor preferred shares were classified as an Investment held at fair value upon deconsolidation.

PureTech Health does not hold common shares in Vor and therefore is not subject to equity method accounting under IAS 28. PureTech Health will continue to account for the Vor preferred shares as an Investment held at fair value until such time that Vor Preferred Shares is converted to common shares. Please refer to Note 5 in the financial statements for further information.

Karuna

In March 2019, Karuna completed a Series B preferred shares financing round. As a result of this financing, PureTech Health's ownership percentage of Karuna's voting shares dropped from 70.9 per cent to 44.3 per cent, triggering deconsolidation. Upon the date of deconsolidation, PureTech Health held preferred shares, preferred share warrants and common shares of Karuna. Although PureTech Health no longer controlled Karuna, PureTech Health maintained significant influence over the Company's strategy and the direction of the Company by virtue of its large, albeit non-majority, ownership stake and continued representation on Karuna's Board of Directors through December 2019.

Upon deconsolidation, PureTech Health recognised the fair value of the Karuna preferred shares and the preferred shares warrant, resulting in a gain of $102.0 million. The Karuna preferred shares and warrant were classified as Investments held at fair value upon deconsolidation. PureTech Health's investment in the common shares of Karuna is subject to equity method accounting following deconsolidation and has been adjusted for PureTech Health's share of Karuna's net income or loss. Due to the relatively small initial fair value of the common shares investment, it was remeasured to nil immediately following deconsolidation.

In June 2019, Karuna completed an initial public offering (IPO). Upon completion of the IPO, the Karuna preferred shares held by PureTech Health converted to common shares. In light of PureTech's common share holdings in Karuna and corresponding voting rights, PureTech had re-established a basis to account for its investment in Karuna under the equity method. The preferred shares investment held at fair value was therefore reclassified to an investment in associate upon completion of the conversion and the Company recognised a gain of $40.6 million related to the IPO. Subsequent to the IPO, PureTech's ownership percentage of Karuna's voting shares was 31.6 per cent.

In December 2019, it was concluded that PureTech Health no longer exerted significant influence over Karuna. As a result, Karuna was no longer deemed an associate of PureTech Health and did not meet the scope of equity method accounting. Upon PureTech Health's loss of significant influence, the investment in Karuna was reclassified to an investment held at fair value and PureTech Health recognised a gain on loss of significant influence of Karuna of $445.6 million. Please refer to Note 5 in the financial statements for further information.

Gelesis

In July 2019, the Gelesis Board of Directors was restructured, resulting in two of the three PureTech representatives resigning from the Board and triggering the deconsolidation of Gelesis. At the deconsolidation date, PureTech held 25.2 per cent of the outstanding voting shares of Gelesis. While the Company no longer controls Gelesis, it was concluded that PureTech Health still had significant influence over Gelesis by virtue of its large, albeit minority, ownership stake and its continued representation on Gelesis' Board of Directors.

Upon the date of deconsolidation, PureTech Health held preferred shares and common shares of Gelesis, as well as a preferred share warrant. Upon deconsolidation, PureTech Health recognised the fair value of the Gelesis preferred shares and the preferred shares warrant resulting in a gain of $156.0 million. The Gelesis preferred shares and warrant were classified as Investments held at fair value upon deconsolidation. As PureTech Health is able to demonstrate that it has significant influence over Gelesis, PureTech Health's investment in the Gelesis common shares will be subject to equity method accounting following deconsolidation and will subsequently be adjusted for PureTech Health's share of Gelesis' net income or loss. Please refer to Note 6 in the financial statements for further information.

Financial Position

Cash and short-term investments make up a significant portion of the Consolidated Group's current assets, which were $168.8 million for the year ended 31 December 2019 compared to $259.8 million for the year ended 31 December 2018. The decrease in cash and short-term investments of 31 December 2019 compared to 31 December 2018 was attributable to the deconsolidation of Vor, Karuna and Gelesis. Amounts that cannot be immediately deployed have been used to purchase US Treasuries with durations of less than two years. The consolidated cash reserves, consisting of cash, cash equivalents and US Treasuries, which are classified as both long and short term, were $162.4 million at 31 December 2019, compared to $250.9 million for the year ended 31 December 2018. Of this amount, $120.6 million (31 December 2018 – $178.2 million) of cash reserves is held at the PureTech Health level (refer to footnotes 1 to 4 of Financial Highlights) to fund activities of the Group including funding the Internal segment's wholly owned internal pipeline, progressing Founded Entity programmes toward meaningful milestone events where necessary and appropriate, and maintaining a robust Parent support infrastructure.

In November 2019, Karuna announced results from its Phase 2 clinical trial of KarXT for the treatment of acute psychosis in patients with schizophrenia. As such, Karuna's share price witnessed significant price appreciation. On 22 January 2020, PureTech Health monetised a portion of its common shares holdings in Karuna. PureTech sold 2.1 million Karuna common shares for aggregate proceeds of $200.9 million. As of 13 March 2020, PureTech Health held 5.3 million shares, or 20.3 per cent, of Karuna.

The sale of a minority of its holding in Karuna provided the Group with additional cash resources to fund operational growth within the Internal segment. The Group's consolidated cash position as of 31 December 2019 on a pro-forma basis, inclusive of the Karuna share sale proceeds, was $363.3 million. The parent level cash position as of 31 December 2019 on such a pro-forma basis was $321.5 million.

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

- Investments held at fair value and Investments in associates increased by $545.2 million to $725.5 million as of 31 December 2019 compared to 31 December 2018, primarily driven by the deconsolidation of Vor, Karuna and Gelesis and subsequent fair value increases, which were partially offset by the fair value decrease of our resTORbio shares and subsequent reduction of ownership.
- In November and December 2019, PureTech sold 7.7 million common shares of resTORbio for aggregate proceeds of $9.3 million. As of 31 December 2019, PureTech held 2.1 million common shares, or 5.8 per cent, of resTORbio.
- Current Liabilities decreased by $126.6 million, or 47.6 per cent, to $139.2 million for the year ended 31 December 2019 compared to $265.8 million for the year ended 31 December 2018, which is primarily attributable to the deconsolidation of Vor, Karuna and Gelesis. This was partially offset by additional Controlled Founded Entity preferred share issuances and subsidiary preferred share and subsidiary warrant fair value increases during the year ended 31 December 2019.

Financial Position

	2019 $ millions	2018 $ millions
Non-current assets	**772.3**	182.0
Current assets	**168.8**	259.8
Total assets	**941.1**	441.8
Non-current liabilities	**151.6**	9.0
Total current liabilities	**139.2**	265.8
Total liabilities	**290.8**	274.8

The Directors anticipate the continued strong financial health of the Group's Parent and expect the Group's wholly owned internal pipeline to significantly progress during this period. The Group also expects key Controlled Founded Entities and Non-Controlled Founded Entities to achieve meaningful milestones. The Consolidated Group's funds are sufficient to continue to progress the Internal segment, Controlled Founded Entities and Non-Controlled Founded Entities to meaningful milestone events into the first quarter of 2024.

The Group's net cash used in operating activities reflects the payment of operating expenses, which, with the exception of its non-cash charges highlighted in footnotes 5 and 6 of the Results of Operations Schedule above, are primarily cash based.

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

The net cash inflow of $63.7 million from investing activities during 2019 relates to the maturity of investments in US Treasuries with durations of less than two years which totalled $104.5 million. The cash provided by the maturity of short-term investments was offset by the purchase of fixed assets totalling $12.1 million and the purchase of intangible assets totalling $0.4 million. The inflow was further offset by the Group's investment in Gelesis convertible promissory notes totalling $6.5 million as well as Gelesis Series 3 Growth and Karuna Series B preferred shares totalling $13.7 million. The inflow was further offset by the derecognition of cash totalling $16.0 million held by Vor, Karuna and Gelesis upon deconsolidation.

The net cash inflow of $49.9 million from financing activities during 2019 was primarily attributable to $51.0 million in aggregate proceeds received from the Vedanta Series C and Series C-2 closings ($32.2 million), Sonde Series A-2 closings ($7.3 million) and Gelesis Series 2 Growth closings ($8.6 million). Further inflows were attributable the sale of resTORbio shares. In November and December 2019, PureTech sold 7.7 million common shares of resTORbio for aggregate proceeds of $9.3 million. As of 31 December 2019, PureTech held 2.1 million common shares, or 5.8 per cent, of resTORbio.

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

Cash Flows

	2019 $ millions	2018 $ millions
Operating Cash Flows	**(98.2)**	(72.8)
Investing Cash Flows	**63.7**	(39.6)
Financing Cash Flows	**49.9**	156.9

Chairman's overview

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

Dear Shareholder

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

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

The Board is committed to the highest standards of corporate governance and undertakes to maintain a sound framework for the control and management of the Group. In this report we provide details of that framework.

The key constituents necessary to deliver a robust structure are in place and, accordingly, this report includes a description of how the Company has applied the principles and provisions of the Governance Code and how it intends to apply those principles in the future.

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

Christopher Viehbacher
Chairman

8 April 2020

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.

Raju Kucherlapati, PhD
Independent Non-Executive Director, R&D Committee Member

Raju Kucherlapati, PhD, has served as a member of the board of directors since 2014. He is the Paul C. Cabot Professor of Genetics and Professor of Medicine at Harvard Medical School, is an independent non-executive director at PureTech and sits on PureTech's R&D Committee. Dr Kucherlapati currently serves on the board of directors of Gelesis, Inc. and KEW Inc. He was a founder and formerly a board member of Abgenix (acquired by Amgen for $2.2 billion), Cell Genesys and Millennium Pharmaceuticals (acquired by Takeda for $8.8 billion). He was the first scientific director of the Harvard-Partners Center for Genetics and Genomics. He is a fellow of the American Association for the Advancement of Science and a member of the National Academy of Medicine. Dr Kucherlapati received his PhD 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. He was a member of the presidential commission for the study of bioethical issues during the Obama administration.

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

John LaMattina, PhD
Independent Non-Executive Director, R&D Committee Member

John LaMattina, PhD, is an independent non-executive director at PureTech and has served as a member of the board of directors since 2009. Dr LaMattina was previously president of Pfizer Global Research and Development and held positions of increasing responsibility during his 30-year career at Pfizer, including vice president of US Discovery Operations in 1993, senior vice president of Worldwide Discovery Operations in 1998 and senior vice president of Worldwide Development in 1999. Dr LaMattina serves on the board of directors of Ligand Pharmaceuticals, Zafgen, Inc., Immunome Inc. and Vedanta Biosciences, Inc. and is chairman of the board of directors of Alivio Therapeutics, Inc. He also serves on the Scientific Advisory Board of Frequency Therapeutics and is a trustee associate of Boston College.

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 US patents. In addition, Dr LaMattina 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. Dr LaMattina was awarded an Honorary Doctor of Science degree from the University of New Hampshire in 2007 and in 2010 was the recipient of the American Chemical Society's Earle B. Barnes Award for Leadership in Chemical Research Management. Dr LaMattina received a BS in chemistry from Boston College in 1971 and received a PhD in organic chemistry from the University of New Hampshire in 1975. He then moved on to Princeton University as a National Institutes of Health Postdoctoral Fellow in the laboratory of Professor E. C. Taylor.

* Biographies for executive directors, Daphne Zohar and Stephen Muniz, can be found on page 59.

Robert Langer, ScD
Co-Founder and Non-Executive Director, R&D Committee Member

Robert S. Langer, ScD, is a co-founder, member of PureTech's R&D Committee and has served as a member of the board of directors since the Company's founding. He has served as the David H. Koch Institute Professor at MIT since 2005. He is one of 12 institute professors, which is the highest honour that can be awarded to a faculty member at MIT. 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 serves on the board of directors of Frequency Therapeutics, Inc., Abpro Korea, Alivio Therapeutics, Inc., Entrega, Inc. and Moderna, Inc. Dr Langer has written more than 1,500 articles. He also has over 1,350 issued and pending patents worldwide. Dr Langer's patents have been licensed or sublicensed to over 400 pharmaceutical, chemical, biotechnology and medical device companies. He is the most cited engineer in history (h-index 272 with over 300,000 citations according to Google Scholar).

Dr Langer has received over 220 major awards. He is one of four living individuals to have received both the 2006 United States National Medal of Science, the Charles Stark Draper Prize in 2002, considered the equivalent of the Nobel Prize for engineers, 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. 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, the Albany Medical Center Prize in Medicine and Biomedical Research, the largest prize in the US for medical research, and the Lemelson-MIT prize, the world's largest prize for invention, for being "one of history's most prolific inventors in medicine." In 2006, he was inducted into the National Inventors Hall of Fame. In 2015, Dr Langer received the Queen Elizabeth Prize for Engineering. He received his bachelor's degree from Cornell University in 1970 and his ScD from the Massachusetts Institute of Technology in 1974, both in chemical engineering.

Dame Marjorie Scardino
Senior Independent Director

Dame Marjorie Scardino is the senior independent director of PureTech's Board of Directors and has served as a member of the board since 2015. She served as chief executive of *The Economist* for 12 years and then from 1997 through 2012 was the chief executive of Pearson plc, the world's leading education company and the owner of Penguin Books and The Financial Times Group. Prior to that, she was a lawyer and she and her husband founded a weekly newspaper in Georgia which won a Pulitzer Prize. She served as chairman of The MacArthur Foundation from 2012 to 2017, and later became the chairman of the London School of Hygiene and Tropical Medicine.

Until the end of 2018, she was on the board of Twitter, where she was the senior independent director. She was a member of the board of International Airlines Group (IAG) (the holding company of British Airways, Iberia and other airlines) until the end of 2019. Non-profit boards she sits on are The Carter Center and The Royal College of Arts. Dame Marjorie has received a number of honorary degrees, and in 2003 was dubbed a Dame of the British Empire. She is also a member of the Royal Society of the Arts in the UK and the American Association of Arts and Sciences.

Dr Bennett Shapiro†
Non-Executive Director

Ben Shapiro, MD, is a co-founder, member of PureTech's R&D Committee and has served as member of the board of directors since the Company's founding. 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 and is the author of over 120 papers on the molecular regulation of cellular behaviour. 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 currently serves as a member of the board of directors of Vedanta Biosciences and VBL Therapeutics. Dr Shapiro previously served as a director of Celera Corporation. He also is a director of the Drugs for Neglected Diseases initiative and the Mind and Life Institute. Dr Shapiro received a BS in Chemistry from Dickinson College and his MD from Jefferson Medical College.

† Dr. Shapiro will not stand for re-election at the 2020 AGM.

Christopher Viehbacher
Chairman

Chris Viehbacher has served as a member of PureTech's board of directors since 2015 and as chairman since September 2019. He is the managing partner of Gurnet Point Capital, a Boston based investment fund associated with the Bertarelli family and has a $2 billion capital allocation. He is the former CEO and member of the board of directors of Sanofi and was also the chairman of the board of Genzyme in Boston. Prior to joining Sanofi, Mr Viehbacher spent over 20 years with GlaxoSmithKline in Germany, Canada, France and, latterly, the US as president of its North American pharmaceutical division. He began his career with PricewaterhouseCoopers LLP and qualified as a chartered accountant. Mr Viehbacher currently serves on the boards of Vedanta Biosciences, Inc. as chairman, Alladapt, BEFORE Brands, Corium, Crossover Health, Boston Pharmaceuticals, Zikani, York River Holdings and Gurnet Point Capital LLC. He is also a trustee of Northeastern University and a member of the board of fellows at Stanford Medical School.

Mr Viehbacher has been a strong advocate for the healthcare industry. Past advocacy roles include: former co-chair with Bill Gates of the CEO Roundtable on Neglected Diseases; chairman of the CEO Roundtable on Cancer; chairman of the board of the Pharmaceutical Research and Manufacturers of America in Washington; and president of the European Federation of Pharmaceutical Industries and Associations in Brussels. Mr Viehbacher has served on various advisory groups at MIT, Duke University and Queen's University at Kingston, Ontario. 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. He has received the Pasteur Foundation Award for outstanding commitment to safeguarding and improving health worldwide and received France's highest civilian honour, the Legion d'Honneur. Mr Viehbacher received his bachelor's degree in commerce from Queen's University in Ontario, Canada.

Robert Horvitz, PhD**
Board Advisor, R&D Committee Chair

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

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

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

Dennis Ausiello, MD**
Board Advisor, R&D Committee Member

Dennis Ausiello, MD, is a board advisor and member of the PureTech R&D Committee. He is the Jackson Distinguished Professor of Clinical Medicine and was previously director, emeritus of the MD/PhD Program at Harvard Medical School. Dr Ausiello is chairman of medicine, emeritus and director of the Center for Assessment Technology and Continuous Health (CATCH) at Massachusetts General Hospital (MGH). This centre is a partnership among MGH, MIT and Harvard University whose mission is to develop real-time assessment of human traits in wellness and disease. In partnership with industry, it is creating tools for measurements of traditional and novel phenotypes. Understanding the need for partnerships between the academy and industry, Dr Ausiello served on the board of directors of Pfizer Pharmaceuticals, where he was their former lead director. He currently serves as a member of the board of directors of Seres Health and Alnylam. Dr Ausiello is also a member of the board of directors of several non-public biotech companies and is a consultant to Verily (formerly Google Life Sciences). Dr Ausiello is a nationally recognised leader in academic medicine who was elected to the National Academy of Medicine in 1999 and the American Academy of Arts and Sciences in 2003. He has published numerous articles, book chapters and textbooks and served as an editor of Cecil's Textbook of Medicine. Dr Ausiello received his BA from Harvard College and an MD from the University of Pennsylvania.

** Dr Horvitz and Dr Ausiello are not members of the PureTech Board of Directors but rather are advisors to the Board and members of the R&D Committee. They attend select board of director meetings as observers.

Management team

(alphabetically)

Joseph Bolen, PhD
Chief Scientific Officer

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

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

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

Eric Elenko, PhD
Chief Innovation Officer

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

Joep Muijrers, PhD
Chief Financial Officer

Joep Muijrers, PhD, is the chief financial officer at PureTech, and – effective in May 2020 – he will be the chief of portfolio strategy. Dr Muijrers has two decades of experience in corporate and capital finance, specifically focused on investment, M&A, portfolio management, strategic asset allocation, financial and regulatory reporting and fundraising. Prior to joining PureTech, he was a portfolio manager and partner at LSP (Life Sciences Partners), a specialist investor group with sole focus on investing in healthcare and life sciences, in the Netherlands and in Boston. At LSP, Dr Muijrers was responsible for investing in publicly traded companies, a strategy that generated a total return in excess of 900 per cent, more than twice the return of the Nasdaq Biotechnology Index during the same period (Q2 2008 – Q1 2018). Notable investments included companies that were acquired by large pharma (Ablynx, CoLucid, InterMune, Kite Pharma, NeuroDerm) and/or became leaders in their respective areas of activity (Evotec, Genmab, GW Pharmaceuticals, MorphoSys, Neurocrine). Prior to joining LSP, he held the position of director corporate finance and capital markets at Fortis Bank, currently part of ABN AMRO. Dr Muijrers is currently a member of the board of directors of Alivio Therapeutics, Inc., Entrega, Inc., Follica, Incorporated and Sonde Health, Inc. Dr Muijrers holds a PhD degree in molecular biology from the European Molecular Biology Laboratory (EMBL) in Heidelberg, Germany and an MS in biochemistry from the University of Nijmegen, the Netherlands.

Stephen Muniz, Esq.
Chief Operating Officer, Member of the Board of Directors

Stephen Muniz, Esq., is the chief operating officer at PureTech and has served as a member of PureTech's board of directors since 2015. Prior to joining PureTech, Mr Muniz was a partner in the corporate department of Locke Lord LLP, where he practiced law for 10 years. Mr Muniz's practice at Locke Lord LLP focused on the representation of life science venture funds as well as their portfolio companies in general corporate matters and in investment and liquidity transactions.

Prior to joining Locke Lord LLP, Mr Muniz was a law clerk to The Honorable Raya Dreben at the Massachusetts Appeals Court. He was also a Kauffman Entrepreneur Fellow, a programme sponsored by the Kauffman Foundation. Mr Muniz also sits on the board of directors of Entrega, Inc., Follica, Incorporated, and Alivio Therapeutics, Inc. He previously served on the board of directors of Karuna Therapeutics, Inc. and Gelesis, Inc. 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 (NESL) where he graduated summa cum laude. Mr Muniz was valedictorian of the 1997 NESL Commencement and has been awarded the Amos L. Taylor Award for Excellence in Scholarship, the New England Scholar Award and the NESL Trustee Scholar Award.

Ms Daphne Zohar
Founder and Chief Executive Officer, Member of the Board of Directors

Daphne Zohar is the founder and chief executive officer of PureTech and a member of the board of directors. She has also served as the founding chief executive officer of a number of PureTech's Founded Entities. A successful entrepreneur, Ms Zohar created PureTech, assembling a leading team to help implement her vision for the Company, and was a key participant in fundraising, business development and establishing the underlying programmes and platforms that have resulted in PureTech's substantial pipeline, which is comprised of 23 product candidates and one product that has been cleared by the US Food and Drug Administration. Ms Zohar has been recognised as a top leader and innovator in biotechnology by a number of sources, including EY, *BioWorld*, *MIT Technology Review*, *The Boston Globe* and *Scientific American*. She is an editorial advisor to *Xconomy*, a US 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 and operational targets and monitoring performance against those targets. The Board has overall responsibility for the Group's system of internal controls and risk management. Any decisions made by the Board on policies and strategy to be adopted by the Group or changes to current policies and strategy are made following presentations by the Executive Directors and other members of management, and only after a detailed process of review and challenge by the Board. Once made, the Executive Directors and other members of management are fully empowered to implement those decisions.

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

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

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

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

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

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

Board size and composition

As at 31 December 2019 and up to the date of approval of this Annual Report, there were eight Directors on the Board: the Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. The biographies of these Directors are provided on pages 55 to 59. The Company's former Non-Executive Chairman, Joichi Ito, resigned from the Board in September 2019 and the Company's Non-Executive Director Christopher Viehbacher was appointment Non-Executive Chairman following his resignation. There were no other changes to the composition of the Board during 2019. Joichi Ito was not involved in the selection or appointment of Christopher Viehbacher as Non-Executive Chairman.

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 76 to 88.

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 11 June 2020, 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 Christopher Viehbacher (Chairman), Dr Raju Kucherlapati, Dr John LaMattina, Dr Robert Langer, Dame Marjorie Scardino and Dr Bennett Shapiro. Dr Shapiro will not stand for re-election at the 2020 AGM but will continue to serve as a member of the Company's R&D Committee following the 2020 AGM.

The Non-Executive Directors provide a wide range of skills and experience to the Group. Each Non-Executive Director has significant senior level experience as well as an extensive network in each of their own fields, an innovative mindset and independent judgement on issues of strategy, performance and risk, and is well placed to constructively challenge and scrutinise the performance of management. In addition, most of our Non-Executive Directors also serve as members of one or more boards of directors of the Group's Founded Entities and are key drivers for the Group's Wholly Owned Pipeline.

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 Christopher Viehbacher. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. Mr Viehbacher was appointed Chairman in September 2019 following the resignation of the Company's former chairman, Mr Joichi Ito.

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 Governance Code requires that at least 50 per cent of the Board of a UK premium listed company, excluding the Chairman, consists of Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. The Board regards Dr Kucherlapati, Dr LaMattina and Dame Marjorie Scardino as Independent Non- Executive Directors for the purposes of the 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; (ii) their equity interests in PureTech and/or the Founded Entities; and (iii) in respect of Dr LaMattina, the length of his tenure as a Director of the Company. 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 and Dame Marjorie Scardino are of independent character and judgement, notwithstanding the circumstances described at (i) and (ii) above.

With the resignation of Mr Joichi Ito and the appointment of Mr Viehbacher as Chairman, less than 50 per cent of the Company's Board, excluding the Chairman, was determined by the Board to be independent as required by the Governance Code. However, Dr. Shapiro will not stand for re-election at the 2020 AGM and, accordingly, following the 2020 AGM, the Board will satisfy this requirement. In addition, the Company is currently conducting a search for one or more Independent Non-Executive Directors to join the Board and expects that at least one such individual will join the Board by the end of 2020.

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

Board support, indemnity and insurance

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

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

Board meetings and decisions

The Board meets regularly during the year, as well as on an ad hoc basis as required by business need. The Board had six scheduled meetings in 2019, and details on attendance are set forth in the table below:

Director	Number of Board Meetings Attended
Daphne Zohar	6/6
Joichi Ito[1]	3/3
Raju Kucherlapati	6/6
John LaMattina	5/6
Robert Langer	5/6
Marjorie Scardino	6/6
Bennett Shapiro	6/6
Christopher Viehbacher	6/6
Stephen Muniz	6/6

The missed meetings were as a result of unexpected scheduling conflicts. Where absences were unavoidable, the impacted Director reviewed with management the topics and materials to be discussed at the meeting, and provided appropriate feedback to be conveyed at such meeting.

The Board also acted by unanimous written consent three times in 2019.

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

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

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

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

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

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

Directors' conflicts of interest

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

Induction, awareness and development

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

1 Joichi Ito resigned from the Board in September 2019.

We have put in place a comprehensive induction plan for any new Directors. This programme will be tailored to the needs of each individual Director and agreed with him or her so that he or she can gain a better understanding of the Group and its businesses. In addition, the Company facilitates sessions as appropriate with the Group's advisers, as well as appropriate governance specialists, to ensure that any new Directors are fully aware of, and understand, their responsibilities and obligations of a publicly quoted company and of the governance framework within which they must operate.

Board effectiveness and performance evaluation

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

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

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

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

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

In addition to the above, the Non-Executive Directors, led by the Senior Independent Director, will periodically appraise the Chairman's performance, following which the Senior Independent Director will provide feedback to the Chairman. The performance of each of the Directors on the Board and the performance of the committees of 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 2019, were reviewed by the Audit Committee of the Board of Directors and were considered to be effective throughout the year ended 31 December 2019.

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

Control environment and procedures

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

Identification and evaluation of risks

The Board actively identifies and evaluates the risks inherent in the business, and ensures that appropriate controls and procedures are in place to manage these risks. The Board obtains an update regarding its Wholly Owned Pipeline and all Founded Entities on a regular basis, and reviews the performance of the Group and its Wholly Owned Pipeline and Founded Entities 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 45 to 47.

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 45 to 47.

Relations with stakeholders

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

Section 172 of the CA 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Board is committed to understanding and engaging with all key stakeholder groups of the Company in order to maximise value and promote long-term Company success in line with our strategic objectives. The Board recognises its duties under Section 172 and continuously has regard to how the Company's activities and decisions will impact employees, those with which it has a business relationship, the community and environment and its reputation for high standards of business conduct. In weighing all of the relevant factors, the Board, acting in good faith and fairly between members, makes decisions and takes actions that it considers will best lead to the long-term success of the Company.

During the year, the Board assessed its current activities between the Board and its stakeholders, which demonstrated that the Board actively engages with its stakeholders and takes their various objectives into consideration when making decisions. Specifically, actions the Board has taken to engage with its stakeholders in 2019 include:

- Attended the 2019 AGM to answer questions and receive additional feedback from investors;
- Arranged meetings with certain stakeholders to provide them with updates on the Company's research and development activities and other general corporate updates;
- Evaluated the relationships with the Company's various collaborators through management and identified ways to strengthen relationships and arrangements with key collaborations; and
- Monitored company culture and engaged with employees on efforts to continuously improve company culture and morale.

The Board believes that appropriate steps and considerations have been taken during the year so that each Director has an understanding of the various key stakeholders of the Company. The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making, and in the course of taking actions and will continue to make stakeholder engagement a top priority in the coming years.

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 11.00 am EDT (4.00 pm BST) on 11 June 2020 at the Company's headquarters at 6 Tide Street in Boston, Massachusetts, is enclosed with this report. Details of the resolutions and the explanatory notes thereto are included with the Notice. To ensure compliance with the Governance Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution. In addition, to encourage shareholders to participate in the AGM process, the Company proposes to offer electronic proxy voting through the Registrar's website and through the CREST service. The results of all proxy voting will be published on the Group's website after the AGM. Shareholders who attend the AGM will have the opportunity to ask questions.

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

Political expenditure

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

Corporate and Social Responsibility

Policy statement

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

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

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

Our business ethics and social responsibility

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

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

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

Greenhouse Gas Emissions

The section below includes our mandatory reporting of greenhouse gas emissions. The reporting period is the same as the Group's financial year, 1 January 2019 to 31 December 2019.

Organisation Boundary and Scope of Emissions

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

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

Methodology

For the Group's reporting, the Group has employed the services of a specialist adviser, Verco, to quantify and verify the Greenhouse Gas (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 (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to the Group's activities to calculate GHG emissions;
- scope 2 reporting methods – application of location-based and market-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents).

Absolute Emissions

The total Scope 1, 2 and 3 GHG emissions from the Group's operations in the year ending 31 December 2019 were:

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

This is the fourth year of reporting for the Group so we show a comparison between FY2019, FY2018, FY2017 and FY2016. The Group's total employee number has decreased considerably between years as previously consolidated Founded Entities have been deconsolidated from the Group.

Overall, there has been a decrease in total emissions. This is mainly due to a reduction in number of business entities being reported. There have been decreases across all three scopes. Scope 3 emissions have had the most significant decrease due to less employees, less business travel and commuting.

Intensity Ratio

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

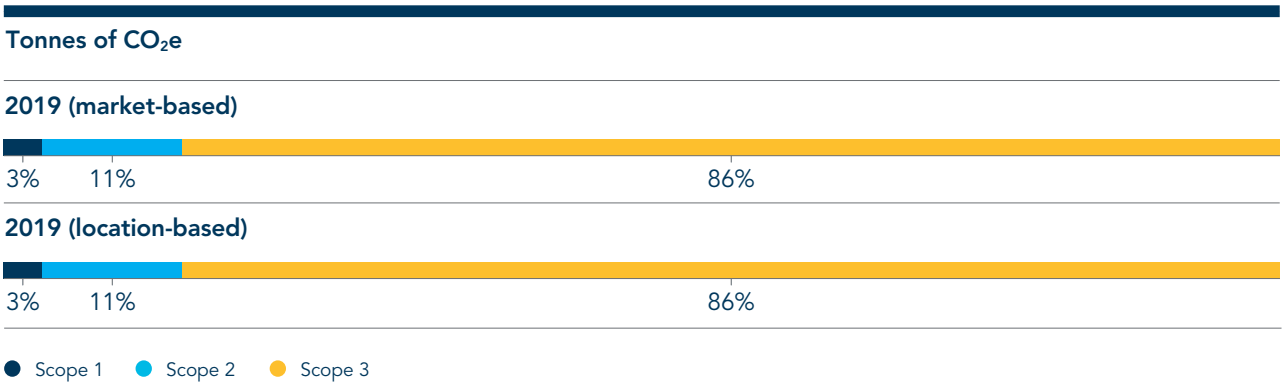
For 2019, the intensity metrics have decreased from 0.09 tCO_2e per m^2 to 0.01 tCO_2e per m^2 for both the location-based method and the market-based method. The total floor area has increased for 2019 due to a move to larger premises and also includes a laboratory. The employee number metrics have increased from 0.78 tCO_2e per FTE to 0.87 tCO_2e per FTE using the location-based method and the market-based method.

Target and Baselines

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

Key figures

Breakdown of emissions by scope



GHG emissions

	2019			2018		
	Tonnes CO_2e	**Tonnes CO_2e per m^2**	**Tonnes CO_2e per FTE**	Tonnes CO_2e	Tonnes CO_2e per m^2	Tonnes CO_2e per FTE
Scope 1[1]	**24.3**	**0.003**	**0.20**	33.3	0.02	0.15
Scope 2[2]	**79.6**	**0.01**	**0.67**	145.5	0.07	0.64
Scope 2[3]	**79.6**	**0.01**	**0.67**	145.6	0.07	0.64
Subtotal (location-based)	**103.9**	**0.01**	**0.87**	178.8	0.09	0.78
Subtotal (market-based)	**103.9**	**0.01**	**0.87**	178.8	0.09	0.78
Scope 3[4]	**656.7**	**—**	**—**	1,199.9	—	—
Scope 3[5]	**656.7**	**—**	**—**	1,199.9	—	—
Total GHG emissions (Location-based Scope 2)	**760.6**	**—**	**—**	1,378.7	—	—
Total GHG emissions (Market-based Scope 2)	**760.6**	**—**	**—**	1,378.7	—	—

1 Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.
2 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.
3 Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.
4 Scope 3 being all indirect emissions (not in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (location-based)
5 Scope 3 being all indirect emissions (not in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (market-based)
2019 – 119 employees and 8,051 m^2 office space; 2018 – 229 employees and 1,983 m^2 office space

Understanding the Indirect Environmental Impacts of our Business Activities

The Group's day-to-day operational activities have a limited impact on the environment. We do, however, recognise that the more significant impact occurs indirectly, through the business decisions we make and the operation of the companies we choose to collaborate with. The Group therefore considers it important to establish and collaborate with businesses that comply with existing applicable environmental, ethical and social legislation. It is also important that these businesses can demonstrate that an appropriate strategy is in place to meet future applicable legislative and regulatory requirements and that these businesses can operate to specific industry standards, striving for best practice.

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 has a formal anti-bribery policy with which all employees are required to comply, and the Group monitors human rights and social matters on an ongoing basis to ensure employee appropriate conduct. 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 Founded Entities, has more than 300 full-time employees (as at 31 December 2019). A breakdown of staff by gender can be seen in the adjacent illustrations.

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

Breakdown of staff by gender

The following is a breakdown of the Company's staff by gender as of 31 December 2019.[1]

	Female	Male
Staff	21 (60%)	14 (40%)
Senior Management	9 (36%)	16 (64%)
Board of Directors	2 (25%)	6 (75%)

1 Does not include employees of Founded Entities. The Group, including Founded Entities, has more than 300 full-time employees (as at 31 December 2019).

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

Directors' Report for the year ended 31 December 2019

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2019.

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

The Company was incorporated on 8 May 2015 as a public company limited by shares in the UK and has a registered office situated at 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom. The Company was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 24 June 2015.

Directors

The membership of the Board can be found below and biographical details of the directors can be found on pages 55 to 59 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 86 of this report.

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

Details of the interests of directors in the share capital of the Company as of 31 December 2019 are set out in the Directors' Remuneration Report on page 76 and Note 24 to the financial statements, page 146. There have been no changes in such interests from 31 December 2019 to 8 April 2020.

Results and dividends

The Group generated income for the year ended 31 December 2019 of $366.1 million (2018 $(70.7) million).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018 nil).

Share capital

As at 31 December 2019, the ordinary issued share capital of the Company stood at 285,370,619 shares of £0.01 each. Details on share capital are set out in Note 14 to the financial statements, page 131.

The Company's issued ordinary share capital comprises a single class of ordinary shares. Details on movements in issued share capital can be found in Note 14 to the financial statements, page 131.

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 (other than certain transfer restrictions applicable to the former holders of Ariya Therapeutics, Inc. securities) or on the exercise of voting rights attached to them, which are governed by the Articles of Association and relevant UK legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or in voting rights (other than certain transfer restrictions applicable to the former holders of Ariya Therapeutics, Inc. securities).

The shares in the Company issued to former holders of Ariya Therapeutics Inc. securities are subject to lock up agreements with the Company and are not tradable until 1 October 2021.

Substantial shareholders

As at 31 March 2020, the Company had been advised that the shareholders listed on page 69 hold interests of 3 per cent or more in its ordinary share capital (other than interests of the Directors which are detailed on page 86 of the Directors' Remuneration Report). Other than as shown, so far as the Company (and its Directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company.

Relationship Agreement

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

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

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

The following have served as Directors of the Company during the 2019 financial year.

Mr Joichi Ito	Non-Executive Chairman (Resigned September 2019)
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 (January 2019 to September 2019); Non-Executive Chairman (September 2019 to present)
Mr Stephen Muniz	Chief Operating Officer and Company Secretary

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

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

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

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

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

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board of Directors. Details of the matters reserved for the Board can be found in the Corporate Governance Report on page 60.

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 2020 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 Founded Entities have been and continue to be covered by directors' and officers' liability insurance.

See further description of indemnity and insurance on page 61.

Political donations

No political contributions/donations for political purposes were made by the Company or any affiliate company in the Group to any political party, politician, elected official or candidate for public office during the financial year ended 31 December 2019 (2018 nil).

Charitable Donations

No charitable contributions/donations for charitable purposes were made by the Company during the financial year ended 31 December 2019 or 31 December 2018.

Shareholder	%
Invesco Asset Management Limited	31.6
Baillie Gifford & Co	9.1
Lansdowne Partners International Limited	8.3
Jupiter Asset Management Ltd.	8.2
Recordati SA	3.3

Significant agreements

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

Compliance with the UK Corporate Governance Code

The Directors are committed to a high standard of corporate governance and compliance with the best practice of the UK Corporate Governance Code (Governance Code) published in July 2018. The Governance Code is available at the Financial Reporting Council website at www.frc.org.uk.

The Directors consider that the Company has, throughout the year ended 31 December 2019, applied the main principles and complied with the provisions set out in the Governance Code with the following exception: contrary to provision 24 of the Governance Code, the Chairman, Mr Christopher Viehbacher, was a member of the Audit Committee in 2019. The Board believes that Mr Viehbacher's professional background and experience, together with his past participation on such committee for the past five years, made him a valuable member of the Audit Committee and that his membership was in the best interests of the Company's shareholders. Mr Viehbacher was appointed Chairman in September 2019.

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

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 16 to the financial statements and the Corporate Governance section of the Annual Report on page 75.

Sustainable development and environmental matters

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

Details of the Company's policies and performance, as well as disclosures concerning GHG emissions, are provided in the Corporate and Social Responsibility section on pages 65 to 67.

Related party transactions

Details of related party transactions can be found in Note 24 of the financial statements on pages 146 to 147.

Issuances of equity by major subsidiary undertaking

In February 2019, Vor Biopharma issued and sold shares of Series A-2 preferred stock for aggregate proceeds of approximately $25.1 million. The Company participated in the offering and invested $0.6 million. Additionally, approximately $7.4 million of outstanding principal and interest on convertible promissory notes issued by Vor Biopharma to the Company converted into Series A-2 preferred stock in this financing in accordance with their terms.

In March and April 2019, Karuna issued and sold shares of Series B preferred stock for aggregate proceeds of approximately $82.1 million. The Company invested approximately $5.0 million in the financing.

In April 2019, Sonde issued and sold shares of Series A-2 preferred stock for aggregate proceeds of $11.0 million. Approximately $5.8 million of outstanding principal and interest on convertible promissory notes issued by Sonde to the Company converted into Series A-2 preferred stock in this financing in accordance with their terms. On 29 August 2019, Sonde sold an additional 1,052,632 shares of its Series A-2 preferred stock for aggregate proceeds of $2.0 million.

In July 2019, Karuna announced the closing of its IPO of 6,414,842 shares of common stock, which included the exercise in full by the underwriters of their option to purchase up to 836,718 additional shares, at a public offering price of $16.00 per share. The gross proceeds from the offering were $102.6 million, before deducting underwriting discounts and commissions and estimated offering expenses. The shares commenced trading on the Nasdaq Global Market on 28 June 2019 under the ticker symbol KRTX.

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

In August 2019, Gelesis issued a convertible note (the Gelesis Note) to the Company in the principal amount of up to $6.5 million. The Gelesis Note was payable in instalments, with $2.0 million of the note drawn down upon execution of the note and an additional $3.3 million and $1.2 million drawn down on October 7, 2019 and November 5, 2019, respectively.

In November 2019, Karuna conducted an underwritten public offering of 2,600,000 shares of its common stock at a price of $96.00 per share. The gross proceeds to Karuna from the offering, before deducting the underwriting discounts and commissions and other estimated offering expenses, was approximately $250.0 million.

In November and December 2019, the Company sold 7,680,700 common shares of resTORbio for aggregate proceeds of $9.3 million. Immediately following the sale of common shares, the Company held 2,119,696 common shares, or 5.8%, of resTORbio.

In December 2019, Gelesis issued 2,973,270 shares of its Series 3 Growth Preferred Stock for aggregate proceeds of $50.1 million, including approximately $10.9 million of outstanding principal and interest on convertible promissory notes issued by Gelesis, including the Gelesis Note, which converted into Series 3 Growth Preferred Stock in this financing in accordance with their terms. In addition to the 422,443 shares of Series 3 Growth Preferred Stock issued to PureTech upon conversion of the Gelesis Note, the Company also purchased 464,389 shares of Series 3 Growth Preferred Stock for an aggregate purchase price of $8.0 million.

See also equity issuances described in Subsequent Events below.

Future business developments

Information on the Company and its Wholly Owned Pipeline and Founded Entities' future developments can be found in the Strategic Report on pages 21 to 44.

Risk and internal controls

The principal risks the Group faces are set out on pages 45 to 47. The Audit Committee's assessment of internal controls are laid out on page 75.

Subsequent Events

On 6 January 2020, Sonde sold an additional 2,105,264 shares of Series A-2 preferred stock for aggregate proceeds of $4.0 million.

On 22 January 2020, PureTech sold 2,100,000 shares of common stock of Karuna for gross proceeds of $200.9 million. As of 13 March 2020, PureTech held 5,295,397 shares of common stock, or 20.3%, of Karuna.

In March 2020, the World Health Organization declared the outbreak of a new Coronavirus, now known as COVID-19, a pandemic. The outbreak of the virus has caused material disruptions to the global economy, including its health care system. Since the future course and duration of the COVID-19 outbreak are unknown, the Company is currently unable to determine whether the outbreak will have a negative effect on the Company's results in 2020. To date, the Company has seen limited impact on its research and development activities and the operation of the Company more generally. If the pandemic continues to extended for a period of time such as six months, the Company would potentially have milestones delayed; however the Company has sufficient capital to absorb any potential delays and continue operations in line with its going concern statement set forth on page 71.

On 1 April 2020, Gelesis issued 818,990 shares of its Series 3 Growth preferred stock for aggregate proceeds of $14.4 million in a second closing of its preferred stock financing which initially closed on 5 December 2019.

Research and Development

Information on the Group's research and development activities can be found in the Strategic Report on pages 21 to 44.

Going concern

As of 31 December 2019, the directors had a reasonable expectation the Group had adequate resources to continue in operational existence into the first quarter of 2022 and, following the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020, the Group will now have adequate resources to extend operations over a four year period into the first quarter of 2024.

Annual General Meeting

The AGM will be held at 11.00 am EDT (4.00 pm BST) on 11 June 2020 at the Company's headquarters at 6 Tide Street in Boston, Massachusetts.

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 8 April 2020.

Pension schemes

Information on the Company's 401K Plan can be found in the Annual Report on Remuneration on page 78.

Disclosure of information under Listing Rule 9.8.4R

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

Listing Rule Requirement	Location in Annual Report
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	N/A
Information required in relation to the publication of unaudited financial information.	N/A
Details of any long-term incentive schemes.	Directors' Remuneration Report, page 76
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.	Directors' Report, page 68
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 Relationship Agreement, page 68
Details of any provision of services by a controlling shareholder.	N/A
Details of waiver of dividends or future dividends by a shareholder.	N/A
Where a shareholder has agreed to waive dividends, details of such waiver, together with those relating to dividends which are payable during the period under review.	N/A
Board statements in respect of relationship agreement with the controlling shareholder.	Invesco Relationship Agreement, page 68

Whistleblowing, anti-bribery and corruption

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

Appointment of auditor

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

Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that:

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

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

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

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

By Order of the Board

Stephen Muniz, Esq.
Company Secretary

8 April 2020

Report of the Nomination Committee

Marjorie Scardino
Chairman, Nomination Committee

Committee responsibilities

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

Committee membership

The Nomination Committee consisted of Dame Marjorie Scardino, who served as the committee's Chairman, Mr Joichi Ito and Dr Robert Langer until 7 September 2019, when Mr Ito resigned from the Board of Directors. Following that date, the Nomination Committee consisted of Dame Marjorie Scardino, as Chairman, and Dr Langer. The biographies of the Nomination Committee members can be found on page 56.

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

In making their determination for the year 2019, the Board regarded Dame Marjorie Scardino and Dr Langer as meeting the independence criteria set out in the Governance Code as it is applied to their service on the Nomination Committee. In reaching this determination, the Board duly considered (i) their directorships and links with other Directors through their involvement in other Founded Entities; (ii) their equity interests in PureTech Health and/or the Founded Entities; and (iii) the circumstance that Dr Langer is a founding Director of the Company.

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

The Nomination 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 2019, the Nomination Committee met two times to review the structure, size and composition of the Board in light of the requirements of the Governance Code. Dame Marjorie Scardino and Dr Langer participated in both meetings. Mr Ito participated in the one meeting that took place before he resigned in September 2019. The Chief Executive Officer and the Chief Operating Officer were invited to and attended the meetings.

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 as well as other criteria such as gender, age and ethnicity. The Company will adhere to a strategy of recruiting individuals who meet these criteria as it searches for additional independent Non-Executive Directors to the Board, as discussed below. 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 and nine women on our senior management team.

Board and Committee evaluation

Information regarding the evaluation of the Board and its Committees can be found on page 63.

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. The Committee's priority will be to recruit one or more additional independent Non-Executive Directors to the Board, and one to the Committee.

Report of the Audit Committee

Mr Christopher Viehbacher
Chairman, Audit Committee

Committee responsibilities

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

Committee membership

The Committee consists of three independent Non-Executive Directors, Mr Christopher Viehbacher, Dr Raju Kucherlapati and Dame Marjorie Scardino, with Mr Viehbacher as Chairman. Mr Viehbacher has experience as a Chartered Accountant and has held numerous senior executive positions in his career. The Board has deemed this to be recent and relevant financial experience qualifying him to be Chairman of the Committee. The biographies of the Committee members can be found on pages 55 to 57. The Committee met three times during the year, with Mr Viehbacher and Dr Kucherlapati attending all three meetings and Dame Marjorie Scardino attending two of the three meetings. The Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the external Auditor were invited to and attended all of the meetings. When appropriate, the Committee met with the Auditor without any members of the executive management team being present.

Activities during the year

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

Significant issues considered in relation to the financial statements

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

Carrying amount of parent's investment in Founded Entities and intercompany receivables

The significant issue is the recoverability of the investment by the Company, due to its materiality in the context of the total assets of the Company. The carrying value of investments in Founded Entities and intercompany receivables is supported by the underlying assets of the Group. The Committee was satisfied with the conclusion reached.

Determination of the accounting and valuation of investment in associates

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

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

An area of material judgement in the Group's financial statements and, therefore, audit risk relates to the valuation of third party held preferred shares, convertible loan notes and warrants measured at fair value through profit/loss, which at year end had a carrying value totalling $110.4 million (2018 – $242.6 million). The Group considered the underlying economics of the valuations of the Founded Entities, and sought external expertise in determining the appropriate valuation of the liabilities. These valuations rely, in large part, on the valuation of the Group programmes and determine the amount of gain (loss) on the financial instruments.

Financial instrument classification and determination of embedded derivatives

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

Revenue recognition

There is a significant level of judgement in relation to revenue recognition as a result of the complex nature of the customer contracts which the Group enters into and in particular considerations in relation to the accounting application of IFRS 15. There is also significant estimation uncertainty regarding the budgeted costs to complete the long-term contracts. The Committee believes that the Group considered the accurate revenue recognition accounting of their customer contracts.

Regulatory compliance

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

Review of Annual Report and Accounts and Half-yearly Report

The Committee carried out a thorough review of the Group's 2019 Annual Report and Accounts and its 2019 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 Founded Entities during the year.

Going concern

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

As of 31 December 2019, the Group had sufficient cash reserves to continue to provide capital to its internal programmes and Founded Entities and to create and fund project stage programmes and independent growth stage affiliates into the first quarter of 2022; and, following the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020, the Group will now have sufficient cash reserves to extend operations over a four year period into the first quarter of 2024.

Therefore, while an inability of the Wholly Owned Pipeline and Founded Entities to raise funds through equity financings with outside investors, strategic arrangements, licensing deals or debt facilities may require the Group to modify its level of capital deployment into its Wholly Owned Pipeline and Founded Entities or to more actively seek to monetise one or more Founded Entities, 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 2019 financial year. The Board has included a statement regarding the Group's longer-term viability on page 48. 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 45 to 47.

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 that the overall internal control framework environment requires additional attention and is currently in a development phase of enhancing these controls as the Group scales up to meet the increased complexity and growth objectives. 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. The Company achieves internal assurance by performing the risk assessment of the key areas of assurance and continuing to focus on the development of those key internal controls.

External audit

The Group has engaged KPMG LLP as its Auditor since 2015. The current audit partner is Robert Seale who has been the audit partner of the Group since June 2019, following Charles le Strange Meakin's retirement from KPMG LLP.

The effectiveness of the external audit process is dependent on appropriate risk identification. In November 2019, the Committee discussed the Auditor's audit plan for 2019. This included a summary of the proposed audit scope and a summary of what the Auditor considered to be the most significant financial reporting risks facing the Group together with the Auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the carrying value of parent's investment in subsidiaries and related party receivables, the valuation of preferred shares, warrants, and convertible notes measured at fair value through profit/loss, the classification and measurement of financial instruments, the determination and valuation of investments in associates, revenue recognition, and ensuring there has been regulatory compliance for those parts of the business covered by FCA regulations.

Appointment and independence

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

The Audit Committee ensures that at least once every ten years the audit services contract is put out to tender to enable us to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.

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. The non-audit work was required services by our external auditors related to the exploration of a potential ADR listing on the NASDAQ and the interim review. The 2019 ratio of non-audit work to audit work was 0.65 which the committee is satisfied does not breach the independence of KPMG LLP.

Christopher Viehbacher
Chairman of Audit Committee

8 April 2020

Directors' Remuneration Report for the year ended 31 December 2019

Dr John LaMattina
Chairman, Remuneration Committee

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

- This Annual Statement: summarising and explaining the major decisions on Directors' remuneration in the year;
- The proposed Directors' Remuneration Policy: setting out the basis of remuneration for the Group's Directors, which is subject to shareholder approval and will apply immediately after the 2020 AGM if so approved, on pages 78 to 80; and
- The Annual Report on Remuneration: setting out the implementation of the current Remuneration Policy in the year ended 31 December 2019 on pages 82 to 88.

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

The current Directors' Remuneration Policy was last approved at the 2019 AGM, but due to certain proposed revisions to the Policy described on page 76, it will be subject to another shareholder vote at the forthcoming 2020 AGM. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming 2020 AGM.

Overview of our Remuneration Policy

The success of PureTech Health depends on the motivation and retention of its highly skilled workforce with significant expertise across a range of science and technology disciplines as well as its highly-experienced management team. PureTech's Remuneration Policy is therefore an important part of its business strategy.

The Remuneration Policy is intended to strike a balance between market practice and remuneration levels in the relevant sector, which is largely US based, and the corporate governance expectations resulting from the Company's UK listing. As noted in the Company's 2019 Annual Statement the Company has now consulted with shareholders and is proposing certain revisions to the Company's Remuneration Policy. The proposed changes will not increase remuneration levels for executive directors, but are necessary to reflect the recent UK Corporate Governance Code changes and to take into account the Committee's review of non-executive director remuneration levels and structure.

The proposed changes are summarised below:

- Introduction of a post-employment shareholding guideline for executive directors in line with the Investment Association guidelines; details on these new shareholding guidelines are set out in the remuneration table on page 79; and
- Clarification of the areas of discretion in the policy in order to ensure that they can be operated and take account of the UK Corporate Governance Code; a description and explanation of these discretions is set out on page 80.

These changes take account of our obligations as a UK company by aligning our remuneration with UK corporate governance best practice through appropriate discretions and a strong post-employment shareholding requirement. Save for the proposed changes, the Remuneration Policy as accepted at the 2019 AGM will continue to apply.

The Committee believes this Remuneration Policy as revised will provide an appropriate framework within which to incentivise and motivate our senior management team.

All tables within the Directors' Remuneration Report are audited unless otherwise noted.

Committee membership

The Remuneration Committee consists of Dr Bennett Shapiro, Dr Raju Kucherlapati and Dr John LaMattina, with Dr John LaMattina serving as Chairman of the Committee. The biographies of the Committee members can be found on pages 55 to 56. The Committee met three times during the year, with Dr Kucherlapati and Dr LaMattina in attendance for all of the meetings and Dr Shapiro in attendance for two of the three meetings. The Committee also acted by unanimous written consent three times during the year. The Chief Executive Officer and the Chief Operating Officer were invited to and attended all of the meetings. However, no Executive was permitted to participate in discussions or decisions about his or her personal remuneration.

Dr. Shapiro has chosen to retire from the Board as of the date of the 2020 AGM and therefore will not be a member of the Remuneration Committee following the 2020 AGM. The Company is evaluating new candidates for membership on the Remuneration Committee to succeed Dr. Shapiro following the 2020 AGM.

Performance and reward in 2019

During 2019 PureTech Health delivered exceptional performance and this has been reflected in the annual bonus outcomes. The Company's share price increased from 169 pence to 317 pence from 31 December 2018 to 31 December 2019 representing an increase of approximately 88% for the Company's shareholders. The value of the Group's internal programmes as well as its Founded Entities increased significantly. This increase is due in large part to (i) the initial public offering of Karuna Therapeutics, which was one of the best performing US initial public offerings of 2019, (ii) FDA clearance of Gelesis' first product, Plenity™, (iii) the execution of collaboration and partnership agreements with Boehringer Ingelheim, Bristol-Myers Squibb, Ro, Shionogi & Co. Ltd among others, (iv) the Group's Founded Entities raising in excess of $623 million, (v) the completion of clinical studies with positive results, including the results of Karuna's Phase 2 clinical trial, and (vi) the increase in the value of the Company's shares of Karuna to $557.1 million as of 31 December 2019. This increase in value together with management's operational performance at PureTech and within the Wholly Owned Pipeline and Founded Entities, resulted in both Executive Directors exceeding the target performance goals set at the beginning of 2019. As a result, the maximum annual bonus of 100% of base salary was awarded to Executive Directors which the Committee thinks is appropriate and entirely in line with the operational and share price performance delivered during the year. See highlights of 2019 on pages 1 to 3. In addition, PureTech's performance over the last three financial years has been very strong with an increase in share price from 118 pence to 317 pence from 31 December 2016 to 31 December 2019 representing an increase of approximately 167 per cent. This, along with strong strategic performance over the three year performance period, resulted in the vesting of 100 per cent of the PSP awards granted in 2017.

The year ahead

For 2020, the following key decisions have been made in relation to how the Policy will be implemented:

- Base salaries will be increased by 3.0 per cent in line with the general workforce;
- The annual bonus target and maximum will remain at 50 per cent and 100 per cent of base salary, respectively; and
- Grants of PSP awards in 2020 will be of the same quantum and vesting terms as in 2019, and will be subject to a two-year post-vesting holding period.

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

Objectives of the Remuneration Policy

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

The key aims of the Remuneration Policy and the Code principles to which they relate are as follows:

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

For the year ended 31 December 2019, we believe the Remuneration Policy operated as intended and fulfilled all of the objectives discussed above.

Consideration of shareholder views

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

The Company will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Remuneration Policy or its implementation. Details of votes cast for and against the resolution to approve the prior year's remuneration report and any matters discussed with shareholders during the year will be set out in the Annual Report on Remuneration. The Company consulted with shareholders in 2019, as referenced on page 76.

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. The Remuneration Committee has general responsibility for determining pay for senior management as well as executive directors. Employees (other than senior executives) have not been consulted in respect of the design of the Group's Remuneration Policy, although the Committee will keep this under review.

Exercise of Discretion

Save in relation to the 2019 bonus outcomes noted above, no discretions have been exercised in relation to Directors' pay.

Directors' Remuneration Policy

Summary of Remuneration Policy

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Base salary	To recognise the market value of the employee and the role.	Normally reviewed annually. Salaries are benchmarked periodically primarily against biotech, pharmaceutical and specialty finance companies listed in the US and UK. The committee also considers UK-listed general industry companies of similar size to PureTech as a secondary point of reference.	There is no prescribed maximum base salary or annual salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account relevant market movements. Current salary levels are set out in the Annual Report on Remuneration	Not applicable.
Pension	To provide a market competitive level of contribution to pension.	The company operates a 401k Plan for its US Executive Directors. The operation of the Plan is in line with the operation for all other employees.	Under the 401k Plan, Company contributions are capped at the lower of 3 per cent of base salary or the maximum permitted by the US IRS ($19,500 for 2020).	Not applicable.
Benefits	To provide a market competitive level of benefits.	Includes: private medical and dental cover, disability, life insurance. Additional benefits may also be provided in certain circumstances, such as those provided to all employees.	Cost paid by the company.	Not applicable.
Annual Bonus Plan (ABP)	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. Paid in cash. The Committee has discretion to adjust payout levels if it considers the formulaic outcome inappropriate taking into account the underlying financial performance of the Company, share price performance, the investment return to shareholders during the year, and such other factors as it considers appropriate.	Up to 100 per cent of base salary.	Performance period: Normally one year. Payments are normally based on a scorecard of strategic and/or financial measures. Up to 50 per cent of base salary normally payable for the achievement of 'target' performance and 100 per cent of base salary payable for the achievement of stretch performance. Recovery and withholding provisions are in place.
Long-term incentives	To drive and reward sustained performance of the Group and to align the interests with those of shareholders.	The Company can make long-term incentive awards with the following features: • performance shares. • vesting is dependent on the satisfaction of performance targets and continued service. • performance and vesting periods are normally three years. Awards granted from 2019 onwards will be subject to a two-year post-vesting holding period during which vested shares cannot be sold other than to settle tax. The Committee may also adjust vesting levels of performance–related awards to override formulaic outcomes, taking into account similar factors as apply in relation to annual bonus awards, but by reference to the performance period.	400 per cent of salary. (500 per cent of salary exceptional limit). Participants may benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards vest. Individual award sizes are set out in the Annual Report on Remuneration.	Performance period: Normally three years. Up to 25 per cent of an award vests at threshold performance (0 per cent vests below this), increasing to 100 per cent pro-rata for maximum performance. Normally, at least half of any award will be measured against TSR targets with the remainder measured against relevant financial or strategic measures. Recovery and withholding provisions are in place.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Share ownership/ Holding Period	Further aligns executives with investors, while encouraging employee share ownership.	The Committee requires that Executive Directors who participate in a long-term incentive plan operated by the Company retain half of the net shares vesting under any long-term incentive plan until a shareholding requirement is met.	Minimum of 200 per cent of base salary.	None.
Post-cessation holding period	Aligns executives with investors and promotes long-term decision making	Executive Directors must hold shares for two years after the date of termination of their employment.	Lower of 200 per cent of base salary and the Executive Director's shareholding at the date that notice is served.	None.
Non-Executive Directors	To provide fee levels and structure reflecting time commitments and responsibilities of each role, in line with those provided by similarly-sized companies and companies operating in our sector.	Remuneration provided to Non-Executive Directors is operated in line with the terms set out in the Articles of Association. Cash fees, normally paid on a quarterly basis, are comprised of the following elements: • Base fee. • Additional fees. A proportion of any post-tax fees may be required to be used for the acquisition of PureTech shares. Additional remuneration is payable for additional services to PureTech such as the Chairmanship of a Committee, membership on a Committee, and participation on the board of directors of a subsidiary business. Additional remuneration is also payable for services provided beyond those services traditionally provided as a director, and can be provided for a material increase in time commitment. Fees are reviewed annually and take into account: • the median level of fees for similar positions in the market; and • the time commitment each Non-Executive Director makes to the Group. Taxable benefits may be provided and may be grossed up where appropriate.	Any remuneration provided to a Non-Executive Director will be in line with the limits set out in the Articles of Association.	None.

Notes:

1 A description of how the Company intends to implement the Policy set out in this table is set out in the Annual Report on Remuneration.
2 In the event that the Company elects any non-US Executive Directors, the 401k Plan may not be an appropriate pension arrangement. In such cases an alternative pension arrangement may be offered. Any such arrangement would take account of market levels of pension provision in the relevant geography, and normally any Company contribution would be limited to 15 per cent or less of base salary.
3 For those below Board level, a lower annual bonus opportunity and PSP award size may apply. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance-related pay.
4 The choice of the performance metrics for the annual bonus scheme reflect the Committee's belief that incentive compensation should be appropriately challenging and linked to the delivery of the Company's strategy. Further information on the choice of performance measures and targets is set out in the Annual Report on Remuneration.
5 The performance conditions applicable to the PSP (see Annual Report on Remuneration) are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders while providing the Company with tools to successfully recruit and retain employees in the US.
6 The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee and, consistent with market practice, retains discretion over a number of areas in the plan rules relating to the operation and administration of the plan. Further detail is contained in the section on discretions, below.
7 While current Policy is that PSP awards vest after three years subject to continued service and performance targets, the Committee will consider developments in practice when setting future long-term incentive grant policies in addition to the existing shareholding guidelines.
8 For the avoidance of doubt, the Company reserves the right to honour any commitments entered into in the past with current or former Directors (such as the vesting/ exercise of share awards) notwithstanding that these may not be in line with the Remuneration Policy. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
9 Executive Directors may participate in any HMRC tax-advantaged all-employee share scheme.

Recovery and withholding provisions

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

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

Discretions in the policy

To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions. These include the following:

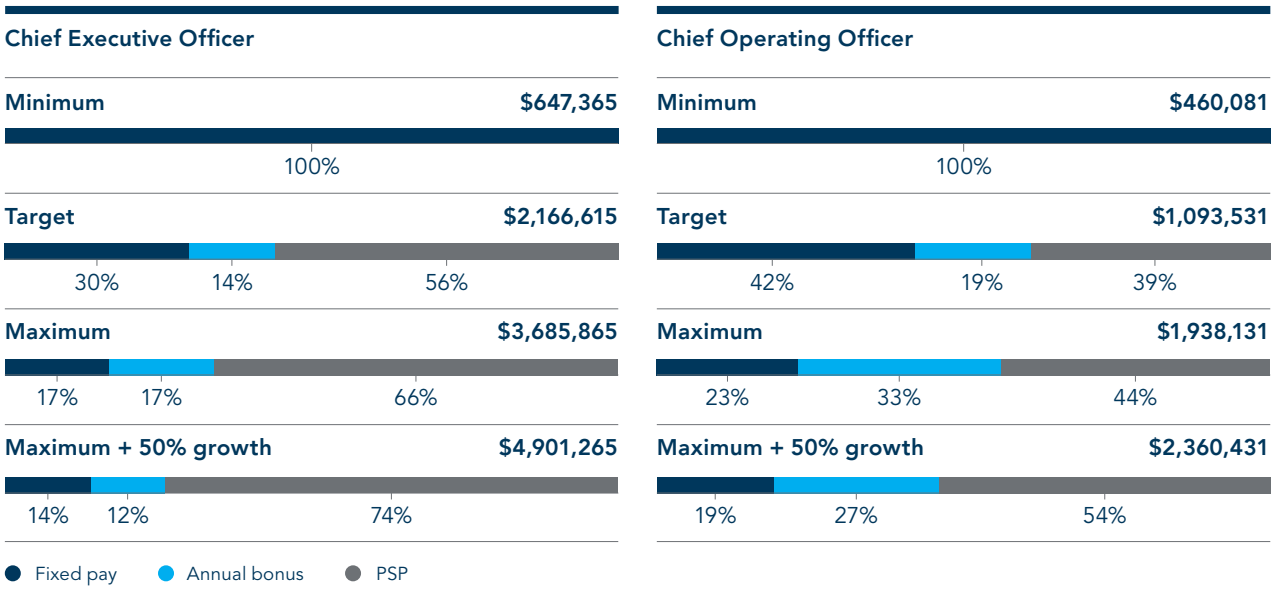
- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- reviewing performance against LTI performance metrics;
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure;
- deciding how to settle awards made under the plans, e.g. in cash, shares, nil-cost options or as otherwise permitted under the plan rules;
- overriding formulaic outcomes of incentive plans if determined by the Committee not to be reflective of company performance;
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; further details on the discretion applicable in relation to leavers are set out on page 81;
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year; and
- discretion, in the event of a change in control of the Company, to determine that time pro-rating shall not apply to outstanding awards.

If an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions.

Reward scenarios

The charts below show how the composition of 2020 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.

Executive Director compensation (unaudited)



Notes:

1 The minimum performance scenario comprises the fixed elements of remuneration only, including:
–Salary for FY2020 as set out in the Annual Report on Remuneration.
–Pension and benefits as disclosed for FY2018 in the Annual Report on Remuneration.

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

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

4. No share price growth has been factored into the calculations of minimum, target and maximum compensation.

Approach to recruitment and promotions

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

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

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

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

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

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

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

For Non-Executive Directors, remuneration will be provided in line with the policy table and the articles of association.

Service contracts

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

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

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

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

Policy on termination of employment

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

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

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

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

External appointments

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

Non-Executive Directors

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

Annual Report on Remuneration

Implementation of the Remuneration Policy for the year ending 31 December 2020

Base salary

The Committee reviewed the base salary levels for the Executive Directors in early 2020 and an increase of 3.0 per cent 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:

		2019 Base salary	**2020 Base salary**
Daphne Zohar	Chief Executive Officer	$590,000	**$607,700**
Stephen Muniz	Chief Operating Officer	$410,000	**$422,300**

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 2020, the operation of the annual bonus arrangement will be similar to that operated in 2019. The maximum annual bonus will continue to be 100 per cent of base salary for both Executive Directors. The 2020 annual bonus will be based on financial and strategic measures, clinical development milestones, development of new strategic and investor relationships, and the regulatory milestones. Bonus outcomes will be disclosed in the FY2020 Annual Report and Accounts.

Long-term incentives

The Company adopted the PSP and its scheme for long-term incentive awards made under the PSP at the time of the IPO. Awards under the PSP will be made to both Executive Directors in 2020. The Chief Executive Officer will receive a PSP award with a face value of 400 per cent of base salary. The Chief Operating Officer will receive an award with a face value of 200 per cent of base salary.

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

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

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

The minimum performance target for the absolute TSR portion of the award will be TSR equal to 7 per cent per annum, whilst the maximum target will be TSR equal to 15 per cent per annum. Strategic measures will be based on the achievement of project milestones and other qualitative measures of performance. Relative TSR will be measured against the constituent companies in the FTSE 250 Index (excluding Investment Trusts) and the MSCI Europe Health Care Index.

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

Full disclosure of the strategic targets will be made retrospectively.

Non-Executive Directors

Fees for our Board of Directors were reviewed for 2020, with the majority remaining unchanged. Fees for membership of a subsidiary board were increased to up to $20,000 to take into account the time commitment and market rates for similar roles in the US.

A summary of 2019 and current fees is as follows:

	FY2019	FY2020	% 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 $20,000**	**100%**

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

Single total figure of remuneration for each Director (audited)

The table below sets out remuneration paid in relation to the 2019 financial year with a comparative figure for the 2018 financial year.

		2019 and 2018 Remuneration						
	Year	Basic Salary/ Fees	Benefits[1]	Annual Bonus Plan	Performance Share Plan (Vested)[2]	Pension	Other payments	Total
Executive Directors								
Daphne Zohar	**2019**	**$590,000**	**$31,265**	**$590,000**	**$4,573,012**	**$8,400**		**$5,792,677**
	2018	$536,857	$24,425	$348,957	$1,221,381	$8,250		$2,139,870
Stephen Muniz	**2019**	**$410,000**	**$29,381**	**$410,000**	**$1,527,385**	**$8,400**		**$2,385,166**
	2018	$359,392	$23,118	$233,605	$407,941	$8,250		$1,032,306
Non-Executive Directors								
Joi Ito	**2019**	**$89,285**	**—**	**—**	**—**	**—**		**$89,285**
	2018	$140,000	—	—	—	—		$140,000
Raju Kucherlapati	**2019**	**$95,000**	**—**	**—**	**—**	**—**		**$95,000**
	2018	$100,000	—	—	—	—		$100,000
John LaMattina	**2019**	**$105,000**	**—**	**—**	**—**	**—**		**$105,000**
	2018	$100,000	—	—	—	—		$100,000
Robert Langer	**2019**	**$110,000**	**—**	**—**	**—**	**—**		**$110,000**
	2018	$110,000	—	—	—	—		$110,000
Marjorie Scardino	**2019**	**$90,000**	**—**	**—**	**—**	**—**		**$90,000**
	2018	$90,000	—	—	—	—		$90,000
Bennett Shapiro	**2019**	**$95,000**	**—**	**—**	**—**	**—**		**$95,000**
	2018	$104,167	—	—	—	—		$104,167
Christopher Viehbacher	**2019**	**$107,074**	**—**	**—**	**—**	**—**		**$107,074**
	2018	$95,000	—	—	—	—		$95,000
TOTAL	**2019**	**$1,691,360**	**$60,646**	**$1,000,000**	**$6,100,397**	**$16,800**		**$8,869,203**
TOTAL	2018	$1,635,416	$47,543	$582,562	$1,629,322	$16,500		$3,911,343

Notes:

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

2 The shares underlying the vested 2017 Performance Share Plan awards will be issued after the finalisation of this report. As a result, the share price on the date of issuance is not known at the date of this report and the figures shown above for the PSP awards have been valued using a share price of £2.6089, which was the average share price during the last three months of 2019, and an exchange rate of GBP 1 : USD 1.2866, which was the average exchange rate over the last three months of 2019.

Annual bonus outcome for 2019

For the 2019 annual bonus, targets were set for a balanced scorecard at the beginning of the year. The 2019 targets were focused on (i) financial and strategic goals designed to incentivise the team to complete important deals, execute strategic partnerships and operate within the Company's 2019 budget, (ii) clinical development goals designed to incentivise the team to generate valuable clinical data in support of the Company's programmes, (iii) innovation goals designed to incentivise the team to create innovative programmes, obtain patent protection for its technologies, obtain publication of the technologies in top tier medical and science journals and establish state of the art laboratory and operations teams, and (iv) commercial goals designed to incentivise the team to take all steps necessary to commercially launch products. During 2019, management significantly exceeded these targets. The table below sets out the performance assessment and associated bonus outcomes:

Target Goals – Maximum 100% Achievement

Performance Measures Category	Achievement	Percentage of Target Attained
Financial/ Strategic Goals	The Financial and Strategic Goals were achieved in 2019. The management team's performance resulted in an achievement outcome of 75 per cent but such outcome percentage had a pre-specified capped of 50 per cent for this category of the goals. A description of performance in 2019 is set out below: The Company enabled the initial public offering of Karuna, which was one of the best performing US initial public offerings of 2019. The Company also entered into collaboration and partnership agreements with Boehringer Ingelheim, Bristol-Myers Squibb, Ro, Shionogi & Co. Ltd among others as described on pages 21 to 44. The Company's Founded Entities raised approximately $623 million in funding which will enable the Founded Entities to continue toward their respective development milestones.	50%
Clinical Development and Regulatory Goals	The Clinical Development Goals were achieved in 2019. The management team's performance resulted in an achievement outcome of 60 per cent but such outcome percentage had a pre-specified capped of 25 per cent for this category of the goals. A description of performance in 2019 is set out below: Gelesis' first product, Plenity™, was cleared by the FDA for sale. Karuna, Gelesis, Akili and Follica completed successful clinical studies in 2019 within prescribed timelines, including Karuna's Phase 2 clinical trial of KarXT for the treatment of acute psychosis in patients with schizophrenia.	25%
Market Capitalisation Goals	The Market Capitalisation Goals were achieved in 2019. The management team's performance resulted in an achievement outcome of 50 per cent which was equal to the cap of 50 per cent for this category of the goals. A description of performance in 2019 is set out below: The Company's share price increased from 169 pence to 317 pence from 31 December 2018 to 31 December 2019 representing an increase of approximately 88 per cent for the Company's shareholders. The Company increased the net asset value of its holdings dramatically while also developing product candidates within its Wholly Owned Pipeline.	50%
Innovation Goals	The Commercial Goals were achieved in 2019. The management team's performance resulted in an achievement outcome of 40 per cent but such outcome percentage had a pre-specified capped of 25 per cent for this category of the goals. A description of performance in 2019 is set out below: The Company acquired a clinical stage immune focussed asset (LYT-100) from Teva Pharmaceuticals and showed pre-clinical proof of concept in it LYT-200 (solid tumours) and LYT-210 (solid tumours and autoimmune disorders) programmes. The Group also had patents issued covering several of the Founded Entities' technologies and filed patent applications covering many others. The Company also had several programmes published in top-tier peer reviewed scientific journals.	25%
Pre-Specified Maximum Total		**100%**

Accordingly, the Company achieved 100 per cent of its target goals for 2019.

Each of the above target categories are subject to maximum percentage achievement limits capped at 100 per cent of the target bonus (i.e. 50 per cent of salary). Payments beyond the target are determined by the Remuneration Committee in light of stretch goals which take into account the extent target goals have been exceeded, the overall quality of underlying performance and value created for shareholders. In this case, the Company performed significantly above the target category maximum goals reflected in an increase in share price during the year of approximately 88 per cent, a substantial increase in net asset value as well as significant portfolio, partnering and regulatory successes. In light of these extraordinary achievements, the Committee determined that the stretch goals had been achieved in full and that payouts at 200 per cent of target (i.e. 100 per cent of salary) are appropriate. The Committee believes that such a bonus award is appropriate to reward and retain top management when such extraordinary performance is achieved.

The CEO was eligible for a target bonus equal to 50 per cent of her 2019 salary. The Company significantly exceeded its target goals and the Committee determined that the overall percentage achievement should be 200% due to the extraordinary performance of the Company and management. As a result, the CEO was awarded a 2019 bonus equal to 100 per cent of her 2019 salary, which is the maximum under the policy.

The COO was eligible for a target bonus equal to 50 per cent of his 2019 salary. The Company significantly exceeded its target goals and the Committee determined that the overall percentage achievement should be 200% due to the extraordinary performance of the Company and management. As a result, the COO was awarded a 2019 bonus equal to 100 per cent of his 2019 salary, which is the maximum under the policy.

Long-term incentive awards vesting in the year (unaudited)

The 2017 PSP awards granted on 19 May 2017 will vest in 2020. Following an assessment of the performance condition, the Remuneration Committee determined that the awards will vest at 100 per cent of the maximum as follows:

	Scheme	Basis of award granted	Shares awarded	Shares vested	Shares lapsed	Value of vested awards[1,2]
Daphne Zohar	PSP 2017	400% of salary	1,362,393	1,362,393	—	$4,573,012
Stephen Muniz	PSP 2017	200% of salary	455,039	455,039	—	$1,527,385

1 Shares have been valued using a share price of £2.6089, which was the average share price over the last three months of 2019, and an exchange rate of GBP 1 : USD 1.2866, which was the average exchange rate over the last three months of 2019.
2 The value of the awards attributable to share price is $2,469,752 for Daphne Zohar and $824,897 for Stephen Muniz.

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

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

The strategic measures over the three year period were focussed on (i) financial achievements, (ii) clinical development goals, (iii) innovation goals related to obtaining patent protection for its technologies, obtaining publication of the technologies in top tier medical and science journals and establishing state of the art laboratory and operations teams, and (iv) commercial goals related to the Company's efforts to commercially launch products. During the three year period, achievements satisfying these goals included substantially increasing the value of the Company's Internal programs and Founded Entities, raising more than $990 million into the Company's Founded Entities, executing more than 17 partnerships, prosecuting hundreds of patents and patent applications, executing initial public offerings of Karuna therapeutics, Inc. and resTORbio, having one programme cleared by the US Food and Drug Administration and developing validating clinical data across the Company's Internal programs and the Company's Founded Entities.

Long-term incentive awards granted during the year (unaudited)

	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 2019	400% of salary	644,668	277.33 pence	$2,360,000	25%	Three financial years to 31 December 2021
Stephen Muniz	PSP 2019	200% of salary	223,995	277.33 pence	$820,000	25%	

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

The PSP awards granted in 2019 are subject to (i) achievement of absolute TSR targets (50 per cent of the awards), (ii) achievement of TSR targets as compared to TSR performance of the constituent companies in the FTSE 250 Index (excluding Investment Trusts) and the MSCI Europe Health Care Index (25 per cent of the awards) and (iii) achievement of targets based on strategic measures (25 per cent of the awards), measured over the three year period to 31 December 2021.

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

Full disclosure of the strategic targets will be made retrospectively.

Payments for Loss of Office

There were no payments for Loss of Office during 2019.

Payments to past Directors

No payments to past Directors were made during 2019.

Directors' shareholdings (audited)

Directors are required to maintain share ownership equal to a minimum of 200 per cent of base salary. Both Executive Directors satisfy this requirement. As noted, if the proposed new Remuneration Policy is approved, post-employment shareholding requirements will apply.

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

	Director Shareholdings					
	Total Share Awards not subject to Service Conditions		Share awards subject to performance and service conditions		Total	
Director	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Daphne Zohar (Zohar LLC + Trusts)[1]	**12,197,307**	11,890,157	**1,680,296**[2]	2,398,021[3]	**13,877,603**	14,288,178
Stephen Muniz	**2,889,499**	2,786,170	**570,639**[4]	801,683[5]	**3,460,138**	3,587,853
Joi Ito	**1,395,579**	1,395,579	**—**	45,223	**1,395,579**	1,395,579
Raju Kucherlapati	**2,459,831**	2,459,831	**—**	22,611	**2,459,831**	2,459,831
John LaMattina	**1,495,332**	1,495,332	**—**	22,611	**1,495,332**	1,495,332
Robert Langer	**2,944,134**	2,944,134	**—**	22,611	**2,944,134**	2,944,134
Marjorie Scardino	**787,710**	787,710	**—**	122,101	**787,710**	787,710
Ben Shapiro	**2,629,974**	2,629,974	**—**	22,611	**2,629,974**	2,629,974
Chris Viehbacher (Trust)[6]	**1,025,646**	1,025,646	**—**	170,941	**1,025,646**	1,025,646

1 A portion of Ms Zohar's shareholding in the Company is indirect. As of 31 December 2019, (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, (iii) 7,134,094 ordinary shares are held by Zohar LLC, a US-established limited liability company, and (iv) 307,150 ordinary shares are held directly by Ms. Zohar. Ms Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC.

2 Includes the following RSUs, which are subject to performance conditions: 1,035,628 (2018) and 644,668 (2019). Does not include 1,362,393 shares which are issuable pursuant to the RSU award granted to Ms Zohar covering the financial years 2017, 2018 and 2019 which have vested but not yet been issued.

3 Includes the following RSUs, which are subject to performance conditions: 1,362,393 (2017) and 1,035,628 (2018).

4 Includes the following RSUs, which are subject to performance conditions: 346,644 (2018) and 223,995 (2019). Does not include 455,039 shares which are issuable pursuant to the RSU award granted to Mr Muniz covering the financial years 2017, 2018 and 2019 which have vested but not yet been issued.

5 Includes the following RSUs, which are subject to performance conditions: 455,039 (2017) and 346,644 (2018).

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

Directors' service contracts (unaudited)

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.

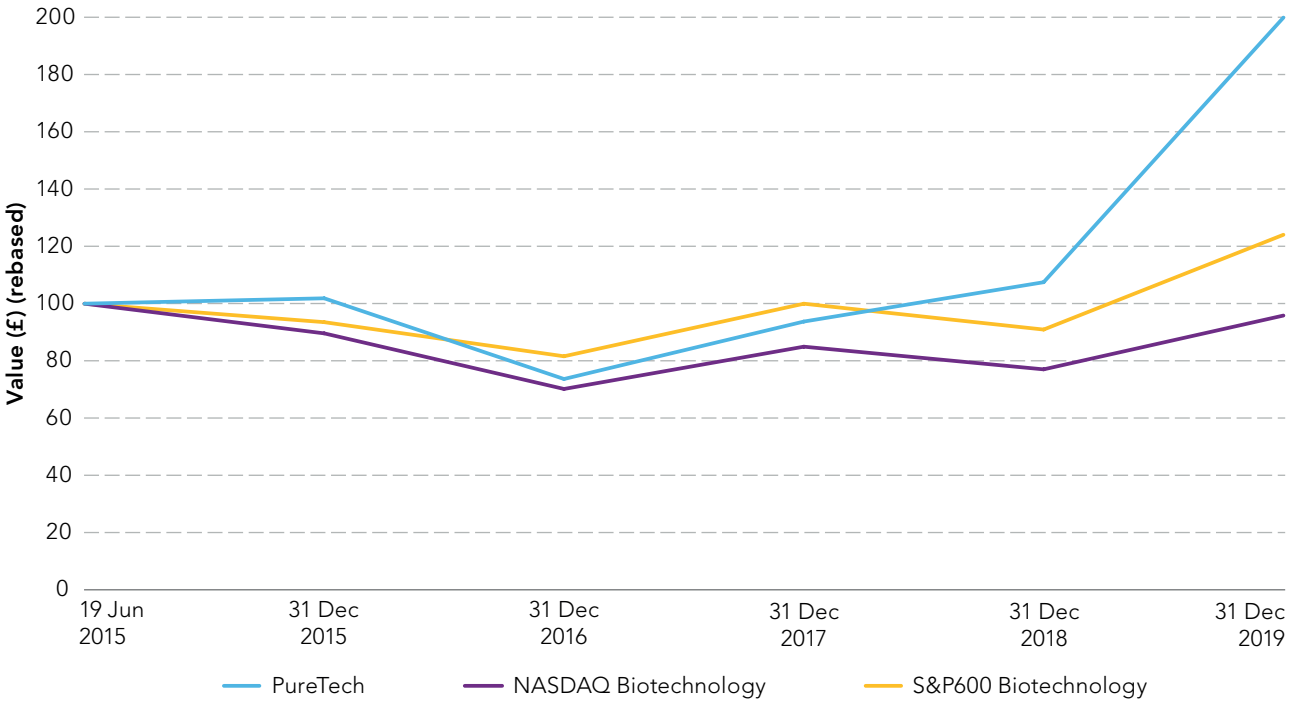
Non-Executive Directors	Notice period	Contract date	Contract expiration date
Raju Kucherlapati	1 month	5 June 2018	5 June 2021
John LaMattina	1 month	5 June 2018	5 June 2021
Robert Langer	1 month	5 June 2018	5 June 2021
Marjorie Scardino	1 month	5 June 2018	5 June 2021
Bennett Shapiro	1 month	5 June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

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

TSR performance graph (unaudited)

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

Total shareholder return (unaudited)
Source: FactSet



This graph shows the value, by 31 December 2019, of £100 invested in PureTech on the date of Admission (19 June 2015), compared with the value of £100 invested in the NASDAQ Biotechnology and S&P600 Biotechnology Indices on the same date.

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

Chief Executive Officer's Remuneration History (unaudited)

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
2018	Daphne Zohar	Chief Executive Officer	$821,898	50%	n/a
2018	Daphne Zohar	Chief Executive Officer	$2,139,870	65%	50%
2019	**Daphne Zohar**	**Chief Executive Officer**	**$5,792,677**	**100%**	**100%**

Percentage change in remuneration of CEO and employees (unaudited)

The table below shows the change in the Chief Executive Officer's remuneration from 2018 to 2019 compared to the change in remuneration of all full-time employees across the Group who were employed throughout 2018 and 2019:

	Base salary	Benefits	Annual bonus
CEO	10%	3%	69%
Employees[1]	12%	4%	60%

1 Does not include employees of Founded Entities.

Relative importance of spend on pay (unaudited)

The following table sets out the percentage change in overall spend on pay, distributions to shareholders and profit in 2019 compared to 2018:

	2019	2018	% change
Staff costs[1]	**$15,562,153**	$11,005,550	41%
Distributions to Shareholders	**—**	—	—
Profit before tax and exceptional items[1]	**$618,408,813**	$(12,443,967)	—%

1 Excludes Founded Entities.

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

The Remuneration Committee consists of Dr LaMattina, Dr Shapiro and Dr Kucherlapati, with Dr LaMattina serving as the Chairman of the Committee. The Committee received independent remuneration advice from Aon plc. This independent advisor was appointed by and is accountable to the Committee and provides no other services to the Company. The terms of engagement between the Committee and Aon are available from the Company Secretary on request. The Committee also consults with the Chief Executive Officer and Chief Operating Officer. However, no Director is permitted to participate in discussions or decisions about their personal remuneration. During the year fees in respect of remuneration advice from Aon amounted to £44,766. Aon is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence.

Statement of voting at general meeting (unaudited)

The table below sets out the proxy results of the vote on the Group's Remuneration Report at the Group's 2019 AGM:

Resolutions	For	%	Against	%	Withheld	Total votes cast
To approve the Directors' Remuneration Report	198,555,876	94.45	11,659,058	5.55%	125	210,214,934

The table below sets out the proxy results of the vote on the Group's Remuneration Policy at the Group's 2019 AGM:

Resolutions	For	%	Against	%	Withheld	Total votes cast
To approve the Directors' Remuneration Policy	209,293,335	99.56	920,331	0.44%	1,393	210,213,666

Statement of voting at AGM

The Company's AGM will be held at 11.00 am EDT (4.00 pm BST) on 11 June 2020 at the Company's headquarters at 6 Tide Street, Boston, Massachusetts. Information regarding the voting outcome will be disclosed in next year's annual report on remuneration.

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

On behalf of the Board of Directors

Stephen Muniz, Esq.
Company Secretary

8 April 2020

Independent auditor's report to the members of PureTech Health plc

1. Our opinion is unmodified

We have audited the financial statements of PureTech Health plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Statements of Comprehensive Income/(Loss), Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, Company Statement of Financial Position, Company statements of changes in Equity, Company statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the directors on 7 September 2015. The period of total uninterrupted engagement is for the five financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		$1.28m (2018: $1m) 0.9% (2018: 0.8%) of total operating expenses
Coverage		100% (2018: 100%) of group profit before tax
Key audit matters		**vs 2018**
Recurring risks	Valuation of financial instruments measured at fair value through profit or loss; preferred shares, convertible loan notes and warrants	◀▶
	Classification and measurement of preferred shares, convertible loan notes and warrants	◀▶
	Determination of the accounting and valuation of investments in associates	◀▶
	Revenue recognition	◀▶
	Valuation of investment and related party receivables held by the Parent Company	◀▶

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of financial instruments measured at fair value through profit or loss; preferred shares, convertible loan notes and warrants (**$109 million**; 2018: $240 million) Refer to page 74 (Audit Committee Report), page 104 (accounting policy) and page 134 (financial disclosures).	*Subjective valuation:* The Group finances its operations and its subsidiaries partly through preferred shares, convertible notes or warrants which are classified as instruments and carried at fair value. Determining the fair value of the preferred shares, convertible notes and warrants 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 instruments classified as assets or liabilities are estimated by the directors using valuation models including option pricing models (OPM), probability-weighted expected return models (PWERM), or a hybrid of both. The fair value of instruments classified as equity may be valued using the market approach by observing recent arms-length transactions or comparable guideline public companies. There is judgement in relation to the appropriate valuation technique to adopt in determining the equity value of each entity, dependent on the nature and the stage of the company being valued. Where the market approach (comparable public companies or transactions) is used, there is judgement as to the appropriateness of the comparable companies or transactions selected. Where a recent arm's length funding round is used, there is judgement as to whether the funding round is sufficiently arm's length to ensure that it is representative of an independent market valuation at fair value. There is also judgement as to the relevance of the arm's length transaction based on the stability of the external and internal environment since that funding round occurred and the specific circumstances of that investment.	Our procedures included: *Our valuation expertise:* We used our own valuation specialists to assist us in critically assessing certain key inputs utilised within the OPM, PWERMs or hybrid approaches for each company being valued, being equity value where derived from the market valuation approach, EBIT margins, discount rates, volatility, risk free rates using independent external corroboration. Our valuation specialists challenged the appropriateness of the management's comparable companies and transactions by comparing to an independent selection of companies and transactions. Our valuation specialists critically assessed the appropriateness of the discount rates, with specific focus (where applicable) on: the company specific risk premium (including appropriateness of the probability of success where applicable); the control premium; and the venture capital rates of return utilised. We considered against the stage of development of the company where capital rates of return are utilised and the specific scenarios of the company in respect of the control premium. *Assessing valuer's credentials:* We assessed the expertise of the group's external valuation experts used in the corroboration of management's valuation.

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

	The risk	Our response
Valuation of financial instruments measured at fair value through profit or loss; preferred shares, convertible loan notes and warrants (continued) (**$109 million**; 2018: $240 million) Refer to page 74 (Audit Committee Report), page 104 (accounting policy) and page 134 (financial disclosures).	Where the valuation utilises the cost approach, there is judgement relating to whether the costs incurred by the company in developing the intellectual property and/or the value of the IP and the assets of the company is representative of what would be recoverable if the company had to be sold. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of financial liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 18) disclose the sensitivity estimated by the Group.	*Methodology choice:* We, with assistance from our valuation specialists, assessed the appropriateness of the valuation methodology used for each company based on the specific circumstances relevant to each company such as the stage of development, relevant comparable companies to the company, availability of reliable forecasts, relevance of funding rounds, the industry in which it operates and also the likely exit date or commercialisation date. *Benchmarking assumptions:* Internal data such as strategic plans, forecasts and budgets and actual results are utilised for inputs such as exit dates and scenarios and probability of exit scenarios. Procedures performed included comparing to prior periods for consistency, assessing the probabilities assigned to the scenarios given the stage of the company in its life cycle, understanding key changes and critically assessing current progress against milestones set and assessing where there is an impact on the forecast exit date and assessing whether the assumptions used are consistent with the strategic plans. Where instruments were valued using the price of a recent investment as an appropriate basis for the measurement of fair value we corroborated the price to signed agreements and evaluated the independence of the funding round. We also critically assessed whether there had been market or company specific events between the date of the third party funding round and the year end date which would impact the value of the company. We critically assessed the appropriateness of the assumptions underlying the forecasts. The assumptions over projected revenue included forecast product commercialisation or license date, royalty rates where applicable, operating costs, EBIT margin, terminal values and the probability of success factors where applicable. In doing this we used our knowledge of each subsidiary and its industry with reference to both internal management information and externally derived data and benchmarks. External data related to market size data, royalty rates and competitor analysis is based on information from public material. *Assessing transparency:* We assessed the appropriateness, in accordance with relevant accounting standards, of the disclosures related to estimation uncertainty. Our results We found the valuation of warrants, convertible notes, preferred shares fair valued through profit/loss to be acceptable. (2018: acceptable)

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

	The risk	Our response
Classification and measurement of preferred shares, convertible loan notes and warrants (**$109 million**; 2018: $240 million) Refer to page 74 (Audit Committee Report), page 104 (accounting policy) and page 134 (financial disclosures).	*Accounting treatment:* The Group finances its operations and subsidiaries partly through financial instruments such as preferred shares, convertible loan notes and warrants. There is a significant level of judgement in relation to assessing the terms of the instruments to identify whether the instruments meet the criterion to be classified as debt or equity in the issuer. There is also judgement in assessing the terms of the contracts to determine any host instrument and whether there are any separable embedded derivatives. Failure to identify the key clauses of the instrument could result in a different answer which will impact the subsequent measurement of the instrument. Due to these factors, for new financial instruments issued in the year, this has been determined to be a significant risk.	Our procedures included: *Accounting analysis:* Assessing the conclusions reached by the Group in relation to the debt versus equity classification of the issued financial instruments by considering the key terms and features of the contracts and applying and interpreting the relevant accounting standards; Assessing whether the financial instruments contained embedded derivatives by considering the key terms of the contracts, identifying a host contract, and assessing whether each feature met the definition of an embedded derivative and whether they should be bifurcated; Assessing the Group's classification of whether any separable embedded derivative should be liability or equity classified based on the terms of the related contracts; Where the Group classified the entire hybrid contract at fair value through profit or loss, we evaluated whether certain embedded derivatives required separate measurement by critically assessing the key terms and features of those derivatives; Challenging the Group's assessment of the implications of the debt versus equity classification of the preferred shares issued at subsidiary level on the measurement of NCI in the Group by inspecting the source documentation to identify the key features which would determine the classification and then considering the impact of this classification on the measurement of the NCI calculation; *Assessing transparency:* Assessing whether the Group's disclosures were consistent with the conclusions reached in relation to both the classification of the financial instruments and the determination of whether there are embedded derivatives within the host contracts; Our results We found the classification and determination of embedded derivatives within financial instruments to be acceptable. (2018: acceptable)

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

	The risk	Our response
Determination of the accounting and valuation of investments in associates (**$154 million**; 2018: $84 million) Refer to page 74 (Audit Committee Report), page 104 (accounting policy) and page 121 (financial disclosures).	*Accounting treatment:* The Group has entities it controls and therefore consolidates under IFRS 10. As the entities progress they require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control which results in them no longer being able to consolidate the entity. Due to the fact that the Group holds a variety of instruments in the entities, which have varying risks and rights, there is significant judgement in relation to whether the shares are accounted for under IAS 28 Investments in Associates and Joint Ventures or as a financial asset per IFRS 9 Financial Instruments and therefore held at fair value. The judgements include whether significant influence exists and whether the instruments fall within the scope of IAS 28 or IFRS 9. *Subjective valuation:* There is a significant level of judgement involving estimates in relation to determining the fair value of this financial asset. The valuation risk is outlined on pages 90 and 91. In the current year this risk is specific to Akili, Vor, Karuna and Gelesis.	Our procedures included: *Accounting analysis:* We have assessed the Group's technical accounting where there is a determination whether the investment falls within the scope of IFRS 10, IAS 28 and/or IFRS 9. *Assessing transparency:* We have considered the adequacy of the disclosure of the accounting treatment in the financial statements and disclosure of assumptions relating to the valuation of the investment if it falls into the scope of IFRS 9. *Our valuation expertise:* We have assessed the Group's valuation of the financial asset inline with the procedures outlined on pages 90 and 91. Our results We found the determination of the classification and valuation of the investments to be acceptable. (2018: acceptable)
Revenue recognition (**$9 million**; 2018: $16 million) Refer to page 74 (Audit Committee Report), page 104 (accounting policy) and page 113 (financial disclosures).	*Accounting treatment:* Revenue recognition involves a significant level of judgement and estimation due to the non-standard nature of the research and development revenue stream of the Group. This revenue stream involves bespoke contracts which are drafted in relation to each agreement reached with a third party. Judgement is required in assessing the implications of the terms of the agreements and identification of distinct performance obligations; allocation of the transaction price to each performance obligation; and consideration as to whether revenue should recognised as over time or at a point in time in relation to the appropriate revenue recognition policy. There is significant estimation involved in the budgets and forecasts that drive the inputs method of revenue recognition where revenue is recognised over time. The effect of these matters is that, as part of our risk assessment, we determined that the costs to complete of the long term contracts have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3) disclose the sensitivity estimated by the Group.	Our procedures included: *Accounting analysis:* We have assessed the key agreements to consider the Group's assessment of the revenue contract. We have assessed the Group's determination of distinct performance obligations contained within the contract. We have reviewed the Group's calculated constrained transaction price and its allocation to the identified performance obligations. We have assessed the Group's methodology in recognising revenue based on the inputs method by testing a sample of costs and considering completeness of the costs. *Assessing transparency:* We have assessed the adequacy of the Group's disclosures in relation to the revenue recognition accounting policies adopted, including the transition to IFRS 15. Our results We found the revenue recognition to be acceptable. (2018: acceptable)

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

	The risk	Our response
Valuation of investments and intercompany receivable balances held by the Parent Company (**$438 million**; 2018: $428 million) Refer to page 71 (Audit Committee Report), page 104 (accounting policy) and page 134 (financial disclosures).	Low risk, high value The carrying amount of the parent Company's investments in and intercompany receivables from the subsidiary companies represents 100% (2018: 100%) of the Company's total assets. Their recoverability is not considered to contain a high risk of significant misstatement or be subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: *Comparing valuations:* We compared the carrying amount of the investment and the intercompany receivables to the market capitalisation of the Group, as PureTech Health LLC contains all of the Group's trading operations. We compared the carrying value of the investment and the intercompany receivables to the valuations derived for the purposes of the fair value of the financial instruments to assess for indicators of impairment. Our results We found the valuation of the investments and intercompany receivable balances held by the Parent Company to be acceptable. (2018: acceptable)

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

Materiality for the group financial statements as a whole was set at $1.28 million, determined with reference to a benchmark of Total operating expenses (being general and administrative expenses and research and development expenses), of which it represents 0.9% (2018: 0.8%). Total operating expenses is considered to be on of the principle considerations for the members of the Company in assessing the financial performance of the Group, since the Group's activities are currently principally in relation to expenditure on developing forms of intellectual property which can be exploited commercially to generate income and growth in the future.

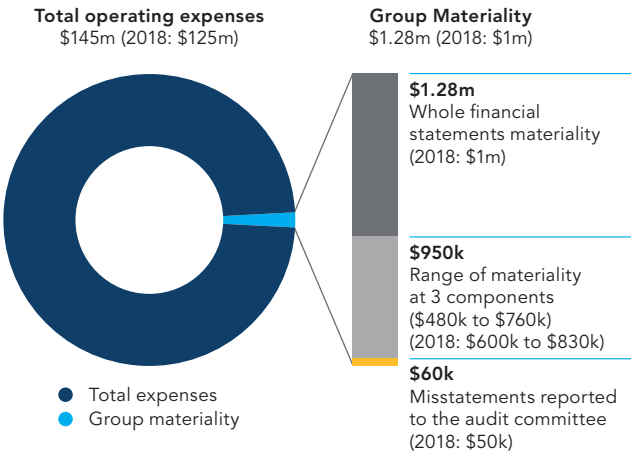
Materiality for the parent company financial statements as a whole was set at $890k (2018: $830k), determined with reference to a benchmark of total assets, capped at component materiality, of which it represents 0.2% (2018: 0.25%).

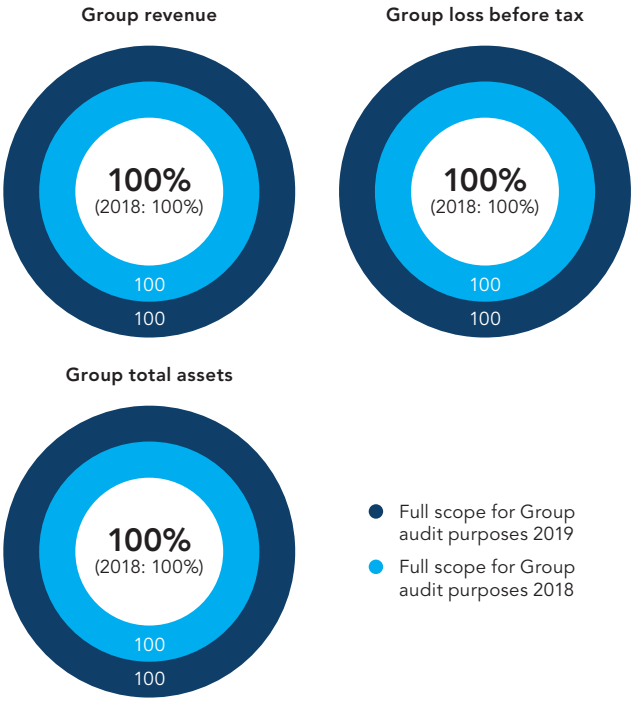
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $60k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 3 (2018: 3) reporting components, we subjected 3 (2018: 3) to full scope audits for group purposes.

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 component materialities ranged from $480k to $760k, having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 3 components (2018: 2 of the 3 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

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





4. We have nothing to report on going concern

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

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

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

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

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

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

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 71 is materially inconsistent with our audit knowledge.

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement on page 48 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 72, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

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

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

Robert Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

8 April 2020

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended 31 December

	Note	2019 $000s	2018 $000s
Contract revenue	3	**8,688**	16,371
Grant revenue	3	**1,119**	4,377
Total revenue		**9,807**	20,748
Operating expenses:			
General and administrative expenses	7	**(59,358)**	(47,365)
Research and development expenses	7	**(85,848)**	(77,402)
Operating income/(loss)		**(135,399)**	(104,019)
Other income/(expense):			
Gain on deconsolidation	5	**264,409**	41,730
Gain/(loss) on investments held at fair value	5	**(37,863)**	(34,615)
Loss on impairment of intangible asset		**—**	(30)
Gain/(loss) on disposal of assets	11	**(82)**	4,060
Gain/(loss) on loss of significant influence	6	**445,582**	10,287
Other income/(expense)		**121**	(278)
Other income/(expense)		**672,167**	21,154
Finance income/(costs):			
Finance income/(costs)	9	**4,362**	3,358
Finance income/(costs) – subsidiary preferred shares	9	**(1,458)**	(106)
Finance income/(costs) – contractual	9	**(2,576)**	34
Finance income/(costs) – fair value accounting	9	**(46,475)**	22,631
Net finance income/(costs)		**(46,147)**	25,917
Share of net gain/(loss) of associates accounted for using the equity method	6	**30,791**	(11,490)
Impairment of investment in associate	6	**(42,938)**	—
Income/(loss) before taxes		**478,474**	(68,438)
Taxation	25	**(112,409)**	(2,221)
Income/(loss) for the year		**366,065**	(70,659)
Other comprehensive income/(loss):			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**(10)**	(214)
Unrealised gain/(loss) on investments held at fair value		**—**	(26)
Total other comprehensive income/(loss)		**(10)**	(240)
Total comprehensive income/(loss) for the year		**366,055**	(70,899)
Income/(loss) attributable to:			
Owners of the Company		**421,144**	(43,654)
Non-controlling interests	18	**(55,079)**	(27,005)
		366,065	(70,659)
Comprehensive income/(loss) attributable to:			
Owners of the Company		**421,134**	(43,894)
Non-controlling interests	18	**(55,079)**	(27,005)
		366,055	(70,899)
Earnings/(loss) per share:		**$**	$
Basic earnings/(loss) per share	10	**1.49**	(0.16)
Diluted earnings/(loss) per share	10	**1.44**	(0.16)

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

Consolidated Statements of Financial Position

For the years ended 31 December

	Note	2019 $000s	2018 $000s
Assets			
Non-current assets			
Property and equipment, net	11	**21,455**	8,323
Right of use asset, net	21	**22,383**	—
Intangible assets, net	12	**625**	3,080
Investments held at fair value	5	**714,905**	169,755
Investments in associates	6	**10,642**	—
Lease receivable – long-term	21	**2,082**	—
Deferred tax assets		**142**	449
Other non-current assets		**99**	370
Total non-current assets		**772,333**	181,977
Current assets			
Trade and other receivables		**1,977**	1,328
Prepaid expenses and other current assets		**1,946**	5,380
Lease receivable – short-term	21	**350**	—
Other financial assets	13, 22	**2,124**	2,199
Short-term investments	22	**30,088**	133,828
Cash and cash equivalents	22	**132,360**	117,051
Total current assets		**168,845**	259,786
Total assets		**941,178**	441,763
Equity and liabilities			
Equity			
Share capital	14	**5,408**	5,375
Share premium	14	**287,962**	278,385
Merger reserve	14	**138,506**	138,506
Translation reserve	14	**—**	10
Other reserve	14	**(18,282)**	20,923
Retained earnings/(accumulated deficit)	14	**254,444**	(167,692)
Equity attributable to the owners of the Company	14	**668,038**	275,507
Non-controlling interests	14, 18	**(17,640)**	(108,535)
Total equity	14	**650,398**	166,972
Non-current liabilities			
Deferred revenue	3	**1,220**	83
Deferred tax liability	25	**115,445**	6,428
Lease liability, non-current	21	**34,914**	—
Other long-term liabilities	20	**—**	2,516
Total non-current liabilities		**151,579**	9,027
Current liabilities			
Deferred revenue	3	**5,474**	6,560
Lease liability, current	21	**2,929**	—
Trade and other payables	19	**19,842**	15,875
Subsidiary:			
Notes payable	16, 17	**1,455**	12,010
Warrant liability	16	**7,997**	13,012
Preferred shares	15, 16	**100,989**	217,519
Other current liabilities		**515**	788
Total current liabilities		**139,201**	265,764
Total liabilities		**290,780**	274,791
Total equity and liabilities		**941,178**	441,763

Please refer to the accompanying Notes to the consolidated financial information. Registered number: 09582467.
The consolidated financial statements were approved by the Board of Directors and authorised for issuance on 8 April 2020 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

8 April 2020

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

Consolidated Statements of Changes in Equity

For the years ended 31 December

	Share Capital		
	Shares	Amount $000s	Share premium $000s
Balance 1 January 2018	237,429,696	4,679	181,588
Net income/(loss)	—	—	—
Foreign currency exchange	—	—	—
Unrealised gain/(loss) on investments	—	—	—
Total comprehensive income/(loss) for the period	**—**	**—**	**—**
Deconsolidation of subsidiary	—	—	—
Issuance of placing shares	45,000,000	696	96,797
Exercise of share-based awards	64,171	—	—
Subsidiary dividends to non-controlling interests	—	—	—
Equity settled share-based payments	—	—	—
As at 31 December 2018	**282,493,867**	**5,375**	**278,385**
Adjustment for the initial application of IFRS16	**—**	**—**	**—**
Adjusted balance as of 1 January 2019	**282,493,867**	**5,375**	**278,385**
Net income/(loss)	—	—	—
Foreign currency exchange	—	—	—
Total comprehensive income/(loss) for the period	**—**	**—**	**—**
Deconsolidation of subsidiaries	—	—	—
Subsidiary note conversion and changes in NCI ownership interest	—	—	—
Exercise of share-based awards	237,090	5	499
Shares and options issued in consideration for subsidiary's non-controlling interest	2,126,338	28	9,078
Purchase of subsidiary's non-controlling interest	—	—	—
Revaluation of deferred tax assets related to share-based awards	—	—	—
Equity settled share-based payments	—	—	—
Vesting of restricted stock units	513,324	—	—
Other	—	—	—
Balance 31 December 2019	**285,370,619**	**5,408**	**287,962**

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

Merger reserve $000s	Translation reserve $000s	Other reserve $000s	Retained earnings/ (accumulated deficit) $000s	Total parent equity $000s	Non-controlling interests $000s	Total equity $000s
138,506	224	17,178	(124,745)	217,430	(145,586)	71,844
—	—	—	(43,654)	(43,654)	(27,005)	(70,659)
—	(214)	—	—	(214)	—	(214)
—	—	—	(26)	(26)	—	(26)
—	**(214)**	**—**	**(43,680)**	**(43,894)**	**(27,005)**	**(70,899)**
—	—	(4)	619	615	55,168	55,783
—	—	—	—	97,493	—	97,493
—	—	—	122	122	—	122
—	—	—	(8)	(8)	—	(8)
—	—	3,749	—	3,749	8,888	12,637
138,506	**10**	**20,923**	**(167,692)**	**275,507**	**(108,535)**	**166,972**
—	**—**	**—**	**999**	**999**	**—**	**999**
138,506	**10**	**20,923**	**(166,693)**	**276,506**	**(108,535)**	**167,971**
—	—	—	421,144	421,144	(55,079)	366,065
—	(10)	—	—	(10)	—	(10)
—	**(10)**	**—**	**421,144**	**421,134**	**(55,079)**	**366,055**
—	—	—	—	—	97,178	97,178
—	—	(20,631)	—	(20,631)	23,049	2,418
—	—	—	—	504	—	504
—	—	6,651	—	15,757	—	15,757
—	—	(39,796)	—	(39,796)	24,039	(15,757)
—	—	3,061	—	3,061	—	3,061
—	—	12,785	—	12,785	1,683	14,468
—	—	(1,280)	—	(1,280)	—	(1,280)
—	—	5	(7)	(2)	25	23
138,506	**—**	**(18,282)**	**254,444**	**668,038**	**(17,640)**	**650,398**

Consolidated Statements of Cash Flows

For the years ended 31 December

	Note	2019 $000s	2018 $000s
Cash flows from operating activities			
Income/(loss) for the year		**366,065**	(70,659)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation	11,12	**6,665**	2,778
Impairment of intangible assets		**—**	30
Impairment of investment in associate	6	**42,938**	—
Equity settled share-based payment expense	8	**14,468**	12,637
(Gain)/loss on investments held at fair value	5	**37,863**	20,307
(Gain)/loss on short-term investments		**—**	(843)
Gain on deconsolidation	5	**(264,409)**	(41,730)
Gain on loss of significant influence	5	**(445,582)**	(10,287)
Conversion of debt to equity		**—**	349
Disposal of assets	11	**140**	111
Proceeds from sale of assets	11	**—**	50
Share of net (income)/loss of associate	6	**(30,791)**	11,491
Deferred income taxes	25	**112,077**	1,723
Unrealised (gain)/loss on foreign currency transactions		**—**	(271)
Finance costs, net	9	**46,229**	(8,446)
Changes in operating assets and liabilities:			
Accounts receivable	22	**747**	467
Other financial assets	13	**(48)**	(1,327)
Prepaid expenses and other current assets		**(25)**	774
Deferred revenues	3	**186**	4,841
Accounts payable and accrued expenses	19	**11,166**	5,094
Other liabilities		**3,002**	115
Interest received		**3,648**	
Interest paid	21	**(2,495)**	—
Net cash used in operating activities		**(98,156)**	(72,796)
Cash flows from investing activities:			
Purchase of property and equipment	11	**(12,138)**	(4,365)
Proceeds from sale of property and equipment		**—**	125
Purchases of intangible assets	12	**(400)**	(125)
Purchase of associate preferred shares held at fair value	5, 6	**(13,670)**	(3,500)
Purchase of investments held at fair value	5	**(1,556)**	—
Sale of investments held at fair value	5	**9,294**	—
Purchase of convertible note	6	**(6,480)**	—
Cash derecognised upon loss of control over subsidiary		**(16,036)**	(13,390)
Purchases of short-term investments	22	**(69,541)**	(166,452)
Receipt of payment for finance sub-lease	21	**191**	—
Proceeds from maturity of short-term investments	22	**173,995**	148,062
Net cash provided by/(used in) investing activities		**63,659**	(39,645)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	18	**1,606**	6,147
Payment of lease liability	21	**(1,678)**	—
Repayment of long-term debt		**(178)**	(185)
Distribution to Tal shareholders	27	**(112)**	—
Exercise of stock options		**504**	—
Proceeds from the issuance of shares	15	**51,048**	152,030
Vesting of restricted stock units		**(1,280)**	—
Buyback of shares		**—**	(35)
Distribution to shareholders on dissolution of subsidiary		**—**	(1,062)
Subsidiary dividend payments		**—**	(8)
Net cash provided by financing activities		**49,910**	156,887

	Note	2019 $000s	2018 $000s
Effect of exchange rates on cash and cash equivalents		**(104)**	(44)
Net increase in cash and cash equivalents		**15,309**	44,402
Cash and cash equivalents at beginning of year		**117,051**	72,649
Cash and cash equivalents at end of year		**132,360**	117,051
Supplemental disclosure of non-cash investment and financing activities:			
Purchase of non controlling interest in consideration for issuance of shares and options		**15,757**	
Purchase of intangible asset and investment held at fair value in consideration for issuance of warrant liability and assumption of other long and short-term liabilities		**15,894**	
Leasehold improvements purchased through lease incentives (deducted from Right of Use Asset)		**10,680**	
Conversion of subsidiary convertible note into preferred share liabilities		**4,894**	—
Conversion of subsidiary convertible note into subsidiary common stock (NCI)		**2,418**	
Supplemental disclosure of cash paid for income taxes:			
Cash paid for income taxes		**176**	92

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

Notes to the Consolidated Financial Statements

1. Accounting policies

Description of Business

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

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

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

Basis of Presentation

The consolidated financial statements of the Group are presented for the years ended 31 December 2019 and 2018. The Group financial statements have been approved by the Directors and are prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (adopted IFRSs).

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

Basis of Measurement

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

Use of Judgements and Estimates

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

Significant estimation applied in determining the following:

- Financial instruments valuations (Note 21): when estimating the fair value of subsidiary undertakings, subsidiary preferred shares and investments carried at fair value through profit and loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. This includes determining the appropriate valuation methodology and making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.
- Revenue recognition (Note 3): when estimating the costs to complete for overtime revenue recognition. This includes making certain estimates of costs to be incurred relating to contracts with customers in meeting the overtime performance obligation. The costs are for research and development activity and the estimation uncertainty is regarding the level of activity required to meet the performance obligation and the timing in which that arises during the term of the contract.

Significant judgement is also applied in determining the following:

- Revenue recognition (Note 3): when determining the correct amount of revenue to be recognised. This includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, judgement is required to determine the performance obligations in a contract (if promised goods and services are distinct or not) and timing of revenue recognition (on delivery or over a period of time).
- Subsidiary preferred shares liability classification (Note 21): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment of whether the financial instrument include any embedded derivative features, whether they include contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments.
- When the power to control the subsidiaries exists (please refer to Notes 5 and 6 and accounting policy below Subsidiaries). This judgement includes an assessment of whether the Company has i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The Company considers among others its voting shares, representation on the board, rights to appoint management, investee dependence on the Company etc.

1. Accounting policies — continued

- When the Company has significant influence over financial and operating policies of investees in order to determine if the Company should account for its investment as an associate based on IAS 28 or based on IFRS 9, Financial Instruments (please refer to Note 5). This judgement includes, among others, an assessment whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Upon determining that the Company does have significant influence over the financial and operating policies of an investee, if the Company holds more than a single instrument issued by its equity-accounted investee, judgement is required to determine whether the additional instrument forms part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, or it is a separate financial instrument that falls in the scope of IFRS 9 (please refer to Notes 5 and 6). This judgement includes an assessment of the characteristics of the financial instrument of the investee held by the Company and whether such financial instrument provides access to returns underlying an ownership interest.

Going Concern

After making inquiries and considering the impact of risks and opportunities on expected cash flows and based on the cash and cash equivalents available to the Group as of 31 December 2019, the Directors have a reasonable expectation that the Group had adequate cash to continue in operational existence into the first quarter of 2022 and, following the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020, the Group now has sufficient cash reserves to fund its operations into the first quarter of 2024, assuming broadly our expected level of required investments in businesses and other operating expenditures. The financial statements have been prepared using the going concern basis of accounting.

Basis of Consolidation

The consolidated financial information for each of the years ended 31 December 2019 and 2018 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech Health LLC ("PureTech LLC"). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

As used in these financial statements, the term subsidiaries refers to entities that are controlled by the Group. Financial results of subsidiaries of the Group as of 31 December 2019 are reported within the Internal segment, Controlled Founded Entities segment or the Parent Company and Other segment (please refer to Note 4). Under applicable accounting rules, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights and board interest and holding. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

1. Accounting policies — continued

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

	Voting percentage at 31 December through the holdings in			
	2019		2018	
Subsidiary	**Common**	**Preferred**	Common	Preferred
Subsidiary operating companies				
Alivio Therapeutics, Inc.[1,2]	**—**	**91.9**	—	92.0
Entrega, Inc. (indirectly held through Enlight)[1,2]	**—**	**83.1**	—	83.1
Follica, Incorporated[1,2,5]	**28.7**	**56.7**	4.4	79.2
PureTech LYT	**—**	**100.0**	—	100.0
PureTech LYT-100	**—**	**100.0**	—	100.0
PureTech Management, Inc.[3]	**100.0**	**—**	100.0	—
PureTech Health LLC[3]	**100.0**	**—**	100.0	—
Sonde Health, Inc.[1,2]	**—**	**64.1**	—	96.4
Vedanta Biosciences, Inc.[1,2]	**—**	**61.8**	—	74.3
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta)[1,2]	**—**	**61.8**	—	74.3
Nontrading holding companies				
Endra Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**—**	86.0	—
Ensof Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**—**	86.0	—
PureTech Securities Corp.[2]	**100.0**	**—**	100.0	—
Inactive subsidiaries				
Appeering, Inc.[2]	**—**	**100.0**	—	100.0
Commense Inc.[2,6]	**—**	**99.1**	—	99.1
Enlight Biosciences, LLC[2]	**86.0**	**—**	86.0	—
Ensof Biosystems, Inc. (held indirectly through Enlight)[1,2]	**57.7**	**28.3**	57.7	28.3
Knode Inc. (indirectly held through Enlight)[2]	**—**	**86.0**	—	86.0
Libra Biosciences, Inc.[2]	**—**	**100.0**	—	100.0
Mandara Sciences, LLC[2]	**98.3**	**—**	98.3	—
Tal Medical, Inc.[1,2]	**—**	**100.0**	—	64.5

1 The ownership percentage includes liability classified preferred shares, which results in the ownership percentage not being the same as the ownership percentage used in allocations to non-controlling interests disclosed in Note 16. The allocation of losses/profits to the noncontrolling interest is based on the common share ownership of the subsidiaries. The ownership of liability classified preferred shares are quantified in Note 15.

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

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

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

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

6 Commense turned inactive during 2019.

Change in subsidiary ownership and loss of control

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

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

Associates

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

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost, or if recognised upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, including the Group's investments in other long-term interests, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by PureTech is accounted for in accordance with IFRS 9.

1. Accounting policies — continued

Change in Accounting Policy

In these financial statements, the Group has adopted new accounting policies resulting in a change in accounting for leases. See updated accounting policy for leases (IFRS 16) below.

The Group has also adopted the amendments to IAS 28 Investments in Associates that addresses the dual application of IAS 28 and IFRS 9 (see below) when equity method losses are applied against Long-Term Investments (LTI), as defined in IAS 28. The amendments provide the annual sequence in which both standards are to be applied in such a case. The amendment did not have an impact on the Group's financial statements as the Group has not yet had an investment in an associate where it applied the equity method losses against a LTI.

All other accounting policies have remained unchanged from the previous year.

IFRS 9, Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes.

Contemporaneous documentation is still required but is different than what was prepared under IAS 39.

The Group reviewed the financial liabilities reported on its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the Subsidiary notes payable, Derivative liability, Warrant liability, and Preferred share liability. Based on this assessment of the classification and measurement model, impairment and interest income, the accounting impact on financial liabilities was determined not to be material. As part of the transition requirement, entities have the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and has elected not to split out embedded derivatives and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The Group also reviewed the financial assets reported on its Consolidated Statements of Financial Position and notes no changes in the application of IFRS 9.

The accounting policy (effective from 1 January 2018) is as follows:

Financial Instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

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

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Accounting policies — continued

The Group has reviewed the financial assets and liabilities and determined the following impact from the adoption of the new standard:

Financial Assets

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

Investments held at fair value are non-derivative instruments that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Company elects if the gain or loss will be recognised in Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis. Financial assets that are recognised through FVOCI are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period. The Company has elected to record the changes in fair values for most financial assets falling under this category through profit and loss. Please refer to Note 5.

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on active markets. These financial assets are carried at the amounts expected to be received less any allowance for doubtful debts. Provisions are made where there is evidence of a risk of nonpayment, taking into account aging, previous experience and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision and then to the Consolidated Statements of Comprehensive Income/(Loss). Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

Financial Liabilities

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

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

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

Equity Instruments Issued by the Group

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

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

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

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

IFRS 15, Contract Revenue

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's contract revenue is generated from licenses, services, and collaboration arrangements. The Group adopted IFRS 15 with effect from 1 January 2018 using the Modified Retrospective approach. The adoption of this standard did not have an impact to the consolidated results.

1. Accounting policies — continued

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

Revenue generated by collaboration and service agreements is accounted for under IFRS 15. The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

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

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

It was determined that the Group has contracts that meet criteria (a), since the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs as well as one contract that meets criteria (b) above. Therefore revenue is recognised over time using the input method based on labour hours, laboratory expenses and supplies.

For cases where the entity does not have an enforceable right to payment due to acceptance clauses, it was determined that costs incurred to fulfil the services are to be capitalised until acceptance is received for the milestone. This resulted in PureTech capitalising service-related expenses as of 31 December 2017 and recognising the consideration as revenue once acceptance was received during 2018.

Grant Income

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

The Company submits qualifying expenses for reimbursement for certain expenses after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. Grant income is recognised in the Consolidated Statements of Comprehensive Income/(Loss) over the periods in which the Company recognises the related reimbursable expense for which the grant is intended to compensate.

1. Accounting policies — continued

Functional and Presentation Currency

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

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognised in the Consolidated Statement of Comprehensive Income/(Loss) except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Cash and Cash Equivalents

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

Share Capital

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

Property and Equipment

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

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

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

Intangible Assets

Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortisation, if amortisation has commenced, and impairment losses. Intangible assets with finite lives are amortised from the time they are available for use. 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.

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

Impairment

Impairment of Non-Financial Assets

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

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

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

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

1. Accounting policies — continued

Impairment of Financial Assets Carried at Fair Value

The Group's financial assets are carried at fair value through Other Comprehensive Income/(Loss) or through profit and loss, depending on the election taken for each instrument. Financial assets that carried at fair value through Other Comprehensive Income/(Loss) are reviewed at each reporting period to assess whether there is objective evidence that the assets should be impaired. An impairment loss is recognised when there is a significant or prolonged decline in fair value below the instrument's cost. If an instrument is impaired, the impairment loss is calculated and recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Measured at Amortised Cost

The Group assesses financial assets measured at amortised cost for impairment at each reporting period. These financial assets are impaired if one or more loss events occur after initial recognition that impact the estimated future cash flows of the asset. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate and is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Employee Benefits

Short-Term Employee Benefits

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

Defined Contribution Plans

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

Share-based Payments

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

Development Costs

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

Provisions

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

Leases

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

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

1. Accounting policies — continued

Existing finance leases continue to be treated as finance leases. For existing operating leases, the Group has applied a modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information was not restated. Upon transition, the Group has applied the following practical expedients:

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

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

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

The lease liability was initially measured at the present value of the lease payments that were not paid at the transition date, discounted by using the rate implicit in the lease, or if that rate was not readily determinable, the Group used its incremental borrowing rate. The right-of-use asset is depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

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

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

The cumulative impact resulted mainly from lease term extensions under IFRS 16 offset by the exclusion of short term leases and leases of low value assets.

In January and April 2019, the Company entered into additional leases that added substantially more right of use assets and lease liabilities to the statement of financial position. This includes three different spaces for the Company and its consolidated subsidiaries, amounting to approximately $42 million of additional future lease commitments. In June and August 2019, the Company entered into two sublease agreements. Further information regarding the subleases, right of use asset and lease liability can be found in Note 20.

Finance Income and Finance Costs

Finance income is comprised of interest income on funds invested in US treasuries, which is recognised as it accrues in the Consolidated Statements of Comprehensive Income/(Loss) via the effective interest method. Finance costs comprise loan interest expenses and the changes in the fair value of warrant and derivative liabilities associated with financing transactions.

Taxation

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

For the years ended 31 December 2019 and 2018, the Group filed a consolidated US income tax return which included all subsidiaries in which the Company owned greater than 80.0 per cent of the vote and value. For the years ended 31 December 2019 and 2018, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Company owned greater than 50.0 per cent of the vote and value. The remaining subsidiaries file separate US tax returns.

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

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

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

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

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

1. Accounting policies — continued

Deferred Revenue and Deferred Costs

Deferred revenue includes amounts that are receivable or have been received per contractual terms but have not been recognised as revenue since performance has not yet occurred or has not yet been completed. Deferred costs represent costs to fulfil a contract and include capitalised labour and research and development expenditures. The Company classifies non-current deferred revenue and deferred costs for any transaction which is expected to be recognised beyond one year or one operating cycle.

Fair Value Measurements

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

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

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

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

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

Operating Segments

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

Prior period reclassification

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

2. New Standards and Interpretations Not Yet Adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods commencing on or after 1 January 2020 and have not been applied in preparing the consolidated financial information. The Company's assessment of the impact of these new standards and interpretations is set out below.

Effective 1 January 2020 the definition of a "business" has been amended as an amendment to IFRS 3 Business Combinations. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an entity chooses not to apply the concentration test, or fails the test, then the assessment focuses on the existence of an input and a substantive process applied to the input/s. These amendments are not expected to have an impact on the Company's financial statements.

As part of its amendments to IAS 1 and IAS 8, the IASB has refined its definition of 'material' and issued practical guidance on applying the concept of materiality. These amendments are effective 1 January 2020 and are not expected to have an impact on the Company's financial statements.

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

3. Revenue

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

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

All amounts recorded in contract revenue were generated in the United States. All of the Company's contracts as of 31 December 2019 and 2018 were determined to have a single performance obligation which consists of a combined deliverable of license to intellectual property and research and development services. Therefore revenue is recognised over time based on the inputs method which is a faithful depiction of the transfer of goods and services. Progress is measured based on costs incurred to date as compared to total projected costs.

3. Revenue — continued

Disaggregated Revenue

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

Timing of revenue recognition	**2019 $000s**	2018 $000s
Transferred at a point in time	**—**	13,415
Transferred over time	**8,688**	2,956
	8,688	16,371

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

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

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

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

Contract Balances

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

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. When applicable, contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

Contract Balances	**2019 $000s**	2018 $000s
Accounts receivable	**1,699**	151
Deferred revenue – long term	**1,220**	83
Deferred revenue – short term	**5,474**	6,560

During the year ended 31 December 2019, $5.0 million of revenue was recognised on deferred revenue outstanding at 31 December 2018.

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfilment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of 31 December 2019 was $7.6 million. The following table summarises when the Group expects to recognise the remaining performance obligations as revenue. The Group will recognise revenue associated with these performance obligations as transfer of control occurs:

	Less than 1 Year	**Greater than 1 Year**	**Total**
Remaining Performance Obligation	**6,344**	**1,220**	**7,564**

Cost to Fulfil a Contract

Contract fulfilment costs include direct labour for professional services, payments made to third parties for intellectual property licenses and direct materials. Incremental costs incurred to fulfil our contracts are capitalised if these costs (i) relate

3. Revenue — continued

directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. The revenue associated with direct labour for professional services is recognised over time; therefore the costs associated are expensed as incurred. The payments made to third parties for intellectual property licenses are capitalised when paid and recognised in line with associated revenue, whether this be over time or at a point in time. As of 31 December 2018, the Group has capitalised $0.8 million of cost to fulfil which are included within Prepaid expenses and other current assets as well as Other non-current assets on the Consolidated Statement of Financial Position. As of 31 December 2019 the remaining unamortised balance was $0.3 million.

4. Segment Information

Basis for Segmentation

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

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

Internal

The Internal segment (the "Internal segment"), is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases, and neuroimmune disorders. The Internal segment is comprised of the technologies that will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development. As of 31 December 2019, this segment included PureTech LYT (formerly Ariya Therapeutics) and PureTech LYT 100.

Controlled Founded Entities

The Controlled Founded Entity segment (the "Controlled Founded Entity segment") is comprised of the Group's subsidiaries that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. These subsidiaries have active research and development programmes and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the company. As of 31 December 2019, this segment included Alivio Therapeutics, Inc., Commense Inc., Entrega, Inc., Follica Incorporated, Sonde Health, Inc., and Vedanta Biosciences, Inc.

Non-Controlled Founded Entities

The Non-Controlled Founded Entities segment (the "Non-Controlled Founded Entities segment") is comprised of the entities in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the subsidiaries' Board of Directors. Upon deconsolidation of an entity the segment disclosure is restated to reflect the change on a retrospective basis, as this constitutes a change in the composition of its reportable segments. As of 31 December 2019, the Non-Controlled Founded Entities segment included resTORbio, Inc. ("resTORbio"), Akili Interactive Labs, Inc. ("Akili"), Vor Biopharma Inc. ("Vor"), Karuna Therapeutics, Inc. ("Karuna"), and Gelesis Inc. ("Gelesis").

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

Parent Company and Other Segment

The Parent Company and Other segment includes activities that are not directly attributable to the operating segments, such as the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This segment also captures the accounting for the Company's holdings in entities for which control has been lost, which is inclusive of the following items: gain on deconsolidation, gain or loss on investments held at fair value, gain on loss of significant influence, and the share of net loss of associates accounted for using the equity method. As of 31 December 2019, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc. and PureTech Securities Corp., as well as certain other dormant, inactive and shell entities.

4. Segment Information — continued

Information About Reportable Segments:

	2019				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	6,064	2,487	—	137	8,688
Grant revenue	15	1,104	—	—	1,119
Total revenue	6,079	3,591	—	137	9,807
General and administrative expenses	(2,385)	(14,436)	(10,439)	(32,098)	(59,358)
Research and development expenses	(25,977)	(42,780)	(15,555)	(1,536)	(85,848)
Total operating income/(expense)	(28,362)	(57,216)	(25,994)	(33,634)	(145,206)
Other income/(expense):					
Gain on deconsolidation	—	—	—	264,409	264,409
Gain/(loss) on investments held at fair value	—	—	—	(37,863)	(37,863)
Gain/(loss) on disposal of assets	17	(39)	—	(60)	(82)
Gain on loss of significant influence	—	—	—	445,582	445,582
Other income/(expense)	—	166	—	(45)	121
Total other income/(expense)	17	127	—	672,023	672,167
Net finance income/(costs)	—	(16,947)	(30,141)	941	(46,147)
Share of net income/(loss) of associates accounted for using the equity method	—	—	—	30,791	30,791
Impairment of investment in associate	—	—	—	(42,938)	(42,938)
Income/(loss) from continuing operations	(22,266)	(70,445)	(56,135)	627,320	478,474
Income/(loss) before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(21,889)	(48,996)	(21,873)	640,298	547,540
Finance income/(costs) – subsidiary preferred shares	—	107	(1,564)	(1)	(1,458)
Finance income/(costs) – IFRS 9 fair value accounting	—	(17,294)	(28,737)	(444)	(46,475)
Share-based payment expense	(5)	(1,678)	(3,543)	(9,242)	(14,468)
Depreciation of tangible assets	(376)	(1,531)	(207)	(1,114)	(3,228)
Amortisation of ROU assets	—	(1,060)	(83)	(2,177)	(3,320)
Amortisation of intangible assets	4	7	(128)	—	(117)
Taxation	—	(134)	(162)	(112,113)	(112,409)
Income/(loss) for the year	(22,266)	(70,579)	(56,297)	515,207	366,065
Other comprehensive income/(loss)	—	—	(10)	—	(10)
Total comprehensive income/(loss) for the year	(22,266)	(70,579)	(56,307)	515,207	366,055
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(7,001)	(54,719)	(32,353)	515,207	421,134
Non-controlling interests	(15,265)	(15,860)	(23,954)	—	(55,079)
Consolidated Statements of Financial Position:					
Total assets	17,614	41,612	—	881,952	941,178
Total liabilities	12,076	132,935	—	145,768	290,779
Net assets/(liabilities)	5,538	(91,324)	—	736,184	650,399

4. Segment Information — continued

	2018				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	2,110	14,233	—	29	16,371
Grant revenue	86	4,271	20	—	4,377
Total revenue	2,195	18,504	20	29	20,748
General and administrative expenses	(1,498)	(10,212)	(16,385)	(19,270)	(47,365)
Research and development expenses	(8,929)	(36,930)	(29,851)	(1,692)	(77,402)
Total operating income/(expense)	(10,427)	(47,142)	(46,236)	(20,962)	(124,768)
Other income/(expense):					
Gain on deconsolidation	—	—	—	41,730	41,730
Gain/(loss) on investments held at fair value	—	—	—	(34,615)	(34,615)
Gain/(loss) on disposal of assets	—	—	—	4,054	4,054
Gain on loss of significant influence	—	—	—	10,287	10,287
Other income/(expense)	—	—	104	(405)	(302)
Other income/(expense)	—	—	104	21,051	21,154
Net finance income/(costs)	—	5,341	5,945	14,631	25,918
Share of net income/(loss) of associate accounted for using the equity method	—	—	—	(11,490)	(11,490)
Income/(loss) from continuing operations	(8,232)	(23,297)	(40,167)	3,258	(68,438)
(Loss)/income before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(8,210)	(24,344)	(38,761)	(4,234)	(75,549)
Finance income/(costs) – subsidiary preferred shares	—	—	—	(106)	(106)
Finance income/(costs) – IFRS 9 fair value accounting	—	5,341	5,516	11,775	22,631
Share-based payment expense	(11)	(2,465)	(6,262)	(3,899)	(12,637)
Depreciation of tangible assets	(7)	(1,823)	(390)	(256)	(2,476)
Amortisation of intangible assets	(4)	(6)	(270)	(22)	(302)
Taxation	—	(381)	(185)	(1,655)	(2,221)
Income/(loss) for the year	(8,454)	(26,206)	(41,239)	5,239	(70,659)
Other comprehensive income/(loss)	—	(214)	—	(26)	(240)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,239)	5,213	(70,899)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,139)	(15,710)	(32,258)	5,213	(43,894)
Non-controlling interests	(7,315)	(10,710)	(8,980)	—	(27,005)
Consolidated Statements of Financial Position:					
Total assets	2,984	15,603	35,934	387,240	441,761
Total liabilities	13,366	60,992	202,161	(1,731)	274,788
Net (liabilities)/assets	(10,381)	(45,389)	(166,227)	388,970	166,973

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

The activity between the Parent and the reporting segments has been eliminated in consolidation. These elimination amounts are allocated to the subsidiaries.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in Note 16. The Non-Controlled Founded Entities consist of the Company's minority interest holdings.

5. Investments held at fair value

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

Investments held at fair value	$000's
Balance at 1 January 2018	131,351
Deconsolidation of Akili	70,748
Reclassification of investment between investment in associate and investment held at fair value	2,297
Gain – comprehensive income/(loss)	(26)
Loss – fair value through profit and loss	(34,615)
Balance at 31 December 2018 and 1 January 2019	169,755
Deconsolidation of subsidiaries (Vor, Karuna and Gelesis, please refer to Note 6)	138,571
Reclassification of Karuna investment between investment in associate and investment held at fair value	(118,006)
Gain on Karuna investment at initial public offering[1]	40,633
Cash purchase of Gelesis convertible notes (please refer to Note 6)	6,480
Cash purchase of Gelesis preferred shares (please refer to Note 6)	8,020
Reclassification of Karuna investment at loss of significant influence	557,243
Sale of resTORbio shares	(9,295)
Loss – fair value through profit and loss[1]	(78,496)
As of 31 December 2019	**714,905**

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

Vor

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

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

As a result of the issuance of Series A-2 preferred shares to third-party investors, PureTech's ownership percentage and corresponding voting rights dropped from 79.5 per cent to 47.5 per cent, and PureTech simultaneously gave up control on Vor's Board of Directors, both of which triggered a loss of control over the entity. As of 12 February 2019, Vor was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Vor through the deconsolidation date being included in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Vor, it was concluded that PureTech still had significant influence over Vor by virtue of its large, albeit minority, ownership stake and its continued representation on Vor's Board of Directors. PureTech still has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. During the year ended 31 December 2019, the Company recognised a $6.4 million gain on the deconsolidation of Vor, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

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

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

Karuna

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

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

5. Investments held at fair value — continued

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

Upon the date of deconsolidation, PureTech held both preferred and common shares in Karuna and a warrant issued by Karuna to PureTech. The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and will be treated as financial assets held at fair value, and all movements to the value of preferred shares held by PureTech will be recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $72.4 million. Subsequent to deconsolidation, PureTech purchased an additional $5.0 million of Karuna Series B Preferred shares, for a total fair value immediately following deconsolidation of $77.4 million.

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

As of 2 December 2019 it was concluded that the Company no longer exerted significant influence over Karuna owing to the resignation of the PureTech designee from Karuna's board of directors, with PureTech retaining no ability to reappoint representation. As such, PureTech lost the power to participate in the financial and operating policy decisions of Karuna. As a result, Karuna is no longer deemed an Associate and does not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. For the period of 28 June 2019 through 2 December 2019, PureTech's investment in Karuna was subject to equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of losses generated by Karuna (weighted average of 31.4 per cent based on common stock ownership interest), which resulted in a net loss of associates accounted for using the equity method of $6.4 million during the year ended 31 December 2019.

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

Akili

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

As PureTech did not hold common shares in Akili upon deconsolidation and the preferred shares it holds do not have equity-like features, the voting percentage attributable to common shares is nil. Therefore, PureTech had no basis to account for its investment in Akili under IAS 28. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of PureTech's share in the preferred shares will be recorded through the Consolidated Statements of Comprehensive Income/(Loss), in accordance with IFRS 9. During the year ended 31 December 2019 and 2018, the Company recognised a gain of $11.5 million and $12.7 million, respectively, that was recorded on the line item Loss on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

5. Investments held at fair value — continued

resTORbio

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

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

As of 6 November 2018, it was that concluded the Company no longer exerted significant influence over resTORbio, as PureTech lost the power to participate in the financial and operating policy decisions of resTORbio. As a result, resTORbio is no longer deemed an Associate and does not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. For the period of 1 January 2018 through 5 November 2018, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio, that resulted a net loss of associates accounted for using the equity method of $11.5 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Share of net loss of associates accounted for using the equity method during the year ended 31 December 2018. This change led PureTech to recognise a gain on loss of significant influence of $10.3 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Gain on loss of significant influence during the year ended 31 December 2018. Additionally, PureTech recorded a loss of $33.0 million for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Income/(Loss) on the line item Loss on financial asset during the year ended 31 December 2018.

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

Gain on deconsolidation

The following table summarises the gain on deconsolidation recognised by the Company:

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

6. Investments in Associates

Gelesis

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

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

Upon the date of deconsolidation, PureTech held shares of preferred shares and common shares of Gelesis and a warrant issued by Gelesis to PureTech. PureTech's investment in common shares of Gelesis is subject to equity method accounting with an initial investment of $16.4 million. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by Gelesis subsequent to the date of deconsolidation. PureTech recognised its share in the net profit of Gelesis (weighted average of 49.8 per cent based on common stock ownership interest) for the period from deconsolidation date until 31 December 2019 in the amount of $37.1 million.

The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and will be treated as financial assets held at fair value and all movements to the value of PureTech's share in the preferred shares will be recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $49.2 million.

During the year ended 31 December 2019, the Company recognised a loss of $18.7 million related to the preferred shares and warrants that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). This loss occurred as a result of the Gelesis Series 3 Growth financing, which was executed with terms that resulted in a decrease in fair value across all other classes of preferred shares.

On 12 August 2019, Gelesis issued a convertible promissory note to the Company in the amount of $2 million. On 7 October 2019, Gelesis issued an amended and restated convertible note (the "Gelesis Note") to the Company in the principal amount of up to $6.5 million. The Gelesis Note was payable in instalments, with $2.0 million of the note drawn down upon execution of the original note in August 2019 and an additional $3.3 million and $1.2 million drawn down on 7 October 2019 and 5 November 2019, respectively. The Gelesis Note was convertible upon the occurrence of Gelesis' next qualified equity financing, or at the demand of the Company at any date after 31 December 2019. The Gelesis Note falls under the guidance of IFRS 9 and will be treated as a financial asset held at fair and all movements to the value of the note will be recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

On 5 December 2019, Gelesis closed its Series 3 Growth Preferred Stock financing, at which point all outstanding principal and interest under the Gelesis Note converted into shares of Series 3 Growth Preferred Stock. In addition to the shares issued upon conversion of the Gelesis Note, PureTech purchased $8 million of Series 3 Growth Preferred Stock in the December financing.

Impairment loss

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

6. Investments in Associates — continued

During the year ended 31 December 2019, the total fair value of common shares was determined utilising a hybrid valuation approach with significant unobservable inputs within the PureTech valuation framework (refer to Note 16). The multi-scenario hybrid valuation approach utilised the recent transaction method within an option pricing framework and an IPO scenario within a probability-weighted-expected return framework to determine the value allocation for the common share class of Gelesis. The fair value of the common shares was determined as the calculated business enterprise value allocated to the outstanding common shares treated as call options within the OPM or the value of common shares within the PWERM. The PWERM maintained a 75.0 per cent probability of occurrence while the OPM maintained a 25.0 per cent probability of occurrence. The probability weighted term to exit was 1.57 years. The discount rate utilised was 20.0 percent while the risk-free rate and volatility utilised were 1.62 per cent and 56.0 per cent, respectively.

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

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

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

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

Year ended 31 December	2019 $000s
Percentage ownership interest – common stock	**49.3%**
Non-current assets	**369,336**
Current assets	**40,079**
Non-current liabilities	**82,406**
Current liabilities	**216,852**
Net assets (100%)	**110,157**
Group's share of net assets (49.3%)	**54,340**
Share in associate's equity settled share based payments	**(760)**
Investment before impairment	**53,580**
Impairment of investment in associate	**(42,938)**
Investment in associate	**10,642**
Revenue	—
Income from continuing operations (100%)	**74,573**
Total comprehensive income (100%)	**74,573**
Group's share of total comprehensive income (49.8%)	**37,136**

7. Operating Expenses

Total operating expenses were as follows:

For the years ending 31 December:	**2019 $000s**	2018 $000s
General and administrative	**59,358**	47,365
Research and development	**85,848**	77,402
Total operating expenses	**145,206**	124,767

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

For the years ending 31 December:	**2019**	2018
General and administrative	**39**	55
Research and development	**90**	90
Total	**129**	145

The aggregate payroll costs of these persons were as follows:

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

Detailed operating expenses were as follows:

For the years ending 31 December:	**2019 $000s**	2018 $000s
Salaries and wages	**27,703**	27,274
Healthcare benefits	**1,511**	1,465
Payroll taxes	**1,468**	1,672
Share-based payments	**14,468**	12,637
Total payroll costs	**45,150**	43,048
Other selling, general and administrative expenses	**34,890**	24,426
Other research and development expenses	**65,166**	57,293
Total other operating expenses	**100,056**	81,719
Total operating expenses	**145,206**	124,767

Auditors remuneration:

For the years ended 31 December:	**2019 $000s**	2018 $000s
Audit of these financial statements	**870**	652
Audit of the financial statements of subsidiaries	**290**	200
Audit-related assurance services	**163**	162
Non-audit related services	**778**	159
Taxation	**—**	—
Total	**2,101**	1,173

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

8. Share-based Payments

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

Share-based Payment Expense

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

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

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

There was no income tax benefit recognised for share-based payment arrangements during the periods presented due to existence of operating losses for all issuing entities. In conjunction with the acquisition of the remaining minority interests of Ariya Therapeutics Inc. ("Ariya") PureTech Health granted options to the co-inventors and advisors of Ariya to purchase 2,147,295 ordinary shares under the PureTech Health Performance Share Plan (please refer to Note 16). Upon the conclusion of the transaction, Ariya was subsequently renamed PureTech LYT.

The Performance Share Plan

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

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

RSUs

During the twelve months ended 31 December 2019 and 2018, the Company issued 1,775, 568 and 2,860,782 performance based RSUs under the PSP, respectively.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are based on a cliff vesting schedule over a three-year requisite service period in which the Company recognises compensation expense on a graded basis for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions.

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

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

The performance conditions attached to the 2019 RSU awards are based on the achievement of total shareholder return ("TSR"), with 50.0 per cent of the shares under award vesting based on the achievement of absolute TSR targets, 12.5 per cent of the shares under the award vesting based on TSR as compared to the FTSE 250 Index, 12.5 per cent of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25.0 per cent of the shares under the award vesting based on the achievement of strategic targets. The RSU award performance criteria have changed over time as the criteria is continually evaluated by the Group's Remuneration Committee.

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

8. Share-based Payments — continued

Stock Options

During the twelve months ended 31 December 2019 and 2018, the Company granted 3,634,183 and 2,796,820 stock option awards under the PSP, respectively.

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

At 31 December:	2019	2018
Expected volatility	**35.68%**	44.18%
Expected terms (in years)	**5.81**	6.08
Risk-free interest rate	**1.85%**	2.79%
Expected dividend yield	**—**	—
Grant date fair value	**$2.23**	$0.96
Share price at grant date	**$2.57**	$2.05

The Company incurred share-based payment expense for the stock options of $9.2 million and $1.4 million for the twelve months ended 31 December 2019 and 2018, respectively. The significant increase for the year ended 31 December 2019, as compared to the year ended 31 December 2018, is largely attributable to the amortisation of share based payments awarded to the Ariya founders.

As of 31 December 2019, 4,229,793 incentive options are exercisable with a weighted-average exercise price of $1.42. Exercise prices ranged from $0.01 to $4.62.

PureTech LLC Incentive Stock Issuance

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

The Company incurred an expense of nil and $0.2 million in share-based payment expense for the twelve months ended 31 December 2019 and 2018, respectively, related to PureTech Health LLC incentive compensation.

As of 31 December 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

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

1 These shares represent the options outstanding on the date of deconsolidation of Karuna and Gelesis.
2 These share represent the option outstanding on the date of conversion to PureTech stock options.

8. Share-based Payments — continued

	Outstanding as of 1 January 2018	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of 31 December 2018
Gelesis	2,728,232	953,500	—	—	—	3,681,732
Alivio	2,393,750	—	—	—	—	2,393,750
Akili	2,385,355	—	—	—	(2,385,355)[1]	—
PureTech LYT	—	2,180,000	—	—	—	2,180,000
Commense	418,750	121,666	—	—	—	540,416
Entrega	867,750	60,000	—	(3,750)	(10,000)	914,000
Follica	1,271,302	—	—	(41,850)	—	1,229,452
Karuna	855,427	1,111,000	—	(4,125)	(12,375)	1,949,927
Knode	32,500	—	—	(32,500)	—	—
Sonde	35,000	—	—	(6,250)	(6,250)	22,500
Tal	1,663,806	—	—	(30,250)	(2,750)	1,630,806
The Sync Project	1,080,000	—	—	—	(1,080,000)	—
Vedanta	1,194,014	278,786	—	(24,800)	(74,250)	1,373,750

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

The weighted average exercise prices for the options outstanding as of 1 January 2019 were as follows:

Outstanding at 1 January 2019	Number of options	Weighted-average exercise price $
Alivio	**2,393,750**	**0.03**
Entrega	**914,000**	**0.71**
Follica	**1,229,452**	**0.92**
Sonde	**22,500**	**0.12**
Vedanta	**1,373,750**	**9.30**

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

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

The weighted average exercise prices for options forfeited during the year ended 31 December 2019 were as follows:

Forfeited during the year ended 31 December 2019	Number of options	Weighted-average exercise price $
Gelesis	**3,571,346**	**7.48**
Alivio	**21,875**	**0.49**
PureTech LYT	**2,180,000**	**0.01**
Commense	**540,416**	**0.13**
Karuna	**1,949,927**	**5.10**
Vedanta	**77,843**	**1.31**

8. Share-based Payments — continued

The weighted average exercise prices for options exercisable as of 31 December 2019 were as follows:

Exercisable at 31 December 2019	Number of Options	Weighted-average exercise price	Exercise Price Range
Alivio	**1,419,750**	**$0.04**	**$0.03 – $0.49**
Entrega	**882,062**	**$0.60**	**$0.03 – $2.36**
Follica	**1,118,635**	**$0.89**	**$0.03 – $1.40**
Sonde	**191,405**	**$0.18**	**$0.13 – $0.20**
Vedanta	**1,081,005**	**$7.05**	**$0.02 – $19.94**

Significant Subsidiary Plans

Vedanta 2010 Stock Incentive Plan

In 2010, the Board of Directors for Vedanta approved the 2010 Stock Incentive Plan (the "Vedanta Plan"). Through subsequent amendments, as of 31 December 2019, it allowed for the issuance of 2,145,867 share-based compensation awards through incentive share options, nonqualified share options, and restricted shares to employees, directors, and nonemployees providing services to Vedanta. At 31 December 2019, 595,642 shares remained available for issuance under the Vedanta Plan.

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

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

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

Assumption/Input	**2019**	2018
Expected award life (in years)	**5.86 – 6.07**	6.03 – 6.16
Expected award price volatility	**89.24% – 95.46%**	91.60% – 92.56%
Risk free interest rate	**1.73% – 1.88%**	2.65% – 2.78%
Expected dividend yield	**—**	—
Grant date fair value	**$14.12 – $15.61**	$11.21 – $11.26
Share price at grant date	**$18.71 – $19.94**	$14.66

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

Gelesis 2016 Stock Incentive Plan

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

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

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

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

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

8. Share-based Payments — continued

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

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

Karuna Pharmaceuticals, Inc. 2009 Stock Incentive Plan

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

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

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

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

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

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

Other Plans

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

9. Finance Cost, net

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

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

10. Earnings/(Loss) per Share

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

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

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

Weighted-Average Number of Ordinary Shares:

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 1 January	**282,493,867**	**282,493,867**	236,897,579	236,897,579
Effect of shares issued	**932,600**	**932,600**	36,950,688	36,950,688
Effect of dilutive shares	**—**	**8,355,866**	—	—
Weighted average number of ordinary shareholders at 31 December	**283,426,467**	**291,782,333**	273,848,267	273,848,267

Earnings/(Loss) per Share:

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

11. Property and Equipment

Cost	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2018	6,082	469	1,214	2,899	74	10,738
Additions, net of transfers	1,586	27	477	2,070	171	4,331
Disposals	(261)	(8)	(260)	(27)	—	(556)
Exchange differences	(101)	—	—	(18)	(6)	(125)
Balance as of 31 December 2018	7,306	488	1,431	4,924	239	14,388
Additions, net of transfers	3,374	1,126	175	13,494	4,649	22,818
Disposals	(183)	(168)	(9)	(45)	—	(405)
Deconsolidation of subsidiaries	(3,076)	—	(137)	(754)	(4,190)	(8,157)
Reclassifications	(25)	6	48	36	(76)	(11)
Exchange differences	(11)	—	—	1	24	14
Balance as of 31 December 2019	**7,385**	**1,452**	**1,508**	**17,656**	**646**	**28,647**

Accumulated depreciation and impairment loss	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2017	(2,360)	(175)	(534)	(807)	—	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)	—	(2,476)
Disposals	114	2	74	20	—	210
Exchange differences	56	—	—	21	—	77
Balance as of 31 December 2018	(3,222)	(233)	(756)	(1,854)	—	(6,065)
Depreciation	(1,328)	(144)	(312)	(1,448)	—	(3,232)
Disposals	102	138	5	20	—	265
Deconsolidation of subsidiaries	1,457	—	53	319	—	1,829
Reclassifications	15	—	(20)	6	—	1
Exchange differences	8	—	—	2	—	10
Balance as of 31 December 2019	**(2,968)**	**(239)**	**(1,030)**	**(2,955)**	**—**	**(7,192)**

11. Property and Equipment — continued

Property and Equipment, net	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 31 December 2018	4,084	255	675	3,070	239	8,323
Balance as of 31 December 2019	**4,417**	**1,213**	**478**	**14,701**	**646**	**21,455**

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

12. Intangible Assets

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

Cost	Licenses $000s
Balance at 1 January 2018	5,018
Additions	125
Deconsolidation of subsidiary	(76)
Balance as of 31 December 2018	5,067
Additions	400
Deconsolidation of subsidiaries	(4,842)
Balance as of 31 December 2019	**625**

Accumulated amortisation	Licenses $000s
Balance at 1 January 2018	(1,709)
Amortisation	(302)
Deconsolidation of subsidiary	24
Balance as of 31 December 2018	(1,987)
Amortisation	(117)
Deconsolidation of subsidiary	2,104
Balance as of 31 December 2019	**—**

Intangible assets, net	Licenses $000s
Balance as of 31 December 2018	3,080
Balance as of 31 December 2019	**625**

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

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

13. Other Financial Assets

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

As of 31 December	**2019 $000s**	2018 $000s
Restricted cash	**2,124**	2,199
Total other financial assets	**2,124**	2,199

14. Equity

Total equity for PureTech as of 31 December 2019 and 2018 was as follows:

Equity	31 December 2019 $000s	31 December 2018 $000s
Share capital, £0.01 par value, issued and paid 285,370,619 and 282,493,867 as of 31 December 2019 and 2018, respectively	**5,408**	5,375
Merger reserve	**138,506**	138,506
Share premium	**287,962**	278,385
Translation reserve	**—**	10
Other reserves	**(18,282)**	20,923
Retained earnings/(accumulated deficit)	**254,444**	(167,692)
Equity attributable to owners of the Group	**668,037**	275,507
Non-controlling interests	**(17,640)**	(108,535)
Total equity	**650,397**	166,972

Changes in share capital and share premium relate primarily to acquisition of Ariya non-controlling interest and incentive options exercises during the period.

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

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

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognised through Consolidated Statements of Comprehensive Income/(Loss).

15. Subsidiary Preferred Shares

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

The subsidiary preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above that specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of ordinary shares receivable on conversion will change and therefore, a variable number of shares will be issued. Because the possible conversion of the preferred shares is outside of the control of the Group, these have been classified as liabilities on the balance sheet and subsequently remeasured at fair value through the profit and loss.

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

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

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

As of 31 December	2019 $000s	2018 $000s
Entrega	**3,222**	2,780
Follica	**11,663**	60
Gelesis	**—**	140,192
Karuna	**—**	32,342
Sonde	**7,212**	—
The Sync Project	**—**	109
Tal	**—**	113
Vedanta Biosciences	**78,892**	41,923
Total subsidiary preferred share balance	**100,989**	217,519

As of 31 December 2019, the total subsidiary preferred share balance decreased owing to the deconsolidation of Karuna and Gelesis.

15. Subsidiary Preferred Shares — continued

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

As of 31 December 2019 and 2018, the minimum liquidation preference reflects the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

As of 31 December	**2019 $000s**	2018 $000s
Entrega	**2,216**	2,216
Follica	**6,405**	1,895
Gelesis	**—**	77,301
Karuna	**—**	24,343
Sonde	**7,250**	—
Sync	**—**	109
Tal	**—**	113
Vedanta Biosciences	**77,161**	41,923
Total minimum liquidation preference	**93,032**	147,900

As of 31 December 2018, Tal ceased operations and was in the process of liquidated. Therefore, the liquidation preference shown above equals the cash on hand, as this will be paid out to existing investors.

As of 31 December 2019, the minimum liquidation preference decreased owing to the deconsolidation of Karuna and Gelesis.

For the years ended 31 December 2019 and 2018, the Group recognised the following changes in the value of subsidiary preferred shares:

	$000s
Balance as of 31 Balance as of 1 January 2018	215,635
Issuance of new preferred shares	54,537
Conversion of convertible notes	7,930
Decrease in value of preferred shares measured at fair value	(23,110)
Sale of The Sync Group	(1,062)
Deconsolidation of subsidiary	(36,517)
Accretion	106
Balance as of 31 December 2018 and 1 January 2019	217,519
Issuance of new preferred shares	51,048
Conversion of convertible notes	4,894
Increase in value of preferred shares measured at fair value	33,636
Finance costs	1,458
Deconsolidation of subsidiary	(207,346)
Other	(108)
Cash Distribution	(112)
Balance as of 31 December 2019	**100,989**

15. Subsidiary Preferred Shares — continued

2019

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

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

In April 2019, Gelesis completed further closings of its Series 2 Growth financing issuing 799,894 shares for proceeds of $10.2 million, of which $8.6 million was contributed by outside investors and $1.6 million was contributed by PureTech.

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

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

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

In September 2019, Vedanta received $16.7 million from outside investors through the issuance of its Series C-2 preferred shares in two separate closings. The issuances provided for the purchase of 711,772 Series C-2 shares at a purchase price of $23.28. PureTech Health did not participate in either closing. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

2018

In 2018, Gelesis received $16.8 million from outside investors through the issuance of its Series 2 Growth preferred shares as part of a $30.0 million financing with multiple closings. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In May 2018, Akili issued Series C preferred shares for aggregate proceeds of $55.0 million; PureTech Health did not participate in this financing. Upon closing of Akili's Series C financing, the subsidiary was deconsolidated by PureTech Health (please refer to Note 3).

In August 2018, Karuna issued Series A preferred shares for aggregate proceeds of $42.1 million, of which $23.9 came from outside investors. In conjunction with the August 2018 issuance of Series A preferred shares, $26.1 million of outstanding principal and accrued interest on notes payable converted, of which $7.9 million related to outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

On 21 December 2018, Vedanta issued Series C preferred shares for aggregate proceeds of $26.7 million, of which $21.7 million came from outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

16. Financial Instruments

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

Subsidiary Preferred Shares Liability and Subsidiary Convertible Notes

The following table summarises the changes in the Group's subsidiary preferred shares and convertible note liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Preferred Shares $000s	Subsidiary Convertible Notes $000s
Balance at 31 December 2016	—	—
Value of derivatives at issuance	—	—
Change in fair value	—	—
Balance at 1 January 2018	215,635	11,343
Adjustment for IFRS 9 implementation		
Value at issuance	54,537	5,824
Conversion	7,930	(7,581)
Deconsolidation of preferred shares	(36,517)	—
Change in fair value	(24,066)	(128)
Balance at 31 December 2018 and 1 January 2019	**217,519**	**9,458**
Value at issuance	51,048	1,607
Conversion to preferred	4,894	(4,894)
Conversion to common	—	(2,418)
Deconsolidation	(207,346)	(5,017)
Change in fair value	33,636	1,389
Finance Costs	1,458	—
Other	(112)	—
Cash distribution	(108)	—
Balance at 31 December 2019	**100,989**	**125**

For financial instruments measured at fair value under IFRS 9 the change in the fair value of the entire instrument is reflected through profit and loss. The techniques used to determine fair value of the preferred shares and convertible notes included the market approach, the market backsolve approach and the discounted cash flow income approach. A market approach uses prices and other relevant information generated by recent market transactions involving identical or comparable assets or liabilities. The discounted cash flow income approach, which represents a Level 3 approach, relies upon unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of certain assets or liabilities. The market backsolve method is derived from the total equity that is implied by the most recent financing round in which the only truly observable value indicator is the financing round and the economic rights and the allocation inputs are implied by the terms of the financing, while volatility and term are Management inputs within the option pricing-method.

During the years ended 31 December 2019 and 2018, at each measurement date, the total fair value of preferred share, warrants and convertible note instruments, including embedded conversion rights that are not bifurcated, was determined using an OPM, PWERM or with or without framework which consisted of a three-step process detailed below.

First, the total business enterprise value of each business within the Group was determined using a discounted cash flow income approach or market approach, or market backsolve approach through a recent arm's length financing round.

Second, the principal methods that the Group applies for the allocation of value are the Option Pricing Method ("OPM") and the Probability-Weighted Expected Return Method ("PWERM").

- The OPM treats outstanding securities as call options on the enterprise's value or overall equity value. The value of a security is based on the optionality over and above the value of securities that are senior in the capital structure (e.g. preferred shares), which takes into consideration the dilutive effects of subordinate securities. In the OPM, the exercise price is based on a comparison with the overall equity value rather than per-share value.
- The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private or public enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class.

Third, the fair value of the preferred shares was determined as the calculated business enterprise value allocated to the outstanding preferred share classes treated as call options within the OPM or the value of preferred shares on a converted common share basis within the PWERM. For convertible notes, the fair value of the instrument, including the embedded conversion right which was not bifurcated, was also calculated using a with or without method.

16. Financial Instruments — continued

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the subsidiary preferred shares designated as Level 3 is as follows:

Option Pricing Model Inputs for Preferred Shares and Convertible Notes Liabilities under IFRS 9 at 31 December 2019:

	Range of Values			
Measurement Date	Expiration Date	Volatility	Risk Free Rate	Probability of IPO/M&A
31/12/2018	0.3 – 2.5 years	45.00% – 85.00%	2.47% – 2.60%	—%
31/12/2019	0.7 – 2.0 years	30.00% – 85.00%	1.58% – 1.60%	65%/35%

Probability Weighted Expected Return Method Inputs for Preferred Shares and Convertible Notes Liabilities under IFRS 9 at 31 December 2019:

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO/M&A/ Dissolution Sale
31/12/2018	0.75 – 1.00 years	50.0%/50.0%/0.0%
31/12/2019	—	—%

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's convertible note liabilities designated as Level 3 for the year ended 31 December 2018 is as follows:

	Range of Values	
Significant Unobservable Inputs	At Issuance	2018
Time to next qualified equity financing	1.00 – 2.03 years	0.33 – 1.50 years
Implied discount rate	11.3% – 2,459.0%	10.8% – 44.9%
Probability of a qualified financing or change of control	0.0% – 100.0%	95.0% – 100.0%

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorised within Level 3, are prepared and reviewed on their issuance date and then on an annual basis and any third-party valuations are reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS.

Subsidiary Preferred Shares Sensitivity

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's preferred share liabilities, which do not qualify for bifurcation and are recorded at fair value (please refer to Note 15).

	Subsidiary Preferred Share Liability	
Input		Financial Liability Increase/(Decrease)
As of 31 December	Sensitivity Range	$000s
Enterprise Value	-2%	(1,785)
	2%	1,784
Volatility	-10%	410
	10%	(459)
Time to Liquidity	-6 Months	565
	+6 Months	(501)
Risk-free Rate[1]	-0.08%/-0.03%	565
	+0.02%/+0.05%	(501)
IPO/M&A Event Probability	-10%	1,167
	+10%	(1,162)

1 Risk-free rate is a function of the time to liquidity input assumption.

The change in fair value of preferred shares are recorded in Finance cost, net in the Consolidated Statements of Comprehensive Income/(Loss).

Financial Assets Held at Fair Value

resTORbio Valuation

ResTORbio (NASDAQ: TORC) is a listed entity on an active exchange and as such the fair value as of 31 December 2019 was calculated utilising the quoted common share price. Please refer to Note 5 for further details.

Karuna Valuation

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

16. Financial Instruments — continued

Akili, Gelesis and Vor Valuation

In accordance with IFRS 9, the Company accounts for its preferred share investments in Akili, Gelesis and Vor as financial assets held at fair value through the profit and loss. During the year ended 31 December 2019, the Company recorded its investment at fair value and recognised a gain of $48.8 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value.

The following table summarises the changes in the Group's investments held at fair value using significant unobservable inputs (Level 3):

	$'000s
Balance at 1 January 2018	1,449
Deconsolidation of Akili	70,748
Gain/(Loss) on changes in fair value	12,966
Issuance of note receivable	—
Balance at 31 December 2018 and 1 January 2019	85,163
Deconsolidation of Vor	12,028
Deconsolidation of Karuna	77,373
Deconsolidation of Gelesis	49,170
Reclass of Karuna to Associate	(118,006)
Gain/(Loss) on changes in fair value	48,867
Issuance of note receivable	6,480
Conversion of note receivable	(6,630)
Balance at 31 December 2019	**154,445**

Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2019 and 2018:

	Range of Values	
PWERM (IPO Scenario) Measurement Date	Time to Anticipated Exit Event	Probability of IPO
31/12/2018	0.50 years	50.0%
31/12/2019	1.1 – 3.0 years	55.0% – 75.0%

	Range of Values		
OPM (Long-term Exit Scenario) Measurement Date	Expiration Date	Volatility	Risk Free Rate
31/12/2018	1.25 years	75.0%	2.56%
31/12/2019	1.13 – 3 years	56.0% – 80.0%	1.59% – 1.62%

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's investments held at fair value (please refer to Note 5):

	Investments Held at Fair Value	
Input		Financial Asset Increase/(Decrease)
As of 31 December	Sensitivity Range	$000s
Enterprise Value	-2%	(2,947)
	2%	2,947
Volatility	-10%	131
	10%	(143)
Time to Liquidity	-6 Months	20,699
	+6 Months	(17,711)
Risk-free Rate[1]	-0.08%/-0.02%	20,699
	+0.10%/+0.16%	(17,711)

1 Risk-free rate is a function of the time to liquidity input assumption.

16. Financial Instruments — continued

Warrants

Warrants issued by the Group are classified as liabilities, as they will be settled in a variable number of shares and are not fixed-for-fixed. The following table summarises the changes in the Group's subsidiary warrant liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Warrant Liability $000s
Balance at 1 January 2018	13,095
Adjustment for IFRS 9 implementation	—
Change in fair value	(83)
Balance at 31 December 2018	13,012
Warrant Issuance	4,706
Gelesis Deconsolidation	(21,611)
Change in fair value	11,890
Balance at 31 December 2019	**7,997**

In June 2019, Gelesis amended their existing license and patent agreement with One S.r.l. As a result of the amendment Gelesis issued One S.r.l. a warrant equal to 2.7 per cent of as converted shares following the next financing round. The fair value of the warrant was $4.7 million at issuance. On 1 July 2019, Gelesis deconsolidated and warrant liability of $21.6 million relating to Series A-1, A-3, A-4 and One S.r.l. warrants was derecognised.

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued Series A-1 preferred share warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of $0.1425 and a contractual term of 10 years from the date of issuance. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share. The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Consolidated Statements of Comprehensive Income/(Loss). The $8.0 million warrant liability at 31 December 2019 is attributable to the outstanding Follica preferred share warrants.

The following weighted average assumptions were utilised by the Company with respect to determining the fair value of the Follica warrants at 31 December 2019:

Assumption/Input	Series A-1 Warrants
Expected term	**3.66**
Expected volatility	**40.6%**
Risk free interest rate	**1.6%**
Expected dividend yield	**—%**
Estimated fair value of the convertible preferred shares	**$2.93**
Exercise price of the warrants	**$0.07**

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's warrant liabilities as of 31 December 2019:

	Warrant Liability	
Input		Financial Liability Increase/(Decrease)
As of 31 December	Sensitivity Range	$000s
Enterprise Value	-2%	(128)
	2%	127

16. Financial Instruments — continued

Fair Value Measurement and Classification

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

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

1 Issued by governments and government agencies, as applicable, all of which are investment grade.
2 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.
3 Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

	2018					
	Carrying amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries[1]	133,828	—	133,828	—	—	133,828
Certificates of deposit[2]	2,199	—	—	2,199	—	2,199
Other deposits[2]	100	—	—	100	—	100
Investments held at fair value	169,755	—	84,592	—	85,163	169,755
Loans and receivables:						
Trade and other receivables[3]	1,328	—	—	1,328	—	1,328
Total financial assets	307,210	—	218,420	3,627	85,163	307,210
Financial liabilities:						
Subsidiary warrant liability	—	13,012	—	—	13,012	13,012
Subsidiary preferred shares	—	217,519	—	—	217,519	217,519
Subsidiary notes payable	—	12,010	—	12,010	—	12,010
Total financial liabilities	—	242,541	—	12,010	230,531	242,541

1 Issued by governments and government agencies, as applicable, all of which are investment grade.
2 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.
3 Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. During the years ended 31 December 2019 and 2018, the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. The notes payable consist of the following:

As of 31 December	**2019 $000s**	2018 $000s
Loans	**1,330**	2,552
Convertible notes	**125**	9,458
Total subsidiary notes payable	**1,455**	12,010

17. Subsidiary Notes Payable — continued

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loans are secured by Follica's assets, including Follica's intellectual property. The outstanding loan balance totalled approximately $1.3 million as of each of 31 December 2019 and 2018.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €1.1 million as of 31 December 2018 (approximately $1.3 million). Gelesis was required to make interest payments only in fiscal years 2014 and 2015, with principal and interest payments from January 2017 through January 2024. As of Gelesis' deconsolidation, $0.9 million in outstanding principal and interest remained and the outstanding balance was derecognised.

Convertible Notes

Convertible Notes outstanding were as follows:

	Karuna $000s	Follica $000s	Knode $000s	Appeering $000s	Total $000s
1 January 2018	5,812	5,406	50	75	11,343
Gross principal	4,700	1,124	—	—	5,824
Change in fair value	(93)	(35)	—	—	(128)
Conversion	(7,581)	—	—	—	(7,581)
31 December 2018 and 1 January 2019	**2,838**	**6,495**	**50**	**75**	**9,458**
Gross principal	1,607	—	—	—	1,607
Change in fair value	572	817	—	—	1,389
Conversion to preferred	—	(4,894)	—	—	(4,894)
Conversion to common	—	(2,418)	—	—	(2,418)
Deconsolidation	(5,017)	—	—	—	(5,017)
31 December 2019	**—**	**—**	**50**	**75**	**125**

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

Substantially all Notes become due and payable on or after either 31 December of the year of issuance or on the thirtieth day following a demand by the majority of Note holders and bear interest at a rate of either 8.0 per cent (or 12.0 per cent upon an Event of Default) or 10.0 per cent (or 15.0 per cent upon an Event of Default). Interest is calculated based on actual days elapsed for a 360-day calendar year. Generally, the Notes cannot be prepaid without approval from the holders of a majority of the outstanding principle of a series of Notes. During the years ended 31 December 2019 and 2018, the Notes were assessed under IFRS 9 and the entire financial instruments are elected to be accounted for as FVTPL.

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 such term is defined in the applicable Note, the unpaid principal and interest amounts are automatically converted into shares of the subsidiary issued in the Qualifying Financing at a conversion price equal to the price at which shares are sold in such Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.
- Optional conversion feature – upon a Non-Qualified Financing, holders may convert the outstanding principal balance and unpaid interest to shares issued in the Non-Qualifying Financing at a conversion price equal to the price shares are sold in such Non-Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.
- Change of control features – The Notes also generally contain a put option such that, in the event of a Change of Control transaction of the respective subsidiary prior to conversion or repayment of the Notes, the holders will be paid an amount equal to two or three times the outstanding principal balance plus any accrued and unpaid interest, in cash, on the date of the Change of Control.

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

In May 2017 and September 2017, Follica received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bear interest at an annual rate of 10 per cent, mature 30 days after demand by the holder, are convertible into equity upon a qualifying financing event, and require payment of at least five times the outstanding principal and accrued interest upon a change of control transaction. On 19 July 2019, all of the outstanding notes, plus accrued interest, issued by Follica converted into 17,639,204 shares of Series A-3 Preferred Stock and 14,200,044 shares of common shares pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Third parties held 2,422,990 A-3 preferred shares and 1,981,944 common shares following the conversion. The preferred shares are classified as financial liabilities at fair value through the profit and loss. The common shares are accounted for as Non-controlling interests.

18. Non-Controlling Interest

During 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. As such, the Company has updated the following disclosures. Please refer to Note 4 "Segment Information" for further details regarding reportable segments.

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

	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Total $000s
Balance at 1 January 2018*	(1,484)	(18,869)	(125,758)	525	(145,586)
Share of comprehensive loss*	(7,315)	(10,710)	(8,980)	—	(27,005)
Deconsolidation of subsidiary*	—	—	55,168	—	55,168
Equity settled share-based payments*	—	2,476	6,345	67	8,888
Balance as of 31 December 2018 and 1 January 2019*	(8,799)	(27,103)	(73,225)	592	(108,535)
Share of comprehensive loss	(15,264)	(15,862)	(23,953)	—	(55,079)
Deconsolidation of subsidiaries	—	—	97,178	—	97,178
Subsidiary note conversion and changes in NCI ownership interest	—	23,049	—	—	23,049
Equity settled share-based payments		1,683	—	—	1,683
Purchase of minority interest	24,039	—	—	—	24,039
Other	24	—	—	1	25
Balance as of 31 December 2019	**—**	**(18,233)**	**—**	**593**	**(17,640)**

* During the year ended 31 December 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. Consequently, the Company has revised the 2018 financial information to conform to the presentation as of and for the period ending 31 December 2019.

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

	2019		
For the year ended 31 December:	**Internal $000s**	**Controlled Founded Entities $000s**	**Non-Controlled Founded Entities $000s**
Statement of Comprehensive Loss			
Total revenue	**6,078**	**1,968**	**—**
Income/(loss) for the year	**(24,289)**	**(26,250)**	**(47,905)**
Other comprehensive income/(loss)	**—**	**—**	**(10)**
Total comprehensive income/(loss) for the year	**(24,289)**	**(26,250)**	**(47,915)**
Statement of Financial Position			
Total assets	**17,614**	**5,290**	**—**
Total liabilities	**11,510**	**50,554**	**—**
Net assets/(liabilities)	**6,104**	**(45,264)**	**—**

	2018		
For the year ended 31 December:	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s[1]
Statement of Comprehensive Loss			
Total revenue	2,195	18,504	20
Income/(loss) for the year	(8,454)	(26,206)	(41,239)
Other comprehensive income/(loss)	—	(214)	(214)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,453)
Statement of Financial Position			
Total assets	2,984	15,603	35,934
Total liabilities	13,366	60,992	202,161
Net liabilities	(10,382)	(45,389)	(166,227)

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

18. Non-Controlling Interest — continued

On 19 July 2019 PureTech and a third party investor converted their convertible debt in Follica to Follica Preferred shares (presented as liabilities) and Follica common shares. The amount of convertible debt converted by the third party investor into Follica common shares amounted to $2.4 million (see also Note 16). As a result of the conversion Follica NCI share (in Follica common stock) was reduced from 68% to 19.9%, which resulted in a reduction in the NCI share in Follica's shareholders' deficit of $20.1 million. The excess of the change in the book value of NCI ($20.1 million noted above) over the contribution made by NCI ($2.4 million) amounted to $17.8 million and was recorded as a loss directly in shareholders' equity.

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

On 1 October 2019, PureTech acquired the remaining 10.0 per cent of minority non-controlling interests of PureTech LYT, Inc. (previously named Ariya Therapeutics, Inc.), increasing its ownership from 90 per cent to 100 per cent. In consideration for the acquisition of minority interests, PureTech issued 2,126,338 shares of common shares and granted options to the co-inventors and advisors of PureTech LYT to purchase 2,147,295 ordinary shares under the PSP. The fair value of the shares and options issued in consideration for the minority non-controlling interest amounted to $15.8 million. The carrying amount of the non-controlling interest at the acquisition was a $24 million deficit and the excess of the consideration paid over the book value of the non-controlling interest of approximately $39.8 million was recorded directly in shareholders' equity.

19. Trade and Other Payables

As of 31 December	2019 $000s	2018 $000s
Trade payables	**11,098**	4,644
Accrued expenses	**8,744**	11,231
Total trade and other payables	**19,842**	15,875

20. Other Long-Term Liabilities

Information regarding Other long-term liabilities was as follows:

As of 31 December	2019 $000s	2018 $000s
Deferred rent	—	1,283
Lease incentive obligation	—	357
Accrued professional fees	—	738
Other	—	138
Other long-term liabilities	—	2,516

With the implementation of IFRS 16 on 1 January 2019 all other long-term liabilities were extinguished.

Please refer to Note 3 for a discussion of deferred revenue balances as of 31 December 2019 and 2018.

21. Leases

On 1 January 2019 the Company adopted IFRS 16, which replaced IAS 17 for the annual period beginning on 1 January 2019. Further discussion around the adoption of IFRS 16 is included in Note 1.

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

	Right of use asset, net $000s
Balance at 31 December 2018	—
Adoption of IFRS 16	10,353
Balance at 1 January 2019	10,353
Additions	19,434
Subleases	(2,580)
Depreciation	(3,237)
Deconsolidated	(1,587)
Balance at 31 December 2019	**22,383**

21. Leases — continued

	Total lease liability $000s
Balance at 31 December 2018	—
Adoption of IFRS 16	10,995
Balance at 1 January 2019	10,995
Additions	30,305
Cash paid for rent	(4,173)
Interest expense	2,495
Deconsolidated	(1,779)
Balance at 31 December 2019	**37,843**

The following reconciles operating lease commitments disclosed as at 31 December 2018 to the lease liability recognised at 1 January 2019:

	2019 $000s
Operating lease commitments disclosed as at 31 December 2018	**11,443**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(448)**
Lease liability recognised at 1 January 2019	**10,995**

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

	Total lease liability $000s
Short-term Portion of Lease Liability	2,929
Long-term Portion of Lease Liability	34,914
Total Lease Liability	**37,843**

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

	2019 $000s
Less than one year	**5,257**
One to two years	**5,409**
Two to three years	**5,603**
Three to four years	**6,071**
Four to five years	**6,247**
More than five years	**21,494**
Total undiscounted lease maturities	**50,080**
Interest	**12,237**
Total lease liability	**37,843**

Additions in the period relate to three leases that were entered into by PureTech and its consolidated subsidiaries during the year ended 31 December 2019. Amounts were arrived at using the contractual minimal lease payments, present valued using the applicable incremental borrowing rate, which ranged from 5.49 per cent to 6.58 per cent. Rent expense related to short-term leases which are not accounted for under IFRS 16 was $1.3 million for the year ended 31 December 2019.

During the year ended 31 December 2019, PureTech entered into a lease agreement for certain premises consisting of approximately 50,858 rentable square feet of space located at 6 Tide Street. The lease commenced on 26 April 2019 ("Commencement Date") for an initial term consisting of ten years and three months and there is an option to extend for two consecutive periods of five years each. As of 31 December 2019, the Company has not determined whether it will exercise these extension options.

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

	Total lease receivable $000s
Short-term Portion of Lease Receivable	350
Long-term Portion of Lease Receivable	2,082
Total Lease Liability	**2,432**

21. Leases — continued

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

	2019 $000s
Less than one year	**485**
One to two years	**494**
Two to three years	**504**
Three to four years	**513**
Four to five years	**523**
More than five years	**353**
Total undiscounted lease receivable	**2,872**
Unearned Finance income	**440**
Net investment in the lease	**2,432**

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

Rental income recognised by the Company during the year ended 31 December 2019 was $0.36 million. The following table details the future payments under the sublease, showing the undiscounted lease payments to be received after the reporting date:

	2019 $000s
Less than one year	**1,083**
One to two years	**722**
Total	**1,805**

Prior to the adoption of IFRS 16, minimum rental commitments under non-cancellable leases were payable as follows:

As of 31 December	2018 $000s
Within one year	1,742
Between one and five years	9,349
More than five years	352
Total minimum lease payments	**11,443**

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $18.7 million.

During the year ended 31 December 2019, the Group reassessed the anticipated term of its Tide Street lease due to uncertainty as to whether the two extension options provided for in the lease agreement will be exercised. It was determined that there was sufficient uncertainty as to whether these options would be utilised, resulting in the useful life of the lease being adjusted from 20 years to 10 years. This resulted in a decrease to the lease liability and right of use asset, as well as an increase to the minimum lease payments due within one year and between one and five years.

During the year ended 31 December 2018, the Group determined that there were certain tenant improvement allowances that were originally classified as a reduction to leasehold improvements rather than as a liability. The Company concluded that the impact of the change of a reclassification from property and equipment to other current and long-term liabilities was not material to the Consolidated Financial Statements presented in the Annual Report of 31 December 2018.

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

22. Capital and Financial Risk Management

The Company's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence and sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in subsidiary companies. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of its risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main objective in using financial instruments is to promote the development and commercialisation of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

Credit Risk

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables.

The Group held the following balances:

As of 31 December	**2019 $000s**	2018 $000s
Cash and cash equivalents	**132,360**	117,051
Short-term investments	**30,088**	133,828
Investments held at fair value	**714,905**	169,755
Trade and other receivables	**1,977**	1,328
Total	**879,330**	421,962

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

The Group assesses the credit quality of customers on an ongoing basis, taking into account its financial position, past experience and other factors. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

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

As of 31 December	**2019 $000s**	2018 $000s
Neither past due or impaired	**1,977**	1,328
Total	**1,977**	1,328

The Company is also potentially subject to concentrations of credit risk in its accounts receivable. Concentrations of credit risk with respect to receivables is owed to the limited number of companies comprising the Company's customer base. The Group's exposure to credit losses is low, however, owing largely to the credit quality of its larger collaborative partners such as Roche, Boehringer Ingelheim and Eli Lilly.

Liquidity Risk

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

22. Capital and Financial Risk Management — continued

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

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

	2018				
As of 31 December	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years $000s	Total $000s
Subsidiary notes payable	12,010	12,010	—	—	12,010
Trade and other payables	15,875	15,875	—	—	15,875
Warrants	13,012	13,012	—	—	13,012
Subsidiary preferred shares (Note 15)	217,519	217,519	—	—	217,519
Total	258,416	258,416	—	—	258,416

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

	2019 $000s	2020 $000s	2021 $000s	2022 $000s
Licenses	1,366	1,374	1,373	773
Total	**1,366**	**1,374**	**1,373**	**773**

Market Risk

Market risk is due to changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its financial instrument holdings. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising its return. The Group maintains the exposure to market risk from such financial instruments to insignificant levels. The Group's exposure to changes in interest rates has been determined to be insignificant.

Controlled Founded Entity Investments

The Group maintains investments in certain Controlled Founded Entities. The Group's investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. The Group is however exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. The liability of preferred shares is maintained at fair value through the profit and loss. The Group's strong cash position, budgeting and forecasting processes, as well as decision making and risk mitigation framework enable the Group to robustly monitor and support the business activities of the Controlled Founded Entities to ensure no exposure to credit losses and ultimately dissolution or liquidation. Accordingly, the Group views exposure to 3rd party preferred share liability as low.

Non-Controlled Founded Entity Investments

The Group maintains certain investments in Non-Controlled Founded Entities which are deemed associates and accounted for under the equity method (please refer to Note 1). The Group's exposure to investments in associates in limited to the initial carrying amount upon recognition as an Associate. The Group is not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of 31 December 2019, Gelesis was the only associate. The initial carrying amount of the investment in Gelesis as an associate was $16.4 million. Accordingly, the Group views the risk as high.

22. Capital and Financial Risk Management — continued

Equity Price Risk

We have an investment in common shares of Karuna and resTORbio, as described further in Note 5. As of 31 December 2019 the fair value of our investments in resTORbio and Karuna common shares was $3.2 million and $557.2 million, respectively. These investments are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 per cent adverse change in the market price of resTORbio and Karuna common shares as of 31 December 2019 would have been a loss of approximately $0.3 million and $55.7 million, respectively, recognised as a component of Other income (expense) in our Consolidated Statements of Comprehensive Income/(Loss).

Foreign Exchange Risk

With respect to Gelesis, prior to deconsolidation, certain grant revenues and the research and development costs associated with those grants are generated and incurred in Euros. As such, the Group's certain 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 as well as grant and research collaboration income. Total capital is calculated as Total Equity as shown in the Consolidated Statements of Financial Position.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or incur new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in Note 15.

As discussed in Note 15, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares.

23. Commitments and Contingencies

Gelesis is a party to a patent license and assignment agreement whereby it will be required to pay approximately $8.0 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. Gelesis accrued $6.6 million as potential expenses under the patent license and assignment agreement for the year ended 31 December 2018. During the year ended 31 December 2019 Gelesis was deconsolidated. Therefore, there are no additional contingencies recorded related to Gelesis at 31 December 2019.

Other members of the Group are also parties to certain licensing agreements that require milestone payments and/or royalties on future sales. None of these payments have become due and the amounts of any future milestone or royalty payments cannot be reliably measured as of the date of the financial information.

24. Related Parties Transactions

Related Party Subleases

During 2019, PureTech executed sublease agreements with related parties Gelesis and Dewpoint Therapeutics. Please refer to Note 20 for further details regarding the sublease.

Key Management Personnel Compensation

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

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

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.

24. Related Parties Transactions — continued

Convertible Notes Issued to Directors

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

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

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as at 31 December 2019:

	Business Name (Share Class)	Number of shares held as of 31 December 2019	Number of options held as of 31 December 2019	Ownership Interest[1]
Directors:				
Ms. Daphne Zohar[2]	Gelesis (Common)	**59,443**	**939,086**	**4.30%**
Dame Marjorie Scardino	—	—	—	—
Dr Bennett Shapiro	Akili (Series A-2 Preferred)[3]	—	**33,088**	**0.20%**
	Gelesis (Common)	**24,009**	**10,840**	**0.01%**
	Gelesis (Series A-1 Preferred)	**23,418**	—	**0.20%**
	Vedanta Biosciences (Common)	—	**25,000**	**0.22%**
	Vedanta Biosciences (Series B Preferred)	**11,202**	—	**0.10%**
Dr Robert Langer	Entrega (Common)	—	**332,500**	**4.09%**
	Alivio (Common)	—	**1,575,000**	**6.06%**
Dr Raju Kucherlapati	Enlight (Class B Common)	—	**30,000**	**3.00%**
	Gelesis (Common)	—	**20,000**	**0.10%**
Dr John LaMattina[4]	Akili (Series A-2 Preferred)	—	**37,372**	**0.20%**
	Gelesis (Common)[4]	—	**117,169**	**0.50%**
	Gelesis (Common)[5]	—	**20,000**	**0.10%**
	Gelesis (Series A-1 Preferred)[4]	—	**49,524**	**0.20%**
	Vedanta Biosciences (Common)	—	**25,000**	**0.22%**
Mr Christopher Viehbacher	—	—	—	—
Mr Stephen Muniz	Gelesis (Common)[5]	—	**20,000**	**0.10%**
Senior Managers:				
Dr Eric Elenko	—	—	—	—
Dr Joep Muijrers	—	—	—	—
Dr Bharatt Chowrira	Karuna (Common)[5]	**10,000**	—	**0.04%**
Dr Joseph Bolen	Vor (Common)	—	**125,000**	**0.12%**

1 Ownership interests as of 31 December 2019 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

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

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

4 Dr John and Ms Mary LaMattina hold 49,523 shares of common shares and 49,524 shares of Series A-1 preferred shares in Gelesis. Individually, Dr LaMattina holds 12,642 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount of $50,000.

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

Directors and senior managers hold 29,939,913 ordinary shares and 10.5 per cent voting rights of the Company as of 31 December 2019. This amount excludes options to purchase 2,909,344 ordinary shares. This amount also excludes 8,374,351 shares, which are issuable contingent to the terms of performance based RSU awards granted to certain senior managers covering the financial years 2019, 2018 and 2017. Such shares will be issued to such senior managers in future periods provided that performance conditions are met and certain of the shares will be withheld for payment of customary withholding taxes.

25. Taxation

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

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

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

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

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

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

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

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

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

Recognised income tax expense/(benefit):

As of 31 December	**2019 $000s**	2018 $000s
Federal	**—**	2
Foreign	**—**	—
State	**—**	496
Total current income tax expense/(benefit)	**—**	498
Federal	**83,776**	2,034
Foreign	**—**	(311)
State	**28,633**	—
Total deferred income tax expense/(benefit)	**112,409**	1,723
Total income tax expense/(benefit), recognised	**112,409**	2,221

The tax expense of $112.4 million and $2.2 million in 2019 and 2018, respectively, is primarily the result of the establishment of a deferred tax liability for unrealised gains pertaining to our investments in Karuna, Vor, AZ Therapies, and Gelesis, and the remeasurement of existing deferred tax liabilities for unrealised gains pertaining to our investments in resTORbio and Akili.

25. Taxation — continued

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the US. A reconciliation of the US federal statutory tax rate to the effective tax rate is as follows:

	2019		2018	
As of 31 December	**$000s**	**%**	$000s	%
Weighted-average statutory rate	**97,183**	**21.00**	(14,372)	21.00
Effects of state tax rate in US	**22,111**	**4.78**	(3,267)	4.77
R&D and orphan drug tax credits	**(6,321)**	**(1.37)**	(3,268)	4.78
Share-based payment measurement	**433**	**0.09**	3,429	(5.01)
Mark-to-market adjustments	**3,725**	**0.80**	(3,745)	5.47
Accretion on preferred shares	**—**	**0.00**	22	(0.03)
Deconsolidation adjustments	**(13,658)**	**(2.95)**	9,688	(14.16)
Mark-to-market investment in subsidiary	**—**	**0.00**	(55)	0.08
Income of partnerships not subject to tax	**—**	**0.00**	(78)	0.11
Recognition of deferred tax assets not previously recognised	**(6,251)**	**(1.35)**	—	0.00
Current year losses for which no deferred tax asset is recognised	**14,514**	**3.14**	13,012	(19.01)
Other	**674**	**0.15**	854	(1.25)
	112,410	**24.29**	2,220	(3.25)

The Group is also subject to taxation in the UK and exposed to state taxation in certain jurisdictions within the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit).

Deferred Tax Assets and Liabilities

Deferred taxes have been recognised in the US jurisdiction in respect of the following items:

As of 31 December	**2019 $000s**	2018 $000s
Operating tax losses	**68,690**	69,170
Capital loss carryovers	**2,292**	—
Research credits	**9,931**	8,056
Investment in subsidiaries	**—**	589
Share-based payments	**9,711**	13,003
Deferred revenue	**1,125**	—
Lease Liability	**10,339**	—
Other	**2,117**	2,184
Deferred tax assets	**104,205**	93,002
Investment in Subsidiaries	**(173,069)**	—
ROU asset	**(6,115)**	—
Other temporary differences	**(3,225)**	(33,412)
Deferred tax liabilities	**(182,409)**	(33,412)
Deferred tax liabilities, net, recognised	**115,445**	6,428
Deferred tax assets, net, recognised	**(142)**	(449)
Deferred tax assets, net, not recognised	**37,099**	65,569

We have recognised deferred tax assets related to entities in the US Federal and Massachusetts consolidated return groups due to future reversals of existing taxable temporary differences that will be sufficient to recover the net deferred tax assets. Our remaining deferred tax assets have not been recognised because it is not probable that future taxable profits will be available to support their realisability.

25. Taxation — continued

There was movement in deferred tax recognised which impacted income tax expense of approximately $112.4 million, primarily related to the unrealised gains pertaining to our investments in resTORbio, Akili, Karuna, Vor, AZ Therapies, and Gelesis. The deferred tax liability related to the unrealised gains on these investments exceeds our available US federal and state deferred tax assets.

The Company had US federal net operating losses carry forwards ("NOLs") of approximately $243.0 million and $238.1 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire through 2037 with the exception of $126.6 million which is not subject to expiration. The Company had US Federal research and development tax credits of approximately $7.4 million and $6.7 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes that expire at various dates through 2039. The Company also had Federal Orphan Drug credits of approximately $3.7 million and $0.0 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes that expire at various dates through 2039. These NOLs and credits are subject to review and possible adjustment by the Internal Revenue Service.

The Company had Massachusetts net operating losses carry forwards ("NOLs") of approximately $273.0 million and $179.5 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire at various dates beginning in 2024. The Company had Massachusetts research and development tax credits of approximately $1.6 million and $1.3 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes and expire at various dates through 2034. These NOLs and credits are subject to review and possible adjustment by the Massachusetts Department of Revenue.

Utilisation of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilised annually to offset future taxable income and tax, respectively. The Company notes that a 382 analysis was performed through 31 December 2019. The results of this analysis concluded that certain net operating losses were subject to limitation under Section 382 of the Internal Revenue Code. None of the Company's tax attributes which are subject to a restrictive Section 382 limitation have been recognised in the financial statements.

Uncertain Tax Positions

The changes to uncertain tax positions from 1 January 2018 through 31 December 2019 are as follows:

	US $000s	Foreign $000s	Total $000s
Gross tax liabilities as of 1 January 2018	—	15	15
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	—	—	—
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	—	(12)	(12)
Gross tax liabilities as of 31 December 2018	—	3	3
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	—	(3)	(3)
Gross tax liabilities as of 31 December 2019	**—**	**—**	**—**

US corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. During 2019, the IRS completed an audit of Vedanta for the financial year ended 31 December 2016 with no impact to the Group's financial condition, results of operations, or cash flows.

26. Sale of assets

In February 2018, The Sync Project, Inc. ("Sync") entered into an asset purchase agreement with Bose Corporation for the sale of certain assets and liabilities. The total aggregate purchase price was $4.5 million, consisting of approximately $4.0 million paid at closing and $0.5 million in cash deposited into escrow to be held for 12 months in order to secure the indemnification obligations of Sync after the closing date.

PureTech Health derecognised certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain on sale of assets" on the accompanying Consolidated Statements Comprehensive Income/(Loss) for the year ended 31 December 2018.

Additionally, as part of the derecognition, the Company and certain preferred shareholders received a cash distribution of approximately $3.3 million during the year ended 31 December 2018. During the year ended 31 December 2019, certain preferred shareholders received further cash distributions of $0.1 million. As of 31 December 2019, no remaining third party obligations remained.

27. Tal Merger Agreement

During the year ended 31 December 2018, Tal Medical, Inc. ("Tal") a subsidiary of the Group entered into an option agreement with a third party, through which the third party was given the option to acquire substantially all of Tal's assets. The option was contingent on the third party raising gross proceeds of $15 million prior to 1 January 2019 (the option expiration date). Upon the expiration of the option all external investors, not including PureTech, would be entitled to a distribution equal to the cash on hand on the date of expiration, and Tal's operations would wind down. As of 31 December 2018, the minimum gross proceeds were not raised, resulting in the option expiring. As a result, the preferred shares were adjusted to the cash distribution the external investors were entitled to, which totalled $0.1 million, resulting in gain of $11 million being recognised in Finance costs – subsidiary preferred shares line of the Consolidated Statements of Comprehensive Income/(Loss). In 2019 a merger was executed between PureTech and Tal wherein PureTech became the sole shareholder of Tal following the liquidation of all assets. In 2019, certain preferred shareholders received distributions of $0.1 million in connection with the merger. As of 31 December 2019 Tal was an inactive entity in the Group's Parent segment.

28. Subsequent Events

The Company has evaluated subsequent events after 31 December 2019, the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events not otherwise reported in these consolidated financial statements or notes thereto, except for the following:

On 6 January 2020, Sonde effected the second tranche closing of its Series A-2 preferred share financing which initially closed on 4 April 2019. The Company received an aggregate of $4.8 million in gross proceeds in the second tranche closing.

On 22 January 2020, PureTech Health sold 2,100,000 common shares of Karuna for aggregate proceeds of $200.9 million. As of 13 March 2020, PureTech Health held 5,295,397 common shares, or 20.3 per cent, of Karuna.

On 5 February 2020, PureTech Health participated in the second closing of Vor's Series A-2 preferred share financing which initially closed on 12 February 2019. PureTech's participation totalled $0.7 million. Proceeds for the second closing totalled $17.8 million.

In March 2020, the World Health Organization declared the outbreak of a new Coronavirus, now known as COVID-19, a pandemic. The outbreak of the virus has caused material disruptions to the global economy, including its health care system. Since the future course and duration of the COVID-19 outbreak are unknown, the Company is currently unable to determine whether the outbreak will have a negative effect on the Company's results in 2020. To date, the Company has seen limited impact on its research and development activities and the operation of the Company more generally. If the pandemic continues to extended for a period of time such as six months, the Company would potentially have milestones delayed; however the Company has sufficient capital to absorb any potential delays and continue operations in line with its going concern statement set forth in Note 1.

On 1 April 2020, PureTech Health participated in the second closing of Gelesis' Series 3 Growth preferred share financing which initially closed on 5 December 2019. PureTech's participation totalled $10.0 million. Proceeds for the second closing totalled $14.1 million.

PureTech Health plc Statement of Financial Position

For the years ended 31 December

	Note	2019 $000s	2018 $000s
Assets			
Non-current assets			
Investment in subsidiary	2	**141,348**	141,348
Total non-current assets		**141,348**	141,348
Current assets			
Intercompany receivables	3	**296,531**	286,886
Other Receivables	3	**—**	—
Total current assets		**296,531**	286,886
Total assets		**437,879**	428,234
Equity and liabilities			
Equity			
Share capital	4	**5,408**	5,375
Share premium	4	**287,962**	278,349
Merger reserve	4	**138,506**	138,506
Other reserve	4	**991**	991
Accumulated deficit	4	**(7,882)**	(5,192)
Total equity		**424,985**	418,029
Trade and other payables		**1,235**	—
Intercompany payables	5	**11,658**	10,204
Total current liabilities		**12,893**	10,204
Total equity and liabilities		**437,878**	428,234

Please refer to the accompanying Notes to the PureTech Health plc financial information. Registered number: 09582467.

The PureTech Health plc financial statements were approved by the Board of Directors and authorised for issuance on 8 April 2020 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

8 April 2020

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

PureTech Health plc Statements of Changes in Equity

For the years ended 31 December

	Shares	Amount $000s	Share Premium $000s	Merger Reserve $000s	Other Reserve $000s	Accumulated deficit $000s	Total equity $000s
Balance 1 January 2018	**237,429,696**	**4,679**	**181,588**	**138,506**	**855**	**(4,483)**	**321,145**
Total comprehensive loss for the period							
Issuance of placing shares	45,000,000	696	96,761	—	—	—	97,457
Offering costs	—	—	—	—	—	(86)	(86)
Exercise of share-based awards	64,171	—	—	—	136	—	136
Net loss	—	—	—	—	—	(623)	(623)
Balance 31 December 2018	**282,493,867**	**5,375**	**278,349**	**138,506**	**991**	**(5,192)**	**418,029**
Total comprehensive loss for the period							
Issue of shares to Ariya founders	2,126,338	28	9,078	—	—	—	9,106
Issuance of restricted stock units	513,324	—	—	—	—	—	0
Exercise of share-based awards	237,090	5	535	—	—	—	540
Net loss	—	—	—	—	—	(2,689)	(2,689)
Balance 31 December 2019	**285,370,619**	**5,408**	**287,962**	**138,506**	**991**	**(7,881)**	**424,986**

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

PureTech Health plc Statements of Cash Flows

For the years ended 31 December

	2019 $000s	2018 $000s
Cash flows from operating activities		
Income/(loss) for the year	**(2,689)**	(623)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash items:		
Intercompany receivable	**(539)**	(97,493)
Intercompany payable	**1,453**	1,323
Accounts payable and accrued expenses	**1,235**	(715)
Net cash (used in) operating activities	**(540)**	(97,372)
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	**—**	—
Cash flows from financing activities:		
Equity settled share-based payment expense	**540**	136
Issuance of placing shares	**—**	97,493
Offering costs	**—**	(121)
Net cash provided by (used in) financing activities	**540**	97,372
Effect of exchange rates on cash and cash equivalents	**—**	—
Net decrease in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental disclosure of non-cash investment and financing activities:		
Vesting of incentive awards	**33**	70
Issuance of shares against intercompany receivable	**9,106**	0

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

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") have been prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent is United States ("US") Dollars and the financial statements are presented in US Dollars.

Investments

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

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of net realisable value and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Parent Company.

2. Investment in subsidiary

	$000s
Balance at 8 May 2015	—
Additions	**141,348**
Balance at 31 December 2019 and 2018	**141,348**

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the US as a US-focused scientifically driven research and development company that conceptualises, sources, validates and commercialises unexpected and potentially disruptive approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries please refer to Note 1 of the Consolidated Financial Statements of PureTech Health plc.

3. Intercompany receivables

The Parent has an accounts receivable balance from its operating subsidiary PureTech LLC of $296.5 million due to cash received from the IPO.

4. Share capital and reserves

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 8 May 2015.

On 12 March 2018, the Company raised approximately $100.0 million, before issuance costs and other expenses, by way of a Placing of 45,000,000 placing shares.

On 24 June 2015, the Company authorised 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorisation of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for $159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 per cent of the total number of new ordinary shares. The stabilisation manager provided notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

5. Intercompany payables

The Parent has a balance due to its operating subsidiary PureTech LLC of $11.7 million, which is related to IPO costs and operating expenses. These intercompany payables do not bear any interest and are repayable upon demand.

6. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $2.7 million.

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

The remuneration of the executive directors of the Parent Company is disclosed in Note 24, Related Parties Transactions, of the accompanying Consolidated Financial Statements. Full details for directors' remuneration can be found in the Directors' Remuneration Report. Full detail of the share-based payment charge and the related disclosures can be found in Note 8, Share-based Payments, of the accompanying Consolidated Financial Statements.

The Parent had no employees during 2019 or 2018.

Company information

Directors, Secretary and Advisors to PureTech

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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 Stephen Muniz (Chief Operating Officer)

Company Secretary
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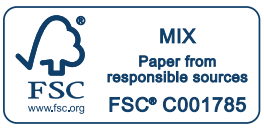

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