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PureTech Announces Annual Results for Year Ended December 31, 2022

April 28, 2023

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PureTech Health plc

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Strong capital base with PureTech level cash, cash equivalents and short-term investments of $339.5 million[1] and consolidated cash, cash equivalents and short-term investments of $350.1 million,[2] as of December 31, 2022.

Rapid advancement of PureTech's Wholly Owned Pipeline, with four clinical stage therapeutic candidates, including LYT-100 (ongoing registration-enabling trial in IPF), LYT-300 (Phase 2 ready in both anxiety and postpartum depression), LYT-200 (two ongoing Phase 1b trials in solid tumors and hematological malignancies) and LYT-503 (Phase 1 partnered program).

Strong clinical, commercial and financial momentum across PureTech's Founded Entities, including Karuna's two positive Phase 3 trials for KarXT in schizophrenia, clinical data from Vor and Vedanta, commercial progress with EndeavorRx® and Plenity® and $1.28 billion raised by Founded Entities in the period.[3]

As of March 31, 2023, PureTech level cash, cash equivalents and short-term investments were $389.4 million,[4] providing operational runway into Q1 2026.

Company to host a webcast and conference call today at 9:00am EDT / 2:00pm BST

PureTech Health plc (Nasdaq: PRTC, LSE: PRTC) ("PureTech" or the "Company") today announces its results for the year ended December 31, 2022, as well as its cash balance as of the first quarter ended March 31, 2023. The following information represents select highlights from the full UK annual report and accounts, except as noted herein, a portion of which will be filed as an exhibit to PureTech's Annual Report on Form 20-F for the year ended December 31, 2022, to be filed with the United States Securities and Exchange Commission (the "SEC") and is also available at https://investors.puretechhealth.com/financials-filings/reports.

Webcast and conference call details
Members of the PureTech management team will host a conference call at 9:00am EDT / 2:00pm BST today, April 28, 2022, to discuss these results. A live webcast and presentation slides will be available on the investors section of PureTech's website under the Events and Presentations tab. To join by phone, please dial:

United Kingdom (Local): 020 3936 2999
United States (Local): 1 845 213 3398

All other locations: +44 20 3936 2999
Access Code: 661094

For those unable to listen to the call live, a replay will be available on the PureTech website.

Commenting on the annual results, Daphne Zohar, Founder and Chief Executive Officer of PureTech, said:

"2022 was an exceptional year that has shaped the next phase of PureTech's development and furthered our mission of giving life to new classes of medicines to change the lives of patients with devastating diseases.

"I'm proud that we continue to have one of the most productive track records in biopharma. Across our Wholly Owned Pipeline and Founded Entities, we've developed the platforms and programs resulting in 27 therapeutics and therapeutic candidates. Two have gone from inception at PureTech through FDA and EU regulatory clearances, and a third (Karuna's KarXT) is expected to be filed soon for FDA approval. Within our Wholly Owned Pipeline alone, we completed five clinical trials in 2022, making this our busiest year in the clinic yet.

"Notably, it is due to the success of our unique model that we have been able to generate non-dilutive funding to support our clinical progress and innovation engine, and we have not needed to raise money from the capital markets in over five years. In the last 8 months alone, we generated approximately $215.4 million from a combination of sale of Founded Entity stock and the upfront payment from Royalty Pharma, which acquired an interest in our royalty in Karuna's KarXT for up to $500 million.

"Looking ahead to the next 12 months, we anticipate multiple important catalysts. We have also advanced several additional molecules into candidate selection, and we expect to announce progress towards the clinic with these new candidates in due course.

"PureTech is poised for another dynamic year as we enter the next phase of our growth with a promising Wholly Owned Pipeline. We believe we are in a position to move these new medicines forward quickly and efficiently, and we expect to achieve a number of milestones over the course of 2023 and beyond."

Also commenting on the annual results, Christopher Viehbacher, Chair of PureTech's Board, said:

"As a member of PureTech's Board of Directors for nearly a decade, I have seen the Company grow as a biopharmaceutical pioneer, and 2022 was the most noteworthy year yet. PureTech's track record of clinical success is six times the industry average, and the Company has pioneered new classes of medicine that are positioned to impact the lives of millions of patients.

"What also stands out to me is how our disciplined approach to development and financial management has created a focused, well-capitalized organization with a clear mission and differentiated value. I have consistently been impressed by how much PureTech achieves with very little resources, especially relative to many of its peers. Given the current macro-economic conditions, this will only become more imperative for companies and the patients and shareholders they serve.

"I am proud to have worked so closely with such a talented and passionate team as I conclude my tenure as Board Chair. As PureTech embarks on a new phase of clinical expansion, I look forward to the multiple exciting milestones ahead in important areas of medical need. The groundbreaking business model and seasoned management team of PureTech remain standouts in the industry, and I believe this will steer the enterprise through continued success in 2023 and beyond. On behalf of the Board, I thank our shareholders for your continued support of our work to change

the treatment paradigm for patients."

As previously noted, Mr. Viehbacher was recently appointed President, Chief Executive Officer and a member of the Board of Biogen Inc. (Nasdaq: BIIB). Given the time commitment required by this new role, Mr. Viehbacher will not stand for re-election at the Company's 2023 Annual General Meeting (AGM) and accordingly will step down from the Company's Board of Directors effective from the close of the AGM. The Nomination Committee has initiated a process to identify a new Chair, and, in the interim, Dr. Raju Kucherlapati will serve as Interim Chair to fulfill the leadership requirements and governance obligations of the role. In addition, Dr. John LaMattina will join the Audit Committee of the Board, filling the seat vacated by Mr. Viehbacher. The changes to the Board roles of Drs. Kucherlapati and LaMattina will be effective from the close of the Company's AGM.

Continued advancement and growth of PureTech's Wholly Owned Programs[5]

PureTech's Wholly Owned Programs advanced rapidly in 2022. Its pipeline includes five therapeutic candidates, four of which are currently clinical stage, including one partnered program. The majority of these candidates are centered around enhancing on-target efficacy, enabling oral administration or improving tolerability to unlock new classes of medicine that have previously been held back by one of these issues. PureTech achieves this by applying unique insights or technology. Several upcoming milestones are anticipated for these candidates, including the following:

- LYT-100 (deupirfenidone) is in development for the potential treatment of conditions involving inflammation and fibrosis, including idiopathic fibrosis (IPF), for which current standards of care are associated with significant tolerability issues, resulting in approximately three out of four patients in the U.S. foregoing treatment with these otherwise efficacious medicines.[6] LYT-100 is a deuterated form of one of the two standard of care treatments, pirfenidone, which has proven efficacy and has been shown to improve survival in these patients by approximately three years, but its side effects cause patients to discontinue or dose reduce, thereby limiting its effectiveness.[7] LYT-100 has shown a 50% reduction in gastrointestinal tolerability issues in a head-to-head study versus pirfenidone, and it can be dosed at a higher exposure level, but with a lower Cmax, than the FDA-approved dosage of pirfenidone, potentially enabling improved efficacy. PureTech is currently evaluating two doses of LYT-100, one with comparable exposure to the approved dose of pirfenidone and one with a higher level of exposure, in a global, randomized double blind, placebo-controlled trial in patients with IPF, which is expected to serve as the first of two registration enabling trials. Topline results are expected in 2024.
- LYT-300 (oral allopregnanolone) is in development for the potential treatment of anxiety disorders and postpartum depression (PPD) where there is a need for more effective treatments that work quickly, have more favorable tolerability and can be administered orally. A placebo-controlled, Phase 2a, proof-of-concept trial using a validated clinical model of anxiety in healthy volunteers is expected to begin in the first half of 2023, with topline results anticipated by the end of 2023. An open-label, Phase 2a, proof-of-concept clinical trial in women with PPD is expected to begin in the second half of 2023.
- LYT-200 (anti-galectin-9 mAb) is in development for the potential treatment of metastatic solid tumors that have poor survival rates as well as hematological malignancies, such as acute myeloid leukemia (AML), where more than 50% of patients either don't respond to initial treatment or experience relapse after responding to initial treatment.[8] In 2022, PureTech initiated a Phase 1b trial in AML, and initial results from a subset of patients are expected by the end of 2023. In the 2023 post-period, PureTech also initiated a Phase 1b trial of LYT-200 in combination with an anti PD-1 antibody, tislelizumab, in patients with urothelial or head and neck cancer. Topline results are expected in 2024.
- LYT-310 (oral cannabidiol [CBD]) is in development to expand the therapeutic application of CBD across a range of epilepsies and neurological disorders. LYT-310 is designed to enable oral administration of CBD in a capsule or other patient-friendly metho of administration; expand the use of CBD into a broad range of therapeutic areas and patient populations (such as adolescents and adults) where higher doses are required to achieve a therapeutic effect; potentially improve safety and reduce gastrointestinal (GI) tract side effects that are associated with the currently approved CBD-based treatment by reducing GI and liver exposure; and allow for a readily scalable, consistent product in a cost-effective manner. LYT-310 is expected to enter the clinic in the fourth quarter of 2023.

Financial Highlights

- In 2022, PureTech disposed of 602,100 shares of Karuna common stock for cash consideration of approximately $115.4 million.
- PureTech level cash, cash equivalents and short-term investments were $339.5 million as of December 31, 2022. [1]
- Consolidated cash, cash equivalents and short-term investments, which includes cash held at the PureTech level and at Controlled Founded Entities, were $350.1 million as of December 31, 2022.[2]
- PureTech's Founded Entities raised $1.28 billion in 2022,[3] almost entirely from third parties.
- PureTech level cash, cash equivalents and short-term investments were $389.4 million,[4] based on consolidated cash, cash equivalents and short-term investments of $391.5 million,[9] as of March 31, 2023
- PureTech's operational runway extends into the first quarter of 2026.

Strong Clinical, Commercial and Financial Momentum Across PureTech's Founded Entities[10]

For details on the progress of PureTech's Founded Entities, please see pages 12 to 14 of PureTech's 2022 UK Annual Report and Accounts.

PureTech Health today released its Annual Report for the year ended December 31, 2022. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

- Annual Report and Accounts for the year ended December 31, 2022; and
- Notice of 2023 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy will be posted to shareholders in accordance with applicable UK rules. The Company will provide a hard copy of the Annual Report containing its audited financial statements, free of charge, to its shareholders upon request in accordance with Nasdaq requirements. Requests should be directed in writing by email to ir@puretechhealth.com. Copies are also available electronically on the Investor Relations section of the Company's website at https://investors.puretechhealth.com/financials-filings/reports.

PureTech's 2023 AGM will be held on June 13, 2023, at 11:00am EDT / 4:00pm BST at PureTech's headquarters, which is located at 6 Tide Street, Boston, Massachusetts, United States. Please note that the Company has decided to hold the AGM in the United States where most of the Directors are resident for reasons of efficiency and savings of travel costs.

Shareholders are strongly encouraged to submit a proxy vote in advance of the meeting and to appoint the Chair of the meeting to act as their proxy. If a shareholder wishes to attend the meeting in person, we ask that the shareholder notify the Company by email to ir@puretechhealth.com to assist us in planning and implementing arrangements for this year's AGM.

The Company appreciates that a number of its shareholders are not resident or located in the United States and asks shareholders to participate in the AGM by submitting any questions in advance and voting via proxy rather than attending in person. As such, any specific questions on the business of the AGM and resolutions can be submitted ahead of meeting by e-mail to ir@puretechhealth.com (marked for the attention of Dr. Bharatt Chowrira).

Shareholders are encouraged to complete and return their votes by proxy, and to do so no later than 4:00 pm (BST) on June 9, 2023. This will appoint the chair of the meeting as proxy and will ensure that votes will be counted even though attendance at the meeting is restricted and you are unable to attend in person. Details of how to appoint a proxy are set out in the notice of AGM.

PureTech will keep shareholders updated of any changes it may decide to make to the current plans for the AGM. Please visit the Company's website at www.puretechhealth.com for the most up to date information.

About PureTech Health

PureTech is a clinical-stage biotherapeutics company dedicated to giving life to new classes of medicine to change the lives of patients with devastating diseases. The Company has created a broad and deep pipeline through its experienced research and development team and its extensive network of scientists, clinicians and industry leaders that is being advanced both internally and through its Founded Entities. PureTech's R&D engine has resulted in the development of 27 therapeutics and therapeutic candidates, including two (Plenity® and EndeavorRx®) that have received both US FDA clearance and European marketing authorization and a third (KarXT) that is expected to be filed soon for FDA approval. A number of these programs are being advanced by PureTech or its Founded Entities in various indications and stages of clinical development, including registration enabling studies. All of the underlying programs and platforms that resulted in this pipeline of therapeutic candidates were initially identified or discovered and then advanced by the PureTech team through key validation points.

For more information, visit www.puretechhealth.com or connect with us on Twitter @puretechh.

Cautionary Note Regarding Forward-Looking Statements

This press release contains statements that are or may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation those statements that relate to expectations regarding PureTech's and its Founded Entities' future prospects, development plans and strategies, the progress and timing of clinical trials and data readouts, the timing of potential regulatory submissions, and the sufficiency of available resources and expected operational runway. The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other important factors that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, the following: our history of incurring significant operating losses since our inception; our need for additional funding to achieve our business goals, which may not be available and which may force us to delay, limit or terminate certain of our therapeutic development efforts; our limited information about and limited control or influence over our Non-Controlled Founded Entities; the lengthy and expensive process of preclinical and clinical drug development, which has an uncertain outcome and potential for substantial delays; potential difficulties with enrolling patients in clinical trials, which could delay our clinical development activities; side effects, adverse events or other safety risks which could be associated with our therapeutic candidates and delay or halt their clinical development; our ability to obtain regulatory approval for and commercialize our therapeutic candidates; our ability to realize the benefits of our collaborations, licenses and other arrangements; our ability to maintain and protect our intellectual property rights; our reliance on third parties, including clinical research organizations, clinical investigators and manufacturers; our vulnerability to natural disasters, global economic factors, geo-political actions and unexpected events; and those additional important factors described under the caption "Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2022 filed with the SEC and in our other regulatory filings. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this press release. Except as required by law and regulatory requirements, we disclaim any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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Notes

1. This represents a non-IFRS number and is comprised of cash, cash equivalents and short-term investments held at PureTech Health plc and our wholly-owned subsidiaries (PureTech LYT, PureTech LYT-100, Alivio Therapeutics, Inc., PureTech Management, Inc., PureTech Health LLC, PureTech Securities Corp, PureTech Securities II) as of December 31, 2022. For a reconciliation of this number to the IFRS equivalent number, please see below under the heading "Financial Review."
2. Cash, cash equivalents and short-term investments held at PureTech Health plc and consolidated subsidiaries (please refer to Note 1 to our consolidated financial statements for further information with respect to our consolidated subsidiaries) as of December 31, 2022. For more information, please see below under the heading "Financial Review."
3. Funding figure includes private equity financings, loans and promissory notes, public offerings or grant awards. Funding figure excludes future milestone considerations received in conjunction with partnerships and collaborations. Funding figure does not include proceeds from Vedanta's 2023 post-period financing.
4. This represents a non-IFRS number and is comprised of cash, cash equivalents and short-term investments held at PureTech Health plc and our wholly-owned subsidiaries (PureTech LYT, PureTech LYT-100, Alivio Therapeutics, Inc., PureTech Management, Inc., PureTech Health LLC, PureTech Securities Corp, PureTech Securities II) as of March 31, 2023. For a reconciliation of this number to IFRS, please see below under the heading "Financial Review."
5. References in this report to "Wholly Owned Programs" refer to the Company's five therapeutic candidates (LYT-100, LYT-200, LYT-300, LYT-310, and LYT-503/IMB-150), Glyph platform and potential future therapeutic candidates and platforms that the Company may develop or obtain. References to "Wholly Owned Pipeline" refer to LYT-100, LYT-200, LYT-300, LYT-310, and LYT-503/IMB-150. On July 23, 2021, Imbrium Therapeutics exercised its option to license LYT-503/IMB-150 pursuant to which it is responsible for all future development activities and funding for LYT-503/IMB-150.
6. Dempsey, T. M., Payne, S., Sangaralingham, L., Yao, X., Shah, N. D., & Limper, A. H. (2021). Adoption of the Antifibrotic Medications Pirfenidone and Nintedanib for Patients with Idiopathic Pulmonary Fibrosis. *Annals of the American Thoracic Society*, *18*(7), 1121-1128. https://doi.org/10.1513/AnnalsATS.202007-901OC
7. Fisher, M., Nathan, S. D., Hill, C., Marshall, J., Dejonckheere, F., Thuresson, P., & Maher, T. M. (2017). Predicting Life Expectancy for Pirfenidone in Idiopathic Pulmonary Fibrosis. *Journal of Managed Care & Specialty Pharmacy*, 23(3-b Suppl), S17 -S24. https://doi.org/10.18553/jmcp.2017.23.3-b.s17
8. Walter, R. B., Othus, M., Burnett, A. K., Löwenberg, B., Kantarjian, H. M., Ossenkoppele, G. J., Hills, R. K., Ravandi, F., Pabst, T., Evans, A., Pierce, S. R., Vekemans, M. C., Appelbaum, F. R., & Estey, E. H. (2015). Resistance prediction in AML: analysis of 4601 patients from MRC/NCRI, HOVON/SAKK, SWOG and MD Anderson Cancer Center. *Leukemia*, 29(2), 312-320. https://doi.org/10.1038/leu.2014.242
9. Cash, cash equivalents and short-term investments held at PureTech Health plc and consolidated subsidiaries (please refer to Note 1 to our consolidated financial statements for further information with respect to our consolidated subsidiaries) as of March 31, 2023. For more information, please see below under the heading "Financial Review." The consolidated figure does not include Vedanta Biosciences, which was deconsolidated in the March 2023 post-period.
10. Our Founded Entities are comprised of our Controlled Founded Entities and our Non-Controlled Founded Entities, all of which are incorporated in the United States. References to our "Controlled Founded Entities" refer to Follica, Incorporated, and Entrega, Inc., for all periods prior to March 1, 2023, Vedanta Biosciences, Inc., for all periods prior to May 25, 2022, Sonde Health Inc., and for all periods prior to June 10, 2021, Alivio Therapeutics, Inc. References to our "Non-Controlled Founded Entities" refer to Akili Interactive Labs, Inc., Karuna Therapeutics, Inc., Vor Bio, Inc., Gelesis, Inc., for all periods following May 25, 2022, Sonde Health, Inc., for all periods following March 1, 2023, Vedanta Biosciences, Inc., and, for all periods prior to December 18, 2019, resTORbio, Inc. We formed each of our Founded Entities and have been involved in development efforts in varying degrees. In the case of our Controlled Founded Entities Follica, Incorporated and Entrega, Inc., we continue to maintain majority voting control. With respect to our Non-Controlled Founded Entities, we may benefit from appreciation in our minority equity investment as a shareholder of such companies.

Letter from the Chair

As a member of PureTech's Board of Directors for nearly a decade, I have seen the Company grow as a biopharmaceutical pioneer, and 2022 was the most noteworthy year yet. We achieved multiple firsts as we advanced our goal of delivering new classes of medicines for patients with unmet need.

I have been reflecting on how PureTech has grown and evolved. Its track record of clinical success is six times the industry average, and the Company has pioneered new classes of medicine that are positioned to impact the lives of millions of patients.

What stands out to me is how our disciplined approach to development and financial management has created a focused, well-capitalized organization with a clear mission and differentiated value. I have consistently been impressed by how much PureTech achieves with very little resources, especially relative to many of its peers.

The team takes swift action when they see a potential hurdle, and - while it is never easy to deprioritize a program - being decisive and following the data is what ultimately creates true value for patients and for shareholders. This team is a force, and I believe the discipline and focus demonstrated by its strong management team will continue to inspire employees to achieve great things.

PureTech's "do more with less" ethos is something our industry at large would do well to embrace. To me, it is this approach that makes PureTech an exemplar of impact investing and what can be accomplished in a capital-efficient manner. Given the current macro-economic conditions, this will only become more imperative for companies and the patients and shareholders they serve.

PureTech's model is unique in the industry and keeps the Company well-positioned to weather the current economic downturn. For example, the Company's Founded Entities are a significant source of non-dilutive cash, and to date, over $780 million has been generated from the sales of Founded Entity equity and royalties to fund PureTech's operations. PureTech also derives value from its Founded Entities in the form of royalties, milestone payments and sublicense revenues, which will similarly be invested back into the Wholly Owned Programs. This innovative strategy means the Company has not needed to dilute shareholders by tapping the equity market in over five years.

Another remarkable aspect about PureTech is the team's ability to be ahead of the times. One example is its potential impact on mental health through its Founded Entities Karuna (Nasdaq: KRTX), Akili (Nasdaq: AKLI) and Sonde, as well as a number of PureTech's wholly-owned CNS programs enabled by its Glyph™ platform. As the greater industry has started to produce disease modifying therapies for chronic neurologic disorders, the importance of remote screening - and even remote early diagnosis - could provide a much less expensive and invasive way to identify and stratify those who may benefit from the treatments.

PureTech also took a leading position in the role of the microbiome in medicine. Our Founded Entity Vedanta was formed on the idea of harnessing the power of the body's ecosystem by using bacteria to make medicines to the same standards as traditional drugs.

In a similar way, PureTech's Wholly Owned Pipeline is rich with programs that could have a substantial impact on patients' needs. LYT-100 (deupirfenidone) for idiopathic pulmonary fibrosis (IPF) and LYT-300 (oral allopregnanolone) for anxiety and postpartum depression are just two examples of unique innovations generated by PureTech that could address the significant drawbacks of standard of care treatments.

I am proud to have worked so closely with such a talented and passionate team as I conclude my tenure as Board Chair. As PureTech embarks on a new phase of clinical expansion, I look forward to the multiple exciting milestones ahead in important areas of medical need. The groundbreaking business model and seasoned management team of PureTech remain standouts in the industry, and I believe this will steer the enterprise through continued success in 2023 and beyond. On behalf of the Board, I thank our shareholders for your continued support of our work to change the treatment paradigm for patients.

Sincerely,

Christopher Viehbacher

Chair

April 27, 2023

Letter from the Chief Executive Officer

2022 was an exceptionally productive year that shaped the next phase of PureTech's development and furthered our mission of giving life to new medicines for patients with devastating diseases.

We continue to have one of the most productive track records in biopharma with a clinical trial success rate that is approximately six times better than the industry average.[1] Across our Wholly Owned Pipeline and Founded Entities, we've developed the platforms and programs resulting in 27 therapeutics and therapeutic candidates. Two (Akili's EndeavorRx® and Gelesis' Plenity®) have gone from inception at PureTech through FDA and EU regulatory clearances, and a third (Karuna's KarXT) is expected to be filed soon for FDA approval. Within our Wholly Owned Pipeline alone, we completed five clinical trials this year, and we expect at least five more important milestones/catalysts over the next 12 months.

The key to our strong track record of advancing promising therapeutics lies in our proven innovation and drug development strategy. Our approach is underpinned by three key pillars. The first pillar is our network of collaborators which enables us to learn about advances before the rest of the world. Nearly 30 papers related to our programs have been published in major journals such as *Science*, *Cell* and *Nature*, and - thanks to the deep insights of our advisors - almost all were published after we in-licensed the technology or filed key patents. This brings us to the second pillar: our innovative technologies and approaches. We are experts in applying proprietary insights to medicines that have demonstrated efficacy but that have been held back from reaching their full potential by issues for which we now have innovative solutions, and I'll detail this further in the next section. Our third pillar is centered on what we call "killer experiments" early in the development process. We believe in disciplined and rigorous R&D, and we are quite decisive in rapidly shutting down programs that don't reach our prespecified stringent thresholds for advancement. This allows us to pivot resources towards the programs with the highest probability of success. Consistent with this strategy, we have decided to discontinue the Orasome technology platform and Meningeal lymphatics platform, as these research programs have not yielded promising candidates the way our Glyph™ technology platform has.

Our Strategy: Unlocking new classes of medicine with proven efficacy

A majority of our Wholly Owned Pipeline candidates are based on a strategy of leveraging validated efficacy to rapidly advance therapeutics with proven profiles. For decades, biopharma has devoted time and resources to discovering new modalities and drug candidates and proving they work in patients, but important new medicines have been abandoned after running into issues that seemed insurmountable at the time. At PureTech, we are applying new technologies and proprietary insights to bring these medicines - that weren't otherwise able to reach their potential - to life by enhancing on-target efficacy, improving tolerability or enabling oral administration.

We have a proven track record of success pursuing this approach as highlighted by the extraordinary clinical success of our Founded Entity, Karuna. In August 2022, Karuna announced that it expects to submit an NDA for KarXT in schizophrenia with the FDA in mid-2023. If approved by the FDA, Karuna's KarXT will become the first truly novel therapy for schizophrenia in more than 50 years. KarXT was built from our recognition of both the promise and the limitations of a neuroactive compound, xanomeline. Xanomeline had demonstrated robust clinical efficacy, but it could not be advanced into later stage development due to its tolerability issues. At PureTech, we found an elegant way to overcome these limitations and enable its potential to meet the needs of the millions of people with schizophrenia. Additional details surrounding Karuna and the KarXT program can be found on page 12 of the Annual Report.

Our approach with KarXT extends to several of our other Founded Entities and our Wholly Owned Pipeline: we identify key unmet medical needs and relevant existing approaches with clearly defined opportunities and challenges, and we pursue the innovations that will unlock the greatest potential for the drug. We pursue rapid proof-of-concept through experiments that rigorously assess our hypotheses and then make the decisions that will maximize the value of our pipeline. Our Wholly Owned Pipeline candidates such as LYT-100, LYT-300 and LYT-310 exemplify this strategy.

Wholly Owned Pipeline: Late-stage development in IPF and key proofs-of-principle

In our busiest year in the clinic yet, we achieved several notable milestones. We completed five clinical studies including demonstrating compelling safety and tolerability data for LYT-100 (deupirfenidone) and proof-of-principle, oral

bioavailability and tolerability for LYT-300 (oral allopregnanolone). We also achieved robust dose escalation with a strong safety profile from the monotherapy portion of our Phase 1 study LYT-200 (anti-galectin 9 mAb) in metastatic solid tumors. LYT-200 has now advanced into combination cohorts for urothelial and head and neck cancers, as well as a second trial as a monotherapy in patients with acute myeloid leukemia (AML).

All of these results were important proof points for each candidate. Notably, the results of our LYT-300 study were a significant first clinical validation for our Glyph™ technology platform, which has yielded two candidates to date (LYT-300 and LYT-310) and has great potential utility for a range of other compounds with proven efficacy but previously challenging oral bioavailability, safety and tolerability profiles.

LYT-300 is another example of how we take an existing, efficacious therapy, held back by factors that limit its commercial use, and apply novel approaches to address those limitations. With this candidate, we designed an oral treatment that preserves the natural structure of allopregnanolone. Allopregnanolone is FDA-approved as a 60-hour intravenous infusion to treat postpartum depression but faces challenges due to the method of administration. We applied our Glyph technology to create an oral prodrug of allopregnanolone (LYT-300), and we have achieved oral bioavailability in humans that is ninefold greater than what third parties have published with orally administered allopregnanolone.[2] LYT-300 has also demonstrated engagement of $GABA_A$ receptors, which are known to regulate mood and other neurological conditions. We believe offering the proven mechanism of natural allopregnanolone via the innovative orally-administered approach of LYT-300 represents an advancement that could have a truly meaningful impact for patients. LYT-300 may also unlock the class of medicines targeting $GABA_A$ receptors, which has the potential to offer advantages over current standards of care, such as rapid onset of action, for a range of conditions including depression, anxiety and others.

Another exemplar of our strategy, deuterated pirfenidone or LYT-100, has progressed into a global registration-enabling Phase 2b study for IPF, a rare, progressive and fatal lung disease where the median survival is two to five years.[3] There are two FDA-approved treatments for IPF, but each of them causes significant side effects and is poorly tolerated, which means patients cannot fully benefit from the drugs because they are unable to stay on treatment long enough or at the right dose. One of these treatments, pirfenidone, has been shown to extend life by three years,[3] but poor tolerability forces approximately 50% of patients to discontinue, dose adjust or switch treatment.[4] Because of this, nearly three out of four patients in the US living with IPF forego treatment with these otherwise efficacious medicines.[5]

We hope to change this staggering statistic with LYT-100, and we have demonstrated an approximately 50% reduction in GI-related adverse events with LYT-100 in a head-to-head study compared to pirfenidone. We believe this profile may offer improved patient outcomes by both allowing patients to stay on treatment longer and potentially enabling LYT-100 to be dosed at higher exposure levels than the FDA-approved dose of pirfenidone. We look forward to sharing the results of our Phase 2b trial in 2024.

Across our Wholly Owned Pipeline, we have generated compelling clinical data this year that supported the progression of our pipeline into more advanced studies. Over the next 12 months, we anticipate multiple important catalysts that will further guide how we prioritize our pipeline. These catalysts will help to inform our decisions regarding which programs we will drive to commercial launches ourselves and which programs could be most successfully advanced through other avenues such as a partnership (for example, LYT-503/IMB-150, which is being advanced by a partner), sale or spinout into another entity. We have also advanced several additional molecules into candidate selection, and we expect to announce progress towards the clinic with these new candidates in due course.

Founded Entities Highlights: KarXT headed for FDA submission, commercial progress for EndeavorRx and Plenity, first AML data from Vor

We often describe our Founded Entities as akin to partnered programs. Having launched the foundational technologies and programs on which these companies were formed and driven them through key points of validation, we have gained tremendous know-how across R&D, regulatory and business development, and we now gain continual value through equity, royalties, sublicense revenue and/or milestone payments as the Founded Entities mature. It is due to the success of our unique model that we have been able to generate non-dilutive funding to support our innovation engine and have not needed to raise money from the capital markets in over five years.

One recent example was the approximately $115.4 million generated from the sale of Karuna stock in August 2022. Another example was realized in the March 2023 post-period. We announced that Royalty Pharma acquired an interest in our royalty in Karuna's KarXT for up to $500 million, with $100 million in upfront cash and up to $400 million in additional payments contingent on the achievement of certain regulatory and commercial milestones. As part of this transaction, we sold our right to receive a 3% royalty from Karuna to Royalty Pharma on sales up to $2 billion annually, after which threshold we will retain 67% of the royalty payments and Royalty Pharma will receive 33%. We retain our 2.8% equity ownership in Karuna as of March 27, 2023, as well as our right to receive milestone payments from Karuna upon the achievement of certain regulatory approvals and 20% of sublicense income. This deal provides us with upfront non-dilutive capital and significant upside based on Karuna's future regulatory and commercial successes. We're tremendously proud of the way our model allows us to continue to fund our Wholly Owned Pipeline and operations, and we continue to manage our strong financial position proactively while retaining financial upside.

I want to highlight just a few additional key milestones from our Founded Entities in 2022. First, Karuna delivered strong Phase 3 clinical data for KarXT in August of 2022, and in the March 2023 post-period Karuna announced positive results from a second Phase 3 trial, reinforcing the safety and efficacy of KarXT. The consistency in the data to date with KarXT give us confidence in the drug's potential to change the treatment paradigm for people with schizophrenia, and we look forward to Karuna's continued work to validate the potential of KarXT in a range of dementias. The company's value increased by more than 60% over the course of 2022.

Gelesis and Akili also continued to advance the commercial development of their first-in-class FDA-cleared products, Plenity and EndeavorRx. Gelesis demonstrated the market potential for Plenity as a highly differentiated weight management aid for people with obesity or who are overweight. The company has generated $39.5 million in sales since launch, $25.5 million of which was in 2022, representing a 129% increase year-over-year. Gelesis also applied with the FDA to make Plenity available without a prescription, which Gelesis has announced could be achieved as soon as the third quarter of 2023 and should significantly expand access to millions of patients not served by other treatment options due to label, affordability or tolerability. Akili has also formed a foundational partnership with global gaming giant Roblox to further expand its growth opportunities for EndeavorRx.

Finally, Vor Bio delivered initial data in patients with AML for trem-cell (formerly VOR33), supporting both the candidate's potential and providing support for the company's unique approach of combining targeted therapies and antigen-depleted hematopoietic stem cell transplants.

Full details for each of our Founded Entities can be found on pages 12-14 of the Annual Report.

Thanks to our global network for helping us give life to science

First and foremost, I would like to extend my deepest gratitude to the patients, families and staff participating in and supporting our clinical trials. The PureTech team is inspired by you.

To the PureTech Team: thank you for your unwavering dedication and commitment to making a transformational impact for patients. I am so proud of what we have accomplished together, and I am energized by your passion.

Finally, on behalf of the board and management team, I would like to thank our ever-widening network of shareholders, advisors and other stakeholders for your continued support and input. We are grateful for your confidence in our team, our model and our vision, and that you are with us on this journey to change the lives of patients with devastating diseases.

PureTech is poised for another dynamic year, building on our momentum from 2022. We are entering the next phase of our growth with a promising Wholly Owned Pipeline, and we are in a position to move these new medicines forward quickly and efficiently. Importantly, we have many important catalysts on the horizon, and we expect to achieve a number of development and regulatory milestones over the course of 2023 and beyond.

Daphne Zohar

Founder, Chief Executive Officer and Director

April 27, 2023

Notes

1. Industry average data measures the probability of clinical trial success of therapeutics by calculating the number of programs progressing to the next phase vs. the number progressing and suspended (Phase 1=52%, Phase 2=29%, Phase 3=58%). BIO, PharmaIntelligence, QLS (2021) Clinical Development Success Rates 2011 - 2020. This study did not include therapeutics regulated as devices. PureTech's aggregate percentages include all therapeutic candidates advanced through at least Phase 1 by PureTech or its Founded Entities from 2009 onward, calculated by multiplying the individual phase percentages of the following, Phase 1 (n = 6/8; 75%), Phase 2 (n = 10/12; 83%), Phase 3 (n = 3/4; 75%), last updated on August 8, 2022; Phase 2 and Phase 3 percentages include some therapeutic candidates where Phase 1 trials were not conducted by PureTech or its Founded Entities (i) due to the requirements of the medical device regulatory pathway or (ii) because a prior Phase 1 trial was conducted by a third party, which Phase 1 trials were not included in this analysis.
2. Brexanolone NDA 211371 Multi-disciplinary Review and Evaluation, FDA CDER, 2018.
3. Fisher, M., Nathan, S. D., Hill, C., Marshall, J., Dejonckheere, F., Thuresson, P., & Maher, T. M. (2017). Predicting Life Expectancy for Pirfenidone in Idiopathic Pulmonary Fibrosis. Journal of Managed Care & Specialty Pharmacy, 23(3-b Suppl), S17 -S24. https://doi.org/10.18553/jmcp.2017.23.3-b.s17.
4. Cottin, V., Koschel, D., Günther, A., Albera, C., Azuma, A., Sköld, C. M., Tomassetti, S., Hormel, P., Stauffer, J., Kirchgaessler, K., & Maher, T. M. (2018). Long-term safety of pirfenidone: results of the prospective, observational PASSPORT study. ERJ Open Research, 4(4), 00084-02018. https://doi.org/10.1183/23120541.00084-2018
5. Dempsey, T., Payne, S. C., Sangaralingham, L. R., Yao, X., Shah, N., & Limper, A. H. (2021). Adoption of the Antifibrotic Medications Pirfenidone and Nintedanib for Patients with Idiopathic Pulmonary Fibrosis. Annals of the American Thoracic Society, 18(7), 1121-1128. https://doi.org/10.1513/annalsats.202007-901oc

Components of Our Value

Our components are comprised of: (1) our Wholly Owned Programs, (2) Founded Entities, (3) our available cash, cash equivalents and short-term investments at the PureTech level and (4) our return of capital to shareholders.

We hold majority voting control of or otherwise retain significant influence over our Controlled Founded Entities and continue to play a role in the development of their therapeutic candidates through representation on the board of directors. As of December 31, 2022, our board designees represented a majority of the members of the board of directors of Follica and Vedanta and a minority of the members of the board of directors of Entrega. With respect to our Non-Controlled Founded Entities, we do not hold majority equity ownership and are not responsible for the development or commercialization of their therapeutic candidates and therapeutics. Our Non-Controlled Founded Entities have independent management teams, and we do not control the day-to-day development of their respective therapeutic candidates.

1. Our Wholly Owned Programs: We are focused on the advancement of our Wholly Owned Programs and delivering value to our shareholders by driving these programs to key clinical and commercial milestones. We are prioritizing preclinical and clinical advancement, while continuing to generate new wholly-owned candidates through our technology platforms and our unique model for R&D.

2. Our Founded Entities: We established these entities' underlying programs and platforms and advanced them through key validation points. In certain cases, our value from these entities is solely derived from the potential appreciation of our equity interest. In other cases, we also have the right to royalty payments on product sales and/or sublicense revenues.

3. Cash, cash equivalents and short-term investments: We had PureTech Level cash, cash equivalents and short-term investments of $339.5[1] million as of December 31, 2022.

4. Our Return of Capital to Shareholders: In light of the strong foundation we have built for PureTech's future growth, the board and senior leadership team are committed to various approaches to drive additional value to our shareholders. As part of this capital allocation strategy, in 2022 we implemented a share buyback program of up to a maximum consideration of $50 million. We maintain a capital allocation strategy that will see us prioritize funding the continued development and expansion of our Wholly Owned Pipeline and strategic investment in our Founded Entities in accordance with our strategic plan while we will also look to return certain proceeds we may receive in the future to

shareholders through various distribution mechanisms, including continued share buybacks or special dividends.

Notes

1. PureTech level cash, cash equivalents and short-term investments is a non-IFRS measure. For more information in relation to the PureTech level cash, cash equivalents and short-term investments and Consolidated cash, cash equivalents and short-term investments measures used in this Annual Report, including a reconciliation between the two measures, please see pages 51-52 of the Financial Review.

Risk management

The execution of the Group's strategy is subject to a number of risks and uncertainties. As a clinical-stage biotherapeutics company, the Group operates in an inherently 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 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. These risks are only a high-level summary of the principal risks affecting our business; any number of these or other risks could have a material adverse effect on the Group or its financial condition, development, results of operations, subsidiary companies and/or future prospects. Further information on the risks facing the Group can be found on pages 175 to 211 which also includes a description of circumstances under which principal and other risks and uncertainties might arise in the course of our business and their potential impact.

Risk	Impact*	Management Plans/Actions
1 Risks related to science and technology failure The science and technology being developed or commercialized by some of our businesses may fail and/or our businesses may not be able to develop their intellectual property into commercially viable therapeutics or technologies. There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of our value.	The failure of any of our businesses could decrease our value. A failure of one of the major businesses could also impact the perception of PureTech as a developer of high value technologies and possibly make additional fundraising at PureTech or any Founded Entity more difficult.	Before making any decision to develop any technology, extensive due diligence is carried out 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 programs only to their next value milestone. Members of our Board or our management team serve on the board of directors of several of the businesses so as to continue to guide each business's strategy and to oversee proper execution thereof. We use our extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy and the R&D Committee of our Board reviews each program at each stage of development and advises our Board on further actions. Additionally, we have a diversified model with numerous assets such that the failure of any one of our businesses or therapeutic candidates would not result in a failure of all of our businesses.
2 Risks related to clinical trial failure Clinical trials and other tests to assess the commercial viability of a therapeutic candidate are typically expensive, complex and time-consuming, and have uncertain outcomes. Conditions in which clinical trials are conducted differ, and	A critical failure of a clinical trial may result in termination of the program and a significant decrease in our value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of	We have a diversified model such that any one clinical trial outcome would not significantly impact our ability to operate as a going concern. We have dedicated internal resources to establish and monitor each of the clinical programs in order

Risk	Impact*	Management Plans/Actions
results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If our therapeutic candidates fail to achieve successful outcomes in their respective clinical trials, the therapeutics will not receive regulatory approval and in such event cannot be commercialized. In addition, if we fail to complete or experience delays in completing clinical tests for any of our therapeutic candidates, we may not be able to obtain regulatory approval or commercialize our therapeutic candidates on a timely basis, or at all.	capital required for the business to become fully sustainable on a cash flow basis.	to try to maximise successful outcomes. We also engage outside experts to help design clinical programs to help provide valuable information and mitigate the risk of failure. 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 are 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 therapeutics. Stringent standards are imposed which relate to the quality, safety and efficacy of these therapeutics. 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. We may not obtain regulatory approval for our therapeutic candidates. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if therapeutics are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than we expect.	The failure of one of our therapeutics to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in our value.	We manage our 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 our preclinical and clinical programs. These experts ensure that high-quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organizations with global capabilities are retained to manage the trials. We also engage with experts, including on our R&D Committee, to help design clinical trials to help provide valuable information and maximize the likelihood of regulatory approval. Additionally, we have a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to any one therapeutic would not adversely impact all of our therapeutics and businesses.
4 Risks related to therapeutic safety There is a risk of adverse reactions with all drugs and medical devices. If any of our therapeutics are found to cause adverse reactions or unacceptable side effects, then therapeutic 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 us as the developer of the therapeutics and sponsor of the relevant clinical trials. These risks are also applicable to our Founded Entities and any trials they conduct or therapeutic candidates they develop.	Adverse reactions or unacceptable side effects may result in a smaller market for our therapeutics, or even cause the therapeutics to fail to meet regulatory requirements necessary for sale of the therapeutic. This, as well as any claims for injury or harm resulting from our therapeutics, may result in a significant decrease in our value.	We design our therapeutics with safety as a top priority and conduct extensive preclinical and clinical trials which test for and identify any adverse side effects. Despite these steps and precautions, we cannot fully avoid the possibility of unforeseen side effects. To mitigate the risk further we have insurance in place to cover product liability claims which may arise during the conduct of clinical trials.
5 Risks related to therapeutic profitability We may not be able to sell our therapeutics 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 therapeutics and denying or limiting coverage and the level of reimbursement. Moreover, even if the therapeutics can be sold profitably, they may not be accepted by patients and the medical community.	The failure to obtain reimbursement from third party payers, as well as competition from other therapeutics, could significantly decrease the amount of revenue we may receive from therapeutic sales for certain therapeutics. This may result in a significant decrease in our value.	We engage reimbursement experts to conduct pricing and reimbursement studies for our therapeutics to ensure that a viable path to reimbursement, or direct user payment, is available. We also closely monitor the competitive landscape for all of our therapeutics and adapt our business plans accordingly. Not all therapeutics that we are developing will rely on reimbursement. Also, while we cannot control outcomes, we try to design studies to generate data that will help support potential reimbursement.

Risk	Impact*	Management Plans/Actions
Alternatively, our competitors - many of whom have considerably greater financial and human resources - may develop safer or more effective therapeutics or be able to compete more effectively in the markets targeted by us. New companies may enter these markets and novel therapeutics and technologies may become available which are more commercially successful than those being developed by us. These risks are also applicable to our Founded Entities and could result in a decrease in their value.		
6 Risks related to intellectual property protection We may not be able to obtain patent protection for some of our therapeutics or maintain the secrecy of their trade secrets and know-how. If we are unsuccessful in doing so, others may market competitive therapeutics at significantly lower prices. Alternatively, we may be sued for infringement of third-party patent rights. If these actions are successful, then we would have to pay substantial damages and potentially remove our therapeutics from the market. We license certain intellectual property rights from third parties. If we fail to comply with our obligations under these agreements, it may enable the other party to terminate the agreement. This could impair our freedom to operate and potentially lead to third parties preventing us from selling certain of our therapeutics.	The failure to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue we may receive from therapeutic sales. Any infringement litigation against us may result in the payment of substantial damages by us and result in a significant decrease in our value.	We spend significant resources in the prosecution of our patent applications and maintenance of our patents, and we have in-house patent counsel and patent group to help with these activities. We also work with experienced external attorneys and law firms to help with the protection, maintenance and enforcement of our patents. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both our own and information 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 our employment and advisory contracts. Licenses are monitored for compliance with their terms.
7 Risks related to enterprise profitability We expect to continue to incur substantial expenditure in further research and development activities. There is no guarantee that we will become operationally profitable, and, even if we do so, we may be unable to sustain operational profitability.	The strategic aim of the business is to generate profits for our shareholders through the commercialization of technologies through therapeutic sales, strategic partnerships and sales of businesses or parts thereof. The timing and size of these potential inflows are uncertain. 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 our business.	We retain significant cash in order to support funding of our Founded Entities and our Wholly Owned Pipeline. We have close relationships with a wide group of investors and strategic partners to ensure we can continue to access the capital markets and additional monetization and funding for our businesses. Additionally, our Founded Entities are able to raise money directly from third party investors and strategic partners.
8 Risks related to hiring and retaining qualified employees We operate in complex and specialized business domains and require highly qualified and experienced management to implement our strategy successfully. We and many of our businesses are located in the United States which is a highly competitive employment market. Moreover, the rapid development which is envisaged by us may place unsupportable demands on our current managers and employees, particularly if we cannot attract sufficient new employees. There is also the risk that we may lose key personnel.	The failure to attract highly effective personnel or the loss of key personnel would have an adverse impact on our ability to continue to grow and may negatively affect our competitive advantage.	The Board regularly 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 we remain competitive in the employment market. We maintain an extensive recruiting network through our Board members, advisors and scientific community involvement. We also employ an executive as a full-time in-house recruiter and retain outside recruiters when necessary or advisable. Additionally, we are proactive in our retention efforts and include incentive-based compensation in the form of equity awards and annual bonuses, as well as a competitive benefits package. We have a number of employee engagement efforts to strengthen our PureTech community.
9 Risks related to business, economic or public health		

Risk	Impact*	Management Plans/Actions
disruptions Business, economic, financial or geopolitical disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses.	Broad-based business, economic , financial or geopolitical disruptions could adversely affect our ongoing or planned research and development activities. Global health concerns, such as a further pandemic, or geopolitical events, like the ongoing consequences of the invasion of Ukraine, could also result in social, economic, and labor instability in the countries in which we operate or the third parties with whom we engage. We consider the risk to be increasing since the prior year and note further risks associated with the banking system and global financial stability. 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, providers of financial services 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 or geopolitical events such as these ones 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.	We regularly review the business, economic, financial and geopolitical environment in which we operate. It is possible that we may see further impact as a result of current geopolitical tensions. We monitor the position of our suppliers, clinical trial sites, regulators, providers of financial services and other third parties with whom we conduct business. We develop and execute contingency plans to address risks where appropriate.

Financial Review

Reporting Framework

You should read the following discussion and analysis together with our Consolidated Financial Statements, including the notes thereto, set forth elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business and financing our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including the risks set forth on pages 44 to 47 and in the Additional Information section from pages 175 to 212, our actual results could differ materially from the results described in or implied by these forward-looking statements.

Our audited Consolidated Financial Statements as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB).

The following discussion contains references to the Consolidated Financial Statements of PureTech Health plc, or the Company, and its consolidated subsidiaries, together the Group. These financial statements consolidate the Company's subsidiaries and include the Company's interest in associates and investments held at fair value. Subsidiaries are those entities over which the Company maintains control. Associates are those entities in which the Company does not have control for financial accounting purposes but maintains significant influence over financial and operating policies. Where the Company has neither control nor significant influence for financial accounting purposes, or when the Company does not hold common shares (or shares similar to common shares) we recognize our holding in such entity as an investment at fair value. For purposes of our Consolidated Financial Statements, each of our Founded Entities are considered to be either a "subsidiary", an "associate" or an "investment held at fair value" depending on whether PureTech Health plc controls or maintains significant influence over the financial and operating policies of the respective entity at the respective period end date. For additional information regarding the accounting

treatment of these entities, see Note 1 to our Consolidated Financial Statements included in this report. For additional information regarding our operating structure, see "Basis of Presentation and Consolidation" below. Fair value of Investments held at fair value does not take into consideration contribution from milestones that occurred after December 31, 2022, the value of our interests in our consolidated Founded Entities (Vedanta, Follica, and Entrega), our Wholly Owned Programs, or our cash.

Business Background and Results Overview

The business background is discussed above from pages 1 to 14, which describes in detail the business development of our Wholly Owned Programs and Founded Entities.

Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our wholly-owned or Controlled Founded Entities' therapeutic candidates, which may or may not occur. Our Founded Entities, Gelesis, Inc. ("Gelesis"), and Akili Interactive Labs, Inc. ("Akili"), which we have not controlled since 2019 and 2018, respectively, have therapeutics cleared for sale, but our Wholly Owned Programs and our Controlled Founded Entities have not yet generated any meaningful revenue from product sales, to date. However, we do generate significant cash from the sale of shares of our public Founded Entities. See also Recent Developments section below with regard to the Royalty Pharma agreement signed after balance sheet date.

We deconsolidated a number of our Founded Entities, specifically Sonde Health Inc. ("Sonde") in May 2022, Karuna Therapeutics, Inc. ("Karuna"), Vor Biopharma Inc. ("Vor"), and Gelesis in 2019, and Akili in 2018. We expect this trend to continue into the foreseeable future as our Controlled Founded Entities raise additional funding that reduces our ownership interest. Any deconsolidation affects our financials in the following manner:

- our ownership interest does not provide us with a controlling financial interest;
- we no longer control the Founded Entity's assets and liabilities and as a result we derecognize the assets, liabilities and non-controlling interests related to the Founded Entity from our Consolidated Statements of Financial Position;
- we record our non-controlling financial interest in the Founded Entity at fair value; and
- the resulting amount of any gain or loss is recognized in our Consolidated Statements of Comprehensive Income/(Loss).

We anticipate our expenses to continue to increase proportionally in connection with our ongoing development activities related mostly to the advancement into late-stage studies of the clinical programs within our Wholly Owned Pipeline and Controlled Founded Entities. We also expect that our expenses and capital requirements will increase substantially in the near to mid-term as we:

- continue our research and development efforts;
- seek regulatory approvals for any therapeutic candidates that successfully complete clinical trials; and
- add clinical, scientific, operational financial and management information systems and personnel, including personnel to support our therapeutic development and potential future commercialization claims.

In addition, our internal research and development spend will increase in the foreseeable future as we may initiate additional clinical studies for LYT-100, LYT-200 and LYT-300, and progress additional therapeutic candidates into the clinic, such as LYT-310, as well as advance our technology platforms.

In addition, with respect to our Founded Entities' programs, we anticipate that we will continue to fund a small portion of development costs by strategically participating in such companies' financings when we believe participation in such financings is in the best interests of our shareholders. The form of any such participation may include investment in public or private financings, collaboration, partnership arrangements, and/or licensing arrangements, among others. Our management and strategic decision makers consider the future funding needs of our Founded Entities and evaluate the needs and opportunities for returns with respect to each of these Founded Entities routinely and on a case-by-case basis.

As a result, we may need substantial additional funding in the future, following the period described below in the Funding Requirement section, to support our continuing operations and pursue our growth strategy until such time as

we can generate sufficient revenue from product sales to support our operations, if ever. Until such time we expect to finance our operations through a combination of monetization of our interests in our Founded Entities, collaborations with third parties, or other sources. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements, as and when needed, we may have to delay, scale back or discontinue the development and commercialization of one or more of our wholly-owned therapeutic candidates.

Measuring Performance

The Financial Review discusses our operating and financial performance, our cash flows and liquidity as well as our financial position and our resources. The results for each year are compared primarily with the results of the preceding year.

Reported Performance
Reported performance considers all factors that have affected the results of our business, as reflected in our Consolidated Financial Statements.

Core Performance
Core performance measures are alternative performance measures (APM) which are adjusted and non-IFRS measures. These measures cannot be derived directly from our Consolidated Financial Statements. We believe that these non-IFRS performance measures, when provided in combination with reported performance, will provide investors, analysts and other stakeholders with helpful complementary information to better understand our financial performance and our financial position from period to period. The measures are also used by management for planning and reporting purposes. The measures are not substitutable for IFRS financial information and should not be considered superior to financial information presented in accordance with IFRS.

Cash flow and liquidity	
PureTech Level Cash, cash equivalents and short-term investments	**Measure type:** Core performance **Definition:** Cash and cash equivalents, and Short-term investments held at PureTech Health plc and wholly-owned subsidiaries (PureTech LYT, PureTech LYT-100, Alivio Therapeutics, Inc., PureTech Management, Inc., PureTech Health LLC, PureTech Securities Corp, PureTech Securities II Corp) **Why we use it:** PureTech Level Cash, cash equivalents and short-term investments is a measure that provides valuable additional information with respect to cash, cash equivalents and short-term investments available to fund the Wholly Owned Programs and make certain investments in Founded Entities

Recent Developments (subsequent to December 31, 2022)

The Company has evaluated subsequent events after December 31, 2022 up to the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events, except for the following:

On March 1, 2023 Vedanta issued convertible debt to a syndicate of investors. The initial close of the debt was for proceeds of approximately $88.5 million. The note carries an interest rate of 9 percent per annum. The debt has various conversion triggers and the conversion price is established at the lower of 80% of the equity price of the last financing round, or a certain pre-money valuation cap established in the agreement. As part of the issuance of the debt, the convertible debt holders were granted representation in Vedanta's Board of Directors and PureTech lost control over Vedanta. On April 24, 2023, Vedanta closed the second tranche of the convertible debt for additional proceeds of $18.0 million, of which $5.0 million were invested by the Company.

On March 22, 2023, the Company entered into an agreement with Royalty Pharma according to which Royalty Pharma acquired an interset in our royalty from Karuna's KarXT, with $100.0 million in cash up-front, and up to $400.0 million in additional cash consideration, contingent on the achievement of certain regulatory and commercial milestones.

Gelesis

On February 21, 2023, the Company entered into a Note and Warrant Purchase agreement with Gelesis for $5.0 million cash consideration. As part of the agreement, the Company received a short term convertible senior secured note of $5.0 million and warrants to purchase additional shares of Gelesis' common stock. The note carries an interest rate of 12 percent per annum and holds an initial maturity date of July 31, 2023 unless the note is converted earlier or redeemed by the issuer.

Subsequent to balance sheet date, on April 10, 2023, the NYSE commenced proceedings to delist the common stock of Gelesis from the NYSE due to Gelesis ceasing to meet certain conditions to trade on such stock exchange. Trading in Gelesis's common stock was suspended immediately, and it was subsequently delisted from the NYSE. The common stock of Gelesis is currently available for trading in the over-the-counter ("OTC") market under the symbol GLSH.

In addition, in April 2023 PureTech submitted a non-binding proposal to acquire all of the outstanding equity of Gelesis. Negotiations related to the proposal and any potential deal remain ongoing and are subject to, among other things, approval of any definitive transaction by independent committees of the boards of both Gelesis and PureTech.

Financial Highlights

The following is the reconciliation of the amounts appearing in our Statement of Financial Position to the Alternative Performance Measure described above:

	As of:		
(in thousands)	**March 31, 2023***	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	**280,594**	149,866	465,708
Short-term investments	**101,912**	200,229	-
Consolidated Cash, cash equivalents and short-term investments	**391,506**	350,095	465,708
Less: Cash and Cash Equivalents held at non-wholly owned subsidiaries	**(2,128)**	(10,622)	(46,856)
PureTech Level Cash, cash equivalents and short-term investments	**$389,378**	$339,473	$418,851

* Information as of March 31, 2023 is not included in PureTech Health plc's Annual Report and Accounts 2022 and is included here for quantitative reconciliation purposes

Basis of Presentation and Consolidation

Our Consolidated Financial Information consolidates the financial information of PureTech Health plc, as well as its subsidiaries, and includes our interest in associates and investments held at fair value, and is reported in four operating segments as described below.

Basis for Segmentation

Our Directors are our strategic decision-makers. Our operating segments are based on the financial information provided to our Directors periodically for the purposes of allocating resources and assessing performance. We have determined that each consolidated Founded Entity is representative of a single operating segment as our Directors monitor the financial results at this level. When identifying the reportable segments, we have 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. We have identified multiple reportable segments, as presented below. Substantially all of our revenue and profit generating activities are generated within the United States and, accordingly, no geographical disclosures are provided.

There was no change to reportable segments in 2022, except for the transfer of Sonde Health, Inc. to the Non-Controlled Founded Entities segment due to the deconsolidation of Sonde Health, Inc on May 25, 2022.

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 or (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 reportable segments.

As of December 31, 2022, the Non-Controlled Founded Entities segment includes Sonde Health, Inc. which was deconsolidated on May 25, 2022. Segment results incorporate the operational results of Sonde Health, Inc. to the date of deconsolidation. Following the date of deconsolidation, the Company accounts for its investment in Sonde Health, Inc. 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 section.

The Company has revised in this report the prior year segment financial information to conform to the presentation as of and for the year ending December 31, 2022 to include Sonde in the Non-Controlled Founded Entities segment. This change in segments reflects how the Company's Board of Directors reviews the Group's results, allocates resources and assesses performance of the Group at this time.

Following is the description of our reportable segments:

Internal

The Internal segment is advancing Wholly Owned Programs, which is focused on improving the lives of patients with devastating diseases. The Internal segment is comprised of the technologies that are wholly owned and 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 December 31, 2022, this segment included PureTech LYT, Inc. (formerly Ariya Therapeutics Inc.), PureTech LYT-100, Inc and Alivio Therapeutics, Inc.

Controlled Founded Entities

The Controlled Founded Entities segment is comprised of our subsidiaries that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and have previously raised, or are currently in the process of raising, third-party dilutive capital. These subsidiaries have active research and development programs 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 December 31, 2022, this segment included Entrega, Inc., Follica, Inc., and Vedanta Biosciences, Inc.

Non-Controlled Founded Entities

The Non-Controlled Founded Entities segment is comprised of the entities in respect of which PureTech Health no longer has control over the entity. 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. The Non-Controlled Founded Entities segment included Sonde Health, Inc.

The Non-Controlled Founded Entities segment incorporates the operational results of the aforementioned entities to the date of deconsolidation. Following the date of deconsolidation, we account for our investment in each entity at the parent level, and therefore the results associated with investment activity (including the share in the net loss of associates) following the date of deconsolidation is included in the Parent Company and Other segment (the "Parent Company and Other segment").

Parent Company and Other

Parent Company and Other 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. Parent Company and Other also captures the accounting for our 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, realized loss on sale of investments, the share of net income/ (loss) of associates accounted for using the equity

method, gain on dilution of ownership interest in associate, impairment of investment in associate. As of December 31, 2022, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc., PureTech Securities Corp., and PureTech Securities II Corp. as well as certain other dormant, inactive and shell entities.

The table below summarizes the entities that comprised each of our segments as of December 31, 2022:

Internal Segment	
PureTech LYT	100.0%
PureTech LYT-100, Inc.	100.0%
Alivio Therapeutics, Inc.	100.0%
Controlled Founded Entities	
Entrega, Inc.	77.3%
Follica, Incorporated	85.4%
Vedanta Biosciences, Inc.	47.0%
Non-Controlled Founded Entities	
Sonde Health, Inc.	40.2%
Parent Segment[1]	
Puretech Health plc	100.0%
PureTech Health LLC	100.0%
PureTech Securities Corporation	100.0%
PureTech Securities II Corporation	100.0%
PureTech Management, Inc.	100.0%

1 Includes dormant, inactive and shell entities that are not listed here.

Components of Our Results of Operations

Revenue

To date, we have not generated any meaningful revenue from product sales and we do not expect to generate any meaningful revenue from product sales for the near term future. We derive our revenue from the following:

Contract revenue

We generate revenue primarily from licenses, services and collaboration agreements, including amounts that are recognized related to upfront payments, milestone payments, royalties and amounts due to us for research and development services. In the future, revenue may include additional milestone payments and royalties on any net product sales under our licensing agreements. We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of license, research and development services and milestone and other payments.

Grant Revenue

Grant revenue is derived from grant awards we receive from governmental agencies and non-profit organizations for certain qualified research and development expenses. We recognize 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 we will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. We evaluate the conditions of each grant as of each reporting date to ensure that we have 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.

For proceeds from sale of our investments held at fair value, please see our Consolidated Cash flow Statements, Net

cash provided by investing activities.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our wholly-owned and our Controlled Founded Entities' therapeutic candidates, which include:

- employee-related expenses, including salaries, related benefits and equity-based compensation;
- expenses incurred in connection with the preclinical and clinical development of our wholly-owned and our Founded Entities' therapeutic candidates, including our agreements with contract research organizations, or CROs;
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs.

We expense all research costs in the periods in which they are incurred and development costs are capitalized only if certain criteria are met. For the periods presented, we have not capitalized any development costs since we have not met the necessary criteria required for capitalization.

Research and development activities are central to our business model. Therapeutic candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future. The successful development of our wholly-owned and our Founded Entities' therapeutic candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these therapeutic candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our wholly-owned or our Founded Entities' therapeutic candidates. This is due to the numerous risks and uncertainties associated with developing therapeutics, including the uncertainty of:

- progressing research and development of our Wholly Owned Pipeline, including LYT-100, LYT-200, LYT-300, LYT-310 and continuing to progress our various technology platforms and other potential therapeutic candidates based on previous human efficacy and clinically validated biology within our Wholly Owned Programs;
- establishing an appropriate safety profile with investigational new drug application;
- the success of our Founded Entities and their need for additional capital;
- identifying new therapeutic candidates to add to our Wholly Owned Pipeline;
- successful enrollment in, and the initiation and completion of, clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- commercializing our wholly-owned and our Founded Entities' therapeutic candidates, if approved, whether alone or in collaboration with others;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- addressing any competing technological and market developments, as well as any changes in governmental regulations;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how, as well as obtaining and maintaining regulatory exclusivity for our wholly-owned and our Founded Entities' therapeutic candidates;
- continued acceptable safety profile of our therapeutics, if any, following approval; and

- attracting, hiring and retaining qualified personnel.

A change in the outcome of any of these variables with respect to the development of a therapeutic candidate could mean a significant change in the costs and timing associated with the development of that therapeutic candidate. For example, the FDA, the EMA, or another comparable foreign regulatory authority may require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a therapeutic candidate, or we may experience significant trial delays due to patient enrollment or other reasons, in which case we would be required to expend significant additional financial resources and time on the completion of clinical development. In addition, we may obtain unexpected results from our clinical trials and we may elect to discontinue, delay or modify clinical trials of some therapeutic candidates or focus on others. Identifying potential therapeutic candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our wholly-owned and our Founded Entities' therapeutic candidates, if approved, may not achieve commercial success.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses also include professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative headcount to support our continued research and development and potential commercialization of our portfolio of therapeutic candidates.

Total Other Income/(Loss)

Gain on Deconsolidation of Subsidiary

Upon losing control over a subsidiary, the assets and liabilities are derecognized 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 recognized as profit or loss in the Consolidated Statements of Comprehensive Income/(Loss).

Gain/(Loss) on Investments Held at Fair Value

Investments held at fair value include both unlisted and listed securities held by us, which include investments in Akili, Gelesis, Karuna, Vor and Sonde and certain insignificant investments. We account for investments in preferred shares of our associates in accordance with IFRS 9 as Investments Held at Fair Value when the preferred shares do not provide access to returns underlying ownership interests.

Our ownership in Akili was in preferred shares until August 2022 at which time the preferred shares were exchanged into common shares as part of Akili SPAC merger (See Note 5 in the Consolidated financial statements). Our ownership in Vor was in preferred shares until February 2021 at which time the preferred shares were converted into common shares as part of Vor Initial Public Offering. Preferred shares formed part of our ownership in Gelesis and such preferred shares were accounted for as Investments Held at Fair value while the common stock investment is accounted for under the equity method. When the investment in common stock was reduced to zero by equity method losses, subsequent equity method losses were applied to the preferred share investment, which was considered to be a Long-term Interest. In January 2022, as part of the Gelesis SPAC merger with Capstar, the Gelesis preferred shares were exchanged for common shares in the new Gelesis entity and were treated as an additional investment in Gelesis equity interest accounted for under the equity method (for further details see Note 6 in the consolidated financial statements). Our common stock investment in Karuna is accounted for under IFRS 9 as an investment held at fair value. Our A-2 and B preferred share investments in Sonde are accounted for as investments held at fair value

Realized loss on sale of Investments

Realized loss on sale of investments held at fair value relates to realized differences in the per share disposal price of a

listed security as compared to the per share exchange quoted price at the time of disposal. The difference in 2020 and 2021 is attributable to a block sale discount, due to a variety of market factors, primarily the number of shares being transacted was significantly larger than the daily trading volume of the security. The difference in 2022 is attributed to the settlement of call options written by the Company on Karuna stock.

Other Income (Expense)

Other income (expense) consists primarily of gains and losses on financial instruments and in 2022 relates primarily to the backstop agreement with Gelesis (see Note 6 in the consolidated financial statements). In prior years includes also sub-lease income.

Finance Costs/Income

Finance costs consist of loan interest expense and the changes in the fair value of certain liabilities associated with financing transactions, mainly preferred share liabilities in respect of preferred shares issued by our non wholly owned subsidiaries to third parties. Finance income consists of interest income on funds invested in money market funds and U.S. treasuries.

Share of Net Gain (Loss) of Associates Accounted for Using the Equity Method, Gain on Dilution of Ownership Interest and Impairment of Investment in Associate

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include our 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 share of losses exceeds the net investment in the investee, including the investment in preferred shares that are considered Long-term Interests, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee.

We compare the recoverable amount of the investment to its carrying amount on a go-forward basis and determine the need for impairment. We recorded an impairment in the common stock investment in Gelesis in the year ended December 31, 2022.

When our share in the equity of the investee changes as a result of equity transactions in the investee (related to financing events of the investee), we calculate a gain or loss on such change in ownership and related share in the investee's equity. During the year ended December 31, 2022 we recorded a gain on dilution of our ownership interest in Gelesis.

Income Tax

The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are not recorded if we do not assess their realization as probable. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our financial statements in the period that includes the substantive enactment date or the change in tax status.

Results of Operations

The following table, which has been derived from our audited financial statements for the years ended December 31, 2022, 2021 and 2020, included herein, summarizes our results of operations for the periods indicated, together with the changes in those items in dollars:

	Year ended December 31,				
				Change	Change
(in thousands)	**2022**	2021	2020	(2021 to 2022)	(2020 to 2021)

Contract revenue	**$2,090**	$9,979	$8,341	$(7,889)	$1,638
Grant revenue	**13,528**	7,409	3,427	6,119	3,982
Total revenue	**15,618**	17,388	11,768	(1,770)	5,621
Operating expenses:					
General and administrative expenses	**(60,991)**	(57,199)	(49,440)	(3,792)	(7,760)
Research and development expenses	**(152,433)**	(110,471)	(81,859)	(41,962)	(28,612)
Operating income/(loss)	**(197,807)**	(150,282)	(119,531)	(47,524)	(30,751)
Other income/(expense):					
Gain on deconsolidation of subsidiary	**27,251**	-	-	27,251	-
Gain/(loss) on investment held at fair value	**(32,060)**	179,316	232,674	(211,377)	(53,358)
Realized loss on sale of investment	**(29,303)**	(20,925)	(54,976)	(8,378)	34,051
Other income/(expenses)	**8,131**	1,592	1,035	6,539	557
Other income/(loss)	**(25,981)**	159,983	178,732	(185,965)	(18,749)
Net finance income/(costs)	**138,924**	5,050	(6,115)	133,875	11,164
Share of net income/(loss) of associates accounted for using the equity method	**(27,749)**	(73,703)	(34,117)	45,954	(39,587)
Gain on dilution of ownership interest in associate	**28,220**	-	-	28,220	-
Impairment of investment in associate	**(8,390)**	-	-	(8,390)	-
Income/(loss) before income taxes	**(92,783)**	(58,953)	18,969	(33,830)	(77,922)
Taxation	**55,719**	(3,756)	(14,401)	59,475	10,645
Net income/(loss) including non-controlling interest	**(37,065)**	(62,709)	4,568	25,644	(67,277)
Net income/(loss) for the year attributable to the Owners of the Company	**$(50,354)**	$(60,558)	$5,985	$10,204	$(66,543)

Comparison of the Years Ended December 31, 2022 and 2021

Total Revenue

	Year ended December 31,		
(in thousands)	**2022**	2021	Change
Contract Revenue:			
Internal Segment	**$-**	$8,129	$(8,129)
Controlled Founded Entities	**1,500**	1,500	-
Non-Controlled Founded Entities	**81**	115	(34)
Parent Company and other	**509**	235	274
Total Contract Revenue	**$2,090**	$9,979	$(7,889)
Grant Revenue:			
Internal Segment	**$2,826**	$1,253	$1,573
Controlled Founded Entities	**10,702**	6,156	4,546
Total Grant Revenue	**$13,528**	$7,409	$6,119
Total Revenue	**$15,618**	$17,388	$(1,770)

Our total revenue was $15.6 million for the year ended December 31, 2022, a decrease of $1.8 million, or 10.2 percent compared to the year ended December 31, 2021. The decrease was primarily attributable to a decrease of $8.1 million in Contract Revenue in our Internal Segment due to the conclusion of certain collaboration activities, partially offset by an increase in Grant Revenue of $4.5 million in the Controlled Founded Entities segment, driven by an increase in grants received in our controlled founded entity, as well as an increase of $1.6 million in Grant Revenue within the Internal segment as a result of increased grant-related activities in such segment.

Research and Development Expenses

	Year ended December 31,		
(in thousands)	**2022**	2021	Change
Research and Development Expenses:			
Internal Segment	**$(116,054)**	$(65,444)	$50,610
Controlled Founded Entities	**(34,668)**	(40,667)	(5,999)
Non-Controlled Founded Entities	**(826)**	(3,116)	(2,290)
Parent Company and other	**(885)**	(1,244)	(359)
Total Research and Development Expenses:	**$(152,433)**	$(110,471)	$41,962

Our research and development expenses were $152.4 million for the year ended December 31, 2022, an increase of $42.0 million, or 38.0 percent compared to the year ended December 31, 2021. The change was primarily attributable to an increase of $50.6 million in research and development expenses incurred by the Internal segment due to the advancement of programs in clinical testing partially offset by decreases in the research and development expenses of $6.0 million and $2.3 million by the Controlled Founded Entities and the Non-Controlled Founded Entities, respectively. We progressed our ongoing clinical trials of LYT-100, LYT-200 and of LYT 300 in multiple indications, as well as advanced our research activities. The increase in the Internal Segment was primarily driven by an increase in clinical trial and clinical research organization expenditures of $32.7 million, an increase in research and development related employee compensation expense of $10.5 million (including an increase of $2.0 million in non cash stock based compensation expense), an increase in analytical and contract manufacturing testing costs of $4.8 million, and an increase in consulting and professional fees of $3.3 million. The decrease in the Controlled Founded Entities was driven by a $3.5 million reimbursement of expenses related to a settlement reached with a prior collaboration partner as well as additional decreases of approximately $3 million in clinical study costs. The decrease in Non-Controlled Founded Entities was due to the fact that in 2022 the results of operations of Sonde are included only through the date of deconsolidation while in 2021 such results are included for a full year.

General and Administrative Expenses

	Year ended December 31,		
(in thousands)	**2022**	2021	Change
General and Administrative Expenses:			
Internal Segment	**$(8,301)**	$(8,673)	$(373)
Controlled Founded Entities	**(16,462)**	(17,504)	(1,042)
Non-Controlled Founded Entities	**(1,296)**	(3,225)	(1,929)
Parent Company and other	**(34,933)**	(27,797)	7,136
Total General and Administrative Expenses	**$(60,991)**	$(57,199)	$3,792

Our general and administrative expenses were $61.0 million for the year ended December 31, 2022, an increase of $3.8 million, or 6.6 percent compared to the year ended December 31, 2021. The change was attributable to an increase of $7.1 million in the Parent Company and other segment, offset by a decreases of $1.9 million in the Non-Controlled Founded Entities segment, $1.0 million in the Controlled Founded Entities, and $0.4 million in the

Internal Segment. The increase in the Parent Company and other segment was driven by a $2.5 million increase in employee compensation expense due to increase in headcount and adjustments to compensation due to inflation, as well as a $4.5 million increase in other taxes, while the decrease in Non-Controlled Founded Entities was driven by the fact that in 2022 the results of operations of Sonde are included only through the date of deconsolidation while in 2021 such results are included for a full year. The decrease in Controlled Founded Entities results from a decrease in employee compensation expenses.

Total Other Income (Loss)

Total Other loss was $26.0 million for the year ended December 31, 2022 compared to Other income of $160.0 million for the year ended December 31, 2021, reflecting a change of $186.0 million. The increase in losses was primarily attributable to a loss from investments held at fair value of $32.1 million for the year ended December 31, 2022, compared to a gain of $179.3 million for the year ended December 31, 2021 and to a much lesser extent an increase in realized loss from the sale of an investment of $8.4 million. The loss from investments held at fair value for the year ended December 31, 2022 was primarily attributed to our holdings in Akili, Vor and Gelesis earn-out shares, partially offset by a gain on Karuna holdings (see Note 5 in our consolidated financial statements for further details). The aforementioned increase in losses was partially offset by a one-time gain of $27.3 million as a result of the deconsolidation of Sonde and a gain of $7.6 million in respect of the Gelesis back-stop agreement (See Note 5 to the Consolidated Financial Statements for more details) during the year ended December 31, 2022.

Net Finance Income (Costs)

Net finance Income was $138.9 million for the year ended December 31, 2022, compared to net finance income of $5.0 million for the year ended December 31, 2021, reflecting a change of $133.9 million in Net finance Income (costs). The change was primarily attributable to the fact that during the year ended December 31, 2022 net change in fair value of subsidiaries' preferred shares, warrant and convertible note liabilities was income of $137.1 million, primarily related to change in fair value of Vedanta preferred share liabilities, while for the year ended December 31, 2021 such change was a gain of $9.6 million, leading to increased income of $127.5 million. To a much lesser extent, the increase in finance income was also derived from a $0.8 million decrease in contractual interest expense on subsidiary convertible notes, and a $5.6 million increase in interest income from financial assets during the year ended December 31, 2022, as compared to the year ended December 31, 2021.

Share of Net Income/(loss) of Associates accounted for using the equity method, Gain on Dilution of Interest in Associate and Impairment of Investment in Associate

For the year ended December 31, 2022, the share in net loss of associates reported under the equity method was $27.7 million as compared to the share in net loss of $73.7 million for the year ended December 31, 2021. The change was primarily attributable to a decrease in our equity interest in Gelesis following the SPAC exchange (see Note 6 to our Consolidated Financial Statements), as well as a decrease in Gelesis losses reported under IFRS for the year ended December 31, 2022, as compared to the losses reported for the year ended December 31, 2021. In addition, during the year ended December 31, 2022, PureTech recorded a gain on dilution of its equity ownership interest in Gelesis of $28.2 million as a result of the completion of the merger with CapStar on January 13, 2022 - See Note 6 to the Consolidated Financial Statements for more details. Also, during the year ended December 31, 2022, the Company recorded an impairment in its investment in Gelesis of $8.4 million.

Taxation

Income tax expense was a benefit of $55.7 million for the year ended December 31, 2022, as compared to an expense of $3.8 million for the year ended December 31, 2021. The increase in the income tax benefit was primarily attributable to the increase in gains that are non taxable for the year ended December 31, 2022 as compared to the year ended December 31, 2021 and to a lesser extent to a 2022 change in state apportionment. For a full reconciliation from the statutory tax rate to the effective tax rate, see Note 25 to our Consolidated Financial Statements.

Comparison of the Years Ended December 31, 2021 and 2020

Total Revenue

	Year Ended December 31,

(in thousands)	2021	2020	Change
Contract Revenue:			
Internal Segment	$8,129	$5,297	$2,833
Controlled Founded Entities	1,500	896	604
Non-Controlled Founded Entities	115	93	22
Parent Company and other	235	2,054	(1,819)
Total Contract Revenue	$9,979	$8,341	$1,638
Grant Revenue:			
Internal Segment	$1,253	$1,563	$(310)
Controlled Founded Entities	6,156	1,864	4,292
Total Grant Revenue	$7,409	$3,427	$3,982
Total Revenue	$17,388	$11,768	$5,621

Our total revenue was $17.4 million for the year ended December 31, 2021, an increase of $5.6 million, or 47.8 percent compared to the year ended December 31, 2020. The increase was primarily attributable to an increase of $2.8 million in contract revenue in the Internal segment, which was primarily driven by a $6.5 million increase in revenue due to payment from Imbrium Therapeutics, Inc. following the exercise of the option to acquire an exclusive license for the Initial Product Candidate. The increase was partially offset by a decrease in contract revenue of $3.7 million recognized under IFRS 15 due to the completion of development activities related to revenues associated with multiple collaborations in the year ended December 31, 2021. The increase was also driven by an increase of $4.3 million in grant revenue in the Controlled Founded Entities segment for the year ended December 31, 2021, which was driven primarily by Vedanta's grant revenue earned pursuant to its CARB-X and BARDA agreements. The aforementioned increases were partially offset by a non-recurrent milestone payment of $2.0 million received from Karuna (and included in Parent Company and Other) in the year ended December 31, 2020.

Research and Development Expenses

	Year Ended December 31,		
(in thousands)	2021	2020	Change
Research and Development Expenses:			
Internal Segment	$(65,444)	$(45,346)	$20,098
Controlled Founded Entities	(40,667)	(33,152)	7,515
Non-Controlled Founded Entities	(3,116)	(3,128)	(12)
Parent Company and other	(1,244)	(234)	1,010
Total Research and Development Expenses:	$(110,471)	$(81,859)	$28,612

Our research and development expenses were $110.5 million for the year ended December 31, 2021, an increase of $28.6 million, or 35.0 percent compared to the year ended December 31, 2020. The change was primarily attributable to an increase of $20.1 million in research and development expenses incurred by the Internal segment due to the advancement of programs in clinical testing. This was primarily driven by an increase in clinical trial and clinical research organization expenditures of $14.0 million, an increase in research and development related consulting and professional fees of $2.5 million and an increase in research and development related salaries and stock compensation of $2.6 million. We progressed our ongoing clinical trials of LYT-100 and LYT- 200 in multiple indications and initiated a clinical trial with respect to LYT 300, as well as advanced pre-clinical studies and research related to multiple candidates and research platforms. The increase was further attributable to an increase of $7.5 million in research and development expenses incurred by the Controlled Founded Entities segment, primarily attributable to Vedanta as they

progressed their therapeutic candidates VE202, VE303, VE416 and VE800 towards meaningful milestones.

General and Administrative Expenses

	Year Ended December 31,		
(in thousands)	2021	2020	Change
General and Administrative Expenses:			
Internal Segment	$(8,673)	$(3,482)	$5,191
Controlled Founded Entities	(17,504)	(10,752)	6,752
Non-Controlled Founded Entities	(3,225)	(2,939)	286
Parent Company and other	(27,797)	(32,267)	(4,470)
Total General and Administrative Expenses	$(57,199)	$(49,440)	$7,760

Our general and administrative expenses were $57.2 million for the year ended December 31, 2021, an increase of $7.8 million, or 15.7 percent compared to the year ended December 31, 2020. The increase was primarily attributable to an increase of $7.0 million in the Controlled Founded Entities segment, which was primarily driven by non-cash increases of $2.9 million in stock based compensation expense, $1.4 million increase in payroll-related costs due to increased personnel, an increase in professional fees of $1.1 million, and an increase in legal fees of $0.9 million. The increase was further attributable to an increase of $5.2 million in the Internal segment, which was primarily driven by an increase in the management fee charged by the Parent company of $6.2 million which was partially offset by a decrease in depreciation expense of $0.5 million for the year ended December 31, 2021. The decrease in the Parent Company and other of $4.5 million was primarily attributable to the allocation of management fee charged to other segments of $7.0 million which was partially offset by an increase in professional and recruiting fees of $0.9 million and an increase in business insurance of $1.7 million for the year ended December 31, 2021.

Total Other Income (Loss)

Total other income was $160.0 million for the year ended December 31, 2021 a decrease of $18.7 million, compared to the year ended December 31, 2020. The decline in other income was primarily attributable to a decrease in gains from investments held at fair value of $53.4 million, primarily driven by the change in the fair value of the investment in Karuna. These gains from investments held at fair value were partially offset by losses realized on sale of certain investments held at fair value, as a result of the block sale discount included in the sale. The losses realized on sale of certain investments held at fair value for the year ended December 31, 2021 decreased $34.1 million compared to the year ended December 31, 2020.

Net Finance Income (Costs)

Net finance costs were $5.0 million for the year ended December 31, 2021, a change of $11.2 million, compared to net finance costs of $6.1 million for the year ended December 31, 2020. The change was primarily attributable to a $14.0 million change leading to increased income in respect of the change in the fair value of our preferred shares, warrant and convertible note liabilities held by third parties, partially offset by a $1.8 million increase in contractual finance costs, mainly in our controlled founded entity, Vedanta, and a $1.0 million decline in interest income from financial assets for the year ended December 31, 2021.

Share of Net Gain (Loss) in Associates Accounted for Using the Equity Method, and Impairment of Investment in Associate

For the year ended December 31, 2021, the share in net loss of associates reported under the equity method was $73.7 million as compared to the share of net loss of $34.1 million for the year ended December 31, 2020. The change was primarily attributable to an increase in Gelesis losses reported under IFRS for the year ended December 31, 2021 as compared to the losses reported for the year ended December 31, 2020, due to an increase in the fair value of Gelesis financial instrument liabilities that are accounted for at Fair Value Through Profit and Loss (FVTPL).

Taxation

Income tax expense was $3.8 million for the year ended December 31, 2021,as compared to income tax expense of

$14.4 million for the year ended December 31, 2020. The decrease in income tax expense was primarily attributable to the decrease in profit before tax in entities in the U.S. Federal and Massachusetts consolidated return groups of the Company. For information on the change in the tax rate, see Note 25 in the consolidated financial statements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). In the preparation of these financial statements, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions or conditions.

Our estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing at the end of this report, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements. See Note 1 to our consolidated financial statements for a further detailed description of our significant accounting policies.

Financial instruments

We account for our financial instruments according to IFRS 9. As such, when issuing preferred shares in our subsidiaries we determine the classification of financial instruments in terms of liability or equity. Such determination involves significant judgement. These judgements include an assessment of whether the financial instruments include any embedded derivative features, whether they include contractual obligations upon us to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party at any point in the future prior to liquidation, and whether that obligation will be settled by exchanging a fixed amount of cash or other financial assets for a fixed number of the Group's equity instruments.

In accordance with IFRS 9 we carry certain investments in equity securities at fair value as well as our subsidiary preferred share, convertible notes and warrant liabilities, all through profit and loss (FVTPL). Valuation of the aforementioned financial instruments (assets and liabilities) includes making significant estimates, specifically determining the appropriate valuation methodology and making certain estimates such as the future expected returns on the financial instrument in different scenarios, earnings potential of the subsidiary businesses, appropriate discount rate, appropriate volatility, appropriate term to exit and other industry and company specific risk factors.

Consolidation:

The consolidated financial statements include the financial statements of the Company and the entities it controls. Based on the applicable accounting rules, the Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Therefore an assessment is required to determine 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. Judgement is required to perform such assessment and it requires that the Company considers, among others, activities that most significantly affect the returns of the investee, its voting shares, representation on the board, rights to appoint board members and management, shareholders agreements, de facto power and other contributing factors.

Investment in Associates

When we do not control an investee but maintain significant influence over the financial and operating policies of the investee the investee is an associate. Significant influence is presumed to exist when we hold 20 percent or more of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. We evaluate if we

maintain significant influence over associates by assessing if we have the power to participate in the financial and operating policy decisions of the associate.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include our 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 our share of losses exceeds the net investment in an equity accounted investee, including preferred share investments that are considered to be Long-Term Interests, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee. To the extent we hold interests in associates that are not providing access to returns underlying ownership interests, the instrument held by PureTech is accounted for in accordance with IFRS 9.

Judgement is required in order to determine whether we have significant influence over financial and operating policies of investees. This judgement includes, among others, an assessment whether we have representation on the Board of Directors of the investee, whether we participate 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 us and the investee.

Judgement is also required to determine which instruments we hold in the investee form part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, and which instruments are separate financial instruments that fall under the scope of IFRS 9. This judgement includes an assessment of the characteristics of the financial instrument of the investee held by us and whether such financial instrument provides access to returns underlying an ownership interest.

Where the company has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute Long-Term Interests for the purposes of IAS 28 (please refer to Notes 5 and 6). This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments

Recent Accounting Pronouncements
For information on recent accounting pronouncements, see our consolidated financial statements and the related notes found elsewhere in this report.

Cash Flow and Liquidity

Our cash flows may fluctuate and are difficult to forecast and will depend on many factors, including:

- the expenses incurred in the development of wholly-owned and Controlled Founded Entity therapeutic candidates;
- the revenue, if any, generated by wholly-owned and Controlled-Founded Entity therapeutic candidates;
- the revenue, if any, generated from licensing and royalty agreements with Founded Entities;
- the financing requirements of the Internal segment, Controlled-Founded Entities segment and Parent segment; and
- the investing activities related to the Internal, Controlled-Founded Entities, Non-Controlled Founded Entities and Parent segments, including the monetization, through sale, of shares held in our public Founded Entities.

As of December 31, 2022, we had consolidated cash and cash equivalents of $149.9 million and consolidated cash, cash equivalents and short term investments of $350.1 million. As of December 31, 2022, we had PureTech Level cash, cash equivalents and short-term investments of $339.5 million. PureTech Level cash, cash equivalents and short-term investments is a non-IFRS measure (for a definition of PureTech Level cash, cash equivalents and short-term investments and a reconciliation to the IFRS number, see the section Measuring Performance earlier in this Financial review).

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

	Year ended December 31,		
(in thousands)	**2022**	2021	2020
Net cash used in operating activities	**$(178,792)**	$(158,274)	$(131,827)
Net cash provided by (used in) investing activities	**(107,223)**	197,375	364,478
Net cash provided by (used in) financing activities	**(29,827)**	22,727	38,869
Net increase (decrease) in cash and cash equivalents	**$(315,842)**	$61,827	$271,520

Operating Activities

Net cash used in operating activities was $178.8 million for the year ended December 31, 2022, as compared to $158.3 million for the year ended December 31, 2021, resulting in an increase of $20.5 million in net cash used in operating activities. The increase in outflows is primarily attributable to our higher operating loss mainly due to an increase in research and development activities in the Internal Segment, partially offset by the timing of receipts and payments in the normal course of business.

Net cash used in operating activities was $158.3 million for the year ended December 31, 2021, as compared to $131.8 million for the year ended December 31, 2020. The increase in outflows is primarily attributable to our higher operating loss and higher income taxes paid of $7.0 million, and to a lesser extent the timing of receipts and payments in the normal course of business.

Investing Activities

Net cash used in investing activities was $107.2 million for the year ended December 31, 2022, as compared to inflows of $197.4 million for the year ended December 31, 2021, resulting in a decrease of $304.6 million in net cash resulting from investing activities. The decrease in the net cash resulting from investing activities was primarily attributed to a decrease in proceeds from the sale of investments held at fair value of $99.4 million and to the purchase of short term investments, that net of redemptions amounted to $198.7 million for the year ended December 31, 2022.

Net cash provided by investing activities was $197.4 million for the year ended December 31, 2021, as compared to inflows of $364.5 million for the year ended December 31, 2020, resulting in a decrease of $167.1 million in net cash provided by investing activities. The decrease in the net cash provided by investing activities was primarily attributed to the decrease in proceeds from the sale of investments held at fair value of $132.5 million (proceeds from such sales were $218.1 million for the year ended December 31, 2021 vs. $350.6 million for the year ended December 31, 2020) and the fact that for the year ended December 31, 2020 the Company had proceeds of $30.1 million from maturity of short term investments while for the year ended December 31, 2021, there were no such cash inflows.

Financing Activities

Net cash used in financing activities was $29.8 million for the year ended December 31, 2022, as compared to net cash provided by financing activities of $22.7 million for the year ended December 31, 2021, resulting in a decrease of $52.6 million in the net cash resulting from financing activities. The decrease in the net cash resulting from financing activities was primarily attributable to the fact that in the year ended December 31, 2021 there was an issuance of subsidiary preferred shares of $37.6 million while for the year ended December 31, 2022 there was no such issuance, and due to the treasury share purchases of $26.5 million for the year ended December 31, 2022 while there were no such purchases for the year ended December 31, 2021. This decrease was partially offset by the fact that during year ended December 31, 2021 there were payments to settle equity settled stock based awards of $13.3 million, while for the year ended December 31, 2022 there were no such payments made.

Net cash provided by financing activities was $22.7 million for the year ended December 31, 2021, as compared to $38.9 million for the year ended December 31, 2020, resulting in a decrease of $16.1 million in the net cash provided by financing activities. The decrease in the net cash provided by financing activities was primarily attributable to the decrease in proceeds from issuance of convertible notes in subsidiaries of $22.8 million and the fact that for the year

ended December 31, 2020 the Company had proceeds from the issuance of a long term loan of $14.7 million, while for the year ended December 31, 2021, there was no such cash inflow. Such decreases were partially offset by an increase in proceeds from issuance of preferred shares in subsidiaries of $23.9 million.

Funding Requirements

We have incurred operating losses since inception. Based on our current plans, we believe our existing financial assets at December 31, 2022, will be sufficient to fund our operations and capital expenditure requirements into the first quarter of 2026. We expect to incur substantial additional expenditures in the near term to support our ongoing activities. We anticipate to continue to incur net operating losses for the foreseeable future as is typical for pre-revenue biotechnology companies. Our ability to fund our therapeutic development and clinical operations as well as commercialization of our wholly-owned therapeutic candidates, will depend on the amount and timing of cash received from planned financings, monetization of shares of public Founded Entities and potential business development activities. Our future capital requirements will depend on many factors, including:

- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our wholly-owned therapeutic candidates;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;
- the emergence of competing technologies and products and other adverse marketing developments;
- the effect on our therapeutic and product development activities of actions taken by the U.S. Food and Drug Administration ("FDA"), the European Medicines Agency ("EMA") or other regulatory authorities;
- our degree of success in commercializing our wholly-owned therapeutic candidates, if and when approved; and
- the number and types of future therapeutics we develop and commercialize.

A change in the outcome of any of these or other variables with respect to the development of any of our wholly-owned therapeutic candidates could significantly change the costs and timing associated with the development of that therapeutic candidate.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. We currently have no credit facility or other committed sources of capital beyond our existing financial assets. Because of the numerous risks and uncertainties associated with the development and commercialization of our wholly-owned therapeutic candidates, we have only a general estimate of the amounts of increased capital outlays and operating expenditures associated with our current and anticipated therapeutic development programs and these may change in the future.

Financial Position

Summary Financial Position

	As of December 31,		
(in thousands)	**2022**	2021	Change
Investments held at fair value	**$251,892**	$397,179	$(145,286)
Other non-current assets	**64,562**	47,018	17,544
Non-current assets	**316,454**	444,197	(127,743)
Cash and cash equivalents, and short term investments	**350,095**	465,708	(115,613)
Other current assets	**36,097**	36,101	(4)
Current assets	**386,192**	501,809	(115,617)
Total assets	**702,647**	946,006	(243,359)
Lease Liability	**24,155**	29,040	(4,884)
Deferred tax liability	**19,645**	89,765	(70,120)

Other non-current liabilities	**14,372**	16,921	(2,549)
Non-current liabilities	**58,172**	135,725	(77,553)
Trade and other payables	**54,783**	35,760	19,023
Notes payable	**2,345**	4,641	(2,297)
Warrant liability	**47**	6,787	(6,740)
Preferred shares	**27,339**	174,017	(146,678)
Other current liabilities	**12,371**	4,929	7,442
Current liabilities	**96,885**	226,135	(129,249)
Total liabilities	**155,057**	361,859	(206,802)
Net assets	**547,589**	584,147	(36,557)
Total equity	**$547,589**	$584,147	$(36,557)

Investments Held at Fair Value
Investments held at fair value decreased by $145.3 million to $251.9 million as of December 31, 2022. As of December 31, 2022, Investments held at fair value consist primarily of our common share investment in Karuna, Vor and Akili (Akili was in the form of preferred shares until August 2022) and our preferred share investment in Sonde (from May 2022). See Note 5 to our consolidated financial statements included elsewhere in this annual report for details regarding the change in investments held at fair value.

Cash, Cash Equivalents, and Short-Term Investments
Consolidated cash, cash equivalents and short-term investments decreased by $115.6 million to $350.1 million as of December 31, 2022. The decrease reflects spend attributed to our operating loss of $197.8 million, partially offset by proceeds from sale of Karuna and Vor shares of $118.7 million during the year ended December 31, 2022.

Non-Current Liabilities
Non-current liabilities decreased $77.6 million to $58.2 million as of December 31, 2022. The decrease was primarily driven by declines of $4.9 million and $70.1 million in our long-term lease liability and deferred tax liabilities, respectively as of December 31, 2022.

Trade and Other Payables
Trade and other payables increased $19.0 million to $54.8 million as of December 31, 2022. The increase reflected primarily the timing of payments as of December 31, 2022.

Notes Payable
Notes payable decreased by $2.3 million to $2.3 million as of December 31, 2022. The decrease reflects the deconsolidation of Sonde in May 2022.

Preferred Shares and warrant liabilities
Preferred share liability in subsidiaries in the Controlled founded entity segment decreased by $146.7 million to $27.3 million and warrant liability (also in Controlled founded entity segment) decreased by $6.7 million to a negligible amount as of December 31, 2022. The decrease in the preferred share liability reflects a decrease in fair value of the preferred share liability of $130.8 million and to a much lesser extent a decrease of $15.9 million due to the deconsolidation of Sonde during the year ended December 31, 2022. The decrease in the warrant liability reflects a decrease in the fair value of such warrant liability of $6.7 million.

Quantitative and Qualitative Disclosures about Financial Risks

Interest Rate Sensitivity
As of December 31, 2022, we had consolidated cash and cash equivalents of $149.9 million and short term investments of $200.2 million, while we had PureTech Level cash, cash equivalents and short-term investments of

$339.5 million. PureTech Level cash, cash equivalents and short-term investments is a non-IFRS measure (for a definition of PureTech Level cash, cash equivalents and short-term investments and a reconciliation to the IFRS number, see the section Measuring Performance earlier in this Financial review). Our exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. We have not entered into investments for trading or speculative purposes. Due to the conservative nature of our investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and related money market accounts we do not believe change in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be significantly affected by changes in market interest rates.

Foreign Currency Exchange Risk

We maintain our consolidated financial statements in our functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods.

Controlled Founded Entity Investments

We maintain investments in certain Controlled Founded Entities. Our investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. We are 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. Our strong cash position, budgeting and forecasting processes, as well as decision making and risk mitigation framework enable us 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, we view exposure to third party preferred share liability as low. Please refer to Note 16 to our consolidated financial statements for further information regarding our exposure to Controlled Founded Entity Investments.

Non-Controlled Founded Entity Investments

We maintain certain investments in Non-Controlled Founded Entities which are deemed either as investments and accounted for as investments held at fair value or associates and accounted for under the equity method (please refer to Note 1 to our consolidated financial statements). Our exposure to investments held at fair value was $251.9 million as of December 31, 2022, and we may or may not be able to realize the value in the future. Accordingly, we view the risk as high. Our exposure to investments in associates in limited to the carrying amount of the investment. We are not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of December 31, 2022, Gelesis and Sonde were the only associates. The carrying amount of the investments in Gelesis and Sonde accounted for under the equity method was $9.1 million. Accordingly, we do not view this risk as high. Please refer to Notes 5, 6 and 16 to our consolidated financial statements for further information regarding our exposure to Non-Controlled Founded Entity Investments.

Equity Price Risk

As of December 31, 2022, we held 1,054,464 common shares of Karuna, 2,671,800 common shares of Vor, and 12,527,477 common shares of Akili. The fair value of our investments in the common shares of Karuna was $207.2 million, in the common shares of Vor $17.8 million, and in the common shares of Akili $14.1 million.

The investments in Karuna Vor and Akili are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna common shares, Vor common shares and Akili common shares as of December 31, 2022, would have been a loss of approximately $20.7 million, $1.8 million, and $1.4 million, respectively, that would have been recognized as a component of Other income (expense) in our Consolidated Statements of Comprehensive Income/(Loss).

Liquidity Risk

We do not believe we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. While we believe our cash and cash equivalents and short-term investments do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes or decline in value based on market conditions.

Credit Risk

We maintain an investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity and to meet operating needs. Although our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. We do not own derivative financial instruments. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments.

Credit risk is also the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We are potentially subject to concentrations of credit risk in accounts receivable. Concentrations of credit risk with respect to receivables is owed to the limited number of companies comprising our receivable base. However, our exposure to credit losses is currently low due to the credit quality of our receivables, which are primarily from the US government, large corporations and large funds with respect to grants.

Foreign Private Issuer Status

Owing to our U.S. listing, we report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. As long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended December 31

	Note	**2022** **$000s**	2021 $000s	2020 $000s
Contract revenue	3	**2,090**	9,979	8,341
Grant revenue	3	**13,528**	7,409	3,427
Total revenue		**15,618**	17,388	11,768
Operating expenses:				
General and administrative expenses	7	**(60,991)**	(57,199)	(49,440)
Research and development expenses	7	**(152,433)**	(110,471)	(81,859)
Operating income/(loss)		**(197,807)**	(150,282)	(119,531)
Other income/(expense):				

	Note	**2022** **$000s**	2021 $000s	2020 $000s
Gain on deconsolidation of subsidiary	5	**27,251**	-	-
Gain/(loss) on investment held at fair value	5	**(32,060)**	179,316	232,674
Realized loss on sale of investments	5	**(29,303)**	(20,925)	(54,976)
Other income/(expense)	6, 16	**8,131**	1,592	1,035
Other income/(expense)		**(25,981)**	159,983	178,732
Finance income/(costs):				
Finance income	9	**5,799**	214	1,183
Finance costs - contractual	9	**(3,939)**	(4,771)	(2,946)
Finance income/(costs) - fair value accounting	9	**137,063**	9,606	(4,351)
Net finance income/(costs)		**138,924**	5,050	(6,115)
Share of net loss of associates accounted for using the equity method	6	**(27,749)**	(73,703)	(34,117)
Gain on dilution of ownership interest in associate	6	**28,220**	-	-
Impairment of investment in associate	6	**(8,390)**	-	-
Income/(loss) before taxes		**(92,783)**	(58,953)	18,969
Taxation	25	**55,719**	(3,756)	(14,401)
Income/(Loss) for the year		**(37,065)**	(62,709)	4,568
Other comprehensive income/(loss):				
Items that are or may be reclassified as profit or loss				
Equity-accounted associate - share of other comprehensive income (loss)		**(166)**	-	469
Reclassification of foreign currency differences on dilution of interest		**(213)**	-	-
Total other comprehensive income/(loss)		**(379)**	-	469
Total comprehensive income/(loss) for the year		**(37,444)**	(62,709)	5,037
Income/(loss) attributable to:				
Owners of the Company		**(50,354)**	(60,558)	5,985
Non-controlling interests	18	**13,290**	(2,151)	(1,417)
		(37,065)	(62,709)	4,568
Comprehensive income/(loss) attributable to:				
Owners of the Company		**(50,733)**	(60,558)	6,454
Non-controlling interests	18	**13,290**	(2,151)	(1,417)
		(37,444)	(62,709)	5,037
		$	$	$
Earnings/(loss) per share:				
Basic earnings/(loss) per share	10	**(0.18)**	(0.21)	0.02
Diluted earnings/(loss) per share	10	**(0.18)**	(0.21)	0.02

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

Consolidated Statements of Financial Position

As of December 31,

	Note	**2022** **$000s**	2021 $000s
Assets			
Non-current assets			
Property and equipment, net	11	**22,957**	26,771
Right of use asset, net	21	**14,281**	17,166
Intangible assets, net	12	**831**	987
Investments held at fair value	5, 16	**251,892**	397,179
Investment in associates - equity method	6	**9,147**	-
Note from associate	16	**16,501**	-
Lease receivable - long-term	21	**835**	1,285
Other non-current assets		**10**	810
Total non-current assets		**316,454**	444,197
Current assets			
Trade and other receivables	22	**11,867**	3,174
Income tax receivable	25	**10,040**	4,514
Prepaid expenses		**11,617**	10,755
Lease receivable - short-term	21	**450**	415
Other financial assets	13, 22	**2,124**	2,124
Short-term note from associate		**-**	15,120
Short-term investments	22	**200,229**	-
Cash and cash equivalents	22	**149,866**	465,708
Total current assets		**386,192**	501,809
Total assets		**702,647**	946,006
Equity and liabilities			
Equity			
Share capital		**5,455**	5,444
Share premium		**289,624**	289,303
Treasury stock		**(26,492)**	-
Merger reserve		**138,506**	138,506
Translation reserve		**89**	469
Other reserve		**(14,478)**	(40,077)
Retained earnings/(accumulated deficit)		**149,516**	199,871
Equity attributable to the owners of the Company	14	**542,220**	593,515
Non-controlling interests	18	**5,369**	(9,368)
Total equity		**547,589**	584,147
Non-current liabilities			
Deferred tax liability	25	**19,645**	89,765

	Note	2022 $000s	2021 $000s
Lease liability, non-current	21	**24,155**	29,040
Long-term loan	20	**10,244**	14,261
Liability for share based awards	8	**4,128**	2,659
Total non-current liabilities		**58,172**	135,725
Current liabilities			
Deferred revenue	3	**2,185**	65
Lease liability, current	21	**4,972**	3,950
Trade and other payables	19	**54,840**	35,817
Subsidiary:			
Notes payable	16, 17	**2,345**	4,641
Warrant liability	16	**47**	6,787
Preferred shares	15, 16	**27,339**	174,017
Current portion of long-term loan	20	**5,156**	857
Total current liabilities		**96,885**	226,135
Total liabilities		**155,057**	361,859
Total equity and liabilities		**702,647**	946,006

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 authorized for issuance on April 27, 2023 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer
April 27, 2023

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

Consolidated Statements of Changes in Equity

For the years ended December 31

	Share Capital			Treasury Shares								
	Shares	Amount $000s	Share premium $000s	Shares	Amount $000s	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
Balance January 1, 2020	285,370,619	5,408	287,962	-	-	138,506	-	(18,282)	254,444	668,037	(17,639)	650,398
Net income/(loss)	-	-	-	-	-	-	-	-	5,985	5,985	(1,417)	4,568
Other comprehensive income/(loss), net	-	-	-	-	-	-	469	-	-	469	-	469
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**469**	**-**	**5,985**	**6,454**	**(1,417)**	**5,037**
Exercise of share-based awards	514,406	9	1,016	-	-	-	-	-	-	1,025	11	1,036

	Share Capital			Treasury Shares								
	Shares	Amount $000s	Share premium $000s	Shares	Amount $000s	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
Revaluation of deferred tax assets related to share-based awards	-	-	-	-	-	-	-	(684)	-	(684)	-	(684)
Equity settled share-based awards	-	-	-	-	-	-	-	7,805	-	7,805	2,822	10,627
Settlement of restricted stock units (RSU)	-	-	-	-	-	-	-	(12,888)	-	(12,888)	-	(12,888)
Other	-	-	-	-	-	-	-	-	-	-	13	13
Balance December 31, 2020	**285,885,025**	**5,417**	**288,978**	**-**	**-**	**138,506**	**469**	**(24,050)**	**260,429**	**669,748**	**(16,209)**	**653,539**
Net income/(loss)	-	-	-	-	-	-	-	-	(60,558)	(60,558)	(2,151)	(62,709)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(60,558)**	**(60,558)**	**(2,151)**	**(62,709)**
Exercise of share-based awards	1,911,560	27	326	-	-	-	-	-	-	352	-	352
Revaluation of deferred tax assets related to share-based awards	-	-	-	-	-	-	-	615	-	615	-	615
Equity settled share-based awards	-	-	-	-	-	-	-	7,109	-	7,109	6,252	13,361
Settlement of restricted stock units	-	-	-	-	-	-	-	(10,749)	-	(10,749)	-	(10,749)
Reclassification of equity settled awards to liability awards	-	-	-	-	-	-	-	(6,773)	-	(6,773)	-	(6,773)
Vesting of share-based awards and net share exercise	-	-	-	-	-	-	-	(2,582)	-	(2,582)	-	(2,582)
Acquisition of subsidiary non-controlling interest	-	-	-	-	-	-	-	(9,636)	-	(9,636)	8,668	(968)
NCI exercise of share options in subsidiaries	-	-	-	-	-	-	-	5,988	-	5,988	(5,922)	66
Distributions	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Balance December 31, 2021	**287,796,585**	**5,444**	**289,303**	**-**	**-**	**138,506**	**469**	**(40,077)**	**199,871**	**593,515**	**(9,368)**	**584,147**
Net income/(loss)	-	-	-	-	-	-	-	-	(50,354)	(50,354)	13,290	(37,065)
Other comprehensive income/(loss), net	-	-	-	-	-	-	(379)	-	-	(379)	-	(379)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(379)**	**-**	**(50,354)**	**(50,733)**	**13,290**	**(37,444)**
Deconsolidation of Subsidiary	-	-	-	-	-	-	-	-	-	-	11,904	11,904
Exercise of share-based awards	577,022	11	321	-	-	-	-	-	-	332	-	332

	Share Capital			Treasury Shares								
	Shares	Amount $000s	Share premium $000s	Shares	Amount $000s	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
Revaluation of deferred tax assets related to share-based awards	-	-	-	-	-	-	-	45	-	45	-	45
Purchase of Treasury stock	-	-	-	(10,595,347)	(26,492)	-	-	-	-	(26,492)	-	(26,492)
Equity settled share-based awards	-	-	-	-	-	-	-	8,856	-	8,856	4,711	13,567
Partial settlement of share based liability awards and settlement of equity based RSUs	788,046	-	-	-	-	-	-	1,528	-	1,528	-	1,528
NCI exercise of share options in subsidiaries	-	-	-	-	-	-	-	15,171	-	15,171	(15,164)	7
Other	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance December 31, 2022	**289,161,653**	**5,455**	**289,624**	**(10,595,347)**	**(26,492)**	**138,506**	**89**	**(14,478)**	**149,516**	**542,220**	**5,369**	**547,589**

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

Consolidated Statements of Cash Flows

For the years ended December 31

	Note	**2022** **$000s**	2021 $000s	2020 $000s
Cash flows from operating activities				
Income/(loss)		**(37,065)**	(62,709)	4,568
Adjustments to reconcile net income/(loss) to net cash used in operating activities:				
Non-cash items:				
Depreciation and amortization	11, 21	**8,893**	7,287	6,645
Share-based compensation expense	8	**14,698**	13,950	10,718
(Gain)/loss on investment held at fair value	5	**32,060**	(179,316)	(232,674)
Realized loss on sale of investments	5	**29,303**	20,925	54,976
Gain on dilution of ownership interest in associate	6	**(28,220)**	-	-
Impairment of investment in associate	6	**8,390**	-	-
Gain on deconsolidation of subsidiary	5	**(27,251)**	-	-
Share of net loss of associates accounted for using the equity method	6	**27,749**	73,703	34,117
Fair value gain on other financial instruments	6, 16	**(8,163)**	(800)	-
Loss on disposal of assets	11	**138**	53	66
Income taxes, net	25	**(55,719)**	3,756	14,402
Finance (income)/costs, net	9	**(138,924)**	(5,050)	6,114
Changes in operating assets and liabilities:				
Trade and other receivables		**(7,734)**	(617)	(529)
Prepaid expenses		**(862)**	(5,350)	(3,371)
Deferred revenue	3	**2,123**	(1,407)	(5,223)
Trade and other payables	19	**22,033**	8,338	605

	Note	**2022** **$000s**	2021 $000s	2020 $000s
Other		**359**	(103)	(7)
Income taxes paid		**(20,696)**	(27,766)	(20,737)
Interest received		**3,460**	214	1,155
Interest paid	20, 21	**(3,366)**	(3,382)	(2,651)
Net cash used in operating activities		**(178,792)**	(158,274)	(131,827)
Cash flows from investing activities:				
Purchase of property and equipment	11	**(2,176)**	(5,571)	(5,170)
Proceeds from sale of property and equipment		**-**	30	-
Purchases of intangible assets	12	**-**	(90)	(254)
Investment in associates	6	**(19,961)**	-	-
Purchase of associate preferred shares held at fair value	5	**-**	-	(10,000)
Purchase of investments held at fair value	5	**(5,000)**	(500)	(1,150)
Sale of investments held at fair value	5	**118,710**	218,125	350,586
Purchase of short-term note from associate	16	**-**	(15,000)	-
Repayment of short-term Note from associate	16	**15,000**	-	-
Purchase of Convertible Note from associate	16	**(15,000)**	-	-
Cash derecognized upon loss of control over subsidiary (see table below)		**(479)**	-	-
Purchases of short-term investments	22	**(248,733)**	-	-
Proceeds from maturity of short-term investments	22	**50,000**	-	30,116
Receipt of payment of sublease	21	**415**	381	350
Net cash provided by (used in) investing activities		**(107,223)**	197,375	364,478
Cash flows from financing activities:				
Receipt of PPP loan		**-**	-	68
Issuance of long term loan	20	**-**	-	14,720
Issuance of subsidiary preferred Shares	15	**-**	37,610	13,750
Issuance of Subsidiary Convertible Note	17	**393**	2,215	25,000
Payment of lease liability	21	**(4,025)**	(3,375)	(2,908)
Exercise of stock options		**332**	352	1,036
Settlement of restricted stock unit equity awards		**-**	(10,749)	(12,888)
Vesting of restricted stock units and net share exercise		**-**	(2,582)	-
NCI exercise of stock options in subsidiary	15	**7**	66	-
Issuance of warrants in subsidiary		**-**	-	92
Purchase of treasury stock	14	**(26,492)**	-	-
Acquisition of a non-controlling Interest of a subsidiary		**-**	(806)	-
Other		**(41)**	(5)	-
Net cash provided by (used in) financing activities		**(29,827)**	22,727	38,869
Net increase (decrease) in cash and cash equivalents		**(315,842)**	61,827	271,520
Cash and cash equivalents at beginning of year		**465,708**	403,881	132,360
Cash and cash equivalents at end of year		**149,866**	465,708	403,881
Supplemental disclosure of non-cash investment and financing activities:				
Partial settlement of share based liability award through issuance of equity		**1,528**	-	-
Purchase of property, plant and equipment against trade and other payables	11	**-**	1,841	-
Leasehold improvements purchased through lease incentives (deducted from Right of Use Asset)	11	**-**	1,010	-
Conversion of subsidiary convertible note into preferred share liabilities	17	**-**	25,797	-

Assets, Liabilities and non controlling interests other than cash in deconsolidated subsidiary

	2022
	$000s
Trade and other payables	**1,407**
Subsidiary notes payable	**3,403**
Subsidiary preferred shares	**15,853**
Other assets and liabilities, net	**123**
Non-controlling interest	**(11,904)**
	8,882
Investment retained in deconsolidated subsidiary	**18,848**
Gain on deconsolidation	**(27,251)**
Cash in deconsolidated subsidiary	**479**

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 4AB, 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 as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020. The Group financial statements have been approved by the Directors on April 27, 2023, and are prepared in accordance with UK-adopted International Financial Reporting Standards (IFRSs). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). UK-adopted IFRSs differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact for the periods presented.

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.

Certain amounts in the Consolidated Financial Statements and accompanying notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

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, short-term and convertible note from associate and liabilities classified as fair value through the profit or loss.

Use of Judgments and Estimates

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

Significant estimation is applied in determining the following:

- Financial instruments valuations (Note 16): when estimating the fair value of subsidiary preferred shares, subsidiary warrants, and subsidiary convertible notes carried at fair value through profit and loss (FVTPL) as well as investments held at fair value, at initial recognition and upon subsequent measurement. Valuation of the aforementioned financial instruments (assets and liabilities) includes making significant estimates, specifically determining the appropriate valuation methodology and making certain estimates such as the future expected returns on the financial instrument in different scenarios, earnings potential of the subsidiary businesses, appropriate discount rate, appropriate volatility, appropriate term to exit and other industry and company specific risk factors.

Significant judgement is also applied in determining the following:

- Subsidiary preferred shares liability classification (Note 15): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment of whether the financial instruments include any embedded derivative features, whether they include contractual obligations of 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, shareholder agreements, ability to appoint board members, representation on the board, rights to appoint management, de facto control, investee dependence on the Company etc. If the power to control investees exists we consolidate the financial statements of such investee in the consolidated financial statements of the Group. Upon issuance of new shares in a subsidiary and/or a change in any shareholders or governance agreements, the Group reassesses its ability to control the investee based on the revised voting interest and board composition and revised subsidiary governance and management structure. When such new circumstances result in the Group losing its power to control the investee, the investee is deconsolidated.
- Whether 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.
- Where the company has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute Long-Term Interests for the purposes of IAS 28 (please refer to Notes 5 and 6). This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments (please also refer to accounting policy with regard to

Investments in Associates below). When the Group considered the individual facts and circumstances of the Group's investment in its associate's preferred stock in the manner described above, including the long-term nature of such investment, the ability of the Group to convert its preferred stock investment to an investment in common shares and the likelihood of such conversion, we concluded that such investment was considered a Long Term Interest.

As of December 31, 2022, the Group had cash and cash equivalents of $149.9 million and short-term investments of $200.2 million. Considering the Group's and the Company's financial position as of December 31, 2022, and its principal risks and opportunities, a going concern analysis has been prepared for at least the twelve-month period from the date of signing the Consolidated Financial Statements ("the going concern period") utilizing realistic scenarios and applying a severe but plausible downside scenario. Even under the downside scenario, the analysis demonstrates the Group and the Company continue to maintain sufficient liquidity headroom and continue to comply with all financial obligations. The Directors believe the Group and the Company is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the Consolidated Financial Statements. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements and the PureTech Health plc Financial Statements.

Basis of consolidation

The consolidated financial information as of December 31, 2022 and 2021, and for each of the years ended December 31, 2022, 2021 and 2020, 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 unrealized income and expenses arising from intra-group transactions, are eliminated.

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 December 31, 2022, are reported within the Internal segment, Controlled Founded Entities segment or the Parent Company and Other section (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, board representation, shareholders' agreements, ability to appoint Directors and management, de facto control and other related factors. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all current and former subsidiaries organized with respect to classification as of December 31, 2022, and the Group's total voting percentage, based on outstanding voting common and preferred shares as of December 31, 2022, 2021 and 2020, is outlined below. All current subsidiaries are domiciled within the United States and conduct business activities solely within the United States.

	Voting percentage at December 31, through the holdings in					
	2022		2021		2020	
Subsidiary	**Common**	**Preferred**	Common	Preferred	Common	Preferred
Subsidiary operating companies						
Alivio Therapeutics, Inc.[1,2]	**-**	**100.0**	-	100.0	-	91.9
Entrega, Inc. (indirectly held through Enlight)[1,2]	**-**	**77.3**	-	77.3	-	83.1
Follica, Incorporated[1,2]	**28.7**	**56.7**	28.7	56.7	28.7	56.7
PureTech LYT (formerly Ariya Therapeutics, Inc.)	**-**	**100.0**	-	100.0	-	100.0
PureTech LYT-100	**-**	**100.0**	-	100.0	-	100.0

PureTech Management, Inc.[3]	**100.0**	**-**	100.0	-	100.0	-
PureTech Health LLC[3]	**100.0**	**-**	100.0	-	100.0	-
Vedanta Biosciences, Inc.[1,2]	**-**	**47.0**	-	48.6	-	59.3
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta)[1,2]	**-**	**47.0**	-	48.6	-	59.3
Deconsolidated former subsidiary operating companies						
Sonde Health, Inc.[1,2,5]	**-**	**40.2**	-	51.8	-	51.8
Akili Interactive Labs, Inc.[6]	**14.7**	**-**	-	26.7	-	41.9
Gelesis, Inc.[1,2,6]	**22.8**	**-**	4.8	19.7	4.9	20.2
Karuna Therapeutics, Inc.[1,2]	**3.1**	**-**	5.6	-	12.6	-
Vor Biopharma Inc.1,2	**4.1**	**-**	8.6	-	-	16.4
Nontrading holding companies						
Endra Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**-**	86.0	-	86.0	-
Ensof Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**-**	86.0	-	86.0	-
PureTech Securities Corp.[2]	**100.0**	**-**	100.0	-	100.0	-
PureTech Securities II Corp.[2]	**100.0**	**-**	100.0	-	100.0	-
Inactive subsidiaries						
Appeering, Inc.[2]	**-**	**100.0**	-	100.0	-	100.0
Commense Inc.[2]	**-**	**99.1**	-	99.1	-	99.1
Enlight Biosciences, LLC[2]	**86.0**	**-**	86.0	-	86.0	-
Ensof Biosystems, Inc. (held indirectly through Enlight)[1,2]	**57.7**	**28.3**	57.7	28.3	57.7	28.3
Knode Inc. (indirectly held through Enlight)[2]	**-**	**86.0**	-	86.0	-	86.0
Libra Biosciences, Inc.[2]	**-**	**100.0**	-	100.0	-	100.0
Mandara Sciences, LLC[2]	**98.3**	**-**	98.3	-	98.3	-
Tal Medical, Inc.[1,2]	**-**	**100.0**	-	100.0	-	100.0

1 The voting percentage is impacted by preferred shares that are classified as liabilities, which results in the ownership percentage not being the same as the ownership percentage used in allocations to non-controlling interests disclosed in Note 18. The allocation of losses/profits to the noncontrolling interest is based on the holdings of subordinated stock that provide ownership rights in 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. In the case of Enlight, Mandara and PureTech Health LLC, 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 May 25, 2022 PureTech lost control over Sonde and Sonde was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Sonde through the deconsolidation date being included in the Group's Consolidated Statement of Comprehensive Income/(Loss). See Notes 5 and 6 for further details about the accounting for the investments in Sonde subsequent to deconsolidation.

6 See Notes 5 and 6 for the Gelesis and Akili SPAC merger and for the exchange of the Group's preferred stock investments for common stock of those entities.

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 derecognized 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 recognized 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 percent 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 recognized at cost, or if recognized 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.

To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests, the instrument held by PureTech is accounted for in accordance with IFRS 9 as investments held at fair value.

When the Group's share of losses exceeds its equity method investment in the investee, losses are applied against Long-Term Interests, which are investments accounted for under IFRS 9. Investments are determined to be Long-Term Interests when they are long-term in nature and in substance they form part of the Group's net investment in that associate. This determination is impacted by many factors, among others, whether settlement by the investee through redemption or repayment is planned or likely in the foreseeable future, whether the investment can be converted and/or is likely to be converted to common stock or other equity instrument and other factors regarding the nature of the investment. Whilst this assessment is dependent on many specific facts and circumstances of each investment, typically conversion features whereby the investment is likely to convert to common stock or other equity instruments would point to the investment being a Long-Term Interest. Similarly, where the investment is not planned or likely to be settled through redemption or repayment in the foreseeable future, this would indicate that the investment is a Long-Term Interest. When the net investment in the associate, which includes the Group's investments in other long-term interests, is reduced to nil, 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.

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 Interests (LTI). The amendments provide the annual sequence in which both standards are to be applied in such a case. The Group has applied the equity method losses to the LTIs presented as part of Investments held at fair value subsequent to remeasuring such investments to their fair value at balance sheet date.

Financial Instruments
Classification
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 amortized 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 are recorded in profit or loss. 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. As of balance sheet dates, none of the Company's financial assets are accounted for as 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 amortized cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial Assets
The Group's financial assets consist of cash and cash equivalents, investments in debt securities, trade and other receivables, notes, restricted cash deposits and investments in equity securities. The Group's financial assets are virtually all classified into the following categories: investments held at fair value, notes, trade and other receivables, short-term investments 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 investments in equity instruments that are not held for trading. Such investments consist of the Group's minority interest holdings where the Group has no significant influence or preferred share investments in the Group's associates that are not providing access to returns underlying ownership interests. 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 recognized in Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis. The Company has elected to record the changes in fair values for the financial assets falling under this category through profit and loss. Please refer to Note 5.

Changes in the fair value of financial assets at FVTPL are recognized in other income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable.

The notes from an associate, since their contractual terms do not consist solely of cash flow payments of principal and interest on the principal amount outstanding, such notes are initially and subsequently measured at fair value, with changes in fair value recognized through profit and loss.

Short term investments consist of short-term US treasury bills that are held to maturity. The contractual terms consist solely of payment of the principal and the Group's business model is to hold the treasury bills to maturity. As such, such short term investments are recorded at amortized cost. As of balance sheet date amortized cost approximated the fair value of such short-term investments.

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 expected lifetime losses. Such losses are determined taking into account previous experience, credit rating and economic stability of counterparty and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision. As of balance sheet date, The Group did not incur or record any such expected lifetime losses. 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, long-term loan, preferred shares, and warrant liability.

Warrant liabilities are initially recognized at fair value. After initial recognition, these financial liabilities are re-measured at FVTPL using an appropriate valuation technique.

Subsidiary notes payable without embedded derivatives and the long-term loan are accounted for at amortized cost.

The majority of the Group's subsidiaries have preferred shares and certain notes payable with embedded derivatives, which are classified as current liabilities. When the Group has preferred shares and notes with embedded derivatives that qualify for bifurcation, the Group has elected to account for the entire instrument as FVTPL after determining under IFRS 9 that the instrument qualifies to be accounted for under such FVTPL method.

The Group derecognizes 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 unfavorable 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 Group's shareholders' equity exclude amounts in relation to those shares.

Changes in the fair value of liabilities at FVTPL are recognized in Net finance income (costs) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable.

IFRS 15, Revenue from Contracts with Customers
The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognizing 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 and services, some of which are part of collaboration arrangements.

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 recognized at either a point-in-time or over time, depending on the nature of the performance obligations.

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 utilizing 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.

- 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.
- Recognize 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 recognized 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 recognized 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. Therefore revenue is recognized over time using the input method based on costs incurred to date as compared to total contract costs. The Company believes that in research and development service type agreements using costs incurred to date represents the most faithful depiction of the entity's performance towards complete satisfaction of a performance obligation.

Revenue from licenses that are not part of a combined performance obligation are recognized at a point in time due to the licenses relating to intellectual property that has significant stand-alone functionality and as such represent a right to use the entity's intellectual property as it exists at the point in time at which the license is granted.

Royalty income received in respect of licensing agreements is recognized as the related third party sales in the licensee occur.

Amounts that are receivable or have been received per contractual terms but have not been recognized as revenue since performance has not yet occurred or has not yet been completed are recorded as deferred revenue. The Company classifies as non-current deferred revenue amounts received for which performance is expected to occur beyond one year or one operating cycle.

Grant Income

The Company recognizes 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 that 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 after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. In cases were grant income is received prior to the expenses being incurred or recognized, the amounts received are deferred until the related expense is incurred and/or recognized. Grant income is recognized in the Consolidated Statements of Comprehensive Income/(Loss) at the time in which the Company recognizes the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars ("US dollars"). The functional currency of all members of the Group is the U.S. dollar. The Group's share in foreign exchange differences in associates were

reported 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 recognized in the Consolidated Statement of Comprehensive Income/(Loss). 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.

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's equity is comprised of share capital, share premium, merger reserve, other reserve, translation reserve, and retained earnings/accumulated deficit.

Treasury Shares
Treasury shares are recognized at cost and are deducted from shareholders' equity. No gain or loss is recognized in profit and loss for the purchase, sale, re-issue or cancellation of the Company's own equity shares

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 amortization, if amortization has commenced. Intangible assets with finite lives are amortized from the time they are available for their intended use. Amortization is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives.

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 amortized 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 tested for

impairment at least annually.

An impairment loss is recognized 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 recognized 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 an investment in associate during the year ended December 31, 2022.

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 recognized 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 recognized as an employee benefit expense in the periods during which related services are rendered by employees. Prepaid contributions are recognized 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 (except certain restricted stock units - see below) 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 recognized as an expense with a corresponding increase in equity over the requisite service period related to the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized 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 market 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.

Certain restricted stock units are treated as liability settled awards starting in 2021. Such awards are remeasured at every reporting date until settlement date and are recognized as compensation expense over the requisite service period. Differences in remeasurement are recognized in profit and loss. The cumulative cost that will ultimately be recognized in respect of these awards will equal to the amount at settlement.

The fair value of the awards is measured using option pricing models and other appropriate models, which take into account the terms and conditions of the awards granted. See further details in Note 8.

Development Costs

Expenditures on research activities are recognized as incurred in the Consolidated Statements of Comprehensive Income/(Loss). In accordance with IAS 38 development costs are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group can demonstrate its ability to use or sell the intangible asset, 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, generally, 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 meaningful recurring sales. Otherwise, the development expenditure is recognized as incurred in the Consolidated Statements of Comprehensive Income/(Loss). As of balance sheet date the Group has not capitalized any development costs.

Provisions

A provision is recognized 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

The Group leases real estate (and some minor equipment) for use in operations. These leases generally have lease terms of 1 to 10 years. The Group includes options that are reasonably certain to be exercised as part of the determination of the lease term. The group determines if an arrangement is a lease at inception of the contract in accordance with guidance detailed in IFRS 16. ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. As most of the Group's leases do not provide an implicit rate, The Group used its estimated incremental borrowing rate, based on information available at commencement date, in determining the present value of future payments.

The Group's leases are virtually all leases of real estate.

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 right-of-use asset is depreciated on a straight-line basis and the lease liability gives rise to an interest charge.

Further information regarding the subleases, right of use asset and lease liability can be found in Note 21.

Finance Income and Finance Costs

Finance income is comprised of income on funds invested in U.S. treasuries, income on money market funds and income on a finance lease. Financing income is recognized as it is earned. Finance costs comprise mainly of loan, notes and lease liability interest expenses and the changes in the fair value of financial liabilities carried at FVTPL (such changes can consist of finance income when the fair value of such financial liabilities decreases).

Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. In accordance with IAS 12, tax is recognized in the Consolidated Statements of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

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 recognized 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 recognized 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 with respect to investments in associates are recognized only to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. 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 realized.

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.

Fair Value Measurements
The Group's accounting policies require that certain financial assets and certain financial 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair values are categorized 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 recognizes 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, 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.

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 January 1, 2023 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 January 1, 2023, the definition of accounting estimates has been amended as an amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. This amendment is not expected to have an impact on the Group's financial statements.

Effective January 1, 2023, IAS 1 has been amended to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The Company does not expect this amendment will have a material impact on its financial statements.

Effective January 1, 2023, IAS 12 is amended to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendment is not expected to have an impact on the

Group's financial statements as the Group has already recognized a deferred tax asset and deferred tax liability that arose on initial recognition of its leases (the Group does not have decommissioning provisions).

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 December 31,	**2022** **$000s**	2021 $000s	2020 $000s
Contract revenue	**2,090**	9,979	8,341
Grant income	**13,528**	7,409	3,427
Total revenue	**15,618**	17,388	11,768

All amounts recorded in contract revenue were generated in the United States. For the years ended December 31, 2022, 2021 and 2020 contract revenue includes royalties received from an associate in the amount of $509 thousand, $231 thousand, and $54 thousand, respectively.

Primarily all of the Company's other contracts for the years ended December 31, 2022, 2021 and 2020 were determined to have a single performance obligation which consists of a combined deliverable of license to intellectual property and research and development services (not including the license acquired by Imbrium upon option exercise - see below). Therefore, for such contracts, revenue is recognized over time based on the input method which the Company believes 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. Payments for such contracts are primarily made up front on a periodic basis.

During the year ended December 31, 2021, the company received a $6.5 million payment from Imbrium Therapeutics, Inc. following the exercise of the option to acquire an exclusive license for the Initial Product Candidate, as defined in the agreement. Since the license transferred was a functional license, revenue from the option exercise was recognized at a point in time upon transfer of the license, which occurred during the year ended December 31, 2021.

During the year ended December 31, 2020, the Company received a $2.0 million milestone payment from Karuna Therapeutics, Inc. following initiation of its KarXT Phase 3 clinical study pursuant to the Exclusive Patent License Agreement between PureTech and Karuna. This milestone was recognized as revenue during the year ended December 31, 2020.

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 contract revenue recognition For the years ended December 31,	**2022** **$000s**	2021 $000s	2020 $000s
Transferred at a point in time - Licensing Income[1]	**527**	6,809	2,054
Transferred over time[2]	**1,563**	3,171	6,286
	2,090	9,979	8,341

1 2022 - Attributed to Non-Controlled Founded Entities segment ($19 thousand) and to Parent Company and Other ($509 thousand); 2021 - Attributed to the Internal segment ($6,500 thousand), Non-Controlled Founded Entities segment ($74 thousand), and to Parent Company and Other ($235 thousand); 2020 - Attributed to Parent Company and Other. See note 4, Segment information.

2 2022 - Attributed to Controlled Founded Entities segment ($1,500 thousand) and to Non-Controlled Founded Entities segment ($63 thousand); 2021 - Attributed to Internal segment ($1,629 thousand), Non-Controlled Founded Entities segment ($41 thousand), and to Controlled Founded Entities segment ($1,500 thousand). 2020 - Attributed to Internal segment ($5,297 thousand), Controlled Founded Entities

segment ($896 thousand), and to Non-Controlled Founded Entities segment ($93 thousand). See Note 4, Segment Information.

Customers over 10% of revenue	**2022 $000s**	2021 $000s	2020 $000s
Customer A	**-**	-	1,518
Customer B	**1,500**	1,500	896
Customer C	**-**	-	2,043
Customer D	**-**	7,250	1,736
Customer E	**-**	-	2,000
Customer F	**509**	-	-
	2,009	8,750	8,193

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced amount. Accounts receivable are included within Trade and other receivables on the Consolidated Statement of Financial Position.

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

Contract Balances	**2022 $000s**	2021 $000s
Accounts receivable	**606**	704
Deferred revenue - short term	**-**	65

During the year ended December 31, 2022, $65 thousand of revenue was recognized from deferred revenue outstanding at December 31, 2021.

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 fulfillment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of December 31, 2022, was nil.

As of December 31, 2022 the deferred revenue balance related entirely to deferred grant income.

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 periodically 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 multiple reportable segments as presented below. There was no change to reportable segments in 2022, except for the transfer of Sonde Health, Inc. to the Non-Controlled Founded Entities segment due to the deconsolidation of Sonde Health, Inc (Sonde) on May 25, 2022.

The Non-Controlled Founded Entities segment includes Sonde Health, Inc. which was deconsolidated on May 25, 2022. Segment results incorporate the operational results of Sonde Health, Inc. to the date of deconsolidation. Following the date of deconsolidation, the Company accounts for its investment in Sonde Health, Inc. at the parent level, and therefore the results associated with investment activity following the date of deconsolidation (including the Group's share in Sonde losses) is included in the Parent Company and Other section.

The Company has revised in these financial statements the prior year financial information to conform to the presentation as of and for the year ending December 31, 2022 to include Sonde in the Non-Controlled Founded Entities segment. The change in segments reflects how the Company's Board of Directors reviews the Group's results, allocates resources and assesses performance of the Group at this time.

Virtually all of the revenue and profit generating activities of the Group are generated within the United States and accordingly, no geographical disclosures are provided.

Internal

The Internal segment (the "Internal segment"), is advancing Wholly Owned Programs which are focused on treatments for patients with devastating diseases. The Internal segment is comprised of the technologies that are wholly owned and 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 December 31, 2022, this segment included PureTech LYT, PureTech LYT-100 and Alivio Therapeutics, Inc.

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 third-party dilutive capital. These subsidiaries have active research and development programs and either have entered into or plan to seek 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 December 31, 2022, this segment included Entrega Inc., Follica Incorporated, 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 no longer has control over the entity. 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. The Non-Controlled Founded Entities segment includes Sonde

Health Inc. which was deconsolidated on May 25, 2022.

The Non-Controlled Founded Entities segment incorporates the operational results of the aforementioned entity 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 (including the recognition of equity method income/ (losses)) following the date of deconsolidation is included in the Parent Company and Other section.

Parent Company and Other

Parent Company and Other 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. Intercompany transactions between segments consist primarily of management fees charged from the Parent Company to the other segments. This section 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, realized loss on sale of investments, the share of net income/ (loss) of associates accounted for using the equity method, gain on dilution of ownership interest in associate, impairment of investment in associate. As of December 31, 2022, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc., PureTech Securities Corp. and PureTech Securities II Corp., as well as certain other dormant, inactive and shell entities.

Information About Reportable Segments:

	2022				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Income/(Loss)					
Contract revenue	-	1,500	81	509	2,090
Grant revenue	2,826	10,702	-	-	13,528
Total revenue	2,826	12,202	81	509	15,618
General and administrative expenses	(8,301)	(16,462)	(1,296)	(34,933)	(60,991)
Research and development expenses	(116,054)	(34,668)	(826)	(885)	(152,433)
Total operating expense	(124,355)	(51,130)	(2,122)	(35,817)	(213,425)
Other income/(expense):					
Gain on deconsolidation of subsidiary	-	-	-	27,251	27,251
Gain/(loss) on investment held at fair value	-	-	-	(32,060)	(32,060)
Realized loss on sale of investments	-	-	-	(29,303)	(29,303)
Other income/(expense)	(204)	(3)	-	8,338	8,131
Total other income/(expense)	(204)	(3)	-	(25,775)	(25,981)
Net finance income/(costs)	615	138,006	(3,045)	3,348	138,924

Share of net income/(loss) of associates accounted for using the equity method	-	-	-	**(27,749)**	**(27,749)**
Gain on dilution of ownership interest in associate	-	-	-	**28,220**	**28,220**
Impairment of investment in associate	-	-	-	**(8,390)**	**(8,390)**
Income/(loss) before taxes	**(121,118)**	**99,075**	**(5,085)**	**(65,655)**	**(92,783)**
Income/(loss) before taxes pre IFRS 9 fair value accounting, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	**(114,255)**	**(32,468)**	**(2,079)**	**(57,452)**	**(206,254)**
Finance income/(costs) - IFRS 9 fair value accounting	-	**140,056**	**(2,993)**	-	**137,063**
Share-based payment expense	**(5,136)**	**(4,703)**	**(8)**	**(4,852)**	**(14,699)**
Depreciation of tangible assets	**(1,727)**	**(2,526)**	**(4)**	**(1,588)**	**(5,845)**
Amortization of ROU assets	-	**(1,283)**	-	**(1,764)**	**(3,047)**
Amortization of intangible assets	-	-	**(1)**	-	**(1)**
Taxation	-	-	-	**55,719**	**55,719**
Income/(loss) for the year	**(121,118)**	**99,075**	**(5,085)**	**(9,936)**	**(37,065)**
Other comprehensive income/(loss)	-	-	-	**(379)**	**(379)**
Total comprehensive income/(loss) for the year	**(121,118)**	**99,075**	**(5,085)**	**(10,316)**	**(37,444)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	**(121,118)**	**85,471**	**(4,755)**	**(10,331)**	**(50,733)**
Non-controlling interests	-	**13,604**	**(330)**	**15**	**13,290**

					December 31, 2022 $000s
Consolidated Statements of Financial Position:					
Total assets	**51,599**	**35,341**	-	**615,707**	**702,647**
Total liabilities[1]	**271,186**	**76,635**	-	**(192,763)**	**155,057**
Net assets/(liabilities)	**(219,587)**	**(41,294)**	-	**808,470**	**547,589**

1 Parent Company and Other Includes eliminations of intercompany liabilities between the Parent Company and the reportable segments in the amount of $255.5 million.

	2021				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Income/(Loss)					

Contract revenue	8,129	1,500	115	235	9,979
Grant revenue	1,253	6,156	-	-	7,409
Total revenue	9,382	7,656	115	235	17,388
General and administrative expenses	(8,673)	(17,504)	(3,225)	(27,797)	(57,199)
Research and development expenses	(65,444)	(40,667)	(3,116)	(1,244)	(110,471)
Total Operating expenses	(74,118)	(58,171)	(6,341)	(29,041)	(167,671)
Other income/(expense):					
Gain/(loss) on investment held at fair value	-	-	-	179,316	179,316
Realized loss on sale of investments	-	-	-	(20,925)	(20,925)
Other income/(expense)	-	70	-	1,523	1,593
Total other income/(expense)	(1)	70	-	159,914	159,983
Net finance income/(costs)	(16)	7,528	(784)	(1,679)	5,050
Share of net income/(loss) of associate accounted for using the equity method	-	-	-	(73,703)	(73,703)
Income/(loss) before taxes	(64,753)	(42,917)	(7,010)	55,727	(58,953)
(Loss)/income before taxes pre IFRS 9 fair value accounting, finance costs - subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	(60,368)	(44,335)	(6,248)	63,628	(47,323)
Finance income/(costs) - IFRS 9 fair value accounting	-	10,322	(716)	-	9,606
Share-based payment expense	(3,066)	(6,224)	(32)	(4,628)	(13,950)
Depreciation of tangible assets	(1,319)	(1,506)	(12)	(1,510)	(4,347)
Amortization of ROU assets	-	(1,174)	-	(1,764)	(2,938)
Amortization of intangible assets	-	-	(2)	-	(2)
Taxation	-	-	-	(3,756)	(3,756)
Income/(loss) for the year	(64,753)	(42,917)	(7,010)	51,971	(62,709)
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income/(loss) for the year	(64,753)	(42,917)	(7,010)	51,971	(62,709)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(64,657)	(41,283)	(6,574)	51,956	(60,558)
Non-controlling interests	(96)	(1,634)	(436)	15	(2,151)

	December 31, 2021 $000s
Consolidated Statements of Financial Position:	

Total assets	125,726	64,508	1,765	754,007	946,006
Total liabilities[1]	228,789	209,212	19,645	(95,787)	361,859
Net (liabilities)/assets	(103,063)	(144,704)	(17,880)	849,794	584,147

1 Parent Company and Other Includes eliminations of intercompany liabilities between the Parent Company and the reportable segments in the amount of $233.3 million.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in Note 18.

	2020				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	5,297	896	93	2,054	8,341
Grant revenue	1,563	1,864	-	-	3,427
Total revenue	6,860	2,760	93	2,054	11,768
General and administrative expenses	(3,482)	(10,752)	(2,939)	(32,267)	(49,440)
Research and development expenses	(45,346)	(33,152)	(3,128)	(234)	(81,859)
Total operating expense	(48,828)	(43,904)	(6,067)	(32,500)	(131,299)
Other income/(expense):					
Gain/(loss) on investment held at fair value	-	-	-	232,674	232,674
Realized loss on sale of investments	-	-	-	(54,976)	(54,976)
Gain/(loss) on disposal of assets	(15)	(15)	-	-	(30)
Other income/(expense)	-	100	-	965	1,065
Other income/(expense)	(15)	85	-	178,662	178,732
Net finance income/(costs)	19	(4,352)	(852)	(930)	(6,115)
Share of net income/(loss) of associate accounted for using the equity method	-	-	-	(34,117)	(34,117)
Income/(loss) before taxes	(41,964)	(45,410)	(6,826)	113,170	18,969
(Loss)/income before taxes pre IAS 39 fair value accounting, finance costs - subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	(38,349)	(36,736)	(5,866)	121,644	40,694
Finance income/(costs) - IFRS 9 fair value accounting	-	(3,492)	(859)	-	(4,351)
Share-based payment expense	(2,762)	(2,469)	(83)	(5,405)	(10,718)
Depreciation of tangible assets	(854)	(1,528)	(17)	(1,547)	(3,945)

Amortization of ROU assets	-	(1,186)	-	(1,523)	(2,709)
Amortization of intangible assets	-	-	(1)	-	(1)
Taxation	-	(1)	-	(14,400)	(14,401)
Income/(loss) for the year	(41,964)	(45,411)	(6,826)	98,769	4,568
Other comprehensive income/(loss)	-	-	-	469	469
Total comprehensive income/(loss) for the year	(41,964)	(45,411)	(6,826)	99,238	5,037
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(41,773)	(44,506)	(6,519)	99,253	6,454
Non-controlling interests	(191)	(905)	(306)	(15)	(1,417)

5. Investments held at fair value

Investments held at fair value include both unlisted and listed securities held by PureTech. These investments, which include interests in Akili, Vor, Karuna, Gelesis (preferred shares until exchanged for common stock, accounted for under the equity method, and Earn-out shares following exchange), Sonde and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date with changes in the fair value recorded through profit and loss. Interests in these investments were accounted for as shown below:

Investments held at fair value	$000's
Balance as of January 1, 2021	553,167
Sale of Karuna shares	(218,125)
Loss realised on sale of investments	(20,925)
Cash purchase of Vor preferred shares	500
Gain - change in fair value through profit and loss	179,271
Balance as of December 31, 2021 and January 1, 2022 before allocation of share in associate loss to long-term interest (*)	493,888
Investment in Sonde Preferred shares - Sonde deconsolidation	11,168
Sale of Karuna and Vor shares	(118,710)
Loss realised on sale of investments as a result of written call option	(29,303)
Cash Investment (Akili)	5,000
Gelesis Earn out shares received in SPAC exchange	14,214
Exchange of Gelesis preferred shares to Gelesis common shares	(92,303)
Loss - change in fair value through profit and loss	(32,060)
Balance as of December 31, 2022	**251,892**

(*) Share in associate losses allocated to long-term interest amounted to $96.7 million as of December 31, 2021 and January 1, 2022

Vor

Vor was deconsolidated in February 2019. As PureTech did not hold common shares in Vor upon deconsolidation and the preferred shares it held did not have equity-like features, PureTech had no basis to account for its investment in Vor under IAS 28. The preferred

shares held by PureTech fell under the guidance of IFRS 9 and were treated as a financial asset held at fair value with changes in fair value recorded in the Consolidated Statement of Comprehensive Income/(Loss).

2020

On February 12, 2020, PureTech participated in the second closing of Vor's Series A-2 Preferred Share financing. For consideration of $0.7 million, PureTech received 1,625,000 A-2 shares. On June 30, 2020, PureTech participated in the first closing of Vor's Series B Preferred Share financing. For consideration of $0.5 million, PureTech received 961,538 shares. Upon the conclusion of such Vor financings PureTech no longer had significant influence over Vor.

2021

On January 8, 2021, PureTech participated in the second closing of Vor's Series B Preferred Share financing. For consideration of $0.5 million, PureTech received an additional 961,538 B Preferred shares.

On February 9, 2021, Vor closed its initial public offering (IPO) of 9,828,017 shares of its common stock at a price to the public of $18.00 per share. Subsequent to the closing, PureTech held 3,207,200 shares of Vor common stock, representing 8.6 percent of Vor common stock. Following its IPO, the valuation of Vor common stock is based on level 1 inputs in the fair value hierarchy. See Note 16.

2022

In August and December 2022, PureTech sold an aggregate of 535,400 shares of Vor common shares for aggregate proceeds of $3.3 million .

During the years ended December 31, 2022, 2021 and 2020, the Company recognized a loss of $16.2 million, a gain of $3.9 million, and a gain of $19.1 million, respectively for the changes in the fair value of the investment that were recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

Gelesis

Gelesis was deconsolidated in July 2019. The common stock held in Gelesis is accounted for under the equity method, while the preferred shares and warrants held by PureTech fell under the guidance of IFRS 9 and were treated as financial assets held at fair value, where changes to the fair value of the preferred shares and warrant were recorded through the Consolidated Statement of Income/(Loss). Please refer to Note 6 for information regarding the Company's investment in Gelesis as an associate.

2020

On April 1, 2020, PureTech participated in the 2nd closing of Gelesis's Series 3 Growth Preferred Share financing. For consideration of $10.0 million, PureTech received 579,038 Series 3 Growth shares.

2020 and 2021

During the years ended December 31, 2021 and 2020, due to the equity method based investment in Gelesis being reduced to zero, the Group allocated a portion of its share in the net loss in Gelesis in the years ended December 31, 2021 and 2020, totaling $73.7 million, and $23.0 million, respectively, to its preferred share and warrant investments in Gelesis, which were considered to be long-term interests in Gelesis.

2022

On January 13, 2022, Gelesis completed its business combination with Capstar Special

Purpose Acquisition Corp ("Capstar"). As part of the business combination, all shares in Gelesis, common and preferred, including the shares held by PureTech, were exchanged for common shares of the merged entity and unvested common shares that will vest upon the stock price of the new combined entity reaching certain target prices (hereinafter "Earn-out shares"). In addition, PureTech invested $15.0 million in the class A common shares of Capstar as part of the Private Investment in Public Equity ("PIPE") transaction that took place immediately prior to the closing of the business combination and an additional approximately $5.0 million, as part of the Backstop agreement signed with Capstar on December 30, 2021 (See Note 6). Pursuant to the business combination, Gelesis became a wholly-owned subsidiary of Capstar and Capstar changed its name to Gelesis Holdings, Inc., which began trading on the New York Stock Exchange under the ticker symbol "GLS" on January 14, 2022. The exchange of the preferred stock (including warrants) for common stock (including common stock warrants) represents an additional investment in Gelesis equity investment. The Group recorded the changes in fair value of the preferred stock (including warrant) through the date of the exchange upon which the preferred stock were derecognized and recorded as an additional investment in Gelesis equity interest - See Note 6 for the net gain on the dilution of the equity interest in Gelesis, resulting from the exchange of all preferred stock in Gelesis to common stock of Gelesis Holdings Inc, the PIPE transaction and the closing of the merger. All equity method losses allocated in prior periods against the investment in Gelesis held at fair value are now included within the equity method investment in Gelesis and were offset against the gain on dilution of interest - see Note 6.

As part of the aforementioned exchange PureTech received 4,526,622 Earn-out shares, which were valued on the date of the exchange at $14.2 million. The Group accounts for such Earn-out shares under IFRS 9 as investments held at fair value with changes in fair value recorded through profit and loss.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized a loss of $4.4 million, a gain of $34.6 million, and a gain of $7.1 million, respectively related to the change in the fair value of the preferred shares and warrants that was recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss).

In addition, the Company recognized a loss of $14.1 million during the year ended December 31, 2022 in respect of the Earn-out shares, for the change in the fair value related to such investment during the period. As of December 31, 2022 the value of such earn-out shares amounted to $0.1 million.

Karuna

Karuna was deconsolidated in March 2019. During 2019 Karuna completed its IPO and PureTech lost its significant influence in Karuna. The shares held in Karuna are accounted for as an investment held at fair value.

2020

On January 22, 2020, PureTech sold 2,100,000 shares of Karuna common shares for aggregate proceeds of $200.9 million. On May 26, 2020, PureTech sold an additional 555,500 Karuna common shares for aggregate proceeds of $45.0 million. On August 26, 2020, PureTech sold 1,333,333 common shares of Karuna for aggregate proceeds of $101.6 million. As a result of the sales, Puretech recorded a loss of $54.8 million attributable to blockage discount included in the sales price, to the line item Loss Realized on Sale of Investment within the Consolidated Statement of Comprehensive Income/(Loss). See below for gain recorded in respect of the change in fair value of the Karuna investment.

2021

On February 9, 2021, the Group sold 1,000,000 common shares of Karuna for $118.0 million. Following the sale the Group held 2,406,564 common shares of Karuna, which represented 8.2 percent of Karuna common stock at the time of sale. On November 9, 2021, the group sold an additional 750,000 common shares of Karuna for $100.1 million. Following the sale the group holds 1,656,564 common shares of Karuna, which represented 5.6 percent at time of sale. As a result of the aforementioned sales, the Company recorded a loss of $20.9 million, attributable to blockage discount included in the sales price, to the line item Loss Realised on Sale of Investment within the Consolidated Statement of Comprehensive Income/ (Loss). See below for gain recorded in respect of the change in fair value of the Karuna investment.

2022

On August 8, 2022, the Company sold 125,000 shares of Karuna common stock. In addition, the Company wrote a series of call options entitling the holders thereof to purchase up to 477,100 Karuna common stock at a set price, which were exercised in full in August and September 2022. Aggregate proceeds to the Company from all aforementioned transactions amounted to $115.5 million, net of transaction fees. As a result of the aforementioned sales, the Company recorded a loss of $29.3 million, attributable to the exercise of the aforementioned call options, to the line item Realized Loss on Sale of Investment within the Consolidated Statement of Comprehensive Income/ (Loss).See below for gain recorded in respect of the change in fair value of the Karuna investment.

During the years ended December 31, 2022, 2021, and 2020 the Company recognized gains of $135.0 million, $110.0 million and $191.2 million, respectively for the changes in the fair value of the Karuna investment that were recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). As of December 31, 2022, PureTech continued to hold Karuna common shares or 3.1 percent of total outstanding Karuna common shares. Please refer to Note 16 for information regarding the valuation of these instruments.

Akili

Akili was deconsolidated in 2018. As PureTech did not hold common shares in Akili and the preferred shares it held did not have equity-like features, PureTech had no basis to account for its investment in Akili under IAS 28. The preferred shares held by PureTech Health fell under the guidance of IFRS 9 and were treated as a financial asset held at fair value and all movements to the value of the preferred shares were recorded through the Consolidated Statements of Comprehensive Income/(Loss), in accordance with IFRS 9.

2021

On May 25, 2021, Akili completed its Series D financing for gross proceeds of $110.0 million in which Akili issued 13,053,508 Series D preferred shares. The Group did not participate in this round of financing and as a result, the Group's interest in Akili was reduced from 41.9 percent to 27.5 percent.

2022

On January 26, 2022, Akili Interactive and Social Capital Suvretta Holdings Corp. I, a special purpose acquisition company, announced they had entered into a definitive business combination agreement. The transaction closed on August 19, 2022 and the combined company's securities began trading on August 22, 2022 on the Nasdaq Stock Market under the ticker symbol "AKLI". As part of this transaction the Akili Interactive shares held by the Company were exchanged for the common stock of the combined company's securities as well as unvested common stock ("Akili Earnout Shares") that will vest when the share price

exceeds certain thresholds. In addition, as part of a PIPE transaction that took place concurrently with the closing of the transaction, the Company purchased 500,000 shares in consideration for $5.0 million. Following the closing of the aforementioned transactions, the Company holds 12,527,477 shares of the combined entity (excluding the Akili Earnout Shares), which represents 14.7 percent of its outstanding common stock. The Company also holds 1,433,914 Akili Earn-out Shares, which fair value amounted to $1.0 million as of December 31, 2022.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized a loss of $131.4 million, a gain of $32.2 million, and a gain of $14.4 million, respectively for the changes in the fair value of the investment in Akili that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

resTORbio

On April 30, 2020, PureTech sold its remaining 2,119,696 resTORbio common shares, for aggregate proceeds of $3.0 million. As a result of the sale, the Company recorded a loss of $0.2 million attributable to blockage discount included in the sales price, to the line item Loss realized on sale of investments within the Consolidated Statement of Comprehensive Income/(Loss). Additionally, during the year ended December 31, 2020, the Company recognized a gain of $0.1 million that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss).

Sonde - Investment and gain on deconsolidation

On May 25, 2022, Sonde completed a Series B Preferred Share financing. As part of the financing a new investor invested $3.5 million in cash in exchange for 1,125,401 shares and all convertible notes, including the convertible notes held by PureTech, converted into Preferred B shares at the price per share paid by the investor minus a 20% discount. As a result of the aforementioned financing, the Group's voting interest was reduced below 50% and the Group no longer controls Sonde's Board of Directors, which is the governance body that has the power to direct the relevant activities of Sonde. Consequently, the Group concluded it lost control over Sonde and as such it should cease to consolidate Sonde on the date the round of financing was completed. Therefore, the results of operations of Sonde are included in the consolidated financial statements through the date of deconsolidation.

Following deconsolidation, the Group still has significant influence in Sonde through its voting interest in Sonde and its remaining representation on Sonde's Board of Directors. The Group holds Preferred A-1, A-2 and B shares. The Preferred A-1 shares, in substance, have the same terms as common stock and as such provide their shareholders with access to returns associated with a residual equity ownership in Sonde. Consequently, the investment in Preferred A-1 shares is accounted for under the equity method. The Preferred A-2 and B shares, however, do not provide their shareholders with access to returns associated with a residual equity interest and as such are accounted for under IFRS 9, as investments held at fair value with changes in fair value recorded in profit and loss.

Upon deconsolidation, the Group derecognized its assets and liabilities and non controlling interest in respect of Sonde and recorded its aforementioned investments in Sonde at fair value. The deconsolidation resulted in a gain of $27.3 million. As of the date of deconsolidation, the investment in Sonde preferred shares held at fair value amounted to $11.2 million.

During the year ended December 31, 2022, the Company recognized a gain of $0.2 million for the changes in the fair value of the investment in Sonde that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

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 July 1, 2019, Gelesis was deconsolidated from the Group's financial statements. While the Group no longer controls Gelesis, it was concluded that PureTech still has significant influence over Gelesis and as such Gelesis is accounted for as an associate under IAS 28 in the consolidated financial statements.

Upon the date of deconsolidation, PureTech held preferred shares and common shares of Gelesis and warrants issued by Gelesis to PureTech. PureTech's investment in common shares of Gelesis is subject to equity method accounting. See table below for the Group's share in the profits and losses of Gelesis for the periods presented.

The preferred shares and warrants held by PureTech fell under the guidance of IFRS 9 and were treated as financial assets held at fair value, where changes to the fair value of the preferred shares and warrants were recorded through the Consolidated Statement of Comprehensive Income/(Loss). See Note 5 above.

Years ended December 31, 2020 and 2021

During the years ended December 31, 2021 and 2020, the Group recorded its share in the losses of Gelesis. In 2020 the Group's investment in associates accounted for under the equity method was reduced to zero. Since the Group had investments in Gelesis warrants and preferred shares that were deemed to be Long-term interests, the Company continued recognizing its share in Gelesis losses while applying such losses to its preferred share and warrant investment in Gelesis accounted for as an investment held at fair value. In 2021, the total investment in Gelesis, including the Long-term interests, was reduced to zero. Since the Group did not incur legal or constructive obligations or made payments on behalf of Gelesis, the Group discontinued recognizing equity method losses in 2021. As of December 31, 2021, unrecognized equity method losses amounted to $38.1 million, which included $0.7 million of unrecognized other comprehensive loss.

During 2021, due to exercise of stock options into common shares in Gelesis the Group's equity interest in Gelesis was reduced from 47.9 percent at December 31, 2020 to 42.0 percent as of December 31, 2021. The gain resulting from the issuance of shares to third parties and the resulting reduction in the Group's share in the accumulated deficit of Gelesis under the equity method was fully offset by the unrecognized equity method losses.

Backstop agreement - 2022 and 2021

On December 30, 2021, PureTech signed a Backstop agreement with Capstar according to which PureTech had committed to acquire Capstar class A common shares immediately prior to the closing of the business combination between Gelesis and Capstar, in case subsequent to the redemptions of Capstar shares being completed, the Available Funds, as defined in the agreement, were less than$15.0 million. PureTech had committed to acquire two thirds of the necessary shares at $10 per share so that the Available Funds increase to $15.0 million. According to the Backstop agreement, in case PureTech were required to acquire any shares under the agreement, PureTech would receive an additional 1,322,500 class A common shares of Capstar (immediately prior to the closing of the business combination) at no

additional consideration.

The Company determined that such agreement meets the definition of a derivative under IFRS 9 and as such should be recorded at fair value with changes in fair value recorded through profit and loss. The derivative was initially recorded at fair value adjusted to defer the day 1 gain equal to the difference between the fair value of $11.2 million and transaction price of zero on the effective date and as such was initially recorded at zero. The deferred gain was amortized to Other income (expense) in the Consolidated Statement of Income (loss) over the period from the effective date until settlement date, January 13, 2022. During the years ended December 31, 2022 and 2021, the Group recognized income of $10.4 million and $0.8 million, respectively for the amortization of the deferred gain. During the year ended December 31, 2022 the Group recognized a loss of $2.8 million in respect of the decrease in the fair value of the derivative until date of settlement, resulting in a net gain of $7.6 million recorded during the year ended December 31, 2022 in respect of the Backstop agreement. The gain was recorded in the line item Other Income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss). The fair value of the derivative on the date of settlement in the amount of $8.4 million represents an additional investment in Gelesis as part of the SPAC transaction described below.

On January 13, 2022, as part of the conclusion of the aforementioned Backstop agreement, the Group acquired 496,145 class A common shares of Capstar for $5.0 million and received an additional 1,322,500 common A shares of Capstar for no additional consideration.

2022

Share exchange - Capstar

On January 13, 2022, Gelesis completed its business combination with Capstar Special Purpose Acquisition Corp ("Capstar"). As part of the business combination, all shares in Gelesis, common and preferred, including the shares held by PureTech, were exchanged for common shares of the merged entity and unvested common shares that will vest upon the stock price of the new combined entity reaching certain target prices (hereinafter "Earn-out shares"). In addition, PureTech invested $15.0 million in the class A common shares of Capstar as part of the PIPE transaction that took place immediately prior to the closing of the business combination and an additional $5.0 million, as part of the Backstop agreement described above. Pursuant to the business combination, Gelesis became a wholly-owned subsidiary of Capstar and Capstar changed its name to Gelesis Holdings, Inc., which began trading on the New York Stock Exchange under the ticker symbol "GLS" on January 14, 2022. Following the closing of the business combination, the PIPE transaction, the settlement of the aforementioned Backstop agreement with Capstar, and the exchange of all preferred shares in Gelesis to common shares in the new combined entity, PureTech holds 16,727,582 common shares of Gelesis Holdings Inc., which was equal to approximately 23.2% of Gelesis Holdings Inc's outstanding common shares at the time of the exchange. Due to PureTech's significant equity holding and voting interest in Gelesis, PureTech continues to maintain significant influence in Gelesis and as such continues to account for its Gelesis equity investment under the equity method.

Gelesis was deemed to be the acquirer in Gelesis Holdings Inc. and the financial assets and financial liabilities in Capstar were deemed to be acquired by Gelesis in consideration for the shares held by Capstar legacy shareholders. As such, the Group did not revalue the retained investment in Gelesis but rather treated the exchange as a dilution of its equity interest in Gelesis from 42.0 percent as of December 31, 2021 to 22.8 percent as of January 13, 2022 (including warrants that provide its holders access to returns associated with equity holders). After considering the aforementioned additional investments, the exchange of the preferred

stock, previously accounted for as an investment held at fair value, to common stock (and representing an additional equity investment in Gelesis - See Note 5), the Earn-out shares received in Gelesis (see Note 5) and the offset of previously unrecognized equity method losses, the net gain recorded on the dilution of interest amounted to $28.3 million.

Impairment

Following Gelesis's decline in its market price in 2022 and its lack of liquidity, the Group recorded an impairment loss of $8.4 million as of December 31, 2022 in respect of its investment in Gelesis. The recoverable amount of the investment in Gelesis was $4.9 million as of December 31, 2022, which was determined based on fair value less costs to sell (costs to sell were estimated to be insignificant). Fair value was determined based on level 1 of the fair value hierarchy as Gelesis shares were traded on an active market as of December 31, 2022.

The impairment loss was presented separately in the Consolidated Statement of Comprehensive Income/ (loss) for the year ended December 31, 2022 in the line item Impairment of investment in associate.

Sonde

On May 25, 2022, Sonde completed a Series B Preferred Share financing. As a result of the aforementioned financing, the Group's voting interest was reduced below 50% and the Group lost its control over Sonde and as such ceased to consolidate Sonde on the date the round of financing was completed. See Note 5 above for further details.

Following deconsolidation, the Group has significant influence in Sonde through its voting interest in Sonde and its remaining representation on Sonde's Board of Directors. The Group's voting interest at date of deconsolidation and as of December 31, 2022 was 48.2% and 40.17%, respectively. The Group holds Preferred A-1, A-2 and B shares. The Preferred A-1 shares, in substance, have the same terms as common stock and as such provide their shareholders with access to returns associated with a residual equity ownership in Sonde. Consequently, the investment in Preferred A-1 shares is accounted for under the equity method. The Preferred A-2 and B shares, however, do not provide their shareholders with access to returns associated with a residual equity interest and as such are accounted for under IFRS 9, as investments held at fair value. See Note 5.

The fair value of the Preferred A-1 shares on the date of deconsolidation amounted to $7.7 million, which is the initial value of the equity method investment in Sonde. When applying the equity method, the Group records its share of the losses in Sonde based on its equity interest in Sonde. Since only the common shares and Preferred A-1 shares in Sonde represent a residual equity interest and PureTech is the sole holder of the Preferred A-1 shares, the Group's share in Sonde's equity is 93.6%.

During the year ended December 31, 2022 the Company recorded $3.4 million of equity method losses in respect of Sonde.

The following table summarizes the activity related to the investment in associates balance for the years ended December 31, 2022 and 2021.

Investment in Associates	$000's
As of January 1, 2021	-
Share of net loss in Gelesis - limited to net investment amount	(73,703)
Share of losses recorded against Long Term Interests (LTIs)	73,703
As of December 31, 2021 and January 1, 2022	-

Cash investment in associate	19,961
Additional investment as a result of backstop settlement (see above)	8,424
Gain on dilution of interest in associate (*)	13,793
Investment in Sonde - deconsolidation	7,680
Share in net loss of associates	(27,749)
Reversal of equity method losses recorded against LTIs (due to decrease in LTI fair value)	(4,406)
Share in other comprehensive loss of associates	(166)
Impairment	(8,390)
As of December 31, 2022	**9,147**

* Gain on dilution of interest was further increased due to the receipt of Gelesis earn out shares accounted for as investments held at fair value (see above).

Summarized financial information

The following table summarizes 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 summarized financial information to the carrying amount of the Company's interest in Gelesis.

As of and for the year ended December 31,	**2022 $000s**	2021 $000s
Percentage ownership interest	**22.5%**	42.0%
Non-current assets	**333,040**	357,508
Current assets	**23,495**	66,092
Non-current liabilities	**(99,053)**	(120,786)
Current liabilities	**(80,010)**	(537,432)
Non controlling interests and options issued to third parties	**(46,204)**	(14,216)
Net assets (deficit) attributable to shareholders of Gelesis Inc.	**131,268**	(248,834)
Group's share of net assets (net deficit)	**29,504**	(104,527)
Goodwill	**3,858**	7,211
Impairment	**(28,452)**	(37,495)
Equity method losses recorded against Long-term Interests	**-**	96,709
Unrecognized equity method losses (*)	**-**	38,101
Investment in associate	**4,910**	-

	2022 $000s	2021 $000s	2020 $000s
Revenue	**25,767**	11,185	21,442
Loss from continuing operations (100%)	**(111,567)**	(271,430)	(71,157)
Total comprehensive loss (100%)	**(112,285)**	(273,005)	(70,178)
Group's share in net losses - limited to net investment amount (**)	**(24,306)**	(73,703)	(34,117)
Group's share of total comprehensive loss - limited to net investment amount	**(24,472)**	(73,703)	(33,648)

* Unrecognized equity method losses includes unrecognized other comprehensive loss of $0.7 million for the year ended December 31, 2021.

** For the year ended December 31, 2022 includes $4.4 million reversal of equity method losses recorded against Long-Term Interest (LTI) due to the decrease in fair value of such LTI.

Subsequent to balance sheet date, on April 10, 2023, the NYSE commenced proceedings to delist the common stock of Gelesis from the NYSE due to Gelesis ceasing to meet certain conditions to trade on such stock exchange. Trading in Gelesis's common stock was suspended immediately, and it was subsequently delisted from the NYSE. The common stock of Gelesis is currently available for trading in the over-the-counter ("OTC") market under the symbol GLSH.

In addition, in April 2023 (subsequent to balance sheet date) PureTech submitted a non-binding proposal to acquire all of the outstanding equity of Gelesis. Negotiations related to the proposal and any potential deal remain ongoing and are subject to, among other things, approval of any definitive transaction by independent committees of the boards of both Gelesis and PureTech.

See note 16 for the note issued to the Group by Gelesis and see Note 26 for additional details, including information related to an additional note issued by Gelesis to the Group subsequent to balance sheet date.

7. Operating Expenses

Total operating expenses were as follows:

For the years ending December 31,	**2022 $000s**	2021 $000s	2020 $000s
General and administrative	**60,991**	57,199	49,440
Research and development	**152,433**	110,471	81,859
Total operating expenses	**213,425**	167,671	131,299

The average number of persons employed by the Group during the year, analyzed by category, was as follows:

For the years ending December 31,	**2022**	2021	2020
General and administrative	**57**	52	43
Research and development	**144**	119	95
Total	**201**	171	138

The aggregate payroll costs of these persons were as follows:

For the years ending December 31,	**2022 $000s**	2021 $000s	2020 $000s
General and administrative	**25,322**	26,438	22,943
Research and development	**36,321**	28,950	20,674
Total	**61,643**	55,388	43,616

Detailed operating expenses were as follows:

For the years ending December 31,	**2022 $000s**	2021 $000s	2020 $000s
Salaries and wages	**41,750**	36,792	29,403
Healthcare benefits	**2,908**	2,563	1,866

Payroll taxes	**2,286**	2,084	1,629
Share-based payments	**14,699**	13,950	10,718
Total payroll costs	**61,643**	55,388	43,616
Other general and administrative expenses	**35,669**	30,761	26,497
Other research and development expenses	**116,113**	81,521	61,186
Total other operating expenses	**151,782**	112,282	87,683
Total operating expenses	**213,425**	167,671	131,299

Auditor's remuneration:

For the years ending December 31,	**2022 $000s**	2021 $000s	2020 $000s
Audit of these financial statements	**1,716**	1,183	1,145
Audit of the financial statements of subsidiaries	**132**	312	291
Audit of the financial statements of associate**	**814**	571	350
Audit-related assurance services*	**1,157**	1,868	490
Non-audit related services	**-**	-	173
Total	**3,819**	3,934	2,449

* 2021 - $468.2 thousand represents prepaid expenses related to an expected initial public offering of a subsidiary.

** Audit fees of $720.0 thousand, $500.0 thousand and $350.0 thousand in respect of financial statements of associates for the years ended December 31, 2022, 2021, and 2020 respectively, are not included within the consolidated financial statements. Fees related to the audit of the financial statements of associates have been disclosed in respect of 2022, 2021, and 2020 as these fees went towards supporting the audit opinion on the Group accounts. Such amounts were not previously disclosed in the 2020 financial statements.

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 RSUs in which the expense is recognized based on the grant date fair value of these awards, except for performance based RSUs to executives that are treated as liability awards where expense is recognized based on reporting date fair value up until settlement date.

Share-based Payment Expense

The Group share-based payment expense for the years ended December 31, 2022, 2021 and 2020, 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):

Year ended December 31,	**2022 $000s**	2021 $000s	2020 $000s
General and administrative	**8,862**	9,310	7,650
Research and development	**5,837**	4,640	3,068
Total	**14,699**	13,950	10,718

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 authorized amount of 10.0 percent 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 generally equity settled (see cash settlements below) and expire 10 years from the grant date. As of December 31, 2022, the Company had issued share-based awards to purchase an aggregate of 24,889,462 shares under this plan.

RSUs

RSU activity for the years ended December 31, 2022, 2021 and 2020 is detailed as follows:

	Number of Shares/Units	Wtd Avg Grant Date Fair Value (GBP) (*)
Outstanding (Non-vested) at January 1, 2020	**4,636,347**	**2.08**
RSUs Granted in Period	1,759,011	1.80
Vested	(2,781,687)	1.54
Forfeited	(191,089)	2.37
Outstanding (Non-vested) at December 31, 2020 and January 1, 2021	**3,422,582**	**2.46**
RSUs Granted in Period	2,195,133	2.15
Vested	(1,176,695)	2.93
Forfeited	(808,305)	2.25
Outstanding (Non-vested) at December 31, 2021 and January 1, 2022	**3,632,715**	**1.91**
RSUs Granted in Period	4,309,883	1.76
Vested	(696,398)	2.80
Forfeited	(1,155,420)	2.67
Outstanding (Non-vested) at December 31, 2022	**6,090,780**	**1.74**

* 2021 - for liability awards based on fair value at reporting date.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are generally based on a cliff vesting schedule over a one to three-year requisite service period in which the Company recognizes compensation expense 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 majority of the RSUs is subject to the satisfaction of performance and market conditions. The grant date fair value of market condition awards that were treated as equity settled awards were measured to reflect such conditions and there was no true-up for differences between expected and actual outcomes. For liability settled awards, see below.

The Company recognizes 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 market and performance-based awards is based on the Monte Carlo simulation analysis utilizing 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 and market conditions attached to the RSU awards are based on the achievement of total shareholder return ("TSR"), based on the achievement of absolute TSR targets, and to a lesser extent based on TSR as compared to the FTSE 250 Index, and the MSCI Europe Health Care Index. The remaining portion is 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.

In 2017, the Company granted certain executives RSUs that vested based on the service, market and performance conditions, as described above. The vesting of all RSUs was achieved by December 31, 2019 where all service, market and performance conditions were met. The remuneration committee of PureTech's Board of Directors approved the achievement of the vesting conditions as of December 31, 2019 and reached the decision during the year ended December 31, 2020 to cash settle the 2017 RSUs. The settlement value was determined based on the 3 day average closing price of the shares. The settlement value was $12.5 million (which after deducting tax withheld on behalf of recipients amounted to $7.2 million). The settlement value did not exceed the fair value at settlement date and as such the cash settlement was treated as an equity transaction in the financial statements for the year ended December 31, 2020, whereby the full repurchase cash settlement amount was charged to equity in Other reserves.

Similarly in 2018, the Company granted certain executives RSUs that vested based on service, market and performance conditions, as described above. The vesting of all RSUs was achieved by December 31, 2020 where all service, market and performance conditions were met. In February 2021 the remuneration committee of PureTech's board of directors approved the achievement of the vesting conditions as of December 31, 2020 and on May 28, 2021 reached the decision to cash settle RSUs to certain employees while others were issued shares. The settlement value was determined based on the three day average closing price of the shares. The settlement value was $10.7 million (which after deducting tax withheld on behalf of recipients amounted to $6.4 million). The settlement value did not exceed the fair value at settlement date and as such the cash settlement was treated as an equity transaction, whereby the full repurchase cash settlement amount was charged to equity in Other reserves in the financial statements as of and for the year ended December 31, 2021.

Following the different cash settlements, the Company concluded that although the remaining RSUs are to be settled by shares according to their respective agreements, and any cash settlement is at the Company's discretion, due to past practice of cash settlement to multiple employees, some for multiple years, these RSUs to the company executives should be treated as liability awards and as such adjusted to fair value at every reporting date with changes in fair value recorded in earnings as stock based compensation expense.

Consequently, the Company reclassified during the year ended December 31, 2021 $1.9 million from equity to other non-current liabilities and $4.8 million from equity to other

payables equal to the fair value of the awards at the date of reclassification. The Company treated the excess of the fair value at the reclassification date over the grant date fair value of the RSUs (for the portion of the vesting period that has already elapsed) in the amount of $2.9 million as an equity transaction. Therefore the full amount of the liability at reclassification was recorded as a charge to equity. The changes in fair value of the liability from reclassification date to balance sheet date or settlement date are recorded as stock-based compensation expense in the Consolidated Statement of Comprehensive Income (loss).

The Company incurred share-based payment expenses for performance, market and service based RSUs of $1.6 million (including $1.1 million expense in respect of RSU liability awards), $1.5 million (including $0.6 million expense in respect of RSU liability awards), and $5.7 million for the years ended December 31, 2022, 2021 and 2020, respectively. The decrease in the share based compensation expense in respect of the RSUs for the year ended December 31, 2021, as compared to the year ended December 31, 2020 is due to reduction in the fair value of the liability awards as compared to their value at the date the awards were reclassified from equity awards to liability awards, as well as forfeitures of certain awards due to unexpected terminations of RSU holders.

As of December 31, 2022, the carrying amount of the RSU liability awards was $5.9 million, $1.8 million current; $4.1 million non current, out of which $1.8 million related to awards that have met all their performance and market conditions.

Stock Options

Stock option activity for the years ended December 31, 2022, 2021 and 2020, is detailed as follows:

	Number of Options	Wtd Average Exercise Price (GBP)	Wtd Average of remaining contractual term (in years)	Wtd Average Stock Price at Exercise (GBP)
Outstanding at January 1, 2020	**8,472,827**	**1.16**	**8.55**	
Granted	4,076,982	3.14		
Exercised	(514,410)	1.52		2.88
Forfeited and expired	(1,119,313)	1.88		
Options Exercisable at December 31, 2020 and January 1, 2021	**5,447,405**	**0.98**	**7.46**	
Outstanding at December 31, 2020 and January 1, 2021	**10,916,086**	**1.81**	**8.38**	
Granted	5,424,000	3.34		
Exercised	(2,238,187)	0.70		3.63
Forfeited and expired	(687,781)	2.53		
Options Exercisable at December 31, 2021 and January 1, 2022	**4,773,873**	**1.42**	**6.50**	
Outstanding at December 31, 2021 and January 1, 2022	**13,414,118**	**2.58**	**8.29**	
Granted	8,881,000	2.04		

Exercised	(577,022)	0.50		2.43
Forfeited and expired	(3,924,215)	2.89		
Options Exercisable at December 31, 2022	**6,185,216**	**2.03**	**6.21**	
Outstanding at December 31, 2022	**17,793,881**	**2.31**	**8.03**	

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 December 31,	**2022**	2021	2020
Expected volatility	**41.70%**	41.05%	41.25%
Expected terms (in years)	**6.11**	6.16	6.11
Risk-free interest rate	**2.13%**	1.06%	0.53%
Expected dividend yield	**-**	-	-
Grant date fair value	**$1.15**	$1.87	$1.72

The Company incurred share-based payment expense for the stock options of $8.4 million, $6.2 million and $2.1 million for the years ended December 31, 2022, 2021 and 2020, respectively. The increase in expense for the year ended December 31, 2022, as compared to the year ended December 31, 2021, is due to the new grants granted in 2022. The increase in expense for the year ended December 31, 2021, as compared to the year ended December 31, 2020, is due to new grants granted in 2021.

For shares outstanding as of December 31, 2022, the range of exercise prices is detailed as follow:

Range of Exercise Prices (GBP)	Options Outstanding	Wtd Average Exercise Price (GBP)	Wtd Average of remaining contractual term (in years)
0.01	439,490	-	6.76
1.00 to 2.00	6,276,391	1.58	7.00
2.00 to 3.00	5,375,750	2.26	8.92
3.00 to 4.00	5,702,250	3.34	8.40
Total	**17,793,881**	**2.31**	**8.03**

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 January 1, 2022	**Granted During the Year**	**Exercised During the Year**	**Expired During the Year**	**Forfeited During the Year**	**Deconsolidation During the Year**	**Outstanding as of December 31, 2022**
Entrega	**349,500**	**45,000**	**-**	**(50,000)**	**-**	**-**	**344,500**
Follica	**2,686,120**	**90,000**	**-**	**-**	**-**	**-**	**2,776,120**
Sonde	**2,049,004**	**-**	**-**	**-**	**-**	**(2,049,004)**	**-**
Vedanta	**1,991,637**	**490,506**	**(400,000)**	**(65,235)**	**(192,332)**	**-**	**1,824,576**

	Outstanding as of January 1, 2021	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Deconsolidation During the Year	Outstanding as of December 31, 2021
Alivio	3,888,168	197,398	(2,373,750)	(506,260)	(1,205,556)	-	-
Entrega	962,000	-	(525,000)	(87,500)	-	-	349,500
Follica	1,309,040	1,383,080	-	(6,000)	-	-	2,686,120
Sonde	2,192,834	-	-	(51,507)	(92,323)	-	2,049,004
Vedanta	1,741,888	451,532	(52,938)	(76,491)	(72,354)	-	1,991,637

	Outstanding as of January 1, 2020	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Deconsolidation During the Year	Outstanding as of December 31, 2020
Alivio	3,698,244	189,924	-	-	-	-	3,888,168
Entrega	972,000	-	-	-	(10,000)	-	962,000
Follica	1,309,040	-	-	-	-	-	1,309,040
Sonde	1,829,004	363,830	-	-	-	-	2,192,834
Vedanta	1,450,100	493,951	(813)	-	(201,350)	-	1,741,888

The weighted-average exercise prices and remaining contractual life for the options outstanding as of December 31, 2022, were as follows:

Outstanding at December 31, 2022	**Number of options**	**Weighted-average exercise price $**	**Weighted-average contractual life outstanding**
Entrega	**344,500**	**1.91**	**4.92**
Follica	**2,776,120**	**1.41**	**6.38**
Vedanta	**1,824,576**	**15.89**	**6.88**

The weighted average exercise prices for the options granted for the years ended December 31, 2022, 2021 and 2020, were as follows:

For the years ended December 31,	**2022 $**	2021 $	2020 $
Alivio	**-**	-	0.47
Entrega	**0.02**	-	-
Follica	**1.86**	1.86	-
Sonde	**-**	-	0.18
Vedanta	**14.94**	19.69	19.59

The weighted average exercise prices for options forfeited during the year ended December 31, 2022, were as follows:

Forfeited during the year ended December 31, 2022	Number of options	Weighted-average exercise price $
Vedanta	**192,332**	**19.64**

The weighted average exercise prices for options exercised during the year ended December 31, 2022, were as follows:

Exercised during the year ended December 31, 2022	Number of options	Weighted-average exercise price $
Vedanta	**400,000**	**0.02**

The weighted average exercise prices for options exercisable as of December 31, 2022, were as follows:

Exercisable at December 31, 2022	Number of Options	Weighted-average exercise price $	Exercise Price Range $
Entrega	**344,500**	**1.91**	**0.02-2.36**
Follica	**2,776,120**	**1.41**	**0.03-1.86**
Vedanta	**1,824,576**	**15.89**	**0.02-21.35**

Significant Subsidiary Plans

Vedanta 2020 Stock Incentive Plan

On June 2, 2020, the Company's Board of Directors approved the 2020 Stock Incentive Plan, or 2020 Plan, which replaced the 2010 Stock Incentive Plan, or 2010 Plan, which was set to expire in December 2020. All authorized and issued shares under the 2010 Plan were transferred to the 2020 Plan. The 2020 Plan provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of the Company up to an aggregate of 2,145,867 shares of the Company's common stock. In March 2021, the Company's Board of Directors approved an increase in the authorized shares of 151,188 for a total of 2,297,055. In July 2021, the Company's Board of Directors approved an increase in the authorized shares of 500,000 for a total of 2,797,055. Under the 2020 Plan, 914,331 shares remained available for issuance as of December 31, 2022.

The options granted under the 2020 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 2020 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 recognized 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	**2022**	2021	2020

Expected award life (in years)	**6.00-8.33**	6.00-7.11	6.00-10.00
Expected award price volatility	**88.22%-89.68%**	88.05%-88.59%	89.24%-95.46%
Risk free interest rate	**1.67%-3.13%**	0.96%-1.32%	0.32%-0.87%
Expected dividend yield	**-**	-	-
Grant date fair value	**$10.51-$15.14**	$13.84-$16.23	$13.09-$16.54
Share price at grant date	**$14.00-$18.84**	$19.00-$21.35	$19.59

Vedanta incurred share-based compensation expense of $4.3 million, $5.4 million and $2.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Other Plans

The stock compensation expense under plans at other subsidiaries of the Group not including Vedanta amounted to $0.4 million, $0.8 million and $0.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

9. Finance Cost, net

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

For the years ended December 31,	**2022 $000s**	2021 $000s	2020 $000s
Finance income			
Interest income from financial assets	**5,799**	214	1,183
Total finance income	**5,799**	214	1,183
Finance costs			
Contractual interest expense on notes payable	**(212)**	(1,031)	(96)
Interest expense on other borrowings	**(1,759)**	(1,502)	(496)
Interest expense on lease liability	**(1,982)**	(2,181)	(2,354)
Gain/(loss) on foreign currency exchange	**14**	(56)	-
Total finance cost - contractual	**(3,939)**	(4,771)	(2,946)
Gain/(loss) from change in fair value of warrant liability	**6,740**	1,419	(117)
Gain/(loss) from change in fair value of preferred shares	**130,825**	8,362	(4,234)
Gain/(loss) from change in fair value of convertible debt	**(502)**	(175)	-
Total finance income/(costs) - fair value accounting	**137,063**	9,606	(4,351)
Finance income/(costs), net	**138,924**	5,050	(6,115)

10. Earnings/(Loss) per Share

The basic and diluted income/(loss) per share has been calculated by dividing the income/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended December 31, 2022, 2021 and 2020, respectively. During the years ended December 31, 2022 and 2021 the Company incurred a net loss and therefore all outstanding potential securities were considered anti-dilutive. The amount of potential securities that were excluded from the calculation amounted to 3,134,131 and 6,553,905 shares, respectively.

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

2022	2021	2020

	Basic	Diluted	Basic	Diluted	Basic	Diluted
	$000s	**$000s**	$000s	$000s	$000s	$000s
Income/(loss) for the year, attributable to the owners of the Company	**(50,354)**	**(50,354)**	(60,558)	(60,558)	5,985	5,985
Income/(loss) attributable to ordinary shareholders	**(50,354)**	**(50,354)**	(60,558)	(60,558)	5,985	5,985

Weighted-Average Number of Ordinary Shares:

	2022		2021		2020	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Issued ordinary shares at January 1,	**287,796,585**	**287,796,585**	285,885,025	285,885,025	285,370,619	285,370,619
Effect of shares issued	**690,772**	**690,772**	705,958	705,958	233,048	233,048
Effect of dilutive shares (please refer to Note 8)	**-**	**-**	-	-	-	7,252,246
Effect of treasury shares purchased	**(3,727,922)**	**(3,727,922)**	-	-	-	-
Weighted average number of ordinary shares at December 31,	**284,759,435**	**284,759,435**	286,590,983	286,590,983	285,603,667	292,855,913

Earnings/(Loss) per Share:

	2022		2021		2020	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	$	**$**	$	$	$	$
Basic and diluted earnings/(loss) per share	**(0.18)**	**(0.18)**	(0.21)	(0.21)	0.02	0.02

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 January 1, 2021	8,420	1,452	1,519	18,054	3,852	33,297
Additions, net of transfers	1,424	-	92	183	6,723	8,422
Disposals	(323)	-	(282)	-	-	(605)
Reclassifications	2,211	-	-	248	(2,459)	-
Balance as of December 31, 2021	11,733	1,452	1,329	18,485	8,116	41,115
Additions, net of transfers	390	-	11	412	1,362	2,176
Disposals	(118)	-	-	-	(77)	(195)
Deconsolidation of subsidiaries	-	-	(58)	-	-	(58)

Reclassifications	1,336	58	137	5,067	(6,598)	-
Balance as of December 31, 2022	**13,341**	**1,510**	**1,419**	**23,964**	**2,803**	**43,037**

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 January 1, 2021	(3,965)	(454)	(1,287)	(4,815)	-	(10,520)
Depreciation	(1,973)	(208)	(174)	(1,991)	-	(4,346)
Disposals	251	-	271	-	-	522
Balance as of December 31, 2021	(5,686)	(663)	(1,190)	(6,806)	-	(14,344)
Depreciation	(2,082)	(212)	(107)	(3,444)	-	(5,845)
Disposals	57	-	-	-	-	57
Deconsolidation of subsidiaries	-	-	53	-	-	53
Balance as of December 31, 2022	**(7,711)**	**(875)**	**(1,244)**	**(10,250)**	**-**	**(20,080)**

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 December 31, 2021	6,047	790	139	11,679	8,116	26,771
Balance as of December 31, 2022	**5,630**	**635**	**174**	**13,714**	**2,803**	**22,957**

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 $5.8 million, $4.3 million and $3.9 million for the years ended December 31, 2022, 2021 and 2020, 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 the consideration transferred. Information regarding the cost and accumulated amortization of intangible assets is as follows:

Cost	Licenses $000s
Balance as of January 1, 2021	900
Additions	90

Balance as of December 31, 2021	990
Additions	25
Write-off	(163)
Deconsolidation of subsidiaries	(21)
Balance as of December 31, 2022	**831**

Accumulated amortization	Licenses $000s
Balance as of January 1, 2021	(1)
Amortization	(2)
Balance as of December 31, 2021	(3)
Amortization	(1)
Deconsolidation of subsidiary	4
Balance as of December 31, 2022	**-**

Intangible assets, net	Licenses $000s
Balance as of December 31, 2021	987
Balance as of December 31, 2022	**831**

Substantially all the 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 amortized but tested for impairment annually.

During 2022, the company wrote off one of its research intangible assets for which research was ceased in the amount of $162.5 thousand.

The Company tested all other such intangible assets for impairment as of balance sheet date and concluded that none of such assets were impaired.

During the year ended December 31, 2022, Sonde Health, Inc. was deconsolidated and as such $17.5 thousand in net assets were derecognised.

The company had negligible Amortization expense for the years ended December 31, 2022 2021 and 2020.

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 December 31,	**2022 $000s**	2021 $000s
Restricted cash	**2,124**	2,124
Total other financial assets	**2,124**	2,124

14. Equity

Total equity for PureTech as of December 31, 2022, and 2021, was as follows:

Equity	**December 31, 2022 $000s**	December 31, 2021 $000s
Share capital, £0.01 par value, issued and paid 278,566,306 and 287,796,585 as of December 31, 2022 and 2021, respectively	**5,455**	5,444
Merger Reserve	**138,506**	138,506
Share premium	**289,624**	289,303
Treasury shares, 10,595,347 and zero as of December 31, 2022 and 2021, respectively	**(26,492)**	-
Translation reserve	**89**	469
Other reserves	**(14,478)**	(40,077)
Retained earnings/(accumulated deficit)	**149,516**	199,871
Equity attributable to owners of the Group	**542,220**	593,515
Non-controlling interests	**5,369**	(9,368)
Total equity	**547,589**	584,147

Changes in share capital and share premium relate primarily to 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 recognized through Consolidated Statements of Comprehensive Income/(Loss), settlements of vested share based payment awards as well as other additions that flow directly through equity such as the excess or deficit from changes in ownership of subsidiaries while control is maintained by the Group.

On May 9, 2022, the Company announced the commencement of a $50.0 million share repurchase program the ("Program") of its ordinary shares of one pence each ("Ordinary Shares"). The Company is executing the Program in two equal tranches. In respect of the two tranches, PureTech entered into an irrevocable (see below) non-discretionary instruction with Jefferies International Limited ("Jefferies") in relation to the purchase by Jefferies of Ordinary Shares for an aggregate consideration (excluding expenses) of no greater than $25.0 million for each tranche and the simultaneous on-sale of such Ordinary Shares by Jefferies to PureTech, subject to certain volume and price restrictions. Jefferies makes its trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Company. Purchases may continue during any close period to which the Company is subject. The instruction to Jeffries may be amended or withdrawn so long as the Company is

not in a close period or otherwise in possession of inside information.

Any purchases of Ordinary Shares under the Program were carried out on the London Stock Exchange and could be carried out on any other UK recognized investment exchange which may be agreed, in accordance with pre-set parameters and in accordance with, and subject to limits, including those limits related to daily volume and price, prescribed by the Company's general authority to repurchase Ordinary Shares granted by its shareholders at its annual general meeting on May 27, 2021, and relevant Rules and Regulations. All Ordinary Shares repurchased under the Program are held in treasury.

As of December 31, 2022, the Company's issued share capital was 278,566,306 shares, including 10,595,347 shares, which had been repurchased under the Program and were held by the Company in treasury.

15. Subsidiary Preferred Shares

Preferred shares issued by subsidiaries often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument. This balance represents subsidiary preferred shares issued to third parties.

The subsidiary preferred shares are redeemable upon the occurrence of a contingent event, other than full liquidation of the Company, that is not considered to be within the control of the Company. Therefore these subsidiary preferred shares are classified as liabilities. These liabilities are measured at fair value through profit and loss. The preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above 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, the number of shares that will be issued is not fixed. As such the conversion feature is considered to be an embedded derivative that normally would require bifurcation. However, since the preferred share liabilities are measured at fair value through profit and loss, as mentioned above, no bifurcation is required.

The preferred shares are entitled to vote with holders of common shares on an as converted basis.

The Group recognized 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 converted into preferred shares.

The balance as of December 31, 2022 and December 31, 2021, represents the fair value of the instruments for all subsidiary preferred shares. The following summarizes the subsidiary preferred share balance:

As of December 31,	**2022** **$000s**	2021 $000s
Entrega	**169**	669
Follica	**350**	11,191
Sonde	**-**	13,362
Vedanta Biosciences	**26,820**	148,796
Total subsidiary preferred share balance	**27,339**	174,017

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 immediately before the transaction 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 December 31, 2022 and December 31, 2021, 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 December 31,	**2022** **$000s**	2021 $000s
Entrega	**2,216**	2,216
Follica	**6,405**	6,405
Sonde	**-**	12,000
Vedanta Biosciences	**149,568**	149,568
Total minimum liquidation preference	**158,189**	170,189

For the years ended December 31, 2022 and 2021, the Group recognized the following changes in the value of subsidiary preferred shares:

	$000s
Balance as of January 1, 2021	118,972
Issuance of new preferred shares - financing cash flow	37,610
Conversion of convertible notes	25,797
Decrease in value of preferred shares measured at fair value - finance costs (income)	(8,362)
Balance as of January 1, 2022	174,017
Decrease in value of preferred shares measured at fair value - finance costs (income)	(130,825)
Deconsolidation of subsidiary - (Sonde)	(15,853)
Balance as of December 31, 2022	**27,339**

2022

During the year ended December 31, 2022 there were no issuances of new preferred shares.

2021

On July 21, 2021 Vedanta closed a Series D financing in which Vedanta issued 2,387,675 Preferred D shares for consideration of $68.4 million. From such consideration of $68.4 million, $25.8 million was received from Pfizer through conversion of its convertible note (see Note 17) and $5.0 million was received from PureTech in exchange for 174,520 Preferred D shares. The amount received from PureTech was eliminated in the consolidated financial statements.

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. Many of these financial instruments are presented at fair value with fair value changes recorded through

profit and loss.

Fair Value Process

For financial instruments measured at fair value under IFRS 9, the change in the fair value is reflected through profit and loss. Using the guidance in IFRS 13, the total business enterprise value and allocable equity of each entity being valued was determined using a market backsolve approach through a recent arm's length financing round (or a future probable arm's length transaction), market PWERM approach, discounted cash flow income approach, or hybrid approaches. The approaches, in order of strongest fair value evidence, are detailed as follows:

Valuation Method	Description
Market - Backsolve	The market backsolve approach benchmarks the original issue price (OIP) of the company's latest funding transaction as current value.
Market/Asset - PWERM	Under a PWERM, the company value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise. An asset approach may be included as an expected future outcome within the PWERM method. Possible future outcomes can include IPO scenarios, potential SPAC transactions, merger and acquisition transactions as well as other similar exit transactions of the investee.
Income Based - DCF	The income approach is used to estimate fair value based on the income streams, such as cash flows or earnings, that an asset or business can be expected to generate.

As of December 31, 2022 and 2021, at each measurement date, the fair value of preferred shares and warrant liabilities, including embedded conversion rights that are not bifurcated, as well as investments held at fair value (that are not publicly traded), were determined using the following allocation methods: option pricing model ("OPM"), Probability-Weighted Expected Return Method ("PWERM"), or Hybrid allocation framework. The methods are detailed as follows:

Allocation Method	Description
OPM	The OPM model treats preferred stock as call options on the enterprise's equity value, with exercise prices based on the liquidation preferences of the preferred stock.
PWERM	Under a PWERM, share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class.
Hybrid	The hybrid method ("HM") is a combination of the PWERM and OPM. Under the hybrid method, multiple liquidity scenarios are weighted based on the probability of the scenarios occurrence, similar to the PWERM, while also utilizing the OPM to estimate the allocation of value in one or more of the scenarios.

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorized within Level 3, are prepared and reviewed on their issuance date and then on an annual basis for reasonableness and compliance with the fair value measurements guidance under IFRS. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Fair Value Hierarchy Level	Description

Level 1	Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2	Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Whilst the Group considers the methodologies and assumptions adopted in fair value measurements as supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed.

Subsidiary Preferred Shares Liability and Subsidiary Convertible Notes

The following table summarizes the changes in the Group's subsidiary preferred shares and convertible note liabilities measured at fair value, which were categorized as Level 3 in the fair value hierarchy:

	Subsidiary Preferred Shares $000s	Subsidiary Convertible Notes $000s
Balance at January 1, 2020	100,989	-
Value at issuance	13,750	25,000
Change in fair value	4,233	-
Balance at December 31, 2020 and January 1, 2021	118,972	25,000
Value at issuance	37,610	2,215
Conversion to subsidiary preferred shares	25,797	(25,797)
Accrued interest - contractual	-	867
Change in fair value	(8,362)	175
Balance at December 31, 2021 and January 1, 2022	174,017	2,461
Value at issuance	-	393
Accrued interest - contractual	-	48
Change in fair value	(130,825)	502
Deconsolidation - Sonde	(15,853)	(3,403)
Balance at December 31, 2022	**27,339**	**-**

The change in fair value of preferred shares and convertible notes are recorded in Finance income/(costs) - fair value accounting in the Consolidated Statements of Comprehensive Income/(Loss).

The table below sets out information about the significant unobservable inputs used at December 31, 2022, in the fair value measurement of the Group's material subsidiary preferred shares liabilities categorized as Level 3 in the fair value hierarchy:

Fair Value at December 31, 2022	Valuation Technique	Unobservable Inputs	Weighted Average	Sensitivity to Decrease in Input

26,820	PWERM based on pro forma backsolve approach that leverages a Monte Carlo simulation	Estimated Time to Exit	2.14	Fair value decrease
		Equity Discount Rate	30%	Fair value increase
		Debt Discount Rate	15%	Fair value decrease
		Volatility	95%	Fair value decrease

Subsidiary Preferred Shares Sensitivity

The following summarizes the sensitivity from the assumptions made by the Company with respect to the significant unobservable inputs which are categorized as Level 3 in the fair value hierarchy and used in the fair value measurement of the Group's subsidiary preferred shares liabilities (Please refer to Note 15):

Input	Subsidiary Preferred Share Liability	
		Financial Liability Increase/(Decrease)
As of December 31, 2022	Sensitivity Range	$000s
Time to Liquidity	- 6 Months	(1,322)
	+ 6 Months	856
Volatility	(10)%	(1,133)
	+10%	1,200
Discount Rate	(5)%	(2,035)
	+5%	1,922

Financial Assets Held at Fair Value

Karuna, Vor and Akili Valuation

Karuna (Nasdaq: KRTX), Vor (Nasdaq: VOR), Akili (Nasdaq: AKLI) and additional immaterial investments are listed entities on an active exchange and as such the fair value as of December 31, 2022, was calculated utilizing the quoted common share price. Please refer to Note 5 for further details.

Akili, Gelesis and Sonde

In accordance with IFRS 9, the Company accounted for its preferred share investments in Akili (until the exchange of such shares to common stock traded on Nasdaq) and Gelesis (until the exchange of such shares to common stock) and accounts for its investment in Sonde (investment in Preferred A-2 and B shares, subsequent to the date of deconsolidation) as financial assets held at fair value through the profit and loss. In addition, the Company accounts for its investment in Gelesis Earn-out shares and Akili Earn-out shares (see Note 5) as investments held at fair value. All the valuations of the aforementioned investments are categorized as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs to value such assets. During the year ended December 31, 2022, the Company recorded such investments at fair value and recognized the change in fair value of the investments as a loss of $30.0 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) in the line item Gain/(loss) on investments held at fair value.

The following table summarizes the changes in all the Group's investments held at fair value, which were categorized as Level 3 in the fair value hierarchy:

	$'000s
Balance at January 1, 2020	154,445
Cash purchase of Gelesis preferred shares (please refer to Note 6)	10,000

Cash purchase of Vor preferred shares	1,150
Gain/(Loss) on changes in fair value	41,297
Balance at December 31, 2020 and January 1, 2021	206,892
Cash purchase of Vor preferred shares	500
Reclassification of Vor from level 3 to level 1	(33,365)
Gain/(Loss) on changes in fair value	65,505
Balance at January 1, 2022 before allocation of associate loss to long-term interest	239,533
Deconsolidation of Sonde	11,168
Gelesis - New Investment - Earn out Shares	14,214
Exchange of Gelesis preferred shares to Gelesis common shares	(92,303)
Reclassification of Akili to level 1 investment	(128,764)
Change in fair value	(31,253)
Balance as of December 31, 2022	**12,593**

The change in fair value of investments held at fair value are recorded in Gain/(loss) on investments held at fair value in the Consolidated Statements of Comprehensive Income/(Loss).

The table below sets out information about the significant unobservable inputs used at December 31, 2022, in the fair value measurement of the Group's material preferred share investments held at fair value categorized as Level 3 in the fair value hierarchy:

Fair Value at December 31, 2022	Valuation Technique	Unobservable Inputs	Weighted Average	Sensitivity to Decrease in Input
11,403	Market Backsolve & OPM	Estimated time to exit	2.00	Fair value decrease
		Volatility	55%	Fair value decrease

As the material investments held at fair value categorized as level 3 in the fair value hierarchy are based on a market backsolve approach using a recent arm's length transaction the change in unobservable inputs in reasonably possible scenarios has an immaterial impact on the financial statements.

Warrants

Warrants issued by subsidiaries within the Group are classified as liabilities, as they will be settled in a variable number of preferred shares. The following table summarizes the changes in the Group's subsidiary warrant liabilities, which were categorized as Level 3 in the fair value hierarchy:

	Subsidiary Warrant Liability $000s
Balance at January 1, 2020	7,997
Warrant Issuance	92
Change in fair value - finance costs (income)	117
Balance at December 31, 2020 and January 1, 2021	8,206
Change in fair value - finance costs (income)	(1,419)

Balance at December 31, 2021 and January 1, 2022	6,787
Change in fair value - finance costs (income)	(6,740)
Balance at December 31, 2022	**47**

The change in fair value of warrants are recorded in Finance income/(costs) - fair value accounting in the Consolidated Statements of Comprehensive Income/(Loss).

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. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share.

In connection with the September 2, 2021 Oxford Finance LLC loan issuance, Vedanta also issued Oxford Finance LLC 12,886 Series C-2 preferred share warrants with an exercise price of $23.28 per share, expiring September 2030.

The fair value of the warrant liabilities was immaterial as of December 31, 2022 due to the decline in the fair value of the underlying preferred shares in the Follica warrant. See also Note 15 for the fair value of Follica preferred share liabilities.

Short-term Note from Associate
On December 7, 2021, Gelesis issued PureTech a $15.0 million note to be repaid the earlier of three business days after the closing of the business combination of Gelesis with Capstar Special Acquisition Corp ("Capstar"), or 30 days following the termination of such business combination. In the event of the business combination termination, the Company, who represented the majority of the note holders, could have elected to convert the note at the next equity financing at a discount of 25% from the financing price. The note bore interest at a rate of 10% per annum.

The note was repaid by Gelesis in January 2022 due to the closing of the business combination between Gelesis and Capstar on January 13, 2022.

Note from Associate
On July 27, 2022, PureTech, as a lender, entered into an unsecured Short Term Promissory Note ("Note") with Gelesis (GLS), as a borrower, in the amount of $15.0 million. The Note bears an annual interest rate of 15% per annum and accrues until the note is repaid. The term of the Note is the earlier of December 31, 2023 or five business days following the consummation of a qualified financing by Gelesis.

In case of default, PureTech will be issued a warrant which shall entitle PureTech to purchase at an exercise price per share of $0.01 a number of shares of Gelesis common Stock equal to (i) (A) 0.2 multiplied by (B) the amount of outstanding principal and accrued interest under the Note as of the date of conversion described below, divided by (ii) the volume weighted average price of each share of Common Stock, as reported by the New York Stock Exchange, for the last five (5) trading days ("the "Common Stock VWAP") occurring immediately prior to the date of exercise. In addition, PureTech will have the option to convert the amount of outstanding principal and accrued interest under the Note into a number of shares of Gelesis Common Stock (the "Conversion Securities") equal to (i) the amount of outstanding principal and accrued interest under the Note as of the date of such conversion, divided by (ii) the lesser of the price per share of (A) the Gelesis common Stock, as reported by the New York Stock Exchange, as of 4:00 P.M. Eastern Time on the date of the conversion notice or (B) the Common Stock VWAP as of the day prior to the date of the conversion notice.

Based on the terms of the note, the note is required to be measured at fair value with

changes in fair value recorded through profit and loss. The fair value of the note as of December 31, 2022 was $16.5 million. During the year ended December 31, 2022 the Group recorded $963 thousand of interest income and a gain of $539 thousand for the change in the fair value of the note. The change in the fair value of the note was recorded in the line item Other Income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss).

The note was valued using a discounted cash flow approach of the probability weighted future returns on the note, using a discount rate of 28.9%. Increasing or decreasing the discount rate by 5.0% will decrease or increase the value, respectively, by approximately $0.4 million. Also, increasing the estimated term to a qualified financing by 6 months (estimated as 3 months from December 31, 2022) will decrease the fair value by approximately $0.9 million.

Subsequent to balance sheet date, on April 10, 2023, the NYSE commenced proceedings to delist the common stock of Gelesis from the NYSE due to Gelesis ceasing to meet certain conditions to trade on such stock exchange. Trading in Gelesis's common stock was suspended immediately, and it was subsequently delisted from the NYSE. The common stock of Gelesis is currently available for trading in the over-the-counter ("OTC") market under the symbol GLSH. See Note 26 for additional details, including information related to an additional note issued by Gelesis to the Group after balance sheet date.

Fair Value Measurement and Classification

The fair value of financial instruments by category at December 31, 2022 and 2021:

	2022					
	Carrying Amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
Money Markets[1,2]	**95,249**	**-**	**95,249**	**-**	**-**	**95,249**
Short-term investments[1]	**200,229**	**-**	**200,229**	**-**	**-**	**200,229**
Note from associate	**16,501**	**-**	**-**	**-**	**16,501**	**16,501**
Investments held at fair value	**251,892**	**-**	**239,299**	**-**	**12,593**	**251,892**
Trade and other receivables[3]	**11,867**	**-**	**-**	**11,867**	**-**	**11,867**
Total financial assets	**575,738**	**-**	**534,777**	**11,867**	**29,094**	**575,738**
Financial liabilities:						
Subsidiary warrant liability	**-**	**47**	**-**	**-**	**47**	**47**
Subsidiary preferred shares	**-**	**27,339**	**-**	**-**	**27,339**	**27,339**
Subsidiary notes payable	**-**	**2,345**	**-**	**2,097**	**248**	**2,345**
Share based liability awards	**-**	**5,932**	**4,396**	**-**	**1,537**	**5,932**
Total financial liabilities	**-**	**35,664**	**4,396**	**2,097**	**29,171**	**35,664**

1 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.

2 Included within Cash and cash equivalents

3 Outstanding receivables are owed primarily by government agencies and large corporations, virtually all of which are investment grade.

As of balance sheet date the long term loan book value (see Note 20) approximated its fair value due to its variable rate.

	2021					
	Carrying Amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
Money Markets[1]	432,649	-	432,649	-	-	432,649
Short-term note from associate	15,120	-	-	-	15,120	15,120
Investments held at fair value[2]	493,888	-	254,355	-	239,533	493,888
Trade and other receivables[3]	3,174	-	-	3,174	-	3,174
Total financial assets	944,832	-	687,005	3,174	254,653	944,832
Financial liabilities:						
Subsidiary warrant liability	-	6,787	-	-	6,787	6,787
Subsidiary preferred shares	-	174,017	-	-	174,017	174,017
Subsidiary notes payable	-	4,641	-	1,945	2,696	4,641
Share based liability awards	-	7,362	6,081	-	1,281	7,362
Total financial liabilities	-	192,808	6,081	1,945	184,781	192,808

1 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade. Included within Cash and cash equivalents

2 Balance prior to share of associate loss allocated to long-term interest (please refer to Note 5).

3 Outstanding receivables are owed primarily by government agencies, virtually all of which are investment grade.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. As of December 31, 2022 and December 31, 2021, the loan in Follica and the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortized cost. The notes payable consist of the following:

As of December 31,	**2022 $000s**	2021 $000s
Loans	**2,097**	1,945
Convertible notes	**248**	2,696
Total subsidiary notes payable	**2,345**	4,641

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loan is secured by Follica's assets, including Follica's intellectual property and bears interest at a rate of 12.0 percent. The outstanding loan balance totaled approximately $2.0 million and $1.9 million as of December 31, 2022 and December 31,

2021, respectively. The increase in 2022 is attributed to interest expense for the year ended December 31, 2022.

Convertible Notes

Convertible Notes outstanding were as follows:

	Vedanta $000s	Knode $000s	Appeering $000s	Sonde $000s	Total $000s
January 1, 2021	25,000	89	134	-	25,223
Gross principal - issuance of notes - financing activity	-	-	-	2,215	2,215
Accrued interest on convertible notes - finance costs	797	5	8	70	880
Conversion to subsidiary preferred shares	(25,797)	-	-	-	(25,797)
Change in fair value - finance costs	-	-	-	175	175
December 31, 2021 and January 1, 2022	-	94	141	2,461	2,696
Gross principal - issuance of notes - financing activity	-	-	-	393	393
Accrued interest on convertible notes - finance costs	-	5	8	48	60
Change in fair value - finance costs	-	-	-	502	502
Deconsolidation	-	-	-	(3,403)	(3,403)
December 31, 2022	**-**	**99**	**149**	**-**	**248**

On December 30, 2020, Vedanta issued a $25.0 million convertible promissory note to an investor. The note bore interest at an annual rate of 6.0 percent and its maturity date was the first anniversary of the note. Prepayment of the note was not allowed and there was no conversion discount feature on the note. The note was mandatorily convertible in a Qualified equity financing and a Qualified Public Offering at the current price of the financing or offering, all as defined in the note purchase agreement. In addition, the note allowed for optional conversion immediately prior to a Non Qualified public offering, Non Qualified Equity financing, or a Corporate transaction and for a pay-out in the case of a change of control transaction. On July 19, 2021, upon the occurrence of Vedanta's Series D preferred share issuance that was considered to be a Qualified Equity Financing, the entire outstanding amount of the note, principal and interest, was converted into Series D preferred shares of Vedanta at the current price of the financing. For further details, please see Note 15.

On April 6, 2021, and on November 24, 2021, Sonde issued unsecured convertible promissory notes to its existing shareholders for a combined total of $4.3 million, of which $2.2 million were issued to third party shareholders (and $2.1 million were issued to the Company and eliminated in consolidation). In addition, in March 2022 Sonde issued an additional amount of $0.9 million, of which $0.4 million were issued to third parties (and $0.5 million issued to PureTech and eliminated in consolidation). The notes bore interest at an annual rate of 6.0 percent and were to mature on the second anniversary of the issuance. The notes were to mandatorily convert in a Qualified Financing, as defined in the note purchase agreement, at a discount of 20.0 percent from the price per share in the Qualified Financing. In addition, the notes allowed for optional conversion concurrently with a discount of 20.0 percent from the price per share in the Non Qualified Equity Financing.

Upon the completion of the Preferred B round of financing in Sonde on May 25, 2022, the Group lost control in Sonde and all convertible notes were derecognized as part of the deconsolidation - See Note 5.

For the Vedanta and Sonde convertible notes, since these Notes contained embedded derivatives, the Notes were assessed under IFRS 9 and the entire financial instruments were elected to be accounted for as FVTPL. The Vedanta convertible note was settled through its conversion in July 2021 and the Sonde notes were deconsolidated in May 2022. See above.

18. Non-Controlling Interest

During the year ended December 31, 2022, Sonde Health, Inc was deconsolidated and therefore transferred retroactively to the Non-Controlled Founded Entity segment. See Note 5. Investments Held at Fair Value.

The Company has revised in the 2022 financial statements the prior period financial information related to the segmentation of NCI, to conform to the presentation as of and for the year ending December 31, 2022. Please refer to Note 4 "Segment Information" for further details regarding reportable segments.

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

	Internal	Controlled Founded Entities	Non-Controlled Founded Entities	Parent Company & Other	Total
	$000s	$000s	$000s	$000s	$000s
Balance at January 1, 2020 *	(8,682)	1,465	(11,016)	593	(17,639)
Share of comprehensive loss	(191)	(905)	(306)	(15)	(1,417)
Equity settled share-based payments	305	2,395	122	-	2,822
Other	-	11	19	(6)	24
Balance at December 31, 2020 and January 1, 2021 *	(8,567)	2,966	(11,181)	574	(16,209)
Share of comprehensive loss	(96)	(1,634)	(436)	15	(2,151)
NCI exercise of share-based awards in subsidiaries - change in NCI interest	-	(5,922)	-	-	(5,922)
Equity settled share-based payments	(4)	6,224	32	-	6,252
Acquisition of a subsidiary non controlling interest	8,668	-	-	-	8,668
Other	-	-	-	(6)	(6)
Balance at December 31, 2021 and January 1, 2022	-	1,634	(11,585)	583	(9,368)
Share of comprehensive income (loss)	-	13,604	(330)	15	13,290
NCI exercise of share-based awards	-	(15,164)	-	-	(15,164)
Deconsolidation of subsidiaries	-	-	11,904	-	11,904
Equity settled share-based payments	-	4,703	8	-	4,711
Other	-	-	2	(6)	(4)
Balance as of December 31, 2022	**-**	**4,778**	**-**	**592**	**5,369**

* Revised to reclassify Sonde to the Non-controlled Founded Entities segment to comply with current period classification. See Note 4.

The following tables summarize the financial information related to the Group's subsidiaries with material non-controlling interests, aggregated for interests in similar entities, and before and after intra group eliminations.

	2022			
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Intra-group eliminations $000s	Total $000s
Statement of Comprehensive Loss				
Total revenue	**-**	**12,202**	**-**	**12,202**
Income/(loss) for the year	**-**	**98,633**	**1,003**	**99,636**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**-**	**98,633**	**1,003**	**99,636**
Statement of Financial Position				
Total assets	**-**	**35,341**	**(100)**	**35,241**
Total liabilities	**-**	**76,635**	**(11,057)**	**65,578**
Net assets/(liabilities)	**-**	**(41,294)**	**10,957**	**(30,336)**

As of December 31, 2022, Controlled Founded Entities with non-controlling interests primarily include Follica Incorporated, Entrega Inc., and Vedanta Biosciences, Inc. Ownership interests of the non-controlling interests in Follica Incorporated, Entrega Inc., and Vedanta Biosciences, Inc are 19.9 percent, 11.7 percent, and 12.2 percent, respectively. In addition, Non-controlling interests include the amounts recorded for subsidiary stock options, with the vast majority comprising of Vedanta stock options.

	2021			
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Intra-group eliminations $000s	Total $000s
Statement of Comprehensive Loss				
Total revenue	-	7,771	-	7,771
Income/(loss) for the year	-	(50,436)	792	(49,644)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss) for the year	-	(50,436)	792	(49,644)
Statement of Financial Position				
Total assets	-	66,279	(161)	66,118
Total liabilities	-	228,856	(10,755)	218,101
Net assets/(liabilities)	-	(162,576)	10,594	(151,982)

As of December 31, 2021, Controlled Founded Entities with non-controlling interests primarily include, Follica Incorporated, Sonde Health Inc., Entrega Inc. and Vedanta Biosciences, Inc. Ownership interests of the non-controlling interests in Follica Incorporated,

Sonde Health Inc., and Vedanta Biosciences, Inc are 19.9 percent, 11.7 percent, 6.2 percent and 3.7 percent, respectively. In addition, Non-controlling interests include the amounts recorded for subsidiary stock options, with the vast majority comprising of Vedanta stock options.

	2020			
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Intra-group eliminations	Total
Statement of Comprehensive Loss				
Total revenue	3,267	1,957	-	5,224
Income/(loss) for the year	(2,407)	(53,535)	1,073	(54,869)
Total comprehensive income/(loss) for the year	(2,407)	(53,535)	1,073	(54,869)

As of December 31, 2020, Internal segment with non-controlling interests includes Alivio, Controlled Founded Entities with non-controlling interests primarily include, Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences, Inc. Ownership interests of the non-controlling interests in Alivio Therapeutics, Inc., Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences, Inc are 8.1 percent, 19.9 percent, 4.5 percent and 0.4 percent, respectively. In addition, Non-controlling interests include the amounts recorded for subsidiary stock options, with the vast majority comprising of Vedanta stock options.

On June 11, 2021, PureTech acquired the remaining 17.1 percent of the minority non-controlling interests of Alivio (after exercise of all in the money stock options) increasing its ownership to 100.0 percent of Alivio. The consideration for such non controlling interests amounted to $1.2 million, to be paid in three equal installments, with the first installment of $0.4 million paid at the effective date of the transaction and two additional installment to be paid upon the occurrence of certain contingent events. The Group recorded a contingent consideration liability of $0.6 million at fair value for the two additional installments, resulting in a total acquisition cost of $1.0 million. The excess of the consideration paid over the book value of the non-controlling interest of approximately $9.6 million was recorded directly as a charge to shareholders' equity. The second installment of $0.4 million was paid in July 2021, upon the occurrence of the contingent event specified in the agreement. The contingent consideration liability is adjusted to fair value at the end of each reporting period with changes in fair value recorded in earnings. Changes in fair value of the aforementioned contingent consideration liability were not material. As of December 31, 2022, the remaining contingent liability was reduced to zero as the second contingent event did not occur.

On December 1, 2021, options holders in Entrega exercised options into shares of common stock, increasing the NCI interest held from 0.2 percent to 11.7 percent. During 2021 option holders in Vedanta exercised options and increased the NCI interest to 3.7 percent. The exercise of the options resulted in an increase in the NCI share in Entrega's and Vedanta's shareholder's deficit of $5.9 million. The consideration paid by NCI ($0.1 million) together with the increase in NCI share in Entrega's and Vedanta's shareholder deficit ($5.9 million) amounted to $6.0 million and was recorded as a gain directly in shareholders' equity.

On February 15, 2022, option holders in Vedanta exercised options into shares of common stock, increasing the NCI interest held from 3.7 percent to 12.2 percent. The exercise of the options resulted in an increase in the NCI share in Vedanta's shareholder's deficit of $15.2 million. The consideration paid by NCI ($7.2 thousand) together with the increase in NCI

share in Vedanta's shareholder deficit ($15.2 million) amounted to $15.2 million and was recorded as a gain directly in shareholders' equity.

19. Trade and Other Payables

Information regarding Trade and other payables was as follows:

As of December 31,	**2022 $000s**	2021 $000s
Trade payables	**26,504**	11,346
Accrued expenses	**24,518**	17,309
Income tax payable	**57**	57
Liability settled share based awards	**1,805**	4,703
Other	**1,957**	2,403
Total trade and other payables	**54,840**	35,817

20. Long-term loan

In September 2020, Vedanta entered into a $15.0 million loan and security agreement with Oxford Finance LLC. The loan is secured by Vedanta's assets, including equipment, inventory and intellectual property. The loan bears a floating interest rate of 7.7 percent plus the greater of (i) 30 day U.S. Dollar LIBOR reported in the Wall Street Journal or (ii) 0.17 percent. The loan matures September 2025 and requires interest only payments prior to 2023. The loan also carries a final fee upon full repayment of 7.0 percent of the original principal, or $1.1 million. As part of the loan agreement, Vedanta also issued Oxford Finance LLC 12,886 Series C-2 preferred share warrants with an exercise price of $23.28 per share, expiring September 2030. The outstanding loan balance totaled approximately $15.4 million as of December 31, 2022.

The following table summarizes long-term loan activity for the years ended December 31, 2022 and 2021:

	Long-term loan	
	2022 $000s	2021 $000s
Balance at January 1,	**15,118**	14,818
Accrued interest	**1,755**	1,502
Interest paid	**(1,436)**	(1,201)
Other	**(38)**	-
Balance at December 31,	**15,400**	15,118

The following table summarizes Vedanta's future principal payments for the long-term loan as of December 31, 2022:

Balance Type	2023	2024	2025	Total
Principal	5,156	5,625	4,219	15,000
Balance of accreted premium net of unamortized issuance costs				400
Total				**15,400**

The long-term loan is presented as follows in the Statement of Financial Position as of December 31, 2022 and 2021

	Long-term loan	
	2022	2021
	$000s	$000s
Current portion of Long-term loan	**5,156**	857
Long-term loan	**10,244**	14,261
Total Long-term loan	**15,400**	15,118

21 Leases

The activity related to the Group's right of use asset and lease liability for the years ended December 31, 2022 and 2021 is as follows:

	Right of use asset, net	
	2022	2021
	$000s	$000s
Balance at January 1,	**17,166**	20,098
Additions	**163**	739
Tenant improvement - lease incentive	**-**	(733)
Depreciation	**(3,047)**	(2,938)
Balance at December 31,	**14,281**	17,166

	Total lease liability	
	2022	2021
	$000s	$000s
Balance at January 1,	**32,990**	35,348
Additions	**163**	1,016
Cash paid for rent - principal - financing cash flow	**(4,025)**	(3,375)
Cash paid for rent - interest	**(1,982)**	(2,181)
Interest expense	**1,982**	2,181
Balance at December 31,	**29,128**	32,990

Depreciation of the right-of-use assets, which virtually all consist of leased real estate, 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 $3.0 million, $2.9 million and $2.7 million for the years ended December 31, 2022, 2021 and 2020 respectively.

The following details the short term and long-term portion of the lease liability as of December 31, 2022 and 2021:

	Total lease liability	
	2022	2021
	$000s	$000s

Short-term Portion of Lease Liability	**4,972**	3,950
Long-term Portion of Lease Liability	**24,155**	29,040
Total Lease Liability	**29,128**	32,990

The following table details the future maturities of the lease liability, showing the undiscounted lease payments to be paid after the reporting date:

	2022 **$000s**
Less than one year	**6,673**
One to two years	**6,763**
Two to three years	**5,168**
Three to four years	**4,419**
Four to five years	**4,551**
More than five years	**7,483**
Total undiscounted lease maturities	**35,056**
Interest	**5,928**
Total lease liability	**29,128**

During the year ended December 31, 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 April 26, 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. The Company assessed at lease commencement date whether it is reasonably certain to exercise the extension options and deemed such options not reasonably certain to be exercised. The Company will reassess whether it is reasonably certain to exercise the options only if there is a significant event or significant changes in circumstances within its control.

On June 26, 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 June 1, 2019 and the rent period term began on June 1, 2019 and expires on August 31, 2025. The sublease was determined to be a finance lease. As of December 31, 2022, the balances related to the sublease were as follows:

	Total lease receivable $000s
Short-term Portion of Lease Receivable	450
Long-term Portion of Lease Receivable	835
Total Lease Receivable	**1,285**

The following table details the future maturities of the lease receivable, showing the undiscounted lease payments to be received after the reporting date:

	2022 **$000s**

Less than one year	**513**
One to two years	**523**
Two to three years	**353**
Total undiscounted lease receivable	**1,389**
Unearned Finance income	**103**
Net investment in the lease	**1,285**

On August 6, 2019, PureTech executed a sublease agreement with Dewpoint Therapeutics, Inc. ("Dewpoint"). The sublease was 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 September 1, 2019 with a rent period term that began on September 1, 2019, and expired on August 31, 2021. The sublease was determined to be an operating lease.

Rental income recognized by the Company during the years ended December 31, 2021 and 2020 was $0.6 million and $1.1 million, respectively and is included in the Other income/(expense) line item in the Consolidated Statements of Comprehensive Income/(Loss).

22. Capital and Financial Risk Management

Capital Risk Management

The Group's capital and financial risk management policy is to maintain a strong capital base so as to support its strategic priorities, maintain investor, creditor and market confidence as well as sustain the future development of the business. 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 14.

Management continuously monitors the level of capital deployed and available for deployment in the Internal segment and at the corporate level as well as at Controlled Founded Entities. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of the Group's capital and 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 commercialization of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

The Group has exposure to the following risks arising from financial instruments:

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial

instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, short term investments, and trade and other receivables. The Group held the following balances (not including the income tax receivable resulting from overpayment of income taxes, see Note 25):

As of December 31	**2022** **$000s**	2021 $000s
Cash and cash equivalents	**149,866**	465,708
Short-term investments	**200,229**	-
Trade and other receivables	**11,867**	3,174
Total	**361,961**	468,882

The Group invests its excess cash in U.S. Treasury Bills (presented as short-term investments), and money market accounts, which the Group believes are of high credit quality. Further the Group's cash and cash equivalents and short-term investments are held at diverse, investment-grade financial institutions.

The Group assesses the credit quality of customers on an ongoing basis. The credit quality of financial assets is assessed by historical and recent payment history, counterparty financial position, reference to credit ratings (if available) or to historical information about counterparty default rates. The Group does not have expected credit losses owing largely to a small number of counterparties and the high credit quality of most counterparties (primarily the US government and large funds with respect to grant income and large high credit quality corporations).

The aging of trade and other receivables that were not impaired at December 31 is as follows:

As of December 31	**2022** **$000s**	2021 $000s
Not impaired	**11,867**	3,174
Total	**11,867**	3,174

With regard to the Note from associate, such note is presented at fair value which incorporates, among other factors, the credit risk of the counterparty. See Note 16 for details.

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.

The table below summarizes the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of December 31, 2022 and 2021, based on contractual undiscounted payments:

As of December 31	**2022**

	Carrying Amount	Within Three Months	Three to Twelve Months	One to Five Years	Total
	$000s	$000s	$000s	$000s	$000s (*)
Long-term loan (non-current + current)	**15,400**	**1,838**	**5,281**	**11,413**	**18,531**
Subsidiary notes payable	**2,345**	**2,345**	**-**	**-**	**2,345**
Trade and other payables	**54,840**	**54,840**	**-**	**-**	**54,840**
Warrants[2]	**47**	**47**	**-**	**-**	**47**
Subsidiary preferred shares (Note 15)[1]	**27,339**	**27,339**	**-**	**-**	**27,339**
Total	**99,971**	**86,409**	**5,281**	**11,413**	**103,103**

	2021				
	Carrying Amount	Within Three Months	Three to Twelve Months	One to Five Years	Total
As of December 31	$000s	$000s	$000s	$000s	$000s (*)
Long-term loan	15,118	296	2,182	16,274	18,752
Subsidiary notes payable	4,641	4,641	-	-	4,641
Trade and other payables	35,817	35,817	-	-	35,817
Warrants[2]	6,787	6,787	-	-	6,787
Subsidiary preferred shares (Note 15)[1]	174,017	174,017	-	-	174,017
Total	236,381	221,559	2,182	16,274	240,015

1 Redeemable only upon a liquidation or Deemed liquidation event, as defined in the applicable shareholder documents.

2 Warrants issued by subsidiaries to third parties to purchase preferred shares.

* Does not include payments in respect of lease obligations. For the contractual future payments related to lease obligations, see Note 21.

Interest Rate Sensitivity

As of December 31, 2022, the Group had cash and cash equivalents of $149.9 million, and short term investments of $200.2 million. The Group's exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. The Group has not entered into investments for trading or speculative purposes. Due to the conservative nature of the Group's investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and related money market accounts, a change in interest rates would not have a material effect on the fair market value of the Group's portfolio, and therefore the Group does not expect operating results or cash flows to be significantly affected by changes in market interest rates.

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. 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, including in the event of "deemed liquidation" as defined in the incorporation documents of the entities, 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. 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 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 either as investments and accounted for as investments held at fair value or associates and accounted for under the equity method (please refer to Note 1). The Group's exposure to investments held at fair value is $251.9 million as of December 31, 2022, and the Group may or may not be able to realize the value in the future. Accordingly, the Group views the risk as high. The Group's exposure to investments in associates is limited to the carrying amount of the investment in an Associate. The Group is not exposed to further contractual obligations or contingent liabilities beyond the value of the investments. Accordingly, the Group does not view this as a high risk. As of December 31, 2022, Gelesis and Sonde are the only associates. The carrying amount of the investment in Gelesis and Sonde as associates was $9.1 million. Please refer to Notes 5, 6 and 16 for further information regarding the Group's exposure to Non-Controlled Founded Entity Investments.

Equity Price Risk

As of December 31, 2022, the Group held 1,054,464 common shares of Karuna, 2,671,800 common shares of Vor and 12,527,477 common shares of Akili. The fair value of these investments in Karuna, Vor and Akili was $239.0 million.

The investments in Karuna, Vor and Akili are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna, Vor and Akili common shares as of December 31, 2022, would have been a loss of approximately $23.9 million, that would have been recognized as a component of Other income (expense) in the Consolidated Statements of Comprehensive Income/(Loss).

Foreign Exchange Risk

The Group maintains consolidated financial statements in the Group's functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods. See Note 9.

The Group does not currently engage in currency hedging activities since its foreign currency risk is limited, but the Group may begin to do so in the future if and when its foreign currency risk exposure changes.

23. Commitments and Contingencies

The Group is party to certain licensing agreements where the Group is licensing IP from third

parties. In consideration for such licenses the Group has made upfront payments and may be required to make additional contingent payments based on developmental and sales milestones and/or royalty on future sales. As of December 31, 2022, these milestone events have not yet occurred and therefore the Group does not have a present obligation to make the related payments in respect of the licenses. Such milestones are dependent on events that are outside of the control of the Group and many of these milestone events are remote of occurring. As of December 31, 2022, payments in respect of developmental milestones that are dependent on events that are outside the control of the Group but are reasonably possible to occur amounted to approximately $8.7 million. These milestone amounts represent an aggregate of multiple milestone payments depending on different milestone events in multiple agreements. The probability that all such milestone events will occur in the aggregate is remote. Payments made to license IP represent the acquisition cost of intangible assets. See Note 12.

The Group is party to certain sponsored research arrangements as well as arrangements with contract manufacturing and contract research organizations, whereby the counterparty provides the Company with research and/or manufacturing services. As of December 31, 2022, the noncancellable commitments in respect of such contracts amounted to approximately $11.3 million.

24. Related Parties Transactions

Related Party Subleases and royalties
During 2019, PureTech executed a sublease agreement with a related party, Gelesis. Please refer to Note 21 for further details regarding the sublease.

The Group receives royalties from Gelesis on its product sales. Such royalties amounted to $509 thousand and $231 thousand for the years ended December 31, 2022 and 2021, respectively and are presented in Contract revenue in the Consolidated Statements of Comprehensive Income/(Loss).

Key Management Personnel Compensation
Key management includes executive directors and members of the executive management team of the Group (not including compensation provided to non-executive directors). The key management personnel compensation of the Group was as follows for the years ended December 31:

	2022	2021	2020
As of December 31	**$000s**	$000s	$000s
Short-term employee benefits	**4,369**	4,666	4,833
Share-based payment expense	**2,741**	4,045	5,822
Total	**7,109**	8,711	10,656

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

For cash settlements of share based awards - see Note 8.

In addition the Company paid remuneration to non-executive directors in the amounts of $655 thousand, $605 thousand and $690 thousand for the years ended December 31, 2022, 2021, and 2020, respectively. Also, the Company incurred $365 thousand and $161 thousand of stock based compensation expense for such non-executive directors for the years ended December 31, 2022 and 2021, respectively. There is no stock based compensation expense for such non-executive directors for the year ended December 31, 2020.

During the years ended December 31, 2022 and 2021, the Company incurred $51 thousand, and $181 thousand, respectively of expenses paid to related parties.

Convertible Notes Issued to Directors

Certain related parties of the Group have invested in convertible notes issued by the Group's subsidiaries. As of December 31, 2022 and 2021, the outstanding related party notes payable totaled $99 thousand and $94 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 December 31, 2022:

	Business Name (Share Class)	Number of shares held as of December 31, 2022	Number of options held as of December 31, 2022	Number of RSUs held as of December 31, 2022	Ownership Interest[1]
Directors:					
Ms Daphne Zohar[2]	Gelesis (Common)	**465,121**	**3,303,306**	**1,349,697**	**4.45%**
Dr Robert Langer	Entrega (Common)	**250,000**	**82,500**	**-**	**4.09%**
Dr Raju Kucherlapati	Enlight (Class B Common)	**-**	**30,000**	**-**	**3.00%**
	Gelesis (Common)	**139,625**	**-**	**50,639**	**0.12%**
Dr John LaMattina[3]	Akili (Common)	**56,554**	**-**	**-**	**0.07%**
	Gelesis (Common)[3]	**395,035**	**37,129**	**-**	**0.38%**
	Vedanta Biosciences (Common)	**25,000**	**-**	**-**	**0.17%**
Senior Managers:					
Dr Bharatt Chowrira	Karuna (Common)	**5,000**	**-**	**-**	**0.01%**
Dr Joseph Bolen	Vor (Common)	**-**	**9,191**	**-**	**0.01%**

1 Ownership interests as of December 31, 2022 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorized to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

2 Common shares, RSUs 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 Dr John and Ms Mary LaMattina hold 345,035 shares of common shares in Gelesis. Individually, Dr LaMattina holds 50,000 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount o $50,000.

Directors and senior managers hold 25,371,839 ordinary shares and 9.1 percent voting rights of the Company as of December 31, 2022. This amount excludes options to purchase 2,350,000 ordinary shares. This amount also excludes 6,448,899 shares, which are issuable based on the terms of performance based RSU awards granted to certain senior managers covering the financial years 2022, 2021 and 2020, and 172,056 shares, which are issuable to

directors immediately prior to the Company's 2023 Annual General Meeting of Stockholders based on the terms of the RSU awards granted to non-executive directors in 2022. Such shares will be issued to such senior managers and non executive directors in future periods provided that performance and/or service conditions are met and certain of the shares will be withheld for payment of customary withholding taxes.

Note from Associate

See Note 16 for details on the notes issued by Gelesis to the Company. The Company recognized finance income of 1.6 million with respect to interest and changes in fair value related to the notes.

As of December 31, 2022 the Group has a receivable from an associate in the amount of 1.1 million.

25. Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. Tax is recognized in the Consolidated Statements of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

For the years ended December 31, 2022, 2021 and 2020, the Group filed a consolidated U.S. federal income tax return which included all subsidiaries in which the Company owned greater than 80 percent of the vote and value. For the years ended December 31, 2022, 2021 and 2020, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Company owned greater than 50 percent of the vote and value. The remaining subsidiaries file separate U.S. tax returns.

Amounts recognized in Consolidated Statements of Comprehensive Income/(Loss):

As of December 31	**2022 $000s**	2021 $000s	2020 $000s
Income/(loss) for the year	**(37,065)**	(62,709)	4,568
Income tax expense/(benefit)	**(55,719)**	3,756	14,401
Income/(loss) before taxes	**(92,783)**	(58,953)	18,969

Recognized income tax expense/(benefit):

As of December 31	**2022 $000s**	2021 $000s	2020 $000s
Federal	**13,065**	22,138	21,796
Foreign	**-**	-	-
State	**1,336**	109	-
Total current income tax expense/(benefit)	**14,401**	22,247	21,796
Federal	**(48,240)**	(15,416)	(7,349)
Foreign	**-**	-	-
State	**(21,880)**	(3,075)	(46)
Total deferred income tax expense/(benefit)	**(70,120)**	(18,491)	(7,395)
Total income tax expense/(benefit), recognized	**(55,719)**	3,756	14,401

The tax expense/(benefit) was $(55.7) million, $3.8 million and $14.4 million in 2022, 2021 and 2020 respectively. The increase in tax benefit for the year ended December 31, 2022 is primarily the result of the loss before taxes in entities in the U.S. Federal and Massachusetts

consolidated return groups of the Company.

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the U.S. A reconciliation of the U.S. federal statutory tax rate to the effective tax rate is as follows:

	2022		2021		2020	
As of December 31	**$000s**	**%**	$000s	%	$000s	%
US federal statutory rate	**(19,486)**	**21.00**	(12,380)	21.00	3,984	21.00
Effects of state tax rate in U.S.	**(8,043)**	**8.67**	(4,484)	7.61	1,844	9.72
R&D and orphan drug tax credits	**(6,876)**	**7.41**	(5,056)	8.58	(5,642)	(29.74)
Non deductible share based payment expenses	**788**	**(0.85)**	555	(0.94)	327	1.73
Finance income/(costs) - fair value accounting	**(28,783)**	**31.02**	(2,017)	3.42	919	4.84
Loss with respect to associate for which no deferred tax asset is recognized	**1,413**	**(1.52)**	11,542	(19.58)	-	-
Change in blended state rate impact due to state apportionment change	**(8,856)**	**9.54**	-	-	-	-
Transaction Costs	**-**	**-**	309	(0.52)	361	1.91
Interest Expense	**69**	**(0.07)**	217	(0.37)	(2,258)	(11.91)
Executive Compensation	**300**	**(0.32)**	746	(1.27)	827	4.36
Recognition of deferred tax assets and tax benefits not previously recognized	**(184)**	**0.20**	(414)	0.70	-	-
Current year losses for which no deferred tax asset is recognized	**17,287**	**(18.63)**	14,375	(24.38)	13,948	73.53
Sonde Deconsolidation	**(3,572)**	**3.85**	-	-	-	-
Other	**224**	**(0.25)**	363	(0.62)	91	0.48
	(55,719)	**60.05**	3,756	(6.37)	14,401	75.92

The Company is also subject to taxation in the UK but to date no taxable income has been generated in the UK. 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 tax assets have been recognized in the U.S. jurisdiction in respect of the following items:

	2022	2021
As of December 31	**$000s**	$000s
Operating tax losses	**48,317**	46,982
Tax credits	**11,101**	10,673

Share-based payments	**8,423**	7,265
Capitalized Research & Experimental Expenditures	**36,084**	-
Investment in Associates	**13,036**	11,542
Lease Liability	**7,143**	8,969
Other temporary differences	**2,957**	2,665
Deferred tax assets	**127,061**	88,096
Investments held at fair value	**(47,877)**	(96,804)
ROU asset	**(3,519)**	(4,667)
Fixed assets	**(2,348)**	(3,547)
Deferred tax liabilities	**(53,744)**	(105,018)
Deferred tax assets (liabilities), net	**73,317**	(16,922)
Deferred tax liabilities, net, recognized	**(19,645)**	(89,765)
Deferred tax assets (liabilities), net, not recognized	**92,962**	72,843

We have recognized deferred tax assets related to entities in the U.S. 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 unrecognized deferred tax assets of $93.0 million are primarily related to tax credit, loss carryforwards and deductible temporary differences in subsidiaries outside the U.S. Federal and Massachusetts consolidated return groups. Such deferred tax assets have not been recognized because it is not probable that future taxable profits will be available to support their realizability. The unrecognized deferred tax assets, to a lesser extent, also relate to unrecognized deferred tax assets with respect to a portion of Section 174 capitalized research & experimental expenditures which became effective in 2022 under the Tax Cuts and Jobs Act and an investment in an associate since the Group does not believe it is probable that such tax benefits will be realized in the foreseeable future.

There was movement in deferred tax recognized, which impacted income tax expense by approximately $70.1 million benefit, primarily related to changes in the value of investments and Section 174 capitalized research & experimental expenditures. The Company sold a portion of its stock in Karuna and VOR during 2022 resulting in net taxable income and current tax expense of $14.4 million.

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following carryforward losses, credits and temporary differences, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2022		2021	
	$000s		$000s	
As of December 31	**Gross Amount**	**Tax Effected**	Gross Amount	Tax Effected
Deductible Temporary Difference	**132,145**	**33,544**	59,925	16,224
Tax Losses	**219,466**	**48,317**	215,425	46,982
Tax Credits	**11,101**	**11,101**	9,636	9,636
Total	**362,712**	**92,962**	284,986	72,843

Tax Losses and tax credits carryforwards

Tax losses and tax credits for which no deferred tax asset was recognized

	2022		2021	
	$000s		$000s	
As of December 31	**Gross Amount**	**Tax Effected**	Gross Amount	Tax Effected
Tax losses expiring:				
Within 10 years	**23,930**	**5,387**	19,735	4,343
More than 10 years	**42,822**	**10,509**	47,937	11,611
Available Indefinitely	**152,714**	**32,421**	147,753	31,028
Total	**219,466**	**48,317**	215,425	46,982
Tax credits expiring:				
Within 10 years	**43**	**43**	4	4
More than 10 years	**11,058**	**11,058**	9,632	9,632
Available indefinitely	**-**	**-**	-	-
Total	**11,101**	**11,101**	9,636	9,636

The Group had U.S. federal net operating losses carry forwards ("NOLs") of approximately $219.5 million, $215.4 million and $169.7 million as of December 31, 2022, 2021 and 2020, respectively, which are available to offset future taxable income. These NOLs expire through 2037 with the exception of $152.7 million which is not subject to expiration. The Group had U.S. Federal research and development tax credits of approximately $4.5 million, $3.9 million and $3.9 million as of December 31, 2022, 2021 and 2020, respectively, which are available to offset future taxes that expire at various dates through 2042. The Group also had Federal Orphan Drug credits of approximately $6.1 million and $5.7 million as of December 31, 2022, and 2021, which are available to offset future taxes that expire at various dates through 2042. A portion of these Federal NOLs and credits can only be used to offset the profits from the Company's subsidiaries who file separate Federal tax returns. These NOLs and credits are subject to review and possible adjustment by the Internal Revenue Service.

The Group had state net operating losses carry forwards ("NOLs") of approximately $71.7 million, $27.9 million and $67.4 million for the years ended December 31, 2022, 2021 and 2020, respectively, which are available to offset future taxable income. These NOLs expire at various dates beginning in 2030. The Group had Massachusetts research and development tax credits of approximately $0.6 million, $1.3 million and $2.1 million for the years ended December 31, 2022, 2021 and 2020, respectively, which are available to offset future taxes and expire at various dates through 2037. These NOLs and credits are subject to review and possible adjustment by the Massachusetts Department of Revenue.

Utilization 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 utilized annually to offset future taxable income and tax, respectively. The Company notes that a 382 analysis was performed through December 31, 2022. 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 recognized in the financial statements.

Tax Balances

The current tax related balances are presented in the Statement of Financial Position as follows:

As of December 31	**2022 $000s**	2021 $000s
Income tax receivable - current	**10,040**	4,514
Trade and Other Payables	**(57)**	(57)

Uncertain Tax Positions

The Company has no uncertain tax positions as of December 31, 2022. U.S. corporations are routinely subject to audit by federal and state tax authorities in the normal course of business.

26. Subsequent Events

The Company has evaluated subsequent events after December 31, 2022, 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 March 1, 2023 Vedanta issued convertible debt to a syndicate of investors. The initial close of the debt was for proceeds of approximately $88.5 million. The note carries an interest rate of 9 percent per annum. The debt has various conversion triggers and the conversion price is established at the lower of 80% of the equity price of the last financing round, or a certain pre-money valuation cap established in the agreement. As part of the issuance of the debt, the convertible debt holders were granted representation in Vedanta's Board of Directors and PureTech lost control over Vedanta. On April 24, 2023, Vedanta closed the second tranche of the convertible debt for additional proceeds of $18.0 million, of which $5.0 million were invested by the Company.

On March 22, 2023, the Company entered into an agreement with Royalty Pharma according to which Royalty Pharma acquired an interset in the Group's royalty from Karuna's KarXT, with $100.0 million in cash up-front, and up to $400.0 million in additional cash consideration, contingent on the achievement of certain regulatory and commercial milestones.

Gelesis

On February 21, 2023, the Company entered into a Note and Warrant Purchase agreement with Gelesis for $5.0 million cash consideration. As part of the agreement, the Company received a short term convertible senior secured note of $5.0 million and warrants to purchase additional shares of Gelesis' common stock. The note carries an interest rate of 12 percent per annum and holds an initial maturity date of July 31, 2023 unless the note is earlier converted or redeemed by the issuer.

On April 10, 2023, the NYSE commenced proceedings to delist the common stock of Gelesis from the NYSE due to Gelesis ceasing to meet certain conditions to trade on such stock exchange. Trading in the Gelesis's common stock was suspended immediately, and it was subsequently delisted from the NYSE. The common stock of Gelesis is currently available for trading in the over-the-counter ("OTC") market under the symbol GLSH.

In addition, in April 2023 PureTech submitted a non-binding proposal to acquire all of the outstanding equity of Gelesis. Negotiations related to the proposal and any potential deal remain ongoing and are subject to, among other things, approval of any definitive

transaction by independent committees of the boards of both Gelesis and PureTech.

PureTech Health plc Statement of Financial Position

For the years ended December 31

	Note	**2022** **$000s**	2021 $000s
Assets			
Non-current assets			
Investment in subsidiary	2	**452,374**	148,086
Intercompany long-term receivable	3	**-**	297,909
Total non-current assets		**452,374**	445,995
Current assets			
Other receivables		**57**	-
Cash and cash equivalents		**38,503**	-
Total current assets		**38,560**	-
Total assets		**490,934**	445,995
Equity and liabilities			
Equity			
Share capital	4	**5,455**	5,444
Share premium	4	**289,624**	289,304
Treasury stock		**(26,492)**	-
Merger reserve	4	**138,506**	138,506
Other reserve	4	**18,114**	7,730
Retained Earnings/ (Accumulated deficit) - (Income for the year $59,198)	4	**45,175**	(14,022)
Total equity		**470,382**	426,961
Current liabilities			
Trade and other payables		**2,475**	1,856
Intercompany payables	5	**18,078**	17,179
Total current liabilities		**20,553**	19,034
Total equity and liabilities		**490,934**	445,995

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 authorized for issuance on April 27, 2023 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer

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

PureTech Health plc Statements of Cash Flows

For the years ended December 31

	2022	2021
	$000s	$000s
Cash flows from operating activities		
Net income (loss)	**59,198**	(3,401)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Non-cash items:		
Changes in operating assets and liabilities:		
Other receivables	**(57)**	-
Intercompany payable	**5,236**	2,167
Accounts payable and accrued expenses	**619**	1,235
Net cash provided by (used in) operating activities	**64,995**	-
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	**-**	-
Cash flows from financing activities:		
Purchase of treasury stocks	**(26,492)**	-
Net cash provided by (used in) financing activities	**(26,492)**	-
Net increase in cash and cash equivalents	**38,503**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**38,503**	-
Supplemental disclosure of non-cash investing and financing activities:		
Increase (Decrease) in investment against share-based awards	**10,384**	(12,995)
Conversion of intercompany receivable (net of a portion of intercompany payable) into investment	**293,904**	-
Exercise of share-based awards against intercompany receivable	**332**	352

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

PureTech Health plc Statements of Changes in Equity

For the years ended December 31

	Share Capital	Treasury Shares

	Shares	Amount $000s	Share Premium $000s	Shares	Amount $000s	Merger Reserve $000s	Other Reserve $000s	Retained earnings/ (Accumulated deficit) $000s	Total equity $000s
Balance January 1, 2021	**285,885,025**	**5,417**	**288,978**	**-**	**-**	**138,506**	**20,725**	**(10,620)**	**443,005**
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-
Exercise of share-based awards	1,911,560	27	326	-	-	-	-	-	352
Equity settled share-based payments	-	-	-	-	-	-	7,109	-	7,109
Settlement of restricted stock units	-	-	-	-	-	-	(10,749)	-	(10,749)
Vesting of share-based awards and net share exercise	-	-	-	-	-	-	(2,582)	-	(2,582)
Reclassification of equity settled awards to liability awards in subsidiary	-	-	-	-	-	-	(6,773)	-	(6,773)
Net loss	-	-	-	-	-	-	-	(3,401)	(3,401)
Balance December 31, 2021	**287,796,585**	**5,444**	**289,303**	**-**	**-**	**138,506**	**7,730**	**(14,022)**	**426,961**
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-
Exercise of share-based awards	577,022	11	321	-	-	-	-	-	332
Equity settled share-based payments	-	-	-	-	-	-	8,856	-	8,856
Settlement of restricted stock units	788,046	-	-	-	-	-	1,528	-	1,528

Purchase of Treasury stock	-	-	-	(10,595,347)	(26,492)	-	-	-	(26,492)
Net income	-	-	-	-	-	-	-	59,198	59,198
Balance December 31, 2022	**289,161,653**	**5,455**	**289,624**	**(10,595,347)**	**(26,492)**	**138,506**	**18,114**	**45,176**	**470,382**

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") are presented as of December 31, 2022 and 2021, and for the years ended December 31, 2022 and 2021, and have been prepared under the historical cost convention in accordance with international accounting standards in conformity with the requirements of UK-adopted International Financial Reporting Standards (IFRSs). The financial statements of PureTech Health plc also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). 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 ("U.S.") Dollars and the financial statements are presented in U.S. Dollars.

Investments

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

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of net realizable 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 recognized in the profit and loss account.

Dividend Income

Dividend received from the Parent's subsidiary is recorded as dividend income in the profit and loss statement.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognized and cease to be recognized on the basis of when the related titles pass to or from the Parent Company.

Equity Settled Share Based Payments

Share based payment awards granted in subsidiaries to employees and consultants to be

settled in Parent's equity instruments are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. The grant date fair value of employee share-based payment awards granted in subsidiaries is recognized as an increase to the investment with a corresponding increase in equity over the requisite service period related 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. When the subsidiary settles the equity awards other than by the Parent's equity the settlement is recorded as a decrease in equity against a corresponding decrease to the investment account.

2. Investment in subsidiary

	$000s
Balance at May 8, 2015	-
Investment in PureTech LLC as a result of the reverse acquisition	**141,348**
Increase due to equity settled share based payments granted to employees and service providers in subsidiaries	**19,734**
Balance at December 31, 2020	**161,082**
Decrease due to equity settled share based payments granted to employees and service providers in subsidiaries	**(12,996)**
Balance at December 31, 2021	**148,086**
Increase due to equity settled share based payments granted to employees and service providers in subsidiaries	**10,384**
Conversion of intercompany receivable (net of a portion of intercompany payable) into investment	**293,904**
Balance at December 31, 2022	**452,374**

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 U.S. as a US-focused scientifically driven research and development company that conceptualizes, sources, validates and commercializes different 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.

In 2020, the Parent recognized a $19.7 million increase in its investment in its operating subsidiary PureTech LLC due to equity settled share based payments granted to employees and service providers in subsidiaries. $24.8 million out of such amount related to amounts which should have been recognized at December 31, 2019. The prior year balance sheet has not been adjusted since the Directors do not believe this item is qualitatively material to users of the financial statements, it has no impact on distributable reserves of the Parent and no impact on the Group consolidated financial statements. The disclosure relating to such share based payment awards is detailed in Note 8 of the accompanying Consolidated Financial Statements. The decrease in 2021 and increase in 2022 due to such share based payments results from the expense related to the grant of equity settled share based awards, as well as settlements and payments of these equity awards by the subsidiaries, or settlement of share based payments through equity by the Company.

3. Share capital and reserves

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as

a public company on May 8, 2015.

On March 12, 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 June 24, 2015, the Company authorized 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 authorization 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 percent of the total number of new ordinary shares. The stabilization manager provided notice to exercise in full its over-allotment option on July 2, 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.

During the years ended December 31, 2022 and 2021, Other reserves increased (decreased) by $10.4 million and $(13.0) million, respectively due to equity settled share based payments granted to employees and service providers in subsidiaries. See Note 2 above.

Treasury stock
On May 9, 2022, PureTech Health plc (the "Company") announced the commencement of a $50.0 million share repurchase program of its ordinary shares of one pence each ("Ordinary Shares"). The Company plans to execute the Program in two equal tranches. In respect of the two tranches, PureTech entered into an irrevocable (see below) non-discretionary instruction with Jefferies International Limited ("Jefferies") in relation to the purchase by Jefferies of Ordinary Shares for an aggregate consideration (excluding expenses) of no greater than $25.0 million for each tranche, and the simultaneous on-sale of such Ordinary Shares by Jefferies to PureTech. Jefferies makes its trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Company. Purchases may continue during any close period to which the Company is subject. The instruction to Jeffries may be amended or withdrawn so long as the Company is not in a close period or otherwise in possession of inside information.

Any purchases of Ordinary Shares under the Program were carried out on the London Stock Exchange and could be carried out on any other UK recognized investment exchange which may be agreed, in accordance with pre-set parameters and in accordance with, and subject to limits, including those limits related to daily volume and price, prescribed by the Company's general authority to repurchase Ordinary Shares granted by its shareholders at its annual general meeting on May 27, 2021, and relevant Rules and Regulations. All Ordinary Shares repurchased under the Program are held in treasury.

As of December 31, 2022, the Company repurchased an aggregate of 10,595,347 Ordinary Shares under the share repurchase program.

4. Intercompany payables

The Parent has a balance due to its operating subsidiary PureTech LLC of $18.1 million as of December 31, 2022, which is related to IPO costs and operating expenses. These intercompany payables do not bear any interest and are repayable upon demand.

5. 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 income for the year was $59.2 million.

During the year ended December 31, 2022 the Parent recorded income of $65.0 million in respect of dividend received from its subsidiary.

6. 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 2022 or 2021.

END

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