9 April 2020

PureTech Health plc

PureTech Health Announces Annual Results for Year Ended 31 December 2019

Strong capital base with $321.5 million[1] in Pro-forma Cash held at the PureTech level, consisting of $120.6 million[2] as of 31 December 2019 along with $200.9 million in proceeds from the January 2020 sale of Karuna shares, enables extension of cash runway into the first quarter of 2024

Growth of Wholly Owned Pipeline with addition of clinical-stage programme, monetisation of partial stake in Karuna, and one FDA clearance, 5 clinical trial readouts and 6 clinical trial initiations across Founded Entities

Founded Entities raised $666.8 million[3] in financing transactions, of which 93.4% came from third party investors

Regarding the COVID19 outbreak, PureTech has not experienced any material delays in ongoing work or anticipated milestones and continues to monitor the situation closely

Company to host a webcast and conference call today at 9.00 EDT / 14.00 GMT

PureTech Health plc (LSE: PRTC) ("PureTech Health", "PureTech", or "the Company"; together with its Founded Entities[4], "the Group") a clinical-stage biotherapeutics company dedicated to discovering, developing and commercialising highly differentiated medicines for devastating diseases, today announced its annual results for the year ended 31 December 2019. The following information represents select highlights from the full Report, which is available on the Investor Relations section of the PureTech Health website at http://puretechhealth.com/reports-presentations.

Webcast and conference call details

Members of the PureTech management team will host a conference call at 9.00 EDT / 14.00 GMT today, 9 April, to discuss these results. A live webcast and presentation slides will be available on the investors section of PureTech's website () under the Reports and Presentations tab. To join the conference call please dial:

United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
USA (Local): 1 646 664 1960
All other locations: +44 20 3936 2999
Access code: 007425

Participants should log on approximately 10 minutes in advance to download slides and ensure proper setup to receive the webcast. For those unable to listen to the call live, a replay will be available on the PureTech website.

Cash Position

- As of 31 December 2019, the Company reports PureTech Level Cash Reserves of $120.6 million[2] along with $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares, totalling **PureTech Level Pro-forma Cash Reserves of $321.5** million[1]
- In 2019, PureTech's Founded Entities raised $666.8 million[3] in financing transactions, of which 622.8 million (93.4 per cent) came from third parties.

Continued growth and expansion of Wholly Owned Pipeline

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

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

Strong clinical, regulatory and financial progress across the Founded Entities

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

Karuna

- In June 2019, Karuna announced the successful pricing of its initial public offering (IPO) of common stock on the Nasdaq Global Market under the symbol "KRTX." Gross proceeds were approximately $102.6 million, including the full exercise of the underwriters' over-allotment option. Karuna previously completed an $82.1 million Series B round in April 2019, including the issuance of $7.1 million in shares upon conversion of debt into equity.
- In November 2019, Karuna announced that KarXT achieved the primary endpoint of its Phase 2 clinical trial for the treatment of acute psychosis in patients with schizophrenia. In the clinical trial, KarXT demonstrated a statistically significant and clinically meaningful 11.6 point mean reduction in total Positive and Negative Syndrome Scale (PANSS) score compared to placebo ($p<0.0001$) and also

demonstrated good overall tolerability. A statistically significant reduction in the secondary endpoints of PANSS-Positive and PANSS-Negative scores were also observed ($p<0.001$). Karuna plans to hold an end-of-Phase 2 meeting with the FDA in the second quarter of 2020, and pending the outcome of that meeting, anticipates advancing KarXT into a Phase 3 clinical trial by the end of 2020.

- In November 2019, Karuna completed a follow-on offering of 2,600,000 shares of its common stock, with gross proceeds of approximately $250 million.
- In the January 2020 post-period, PureTech sold 2.1 million of its Karuna shares for a cash consideration of approximately $200 million. PureTech intends to use the proceeds from this transaction to fund its operations and growth for the foreseeable future and to further expand and advance its clinical-stage Wholly Owned Pipeline. Following the sale, PureTech continues to hold 5,295,397 shares of Karuna common stock (20.3% as of 13 March 2020) and has a right to royalty payments as a percentage of net sales.

Gelesis

- In April 2019, Gelesis received clearance from the FDA for its first product, Plenity™[5] (Gelesis100), a prescription aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis initiated a Plenity early experience programme in the United States in the second half of 2019 and anticipates Plenity will be available by prescription in the United States in the second half of 2020, with a broad launch in early 2021. Gelesis also filed Plenity for marketing authorisation in Europe in February 2019. Important safety information regarding Plenity can be found at www.myplenity.com.
- In December 2019, Gelesis announced a partnership with Ro, a leading US telehealth provider, to support the US commercialisation of Plenity, which is expected in the second half of 2020, with a broad launch in early 2021.
- In 2019, Gelesis secured nearly $100 million in new capital and non-dilutive grants to support the US commercialisation of Plenity, including over $84 million announced in December 2019 and $10.6 million announced in April 2019.
- In 2019, Gelesis and its research collaborators presented clinical data supporting its proprietary hydrogel platform. Additional safety and efficacy data for Plenity was presented at ObesityWeek, and clinical data for a GS500 prototype in patients with chronic idiopathic constipation (CIC) was presented at Digestive Disease Week. Gelesis also presented preclinical research at the Endocrine Society Annual Meeting and The International Liver Congress suggesting that GS300 may restore gut barrier function after damage as well as prevent the harmful effects of a high-fat diet on the liver and associated metabolic disorders.
- In the March 2020 post-period, Gelesis was named to *Fast Company's* annual list of the World's Most Innovative Companies for 2020, which honours the businesses making the most profound impact on both industry and culture.

Akili

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

development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million, with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.

Follica

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

Vedanta

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

Alivio

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

Vor

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

Sonde

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

Entrega

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

Commenting on the annual results, Daphne Zohar, founder and chief executive officer of PureTech said:

"2019 was an unprecedented year, and our unique model for drug development and value creation was validated in many ways. Across our Wholly Owned Pipeline and our Founded Entities, we now have one FDA cleared product and 23 product candidates, all of which potentially address major healthcare needs. 14 of these candidates are clinical-stage, and we anticipate at least seven readouts and ten initiations over the course of 2020. We are very proud of this remarkable clinical progress.

"We also saw the value of our innovation recognized when the positive results from Karuna's (Nasdaq: KRTX) Phase 2 study of KarXT, a candidate [co-]invented by PureTech, generated over several hundred million dollars in value for PureTech. We were able to monetise a portion of that stake in January 2020, resulting in $200.9 million in proceeds and extending our cash runway into the first quarter of 2024, while still maintaining 20.3% share and the right to receive royalties.

"The team at PureTech has consistently been united behind a shared goal: to make a difference in human health by bringing truly novel and differentiated therapeutics to patients where great needs exist. I can think of no greater need at the present date than the global SARS-CoV-2 (COVID-19) pandemic, which we have been monitoring closely. Our mission to develop new classes of medicines for serious and underserved diseases will continue to be driven by our internal capabilities and collaborations with our network of leading experts in an effort to improve care for vulnerable populations affected by immunological diseases, severe infections, neurological disorders and intractable cancers, among other serious disorders."

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

"This has been an incredibly productive year, as well as a tremendous display of our commitment to developing transformational treatments for devastating diseases and building value for our shareholders. I am grateful to our team, our Board, and our wide network of collaborators who all share our vision, and I thank our shareholders for their continued support as we enter this exciting new phase of PureTech's development."

PureTech also notes that Bennett Shapiro, MD, co-founder of PureTech, non-executive director and member of the R&D Committee, will not stand for re-election at the Company's 2020 Annual General Meeting. As a co-founder, Dr Shapiro has played a critical role in driving the scientific and clinical direction of PureTech since the

genesis of the Company. When he led R&D at Merck, he emphasised the external R&D model that Merck and other large pharma companies subsequently embraced, and Dr Shapiro's guidance was vital to the formation of PureTech's innovation model and shaping what it is today. His strategic scientific guidance has contributed to the advancement of all of the Company's current programs, and he has played a particularly noteworthy role in driving successes across Karuna, Gelesis, Vedanta and Akili.

Dr Shapiro will continue to serve on PureTech's R&D Committee, which is also comprised of:

- Dennis Ausiello, MD: Massachusetts General Hospital (MGH), chief emeritus of medicine and director of the Center for Assessment Technology and Continuous Health (CATCH); Harvard Medical School, Jackson distinguished professor of clinical medicine
- Robert Horvitz, PhD: Nobel laureate; MIT, David H. Koch professor of biology; Howard Hughes Medical Institute investigator; MGH neurobiologist (neurology)
- Raju Kucherlapati, PhD: Harvard Medical School, Paul C. Cabot professor of genetics and a professor of medicine
- John LaMattina, PhD: Pfizer, former president of Global Research and Development
- Robert Langer, ScD: MIT, David H. Koch Institute professor of biology

"It has been an honour to serve as a founding member of PureTech's Board and to contribute to the Company's unique, highly-productive and mission-oriented enterprise," said Dr Shapiro. "Together we have opened up new insights and pathways for improving human health, and I look forward to continuing those advancements in my role on the R&D Committee."

PureTech Health today released its Annual Report for the year ended 31 December 2019. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM.

- Annual Report and Accounts for the year ended 31 December 2019; and
- Notice of 2020 Annual General Meeting.

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

PureTech's 2020 Annual General Meeting (AGM) will be held on 11 June 2020 at 11.00 EDT / 16.00 BST at PureTech's headquarters, which is located at 6 Tide Street, Boston, Massachusetts, United States. Please note that in light of the spread of COVID-19 and recent travel restrictions imposed by a number of governments, it will not be possible for the Directors to travel to the United Kingdom. Further, the UK Government has published compulsory measures prohibiting, among other things, public gatherings of more than two people. These "Stay at Home" measures were passed into law in England and Wales with immediate effect on 26 March 2020. The Company has therefore decided to hold the AGM in the United States where most of the Directors are resident. The Company continues to closely monitor the evolving situation in respect of COVID-19 and its forthcoming AGM.

The health and welfare of the Company's shareholders, as well as its employees and partners, is the Company's number one priority. The AGM therefore will be kept as concise and efficient as possible, with social interactions kept to a minimum and additional hygiene requirements in force at the meeting and venue.

We appreciate that a number of our shareholders are not resident or located in the United States. Given the recent Government guidance not to travel unless it is essential, we ask 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 Mr. Stephen Muniz).

Shareholders are also encouraged to submit their votes by proxy regardless of whether they expect to attend in person, and to do so no later than 16.00 BST on Tuesday 9 June 2020. Details of how to appoint a proxy are set out in the notice of AGM. Shareholders are reminded of their right to appoint the Chairman of the AGM, or any other person, as their proxy to attend the meeting and vote on their behalf.

PureTech is monitoring the rapidly evolving situation and will refuse entry to the AGM where necessary to ensure the safety of attendees and compliance with governmental or regulatory orders. The Company will keep shareholders updated of any changes 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 discovering, developing and commercialising highly differentiated medicines for devastating diseases, including intractable cancers, lymphatic and gastrointestinal diseases, central nervous system disorders and inflammatory and immunological diseases, among others. The Company has created a broad and deep pipeline through the expertise of its experienced research and development team and its extensive network of scientists, clinicians and industry leaders. This pipeline, which is being advanced both internally and through PureTech's affiliates, is comprised of 23 product candidates and one product that has been cleared by the US Food and Drug Administration (FDA). All of the underlying programmes and platforms that resulted in this pipeline of product candidates were initially identified or discovered and then advanced by the PureTech team through key validation points based on the Company's unique insights into the biology of the brain, immune and gut, or BIG, systems and the interface between those systems, referred to as the BIG Axis.

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

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Notes

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

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

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

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

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

(6) *Nature of announcement:* The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2018 or 2019. Any references to page numbers in this announcement are to pages within the Annual Report and Accounts. Statutory accounts for the year ended 31 December 2019 have been reported on by the Independent Auditor and will be delivered to the Registrar when due.

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

Letter from the Chairman

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

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

for patients with schizophrenia, who have had very few new therapeutic options for decades. At the same time, tremendous value has been created for PureTech investors.

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

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

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

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

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

Christopher Viehbacher
Chairman

(1) Based on market cap of $1.96 billion on 31 December 2019.
(2) Plenity has been cleared by the United States Food and Drug Administration (US FDA) as an aid to weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Important Safety Information: Plenity is contraindicated in patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatine, or titanium oxide. Plenity may alter the absorption of medications. Read Sections 6 and 8.3 of the Instructions for Use carefully. Avoid use in patients with the following conditions: oesophageal anatomic anomalies, including webs, diverticuli, and rings; suspected strictures (such as patients with Crohn's disease); or complications from prior gastrointestinal (GI) surgery that could affect GI transit and motility. Use with caution in patients with: active GI conditions such as gastro-oesophageal reflux disease (GERD), ulcers, or heartburn. Overall, the most common treatment related adverse events (TRAEs) were GI-related TRAEs with 38 per cent of adults in the Plenity group and 28 per cent of adults in the placebo group experiencing a GI-related TRAE. The overall incidence of AEs in the Plenity group was no different than the placebo group. Rx Only. For the safe and proper use of Plenity, refer to the Instructions for Use.

Strategic report

Letter from the Chief Executive Officer

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

We are proud of our record of rapidly advancing therapies that could prove transformational for millions of people who have long struggled to find effective treatments. These potential breakthroughs include Karuna's KarXT, which achieved the primary endpoint in a Phase 2 clinical trial of acute psychosis in patients with **schizophrenia, a condition estimated to affect one per cent of the population**; our wholly-owned product candidate LYT-100, which entered a clinical trial and has the potential to treat a range of **serious conditions related to fibrosis, inflammation and impaired lymphatic flow**, including lymphoedema, a condition that affects approximately one million people in the United States and has no FDA-approved drug treatment; our wholly-owned LYT-200 and LYT-210 programmes for **intractable cancers, such as pancreatic cancer, colorectal cancer and cholangiocarcinoma** as well as gastrointestinal autoimmune diseases; Vedanta's microbiome product candidates, four of which are being evaluated in the clinic for the potential treatment of **severe infection, cancer, food allergy and inflammatory bowel disease**; Akili's digital therapeutics for cognition and attention in multiple conditions, such as **paediatric attention deficit hyperactivity disorder, multiple sclerosis and major depressive disorder**; Follica's new approach to potentially treat **millions of men and women with androgenetic alopecia**, which is expected to enter a Phase 3 registration study in 2020; and – importantly – Gelesis' Plenity™[1], a novel weight management aid that was cleared by the US Food and Drug Administration in April 2019, with a label that **extends to approximately 150 million[2] people in the US with overweight and obesity**.

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

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

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

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

value of several hundred millions of dollars, well beyond what was reflected in our share price. There are many additional value-driving milestones on the horizon.

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

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

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

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

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

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

We used a similar lens to identify our immuno-oncology candidates, undertaking a global, proactive search to discover important new scientific insights and technologies that could address the challenge of multiple mechanisms of immunosuppression in current therapeutics. We identified pioneering research prior to its

publication that formed the basis for our two product candidates, LYT-200 and LYT-210, and we are planning to file an Investigational New Drug (IND) application for LYT-200 and initiate a Phase 1a/1b in solid tumours in 2020.

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

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

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

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

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

At the PureTech level, we are in a strong cash position. With the 31 December 2019 cash balance of $120.6 million[3], we had enough funding to extend operations into the first quarter of 2022. Following the sale of Karuna common shares worth $200.9 million on 22 January 2020, our **pro-forma cash reserves of $321.5 million**[4] will now extend operations over a four-year period into the first quarter of 2024.

We also announced in July that we are exploring the potential for a US listing on Nasdaq of American Depository Shares. Given the catalysts of the past year and the strength of our current cash position, we're still very much committed to considering the ADR listing or other means to broaden our access to the US capital markets, and

we will launch that process from a position of strength in due course. We believe we have built significant value for our stakeholders across our growing clinical and preclinical research programmes, business developments, regulatory achievements and a deepened capital base, and we are committed to making sure that value is realised by our shareholders.

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

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

Daphne Zohar
Chief Executive

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

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

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

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

Letter from the Chief Scientific Officer

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

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

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

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

LYT-100 also has the potential to treat a range of fibrotic and inflammatory conditions of the lung, kidney, liver and other organs, including IPF, interstitial pneumonias, uILD and other interstitial lung disease (ILD), radiation-induced fibrosis and focal segmental glomerulosclerosis (FSGS). There are several lung diseases that have a common mechanism of fibrosis and inflammation. There are acute diseases that have high mortality and lead to long-term fibrosis. There are chronic diseases linked to a specific cause, like a virus or autoimmune disease. And there are diseases like idiopathic pulmonary fibrosis (IPF), where the cause is unclear. Outside of IPF, there are no approved treatments that address inflammation and fibrosis. Many of these diseases can increase risk for worsening lung fibrosis, and there is a clear unmet need to stop inflammation and fibrosis and preserve lung function. We have GMP supply of LYT-100 from our ongoing Phase 1, multiple ascending dose study, which is designed to evaluate the safety, tolerability and pharmacokinetics of LYT-100, and we have increased our clinical supply and are actively pursuing a path forward for this candidate for the treatment of fibrotic and inflammatory disorders in 2020.

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

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

LYT-210 targets pathogenic and immunosuppressive γδ1 T cells. To our knowledge, no other company is developing a candidate against this target. We believe LYT-210 has strong potential as a novel immuno-oncology

agent acting against solid tumours by killing immunosuppressive γδ1 T cells. We also plan to evaluate it in autoimmune diseases affecting the gastrointestinal (GI) tract.

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

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

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

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

This approach is particularly relevant as world health authorities consider the potential impact of infectious diseases, and the clear utility of providing passive immune protection for those most seriously affected, as well as for health care professionals on the front line of treatment has been highlighted. Towards this goal, scientists around the world have generated monoclonal antibodies that have the ability to lessen the impact of disease in SARS-CoV-2 infected individuals and lower the inter-individual transmission rate. However, the lengthy time required to produce sufficient supplies of such monoclonal antibodies by standard manufacturing processes, accompanied by the significant manufacturing cost and the need for intravenous monoclonal antibody infusion, render this approach less than ideal. This is underscored if it turns out that not one, but two, or potentially three anti-virus antibodies need to be combined in order to achieve virus control. In contrast, the milk exosome platform may allow for rapid transfer of the DNA sequences or other nucleic acid expression systems coding for the monoclonal antibodies into the milk exosomes, thereby enabling the body to make its own "drug" and

permitting oral administration at significantly lower cost than traditional approaches. Importantly, we believe this approach will permit the generation of multiple antibody combinations where needed for more optimal therapeutic efficacy. Thus, whether combating emerging epidemic/pandemic pathogens or other diseases where monoclonal antibody therapeutics offer significant clinical benefit, our milk exosome platform has the potential to transform the range of biotherapeutics clinical indications while also lowering costs and simplifying administration. As you can see, this has been quite a momentous year for PureTech's R&D team. It's exciting to see what we have been able to accomplish since we combined our labs and corporate activities in our new headquarters in Boston's Seaport District. The first thing you see when you step off the elevator is the lab, front and centre, which buzzes with energy and ideas. It's a statement about our commitment to science leading the way as we tackle important diseases.

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

Joseph Bolen
Chief Scientific Officer

How PureTech is building value for investors

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

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

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

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

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

wholly-owned programmes, PureTech is pursuing strategies to directly reach the immune system via the mesenteric lymph nodes, addressing lymphatic flow and vessel restoration disorders and targeting immunosuppressive and pathogenic lymphocytes.

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

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

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

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

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

Risk management

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

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

1. Risks related to science and technology failure

   The science and technology being developed or commercialised by some of the Group's businesses may fail and/or the Group's businesses may not be able to develop their intellectual property into commercially viable products or technologies.

   There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of the Group's value.

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

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

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

2. Risks related to clinical trial failure

   Clinical trials and other tests to assess the commercial viability of a product candidate are typically expensive, complex and time-consuming, and have uncertain outcomes.

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

   Impact: A critical failure of a clinical trial may result in termination of the programme and a significant decrease in the Group's value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis.

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

3. Risks related to regulatory approval

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

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

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

4. Risks related to product safety

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

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

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

5. Risks related to product profitability

The Group may not be able to sell its products profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available because, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact.

Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical products and denying or limiting coverage and the level of reimbursement. Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community.

Alternatively, the Group's competitors – many of whom have considerably greater financial and human resources – may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group. These risks are also applicable to our Founded Entities and could result in a decrease in their value.

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

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

6. Risks related to intellectual property protection

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

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

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

7. Risks related to enterprise profitability

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

   Impact: The strategic aim of the business is to generate profits for its shareholders through the commercialisation of technologies through product sales, strategic partnerships and sales of businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the Group's business.
   Mitigation: The Group retains significant cash in order to support funding of its Founded Entities and its Wholly Owned Pipeline. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses. Additionally, its Founded Entities are able to raise money directly from third party investors and strategic partners.

8. Risks related to hiring and retaining qualified employees

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

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

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

9. Risks related to business, economic or public health disruptions

   Business or economic disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses.

Impact: Broad-based business or economic disruptions could adversely affect our ongoing or planned research and development activities. For example, in December 2019 an outbreak of a novel strain of coronavirus originated in Wuhan, China, and has since spread to a number of other countries, including the United States. To date, this outbreak has already resulted in extended shutdowns of certain businesses around the world. Global health concerns, such as coronavirus, could also result in social, economic, and labour instability in the countries in which we or the third parties with whom we engage operate. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage, including the suppliers, clinical trial sites, regulators and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted. It is also possible that global health concerns such as this one could disproportionately impact the hospitals and clinical sites in which we conduct any of our current and/or future clinical trials, which could have a material adverse effect on our business and our results of operation and financial impact.

Mitigation: To date, we have seen limited impact on our research and development activities and the operation of our company more generally, but we will continuously monitor this pandemic and its impact on our business going forward and may see further impact as the situation continues to develop.

Brexit

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

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

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

We confirm that to the best of our knowledge:

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

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

By Order of the Board

Stephen Muniz
Company Secretary
8 April 2020

Financial Review

Financial Highlights

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

1. Consolidated Cash Reserves includes cash balances of $132.4 million and $117.1 million, and short-term investments of $30.1 million and $133.8 million for the year ended 2019 and 2018, respectively as shown on the Consolidated Statements of Financial Position.
2. PureTech Level Cash Reserves represent cash balances and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, PureTech Securities Corporation of $112.0 million and $177.7 million for the year ended 2019 and 2018, respectively, and the internal pipeline of $8.6 million and $0.5 million for the year ended 2019 and 2018, respectively, all of which are wholly owned entities of PureTech, excluding cash balances and short-term investments of Controlled Founded Entities.
3. Consolidated Pro-Forma Cash Reserves is an alternative performance measure (APM) which includes the Consolidated Cash Reserves of $162.4 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. As of 13 March 2020, PureTech Health held 5.3 million common shares, or 20.3 per cent of Karuna. Consolidated Pro-Forma Cash Reserves is therefore considered to be more representative of the Group's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.
4. PureTech Level Pro-Forma Cash Reserves is an alternative performance measure (APM) which includes the PureTech Level Cash Reserves of $120.6 million and the $200.9 million in proceeds from the 22 January 2020 sale of 2.1 million Karuna common shares. PureTech Pro-Forma Cash Reserves is therefore considered to be more representative of the Corporate's cash available for the year 2020 and beyond to advance product candidates within the full breadth of its operations.
5. Stated before the effect of non-cash charges consisting of share-based payments of $14.5 million (2018 – $12.6 million), depreciation of $3.2 million (2018 – $2.5 million) and amortisation of $3.4 million (2018 – $0.3 million). Non-cash items are excluded due to the fact that the Group's businesses require cash investment in order to operate and continue with their R&D activities. Adjusted operating loss is therefore considered to be more representative of the operating performance of the Group and an appropriate alternative performance measure.
6. Stated before the charges discussed in Note 5 above as well as fair value accounting costs of $46.5 million (2018 – charge of $22.6 million) and finance cost – subsidiary preferred shares of $1.5 million (2018 – $0.1 million) and share of net gain/ (loss) of associates accounted for using the equity method of $30.8 million (2018 – ($11.5) million). Adjusted Loss for the Period is also adjusted for impairment of investment in associate totalling $42.9 million (2018 - nil), the non-cash gain from the deconsolidation of subsidiary of $264.4 million (2018 – $41.7 million), a Loss on investments held at fair value of $37.9 million (2018 - $34.6), and tax impact of $112.4 million. Adjusted Loss for the Period is further adjusted for the Gain on Loss of Significant Influence of $445.6 million for the year ended 31 December 2019 (2018 - $10.3 million). These items are also non-cash expenses and income, respectively. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.

Revenue

Revenue for 2019 relates primarily to the Internal segment's agreements with Roche and Boehringer Ingelheim, and Entrega's research collaboration agreement with Eli Lilly, as well as the Alivio's agreement with Imbrium

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

Operating Expenses

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

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

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

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

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

Net finance costs

Net finance costs excluding finance income/(costs) in respect of fair value accounting (2019 - $46.5 million expense ; 2018 - $22.6 million income) and finance costs - subsidiary preferred shares (2019 - $1.5 million expense; 2018 - $0.1 million expense) resulted in income of $1.8 million for the year ended 31 December 2019 compared to income of $3.4 million for the year ended 31 December 2018, a decrease in income of $1.6 million.

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

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

The balance of subsidiary preferred shares held by external parties, and therefore the related balance of the aggregate liquidation preference, decreased during 2019 due to the deconsolidations of Vor, Karuna and Gelesis, which was partially offset by new issuances of Series A-2 preferred shares by Sonde and Series C and C-2 preferred shares by Vedanta. Please refer to Note 15 in the financial statements for more information.
During the year ended 31 December 2019, the Group realised a year-over-year decrease of $72.1 million as it recognised finance costs of $46.1 million, compared to a finance income of $25.9 million for the year ended 31 December 2018. The decrease resulted from the change in fair value of the Group's investments in the common and preferred shares of other entities.

Deconsolidations

Vor

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

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

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

Karuna

In March 2019, Karuna completed a Series B preferred shares financing round. As a result of this financing, PureTech Health's ownership percentage of Karuna's voting shares dropped from 70.9 per cent to 44.3 per cent, triggering deconsolidation. Upon the date of deconsolidation, PureTech Health held preferred shares, preferred share warrants and common shares of Karuna. Although PureTech Health no longer controlled Karuna, PureTech Health maintained significant influence over the Company's strategy and the direction of the Company by virtue

of its large, albeit non-majority, ownership stake and continued representation on Karuna's Board of Directors through December 2019.

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

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

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

Gelesis

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

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

Financial Position

Cash and short-term investments make up a significant portion of the Consolidated Group's current assets, which were $168.8 million for the year ended 31 December 2019 compared to $259.8 million for the year ended 31 December 2018. The decrease in cash and short-term investments of 31 December 2019 compared to 31 December 2018 was attributable to the deconsolidation of Vor, Karuna and Gelesis. Amounts that cannot be immediately deployed have been used to purchase US Treasuries with durations of less than two years. The consolidated cash reserves, consisting of cash, cash equivalents and US Treasuries, which are classified as both long and short term, were $162.4 million at 31 December 2019, compared to $250.9 million for the year ended 31 December 2018. Of this amount, $120.6 million (31 December 2018 - $178.2 million) of cash reserves is held at the PureTech Health level (refer to footnotes 1 to 4 of Financial Highlights) to fund activities of the Group

including funding the Internal segment's wholly owned internal pipeline, progressing Founded Entity programmes toward meaningful milestone events where necessary and appropriate, and maintaining a robust Parent support infrastructure.

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

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

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

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

Financial Position

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

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

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

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

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

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

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

Cash Flows

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

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended 31 December

	Note	**2019 $000s**	2018 $000s
Contract revenue	3	**8,688**	16,371
Grant revenue	3	**1,119**	4,377
Total revenue		**9,807**	20,748
Operating expenses:			
General and administrative expenses	7	**(59,358)**	(47,365)
Research and development expenses	7	**(85,848)**	(77,402)
Operating income/(loss)		**(135,399)**	(104,019)
Other income/(expense):			
Gain on deconsolidation	5	**264,409**	41,730
Gain/(loss) on investments held at fair value	5	**(37,863)**	(34,615)

Loss on impairment of intangible asset		**—**	(30)
Gain/(loss) on disposal of assets	11	**(82)**	4,060
Gain/(loss) on loss of significant influence	6	**445,582**	10,287
Other income/(expense)		**121**	(278)
Other income/(expense)		**672,167**	21,154
Finance income/(costs):			
Finance income/(costs)	9	**4,362**	3,358
Finance income/(costs) – subsidiary preferred shares	9	**(1,458)**	(106)
Finance income/(costs) - contractual	9	**(2,576)**	34
Finance income/(costs) – fair value accounting	9	**(46,475)**	22,631
Net finance income/(costs)		**(46,147)**	25,917
Share of net gain/(loss) of associates accounted for using the equity method	6	**30,791**	(11,490)
Impairment of investment in associate	6	**(42,938)**	—
Income/(loss) before taxes		**478,474**	(68,438)
Taxation	25	**(112,409)**	(2,221)
Income/(loss) for the year		**366,065**	(70,659)
Other comprehensive income/(loss):			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**(10)**	(214)
Unrealised gain/(loss) on investments held at fair value		**—**	(26)
Total other comprehensive income/(loss)		**(10)**	(240)
Total comprehensive income/(loss) for the year		**366,055**	(70,899)
Income/(loss) attributable to:			
Owners of the Company		**421,144**	(43,654)
Non-controlling interests	18	**(55,079)**	(27,005)
		366,065	(70,659)
Comprehensive income/(loss) attributable to:			
Owners of the Company		**421,134**	(43,894)
Non-controlling interests	18	**(55,079)**	(27,005)
		366,055	(70,899)
Earnings/(loss) per share:		**$**	$
Basic earnings/(loss) per share	10	**1.49**	(0.16)
Diluted earnings/(loss) per share	10	**1.44**	(0.16)

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

Consolidated Statements of Financial Position

For the years ended 31 December

	Note	**2019**	2018
		$000s	$000s

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

Other current liabilities	**515**	788
Total current liabilities	**139,201**	265,764
Total liabilities	**290,780**	274,791
Total equity and liabilities	**941,178**	441,763

Please refer to the accompanying Notes to the consolidated financial information. Registered number: 09582467.

The consolidated financial statements were approved by the Board of Directors and authorised for issuance on 8 April 2020 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer
8 April 2020

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

Consolidated Statements of Changes in Equity

For the years ended 31 December

	Share Capital									
	Shares	Amount $000s	Share premium $000s	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 1 January 2018	237,429,696	4,679	181,588	138,506	224	17,178	(124,745)	217,430	(145,586)	71,844
Net income/(loss)	—	—	—	—	—	—	(43,654)	(43,654)	(27,005)	(70,659)
Foreign currency exchange	—	—	—	—	(214)	—	—	(214)	—	(214)
Unrealised gain/(loss) on investments	—	—	—	—	—	—	(26)	(26)	—	(26)
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**(214)**	**—**	**(43,680)**	**(43,894)**	**(27,005)**	**(70,899)**

Deconsolidation of subsidiary	—	—	—	—	—	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	696	96,797	—	—	—	—	97,493	—	97,493
Exercise of share-based awards	64,171	—	—	—	—	—	122	122	—	122
Subsidiary dividends to non-controlling interests	—	—	—	—	—	—	(8)	(8)	—	(8)
Equity settled share-based payments	—	—	—	—	—	3,749	—	3,749	8,888	12,637
As at 31 December 2018	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(167,692)**	**275,507**	**(108,535)**	**166,972**
Adjustment for the initial application of IFRS16	**—**	**—**	**—**	**—**	**—**	**—**	**999**	**999**	**—**	**999**
Adjusted balance as of 1 January 2019	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(166,693)**	**276,506**	**(108,535)**	**167,971**
Net income/(loss)	—	—	—	—	—	—	421,144	421,144	(55,079)	366,065
Foreign currency exchange	—	—	—	—	(10)	—	—	(10)	—	(10)
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**(10)**	**—**	**421,144**	**421,134**	**(55,079)**	**366,055**
Deconsolidation of subsidiaries	—	—	—	—	—	—	—	—	97,178	97,178
Subsidiary note conversion and changes in NCI ownership interest	—	—	—	—	—	(20,631)	—	(20,631)	23,049	2,418
Exercise of share-based awards	237,090	5	499	—	—	—	—	504	—	504
Shares and options issued in consideration for subsidiary's non-controlling interest	2,126,338	28	9,078	—	—	6,651	—	15,757	—	15,757
Purchase of subsidiary's non-controlling interest	—	—	—	—	—	(39,796)	—	(39,796)	24,039	(15,757)
Revaluation of deferred tax assets related to share-based awards	—	—	—	—	—	3,061	—	3,061	—	3,061
Equity settled share-based payments	—	—	—	—	—	12,785	—	12,785	1,683	14,468

Vesting of restricted stock units	513,324	—	—	—	—	(1,280)	—	(1,280)	—	(1,280)
Other	—	—	—	—	—	5	(7)	(2)	25	23
Balance 31 December 2019	**285,370,619**	**5,408**	**287,962**	**138,506**	**—**	**(18,282)**	**254,444**	**668,038**	**(17,640)**	**650,398**

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

Consolidated Statements of Cash Flows

For the years ended 31 December

	Note	**2019** **$000s**	2018 $000s

Cash flows from operating activities			
Income/(loss) for the year		**366,065**	(70,659)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation	11,12	**6,665**	2,778
Impairment of intangible assets		**—**	30
Impairment of investment in associate	6	**42,938**	—
Equity settled share-based payment expense	8	**14,468**	12,637
(Gain)/loss on investments held at fair value	5	**37,863**	20,307
(Gain)/loss on short-term investments		**—**	(843)
Gain on deconsolidation	5	**(264,409)**	(41,730)
Gain on loss of significant influence	5	**(445,582)**	(10,287)
Conversion of debt to equity		**—**	349
Disposal of assets	11	**140**	111
Proceeds from sale of assets	11	**—**	50
Share of net (income)/loss of associate	6	**(30,791)**	11,491
Deferred income taxes	25	**112,077**	1,723
Unrealised (gain)/loss on foreign currency transactions		**—**	(271)
Finance costs, net	9	**46,229**	(8,446)
Changes in operating assets and liabilities:			
Accounts receivable	22	**747**	467
Other financial assets	13	**(48)**	(1,327)
Prepaid expenses and other current assets		**(25)**	774
Deferred revenues	3	**186**	4,841
Accounts payable and accrued expenses	19	**11,166**	5,094
Other liabilities		**3,002**	115
Interest received		**3,648**	
Interest paid	21	**(2,495)**	—
Net cash used in operating activities		**(98,156)**	(72,796)
Cash flows from investing activities:			
Purchase of property and equipment	11	**(12,138)**	(4,365)
Proceeds from sale of property and equipment		**—**	125
Purchases of intangible assets	12	**(400)**	(125)
Purchase of associate preferred shares held at fair value	5, 6	**(13,670)**	(3,500)
Purchase of investments held at fair value	5	**(1,556)**	—
Sale of investments held at fair value	5	**9,294**	—
Purchase of convertible note	6	**(6,480)**	—
Cash derecognised upon loss of control over subsidiary		**(16,036)**	(13,390)
Purchases of short-term investments	22	**(69,541)**	(166,452)
Receipt of payment for finance sub-lease	21	**191**	—
Proceeds from maturity of short-term investments	22	**173,995**	148,062
Net cash provided by/(used in) investing activities		**63,659**	(39,645)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	18	**1,606**	6,147
Payment of lease liability	21	**(1,678)**	—

Repayment of long-term debt		**(178)**	(185)
Distribution to Tal shareholders	27	**(112)**	—
Exercise of stock options		**504**	—
Proceeds from the issuance of shares	15	**51,048**	152,030
Vesting of restricted stock units		**(1,280)**	—
Buyback of shares		**—**	(35)
Distribution to shareholders on dissolution of subsidiary		**—**	(1,062)
Subsidiary dividend payments		**—**	(8)
Net cash provided by financing activities		**49,910**	156,887
Effect of exchange rates on cash and cash equivalents		**(104)**	(44)
Net increase in cash and cash equivalents		**15,309**	44,402
Cash and cash equivalents at beginning of year		**117,051**	72,649
Cash and cash equivalents at end of year		**132,360**	117,051

Supplemental disclosure of non-cash investment and financing activities:		
Purchase of non controlling interest in consideration for issuance of shares and options	**15,757**	
Purchase of intangible asset and investment held at fair value in consideration for issuance of warrant liability and assumption of other long and short-term liabilities	**15,894**	
Leasehold improvements purchased through lease incentives (deducted from Right of Use Asset)	**10,680**	
Conversion of subsidiary convertible note into preferred share liabilities	**4,894**	—
Conversion of subsidiary convertible note into subsidiary common stock (NCI)	**2,418**	

Supplemental disclosure of cash paid for income taxes:		
Cash paid for income taxes	**176**	92

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

Notes to the Consolidated Financial Statements

1. Accounting policies

Description of Business

PureTech Health plc ("PureTech," the "Parent" or the "Company") is a public company incorporated, domiciled and registered in the United Kingdom ("UK"). The registered number is 09582467 and the registered address is 8th Floor, 20 Farringdon Street, London EC4A 3AE, United Kingdom.

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

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

Basis of Presentation

The consolidated financial statements of the Group are presented for the years ended 31 December 2019 and 2018. The Group financial statements have been approved by the Directors and are prepared in accordance with

the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (adopted IFRSs).

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

B*asis of Measurement*

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

Use of Judgements and Estimates

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

Significant estimation applied in determining the following:

- Financial instruments valuations (Note 21): when estimating the fair value of subsidiary undertakings, subsidiary preferred shares and investments carried at fair value through profit and loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. This includes determining the appropriate valuation methodology and making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.
- Revenue recognition (Note 3): when estimating the costs to complete for overtime revenue recognition. This includes making certain estimates of costs to be incurred relating to contracts with customers in meeting the overtime performance obligation. The costs are for research and development activity and the estimation uncertainty is regarding the level of activity required to meet the performance obligation and the timing in which that arises during the term of the contract.

Significant judgement is also applied in determining the following:

- Revenue recognition (Note 3): when determining the correct amount of revenue to be recognised. This includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, judgement is required to determine the performance obligations in a contract (if promised goods and services are distinct or not) and timing of revenue recognition (on delivery or over a period of time).
- Subsidiary preferred shares liability classification (Note 21): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment of whether the financial instrument include any embedded derivative features, whether they include contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments.

- When the power to control the subsidiaries exists (Please refer to Notes 5 and 6 and accounting policy below Subsidiaries). This judgement includes an assessment of whether the Company has i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The Company considers among others its voting shares, representation on the board, rights to appoint management, investee dependence on the Company etc.
- When the Company has significant influence over financial and operating policies of investees in order to determine if the Company should account for its investment as an associate based on IAS 28 or based on IFRS 9, Financial Instruments (Please refer to Note 5). This judgement includes, among others, an assessment whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Upon determining that the Company does have significant influence over the financial and operating policies of an investee, if the Company holds more than a single instrument issued by its equity-accounted investee, judgement is required to determine whether the additional instrument
- forms part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, or it is a separate financial instrument that falls in the scope of IFRS 9 (Please refer to Notes 5 and 6). This judgement includes an assessment of the characteristics of the financial instrument of the investee held by the Company and whether such financial instrument provides access to returns underlying an ownership interest.

Going Concern

After making inquiries and considering the impact of risks and opportunities on expected cash flows and based on the cash and cash equivalents available to the Group as of 31 December 2019, the Directors have a reasonable expectation that the Group had adequate cash to continue in operational existence into the first quarter of 2022 and, following the sale of 2,100,000 shares of Karuna common shares worth $200.9 million on 22 January 2020, the Group now has sufficient cash reserves to fund its operations into the first quarter of 2024, assuming broadly our expected level of required investments in businesses and other operating expenditures. The financial statements have been prepared using the going concern basis of accounting.

Basis of Consolidation

The consolidated financial information for each of the years ended 31 December 2019 and 2018 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech Health LLC ("PureTech LLC"). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

As used in these financial statements, the term subsidiaries refers to entities that are controlled by the Group. Financial results of subsidiaries of the Group as of 31 December 2019 are reported within the Internal segment, Controlled Founded Entities segment or the Parent Company and Other segment (Please refer to Note 4). Under applicable accounting rules, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights and board interest and

holding. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all subsidiaries and the Group's total voting percentage, based on outstanding voting common and preferred shares as of 31 December 2019 and 2018, is outlined below. All subsidiaries are domiciled within the United States and conduct business activities solely within the United States.

Voting percentage at 31 December through the holdings in

	2019		2018	
Subsidiary	**Common**	**Preferred**	Common	Preferred
Subsidiary operating companies				
Alivio Therapeutics, Inc.[1,2]	**— %**	**91.9 %**	— %	92.0 %
Entrega, Inc. (indirectly held through Enlight)[1,2]	**— %**	**83.1 %**	— %	83.1 %
Follica, Incorporated[1,2,5]	**28.7 %**	**56.7 %**	4.4 %	79.2 %
PureTech LYT	**— %**	**100.0 %**	— %	100.0 %
PureTech LYT-100	**— %**	**100.0 %**	— %	100.0 %
PureTech Management, Inc.[3]	**100.0 %**	**— %**	100.0 %	— %
PureTech Health LLC[3]	**100.0 %**	**— %**	100.0 %	— %
Sonde Health, Inc.[1,2]	**— %**	**64.1 %**	— %	96.4 %
Vedanta Biosciences, Inc.[1,2]	**— %**	**61.8 %**	— %	74.3 %
Vedanta Biosciences Securities Corp. (indirectly held through	**— %**	**61.8 %**	— %	74.3 %
Nontrading holding companies				
Endra Holdings, LLC (held indirectly through Enlight)[2]	**86.0 %**	**— %**	86.0 %	— %
Ensof Holdings, LLC (held indirectly through Enlight)[2]	**86.0 %**	**— %**	86.0 %	— %
PureTech Securities Corp.[2]	**100.0 %**	**— %**	100.0 %	— %
Inactive subsidiaries				
Appeering, Inc. [2]	**— %**	**100.0 %**	— %	100.0 %
Commense Inc.[2,6]	**— %**	**99.1 %**	— %	99.1 %
Enlight Biosciences, LLC [2]	**86.0 %**	**— %**	86.0 %	— %
Ensof Biosystems, Inc. (held indirectly through Enlight)[1,2]	**57.7 %**	**28.3 %**	57.7 %	28.3 %
Knode Inc. (indirectly held through Enlight)[2]	**— %**	**86.0 %**	— %	86.0 %
Libra Biosciences, Inc.[2]	**— %**	**100.0 %**	— %	100.0 %
Mandara Sciences, LLC[2]	**98.3 %**	**— %**	98.3 %	— %
Tal Medical, Inc.[1,2]	**— %**	**100.0 %**	— %	64.5 %

1. The ownership percentage includes liability classified preferred shares, which results in the ownership percentage not being the same as the ownership percentage used in allocations to non-controlling interests disclosed in Note 16. The allocation of losses/profits to the noncontrolling interest is based on the common share ownership of the subsidiaries. The ownership of liability classified preferred shares are quantified in Note 15.
2. Registered address is Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801, USA.
3. Registered address is 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, USA.
4. The Company's interests in its subsidiaries are predominantly in the form of preferred shares, which have a liquidation preference over the common stock, are convertible into common stock at the holder's discretion or upon certain liquidity events, are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared, except in the case of Enlight, Mandara and PureTech Health LLC in which the holdings are membership interests in an LLC. The holders of common stock are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared.
5. On 19 July 2019, all of the outstanding notes, plus accrued interest, issued by Follica to PureTech converted into 15,216,214 shares of Series A-3 Preferred Shares and 12,777,287 shares of common share pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Please refer to Note 16.

6. CommenSe turned inactive during 2019.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest ("NCI"). Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognised as profit or loss in the Consolidated Statements of Comprehensive Income/(Loss).

Associates

As used in these financial statements, the term associates are those entities in which the Group has no control but maintains significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. The Group evaluates if it maintains significant influence over associates by assessing if the Group has lost the power to participate in the financial and operating policy decisions of the associate.

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost, or if recognised upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, including the Group's investments in other long-term interests, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by PureTech is accounted for in accordance with IFRS 9.

Change in Accounting Policy

In these financial statements, the Group has adopted new accounting policies resulting in a change in accounting for leases. See updated accounting policy for leases (IFRS 16) below.

The Group has also adopted the amendments to IAS 28 Investments in Associates that addresses the dual application of IAS 28 and IFRS 9 (see below) when equity method losses are applied against Long-Term Investments (LTI), as defined in IAS 28. The amendments provide the annual sequence in which both standards are to be applied in such a case. The amendment did not have an impact on the Group's financial statements as the Group has not yet had an investment in an associate where it applied the equity method losses against a LTI.

All other accounting policies have remained unchanged from the previous year.

IFRS 9, Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes.

Contemporaneous documentation is still required but is different than what was prepared under IAS 39

The Group reviewed the financial liabilities reported on its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the Subsidiary notes payable, Derivative liability, Warrant liability, and Preferred share liability. Based on this assessment of the classification and measurement model, impairment and interest income, the accounting impact on financial liabilities was determined not to be material. As part of the transition requirement, entities have the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and has elected not to split out embedded derivatives and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The Group also reviewed the financial assets reported on its Consolidated Statements of Financial Position and notes no changes in the application of IFRS 9.

The accounting policy (effective from 1 January 2018) is as follows:

Financial Instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets that are carried at FVTPL are expensed.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed the financial assets and liabilities and determined the following impact from the adoption of the new standard:

Financial Assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables, debt and equity securities, other deposits and investments in associates' preferred shares and promissory notes. The Group's financial assets are classified into the following categories: investments held at fair value, trade and other receivables and cash and cash equivalents. The Group determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

Investments held at fair value are non-derivative instruments that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Company elects if the gain or loss will be recognised in Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis. Financial assets that are recognised through FVOCI are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period. The Company has elected to record the changes in fair values for most financial assets falling under this category through profit and loss. Please refer to Note 5.

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on active markets. These financial assets are carried at the amounts expected to be received less any allowance for doubtful debts. Provisions are made where there is evidence of a risk of nonpayment, taking into account aging, previous experience and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision and then to the Consolidated Statements of Comprehensive Income/(Loss). Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

Financial Liabilities

The Group's financial liabilities consist of trade and other payables, subsidiary notes payable, preferred shares, and warrant liability. Warrant liabilities are initially recognised at fair value. After initial recognition, these financial liabilities are re-measured at FVTPL using an appropriate valuation technique. Subsidiary notes payable and subsidiary preferred shares without embedded derivatives are accounted for at amortised cost.

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

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

Equity Instruments Issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions, in accordance with IAS 32:

1. They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
2. Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in the financial information for share capital and merger reserve account exclude amounts in relation to those shares.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

IFRS 15, Contract Revenue

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's contract revenue is generated from licenses, services, and collaboration arrangements. The Group adopted IFRS 15 with effect from 1 January 2018 using the Modified Retrospective approach. The adoption of this standard did not have an impact to the consolidated results.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, PureTech has entered into transactions that

generate revenue and meet the scope of either IFRS 15 or IAS 20 Accounting for Government Grants. Contract revenue is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

Revenue generated by collaboration and service agreements is accounted for under IFRS 15. The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

- Identify the contract(s) with a customer – A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.
- Identify the performance obligations in the contract – Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.
- Determine the transaction price – The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determining the transaction price requires significant judgement, which is discussed by revenue category in further detail below.
- Allocate the transaction price to the performance obligations in the contract – If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. The Group determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.
- Recognise revenue when (or as) the Group satisfies a performance obligation – The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Revenue generated from services agreements (typically where licenses and related services were combined into one performance obligation) is determined to be recognised over time when it can be determined that the services meet one of the following: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

It was determined that the Group has contracts that meet criteria (a), since the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs as well as one contract that meets criteria (b) above. Therefore revenue is recognised over time using the input method based on labour hours, laboratory expenses and supplies.

For cases where the entity does not have an enforceable right to payment due to acceptance clauses, it was determined that costs incurred to fulfil the services are to be capitalised until acceptance is received for the milestone. This resulted in PureTech capitalising service-related expenses as of 31 December 2017 and recognising the consideration as revenue once acceptance was received during 2018.

Grant Income

The Company recognises grants from governmental agencies as grant income in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that the Company will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. The Company evaluates the conditions of each grant as of each reporting date to ensure that the Company has reasonable assurance of meeting the conditions of each grant arrangement and it is expected that the grant payment will be received as a result of meeting the necessary conditions.

The Company submits qualifying expenses for reimbursement for certain expenses after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. Grant income is recognised in the Consolidated Statements of Comprehensive Income/(Loss) over the periods in which the Company recognises the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars ("US dollars"). The functional currency of virtually all members of the Group is the US dollar. The assets and liabilities of a previously held subsidiary were translated to US dollars at the exchange rate prevailing on the balance sheet date and revenues and expenses were translated at the average exchange rate for the period. Foreign exchange differences resulting from the translation of this subsidiary were reported in the Consolidated Statements of Comprehensive Income/(Loss) in Other Comprehensive Income/(Loss).

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognised in the Consolidated Statement of Comprehensive Income/(Loss) except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Cash and Cash Equivalents

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

Share Capital

Ordinary shares are classified as equity. The Group is comprised of share capital, share premium, merger reserve, other reserve, translation reserve, and accumulated deficit.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under construction represent leasehold improvements and machinery and equipment to be used in operations or research and development activities. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset:

Laboratory and manufacturing equipment	2-8 years
Furniture and fixtures	7 years
Computer equipment and software	1-5 years
Leasehold improvements	5-10 years, or the remaining term of the lease, if shorter

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible Assets

Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortisation, if amortisation has commenced, and impairment losses. Intangible assets with finite lives are amortised from the time they are available for use. Amortisation is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives, which is typically the remaining life of the underlying patents.

Research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are presented as In-Process Research and Development (IPR&D). IPR&D is not amortised since it is not yet available for its intended use, but it is evaluated for potential impairment on an annual basis or more frequently when facts and circumstances warrant.

Impairment

Impairment of Non-Financial Assets

The Group reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there are indicators of impairment. If any such indicators of impairment exist, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

The Company's IPR&D intangible assets are not yet available for their intended use. As such, they are to be tested for impairment at least annually.

An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash flows. If a non- financial asset instrument is impaired, an impairment loss is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Investments in associates are considered impaired if, and only if, objective evidence indicates that one or more events, which occurred after the initial recognition, have had an impact on the future cash flows from the net investment and that impact can be reliably estimated. If an impairment exists the Company measures an impairment by comparing the carrying value of the net investment in the associate to its recoverable amount and recording any excess as an impairment loss. See Note 6 for impairment recorded in respect of investment in associate.

Impairment of Financial Assets Carried at Fair Value

The Group's financial assets are carried at fair value through Other Comprehensive Income/(Loss) or through profit and loss, depending on the election taken for each instrument. Financial assets that carried at fair value through Other Comprehensive Income/(Loss) are reviewed at each reporting period to assess whether there is objective evidence that the assets should be impaired. An impairment loss is recognised when there is a significant or prolonged decline in fair value below the instrument's cost. If an instrument is impaired, the impairment loss is calculated and recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Impairment of Financial Assets Measured at Amortised Cost

The Group assesses financial assets measured at amortised cost for impairment at each reporting period. These financial assets are impaired if one or more loss events occur after initial recognition that impact the estimated future cash flows of the asset. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate and is recognised in the Consolidated Statements of Comprehensive Income/(Loss).

Employee Benefits

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation due to past service provided by the employee, and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share-based Payments

Share-based payment arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2, regardless of how the equity instruments are obtained by the Group. The grant date fair value of employee share-based payment awards is recognised as an expense with a corresponding increase in equity over the period that the employee is unconditionally entitled to the awards. The fair value is measured using an option pricing model, which takes into account the terms and conditions of the options granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance

conditions at the vesting date. For share-based payment awards with non-vesting and non-market performance conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Development Costs

Expenditures on research activities are recognised as incurred in the Consolidated Statements of Comprehensive Income/ (Loss). In accordance with IAS 38 development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is when regulatory approval has been received where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving recurring sales. Otherwise, the development expenditure is recognised as incurred in the Consolidated Statements of Comprehensive Income/(Loss). As of balance sheet date the Group has not capitalised any development costs.

Provisions

A provision is recognised in the Consolidated Statements of Financial Position when the Group has a present legal or constructive obligation due to a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

On 1 January 2019, the Group adopted a new accounting standard for leases. The Group leases real estate and equipment for use in operations. These leases generally have lease terms of 1 to 10 years. We include options that are reasonably certain to be exercised as part of the determination of the lease term. We determine if an arrangement is a lease at inception of the contract in accordance with guidance detailed in the new standard and we perform the lease classification test as of the lease commencement date. ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognised at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use the Group's estimated incremental borrowing rate based on information available at commencement date in determining the present value of future payments.

The Group's operating leases impacted by IFRS 16 principally include leases from real estate.

Existing finance leases continue to be treated as finance leases. For existing operating leases, the Group has applied a modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information was not restated. Upon transition, the Group has applied the following practical expedients:

- excluding initial direct costs from the right-of-use assets;
- using hindsight when assessing the lease term;
- not reassessing whether a contract is or contains a lease; and
- not separating the lease components from the non-lease components in lease contracts.

The Group has elected to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than $5,000.

The lease liability was initially measured at the present value of the lease payments that were not paid at the transition date, discounted by using the rate implicit in the lease, or if that rate was not readily determinable, the Group used its incremental borrowing rate. The right-of-use asset is depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

The financial impact of adopting IFRS 16 on the Group was as follows:

	1 January, 2019
	$000's
Right of use asset	10,353
Lease liability	10,995
Accumulated deficit	(999)

The cumulative impact resulted mainly from lease term extensions under IFRS 16 offset by the exclusion of short term leases and leases of low value assets.

In January and April 2019, the Company entered into additional leases that added substantially more right of use assets and lease liabilities to the statement of financial position. This includes three different spaces for the Company and its consolidated subsidiaries, amounting to approximately $42 million of additional future lease commitments. In June and August 2019, the Company entered into two sublease agreements. Further information regarding the subleases, right of use asset and lease liability can be found in Note 20.

Finance Income and Finance Costs

Finance income is comprised of interest income on funds invested in US treasuries, which is recognised as it accrues in the Consolidated Statements of Comprehensive Income/(Loss) via the effective interest method. Finance costs comprise loan interest expenses and the changes in the fair value of warrant and derivative liabilities associated with financing transactions.

Taxation

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

For the years ended 31 December 2019 and 2018, the Group filed a consolidated US income tax return which included all subsidiaries in which the Company owned greater than 80.0 per cent of the vote and value. For the years ended 31 December 2019 and 2018, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Company owned greater than 50.0 per cent of the vote and value. The remaining subsidiaries file separate US tax returns.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at

each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are recognised in Consolidated Statements of Comprehensive Income/(Loss) except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Deferred Revenue and Deferred Costs

Deferred revenue includes amounts that are receivable or have been received per contractual terms but have not been recognised as revenue since performance has not yet occurred or has not yet been completed. Deferred costs represent costs to fulfil a contract and include capitalised labour and research and development expenditures. The Company classifies non-current deferred revenue and deferred costs for any transaction which is expected to be recognised beyond one year or one operating cycle.

Fair Value Measurements

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

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

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

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

The carrying amount of cash and cash equivalents, accounts receivable, short-term investments, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's Consolidated Statements of Financial Position approximates their fair value because of the short maturities of these instruments.

Operating Segments

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

Prior period reclassification
During 2019 management identified that for the year ended 31 December 2018, Gain/(loss) on investments held at fair value of $14.3 million was incorrectly classified as Finance costs - subsidiary preferred shares. As a result, a prior year reclassification has been made in the Consolidated Statement of Comprehensive Income/(Loss) for the year ended 31 December 2018.

2. New Standards and Interpretations Not Yet Adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods commencing on or after 1 January 2020 and have not been applied in preparing the consolidated financial information. The Company's assessment of the impact of these new standards and interpretations is set out below.

Effective 1 January 2020 the definition of a "business" has been amended as an amendment to IFRS 3 Business Combinations. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an entity chooses not to apply the concentration test, or fails the test, then the assessment focuses on the existence of an input and a substantive process applied to the input/s. These amendments are not expected to have an impact on the Company's financial statements.

As part of its amendments to IAS 1 and IAS 8, the IASB has refined its definition of 'material' and issued practical guidance on applying the concept of materiality. These amendments are effective 1 January 2020 and are not expected to have an impact on the Company's financial statements.
None of the other new standards, interpretations, and amendments are applicable to the Company's financial statements and therefore will not have an impact on the Company.

3. Revenue

Revenue recorded in the Consolidated Statement of Comprehensive Income/(Loss) consists of the following:

For the years ended 31 December:	**2019 $000s**	2018 $000s
Contract revenue	**8,688**	16,371
Grant income	**1,119**	4,377
Total revenue	**9,807**	20,748

All amounts recorded in contract revenue were generated in the United States. All of the Company's contracts as of 31 December 2019 and 2018 were determined to have a single performance obligation which consists of a combined deliverable of license to intellectual property and research and development services. Therefore revenue is recognised over time based on the inputs method which is a faithful depiction of the transfer of goods and services. Progress is measured based on costs incurred to date as compared to total projected costs.

Disaggregated Revenue

The Group disaggregates contract revenue in a manner that depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on contract revenue or grant revenue, and further disaggregates contract revenue based on the transfer of control of the underlying performance obligations.

Timing of revenue recognition	**2019 $000s**	2018 $000s
Transferred at a point in time	**—**	13,415

Transferred over time	**8,688**	2,956
	8,688	16,371

Customers over 10% of revenue	**2019 $000s**	2018 $000s
Janssen Biotech, Inc.	**—**	12,000
BMEB Services LLC	**—**	1,415
Roche Holding AG	**4,973**	—
Eli Lilly and Company	**1,433**	—
Boehringer Ingelheim International GMBH	**1,091**	—
Imbrium Therapeutics L.P.	**1,013**	—
	8,510	13,415

An estimation uncertainty arises due to management's application of the inputs method in recognising revenue overtime. In doing so, the total cost to satisfy the performance obligation includes a significant estimate by management in its budgets and projected cash flows. The sensitivity of this calculation for the years ended 31 December 2019 and 2018 is detailed below:

For the year ended 31 December 2019		
Budgeted costs to complete	**+10%**	**(10)%**
Revenue	**(951)**	**738**

For the year ended 31 December 2018		
Budgeted costs to complete	+10%	(10)%
Revenue	(265)	323

Contract Balances

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

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. When applicable, contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

Contract Balances	**2019 $000s**	2018 $000s
Accounts receivable	**1,699**	151
Deferred revenue - long term	**1,220**	83
Deferred revenue - short term	**5,474**	6,560

During the year ended 31 December 2019, $5.0 million of revenue was recognised on deferred revenue outstanding at 31 December 2018.

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfilment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of 31 December 2019 was $7.6 million. The following table summarises when the Group expects to recognise the remaining performance obligations as revenue. The Group will recognise revenue associated with these performance obligations as transfer of control occurs:

	Less than 1 Year	Greater than 1 Year	Total
Remaining Performance Obligation	**6,344**	**1,220**	**7,564**

Cost to Fulfil a Contract

Contract fulfilment costs include direct labour for professional services, payments made to third parties for intellectual property licenses and direct materials. Incremental costs incurred to fulfil our contracts are capitalised if these costs (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. The revenue associated with direct labour for professional services is recognised over time; therefore the costs associated are expensed as incurred. The payments made to third parties for intellectual property licenses are capitalised when paid and recognised in line with associated revenue, whether this be over time or at a point in time. As of 31 December 2018, the Group has capitalised $0.8 million of cost to fulfil which are included within Prepaid expenses and other current assets as well as Other non-current assets on the Consolidated Statement of Financial Position. As of 31 December 2019 the remaining unamortised balance was $0.3 million.

4. **Segment Information**

Basis for Segmentation

The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Group has determined that each entity is representative of a single operating segment as the Directors monitor the financial results at this level. When identifying the reportable segments the Group has determined that it is appropriate to aggregate multiple operating segments into a single reportable segment given the high level of operational and financial similarities across the entities. The Group has identified four reportable segments which are outlined below. Substantially, all of the revenue and profit generating activities of the Group are generated within the US and accordingly, no geographical disclosures are provided.

During the year ended 31 December 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. Consequently, the Company has revised the 2018 financial information to conform to the presentation as of and for the period ending 31 December 2019. The change in segments reflects how the Company's Board of Directors reviews the Group's results, allocates resources and assesses performance. This change has been adjusted in both the current and the prior period in the tables below.

Internal

The Internal segment (the "Internal segment"), is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases, and neuroimmune disorders. The Internal segment is comprised of the technologies that will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development. As of 31 December 2019, this segment included PureTech LYT (formerly Ariya Therapeutics) and PureTech LYT 100.

Controlled Founded Entities

The Controlled Founded Entity segment (the "Controlled Founded Entity segment") is comprised of the Group's subsidiaries that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. These subsidiaries have active research and development programmes and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the company. As of 31 December 2019, this segment included Alivio Therapeutics, Inc., CommenSe Inc., Entrega Inc., Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences Inc.

Non-Controlled Founded Entities

The Non-Controlled Founded Entities segment (the "Non-Controlled Founded Entities segment") is comprised of the entities in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the subsidiaries' Board of Directors. Upon deconsolidation of an entity the segment disclosure is restated to reflect the change on a retrospective basis, as this constitutes a change in the composition of its reportable segments. As of 31 December 2019, the Non-Controlled Founded Entities segment included resTORbio, Inc. ("resTORbio"), Akili Interactive Labs, Inc. ("Akili"), Vor Biopharma Inc. ("Vor"), Karuna Therapeutics, Inc. ("Karuna"), and Gelesis Inc. ("Gelesis").

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

Parent Company and Other Segment

The Parent Company and Other segment includes activities that are not directly attributable to the operating segments, such as the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This segment also captures the accounting for the Company's holdings in entities for which control has been lost, which is inclusive of the following items: gain on deconsolidation, gain or loss on investments held at fair value, gain on loss of significant influence, and the share of net loss of associates accounted for using the equity method. As of 31 December 2019, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc. and PureTech Securities Corp., as well as certain other dormant, inactive and shell entities.

Information About Reportable Segments:

	2019				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	**6,064**	**2,487**	**—**	**137**	**8,688**
Grant revenue	**15**	**1,104**	**—**	**—**	**1,119**
Total revenue	**6,079**	**3,591**	**—**	**137**	**9,807**
General and administrative expenses	**(2,385)**	**(14,436)**	**(10,439)**	**(32,098)**	**(59,358)**
Research and development expenses	**(25,977)**	**(42,780)**	**(15,555)**	**(1,536)**	**(85,848)**
Total operating income/(expense)	**(28,362)**	**(57,216)**	**(25,994)**	**(33,634)**	**(145,206)**
Other income/(expense):					
Gain on deconsolidation	**—**	**—**	**—**	**264,409**	**264,409**
Gain/(loss) on investments held at fair value	**—**	**—**	**—**	**(37,863)**	**(37,863)**
Gain/(loss) on disposal of assets	**17**	**(39)**	**—**	**(60)**	**(82)**
Gain on loss of significant influence	**—**	**—**	**—**	**445,582**	**445,582**
Other income/(expense)	**—**	**166**	**—**	**(45)**	**121**
Total other income/(expense)	**17**	**127**	**—**	**672,023**	**672,167**
Net finance income/(costs)	**—**	**(16,947)**	**(30,141)**	**941**	**(46,147)**
Share of net income/(loss) of associates accounted for using the equity method	**—**	**—**	**—**	**30,791**	**30,791**
Impairment of investment in associate	**—**	**—**	**—**	**(42,938)**	**(42,938)**
Income/(loss) from continuing operations	**(22,266)**	**(70,445)**	**(56,135)**	**627,320**	**478,474**
Income/(loss) before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	**(21,889)**	**(48,996)**	**(21,873)**	**640,298**	**547,540**
Finance income/(costs) – subsidiary preferred	**—**	**107**	**(1,564)**	**(1)**	**(1,458)**
Finance income/(costs) – IFRS 9 fair value	**—**	**(17,294)**	**(28,737)**	**(444)**	**(46,475)**
Share-based payment expense	**(5)**	**(1,678)**	**(3,543)**	**(9,242)**	**(14,468)**
Depreciation of tangible assets	**(376)**	**(1,531)**	**(207)**	**(1,114)**	**(3,228)**
Amortisation of ROU assets	**—**	**(1,060)**	**(83)**	**(2,177)**	**(3,320)**
Amortisation of intangible assets	**4**	**7**	**(128)**	**—**	**(117)**
Taxation	**—**	**(134)**	**(162)**	**(112,113)**	**(112,409)**
Income/(loss) for the year	**(22,266)**	**(70,579)**	**(56,297)**	**515,207**	**366,065**
Other comprehensive income/(loss)	**—**	**—**	**(10)**	**—**	**(10)**
Total comprehensive income/(loss) for the year	**(22,266)**	**(70,579)**	**(56,307)**	**515,207**	**366,055**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	**(7,001)**	**(54,719)**	**(32,353)**	**515,207**	**421,134**
Non-controlling interests	**(15,265)**	**(15,860)**	**(23,954)**	**—**	**(55,079)**
Consolidated Statements of Financial Position:					
Total assets	**17,614**	**41,612**	**—**	**881,952**	**941,178**
Total liabilities	**12,076**	**132,935**	**—**	**145,768**	**290,779**
Net assets/(liabilities)	**5,538**	**(91,324)**	**—**	**736,184**	**650,399**

	2018				
	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	2,110	14,233	—	29	16,371
Grant revenue	86	4,271	20	—	4,377
Total revenue	2,195	18,504	20	29	20,748
General and administrative expenses	(1,498)	(10,212)	(16,385)	(19,270)	(47,365)
Research and development expenses	(8,929)	(36,930)	(29,851)	(1,692)	(77,402)
Total operating income/(expense)	(10,427)	(47,142)	(46,236)	(20,962)	(124,768)
Other income/(expense):					
Gain on deconsolidation	—	—	—	41,730	41,730
Gain/(loss) on investments held at fair value	—	—	—	(34,615)	(34,615)
Gain/(loss) on disposal of assets	—	—	—	4,054	4,054
Gain on loss of significant influence	—	—	—	10,287	10,287
Other income/(expense)	—	—	104	(405)	(302)
Other income/(expense)	—	—	104	21,051	21,154
Net finance income/(costs)	—	5,341	5,945	14,631	25,918
Share of net income/(loss) of associate accounted for using the equity method	—	—	—	(11,490)	(11,490)
Income/(loss) from continuing operations	(8,232)	(23,297)	(40,167)	3,258	(68,438)
(Loss)/income before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(8,210)	(24,344)	(38,761)	(4,234)	(75,549)
Finance income/(costs) – subsidiary preferred shares	—	—	—	(106)	(106)
Finance income/(costs) – IFRS 9 fair value accounting	—	5,341	5,516	11,775	22,631
Share-based payment expense	(11)	(2,465)	(6,262)	(3,899)	(12,637)
Depreciation of tangible assets	(7)	(1,823)	(390)	(256)	(2,476)
Amortisation of intangible assets	(4)	(6)	(270)	(22)	(302)
Taxation	—	(381)	(185)	(1,655)	(2,221)
Income/(loss) for the year	(8,454)	(26,206)	(41,239)	5,239	(70,659)
Other comprehensive income/(loss)	—	(214)	—	(26)	(240)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,239)	5,213	(70,899)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,139)	(15,710)	(32,258)	5,213	(43,894)
Non-controlling interests	(7,315)	(10,710)	(8,980)	—	(27,005)
Consolidated Statements of Financial Position:					
Total assets	2,984	15,603	35,934	387,240	441,761
Total liabilities	13,366	60,992	202,161	(1,731)	274,788
Net (liabilities)/assets	(10,381)	(45,389)	(166,227)	388,970	166,973

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

The activity between the Parent and the reporting segments has been eliminated in consolidation. These elimination amounts are allocated to the subsidiaries.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in Note 16. The Non-Controlled Founded Entities consist of the Company's minority interest holdings.

5. Investments held at fair value

Investments held at fair value include both unlisted and listed securities held by PureTech. These investments, which include Akili, Vor, Karuna, Gelesis (other than the investment in common shares - please refer to Note 6), resTORbio and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date. Interests in these investments are accounted for as investments held at fair value, as shown below:

Investments held at fair value	**$000's**
Balance at 1 January 2018	131,351
Deconsolidation of Akili	70,748
Reclassification of investment between investment in associate and investment held at fair value	2,297
Gain - comprehensive income/(loss)	(26)
Loss - fair value through profit and loss	(34,615)
Balance at 31 December 2018 and 1 January 2019	169,755
Deconsolidation of subsidiaries (Vor, Karuna and Gelesis, please refer to Note 6)	138,571
Reclassification of Karuna investment between investment in associate and investment held at fair value	(118,006)
Gain on Karuna investment at initial public offering [1]	40,633
Cash purchase of Gelesis convertible notes (please refer to Note 6)	6,480
Cash purchase of Gelesis preferred shares (please refer to Note 6)	8,020
Reclassification of Karuna investment at loss of significant influence	557,243
Sale of resTORbio shares	(9,295)
Loss - fair value through profit and loss[1]	(78,496)
As of 31 December 2019	**714,905**

(1) The net amount of these two items is a loss of $37.9 million which is reported on the line Gain/(loss) on investments held at fair value in the Consolidated Statements of Comprehensive Income/(Loss).

Vor

Vor was founded by PureTech through an initial Series A-1 Preferred Shares financing and raised funds through issuance of convertible notes. As of 31 December 2018, PureTech maintained control of Vor and the subsidiary's financial results were fully consolidated in the Group's consolidated financial statements.

On 12 February 2019, Vor completed a Series A-2 Preferred Shares financing round with PureTech and several new third party investors. The financing provided for the purchase of 62,819,866 shares of Vor Series A-2 Preferred Shares at the purchase price of $0.40 per share.

As a result of the issuance of Series A-2 preferred shares to third-party investors, PureTech's ownership percentage and corresponding voting rights dropped from 79.5 per cent to 47.5 per cent, and PureTech

simultaneously gave up control on Vor's Board of Directors, both of which triggered a loss of control over the entity. As of 12 February 2019, Vor was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Vor through the deconsolidation date being included in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Vor, it was concluded that PureTech still had significant influence over Vor by virtue of its large, albeit minority, ownership stake and its continued representation on Vor's Board of Directors. PureTech still has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. During the year ended 31 December 2019, the Company recognised a $6.4 million gain on the deconsolidation of Vor, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

As PureTech did not hold common shares in Vor upon deconsolidation and the preferred shares it holds do not have equity-like features, the voting percentage attributable to common shares is nil. Therefore, PureTech had no basis to account for its investment in Vor under IAS 28. The preferred shares held by PureTech fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). The fair value of the preferred shares at deconsolidation was $12.0 million.

During the year ended 31 December 2019, the Company recognised a gain of $0.6 million that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

Karuna

Karuna was founded by PureTech and raised funding through Preferred Share financings as well as convertible note issuances. As of 31 December 2018, PureTech maintained control of Karuna and the company's financial results were fully consolidated in the Group's consolidated financial statements.

On 15 March 2019, Karuna completed the closing of a Series B Preferred Share financing with PureTech and several new third party investors. The financing provided for the purchase of 5,285,102 shares of Karuna Series B Preferred Shares at a purchase price of $15.14 per share.

As a result of the issuance of the preferred shares to third-party investors, PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 70.9 per cent to 44.3 per cent, and PureTech simultaneously lost control over Karuna's Board of Directors, both of which triggered a loss of control over the entity. As of 15 March 2019, Karuna was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Karuna through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). At the date of deconsolidation, PureTech recorded a $102.0 million gain on the deconsolidation of Karuna, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Karuna, it was concluded that PureTech still had significant influence over Karuna by virtue of its large, albeit minority, ownership stake and its continued representation on Karuna's Board of Directors. PureTech still had the power to participate in the financial and operating policy decisions of the entity, although it did not control these policies. As PureTech was able to demonstrate that it has significant influence over Karuna, the entity will be accounted for as an associate under IAS 28.

Upon the date of deconsolidation, PureTech held both preferred and common shares in Karuna and a warrant issued by Karuna to PureTech. The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and will be treated as financial assets held at fair value, and all movements to the value of preferred shares held by PureTech will be recorded through the Consolidated Statement of Income/(Loss) and Other

Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $72.4 million. Subsequent to deconsolidation, PureTech purchased an additional $5.0 million of Karuna Series B Preferred shares, for a total fair value immediately following deconsolidation of $77.4 million.

On 28 June 2019, Karuna priced its IPO. PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 44.3 per cent to 31.6 per cent; however, PureTech retained significant influence due to its continued presence on the board and its large, albeit minority, equity stake in the company. Upon completion of the IPO, the Karuna preferred shares held by PureTech converted to common shares. In light of PureTech's common share holdings in Karuna and corresponding voting rights, PureTech had re-established a basis to account for its investment in Karuna under IAS 28. The preferred shares investment held at fair value was therefore reclassified to investment in associate upon completion of the conversion. During the year ended 31 December 2019 and up to 28 June 2019, the Company recognised a gain of $40.6 million that was recorded on the line item Gain on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss) related to the preferred shares that increased in value between the date of deconsolidation and the date of Karuna's IPO.

As of 2 December 2019 it was concluded that the Company no longer exerted significant influence over Karuna owing to the resignation of the PureTech designee from Karuna's board of directors, with PureTech retaining no ability to reappoint representation. As such, PureTech lost the power to participate in the financial and operating policy decisions of Karuna. As a result, Karuna is no longer deemed an Associate and does not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. For the period of 28 June 2019 through 2 December 2019, PureTech's investment in Karuna was subject to equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of losses generated by Karuna (weighted average of 31.4 per cent based on common stock ownership interest), which resulted in a net loss of associates accounted for using the equity method of $6.4 million during the year ended 31 December 2019.

Upon PureTech's loss of significant influence, the investment in Karuna was reclassified to an investment held at fair value. This change led PureTech to recognise a gain on loss of significant influence of $445.6 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Gain on loss of significant influence during the year ended 31 December 2019. The investment in Karuna after the recording of the gain on loss of significant influence was $557.2 million, which was reclassified from Investments in associates to Investments held at fair value. Additionally, from 2 December 2019 PureTech recorded a $0.7 million loss on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss) for the year ended 31 December 2019.

Akili

On 8 May 2018, Akili completed the first closing of a Series C Preferred Stock financing in which PureTech Health did not invest. As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing, PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8 per cent to 41.9 per cent, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Akili through May 2018 being included in the Group's Consolidated Statements of Comprehensive Income/(Loss). As a result of the deconsolidation, PureTech recognised a $41.7 million gain on the deconsolidation during the year ended 31 December 2018, which was recorded to the Consolidated Statement of Comprehensive Income/(Loss) on the line item Gain on the deconsolidation of subsidiary.

As PureTech did not hold common shares in Akili upon deconsolidation and the preferred shares it holds do not have equity-like features, the voting percentage attributable to common shares is nil. Therefore, PureTech had

no basis to account for its investment in Akili under IAS 28. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of PureTech's share in the preferred shares will be recorded through the Consolidated Statements of Comprehensive Income/(Loss), in accordance with IFRS 9. During the year ended 31 December 2019 and 2018, the Company recognised a gain of $11.5 million and $12.7 million, respectively, that was recorded on the line item Loss on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

resTORbio

On 26 January 2018, resTORbio, Inc., closed its initial public offering. Prior to the resTORbio IPO, PureTech Health recorded a loss of $14.3 million during the year ended 31 December 2018 to the Consolidated Statement of Income/(Loss) within Gain/ (Loss) on investments held at Fair Value to adjust the fair value related to its resTORbio Series A Preferred Share investment. Upon completion of the public offering, the resTORbio Series A Preferred Shares held by PureTech Health converted to common shares. In light of PureTech's common shares holdings in resTORbio and corresponding voting rights, the preferred shares investment held at fair value was reclassified to investment in associate upon the completion of the conversion.

For the period of 1 January 2018 through 5 November 2018, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio (34.9 per cent based on common stock ownership interest), which resulted in a net loss of associates of $11.5 million accounted for using the equity method which was recorded to the Consolidated Statement of Income/(Loss) on the line item Share of net loss of associates during the year ended 31 December 2018.

As of 6 November 2018, it was that concluded the Company no longer exerted significant influence over resTORbio, as PureTech lost the power to participate in the financial and operating policy decisions of resTORbio. As a result, resTORbio is no longer deemed an Associate and does not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. For the period of 1 January 2018 through 5 November 2018, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio, that resulted a net loss of associates accounted for using the equity method of $11.5 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Share of net loss of associates accounted for using the equity method during the year ended 31 December 2018. This change led PureTech to recognise a gain on loss of significant influence of $10.3 million that was recorded to the Consolidated Statement of Income/(Loss) on the line item Gain on loss of significant influence during the year ended 31 December 2018. Additionally, PureTech recorded a loss of $33.0 million for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Income/(Loss) on the line item Loss on financial asset during the year ended 31 December 2018.

On 15 November 2019, resTORbio announced that top line data from the Protector 1 Phase 3 study evaluating the safety and efficacy of RTB101 in preventing clinically symptomatic respiratory illness in adults age 65 and older, did not meet its primary endpoint and the Company has stopped the development of RTB101 in this indication. As a result of ceasing the development of RTB101, resTORbio's share price witnessed a decline in price. In November and December 2019, PureTech Health sold 7,680,700 common shares of resTORbio for aggregate proceeds of $9.3 million. Immediately following the sale of common shares, PureTech Health held 2,119,696 common shares, or 5.8 per cent, of resTORbio. Additionally, PureTech recorded a loss of $71.9 million for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Income/(Loss) on the line item Loss on financial asset during the year ended 31 December 2019.

Gain on deconsolidation

The following table summarises the gain on deconsolidation recognised by the Company:

	2019	2018
Year ended 31 December	**$000s**	$000s
Gain on deconsolidation of Akili	—	41,730
Gain on deconsolidation of Vor	6,357	-
Gain on deconsolidation of Karuna	102,038	-
Gain on deconsolidation of Gelesis [Note 6]	156,014	-
Total gain on deconsolidation	**264,409**	41,730

6. Investments in Associates

Gelesis

Gelesis was founded by PureTech and raised funding through preferred shares financings as well as issuances of warrants and loans. As of 31 December 2018, PureTech maintained control of Gelesis and the subsidiary's financial results were fully consolidated in the Group's consolidated financial statements.

On 1 July 2019, the Gelesis Board of Directors was restructured, resulting in two of the three PureTech representatives resigning from the Board with PureTech retaining no ability to reappoint directors to these board seats. As a result of this restructuring, PureTech lost control over Gelesis' Board of Directors, which triggered a loss of control over the entity. At the deconsolidation date, PureTech held a 25.2 per cent voting interest in Gelesis. As of 1 July 2019, Gelesis was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Gelesis through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). At the date of deconsolidation, PureTech recorded a $156.0 million gain on the deconsolidation of Gelesis, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Gelesis, it was concluded that PureTech still has significant influence over Gelesis by virtue of its large, albeit minority, ownership stake and its continued representation on Gelesis' Board of Directors. PureTech still has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. As PureTech is able to demonstrate that it has significant influence over Gelesis, the entity will be accounted for as an associate under IAS 28, starting at the date of deconsolidation.

Upon the date of deconsolidation, PureTech held shares of preferred shares and common shares of Gelesis and a warrant issued by Gelesis to PureTech. PureTech's investment in common shares of Gelesis is subject to equity method accounting with an initial investment of $16.4 million. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by Gelesis subsequent to the date of deconsolidation. PureTech recognised its share in the net profit of Gelesis (weighted average of 49.8 per cent based on common stock ownership interest) for the period from deconsolidation date until 31 December 2019 in the amount of $37.1 million.

The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and will be treated as financial assets held at fair value and all movements to the value of PureTech's share in the preferred shares will be recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $49.2 million.

During the year ended 31 December 2019, the Company recognised a loss of $18.7 million related to the preferred shares and warrants that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). This loss occurred as a result of the Gelesis Series 3 Growth financing, which was executed with terms that resulted in a decrease in fair value across all other classes of preferred shares.

On 12 August 2019, Gelesis issued a convertible promissory note to the Company in the amount of $2 million. On 7 October 2019, Gelesis issued an amended and restated convertible note (the "Gelesis Note") to the Company in the principal amount of up to $6.5 million. The Gelesis Note was payable in instalments, with $2.0 million of the note drawn down upon execution of the original note in August 2019 and an additional $3.3 million and $1.2 million drawn down on 7 October 2019 and 5 November 2019, respectively. The Gelesis Note was convertible upon the occurrence of Gelesis' next qualified equity financing, or at the demand of the Company at any date after 31 December 2019. The Gelesis Note falls under the guidance of IFRS 9 and will be treated as a financial asset held at fair and all movements to the value of the note will be recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

On 5 December 2019, Gelesis closed its Series 3 Growth Preferred Stock financing, at which point all outstanding principal and interest under the Gelesis Note converted into shares of Series 3 Growth Preferred Stock. In addition to the shares issued upon conversion of the Gelesis Note, PureTech purchased $8 million of Series 3 Growth Preferred Stock in the December financing.

Impairment loss

Following the issuance of the Gelesis Series 3 Preferred Shares at a higher valuation than the previous round with some favourable liquidation provisions primarily to PureTech and also to the other Series 3 preferred share investors, which resulted in adjustments to the fair values of other preferred shares, warrant classes and Gelesis common stock, the Company assessed the investment in common shares held in Gelesis for impairment. Management compared the recoverable amount of the investment to its carrying amount as of 31 December 2019, which resulted in an impairment loss to the Investment in Gelesis. The recoverable amount was estimated based on the fair value of the Gelesis common shares held by PureTech, which are considered to be within Level 3 of the fair value hierarchy. The costs of disposal are immaterial for the calculation of Gelesis investment's recoverable amount.

During the year ended 31 December 2019, the total fair value of common shares was determined utilising a hybrid valuation approach with significant unobservable inputs within the PureTech valuation framework (refer to Note 16). The multi-scenario hybrid valuation approach utilised the recent transaction method within an option pricing framework and an IPO scenario within a probability-weighted-expected return framework to determine the value allocation for the common share class of Gelesis. The fair value of the common shares was determined as the calculated business enterprise value allocated to the outstanding common shares treated as call options within the OPM or the value of common shares within the PWERM. The PWERM maintained a 75.0 per cent probability of occurrence while the OPM maintained a 25.0 per cent probability of occurrence. The probability weighted term to exit was 1.57 years. The discount rate utilised was 20.0 percent while the risk-free rate and volatility utilised were 1.62 per cent and 56.0 per cent, respectively.

The impairment loss amounted to $42.9 million and was recorded to Impairment of investment in associate within the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss) for the year ended 31 December 2019. As of 31 December 2019 the investment in Gelesis was $10.6 million, which is equal to the fair value of the common shares held by PureTech.

The following table summarises the activity related to the investment in associates balance for the years ended 31 December 2018 and 2019.

Investment in Associates	**$000's**
At 1 January 2018	—
Investment upon initial public offering of resTORbio	115,210
Cash investment in Associate	3,500
Share of net loss of resTORbio accounted for using the equity method	(11,490)
Gain on loss of significant influence of resTORbio	10,287
Reclassification of resTORbio investment upon loss of significant influence	(117,507)
As of 31 December 2018 and 1 January 2019	**—**
Reclassification of Karuna investment at initial public offering	118,006
Investment in Gelesis upon deconsolidation	16,444
Share of net loss of Karuna accounted for using the equity method	(6,345)
Share of net profit of Gelesis accounted for using the equity method	37,136
Impairment of investment in Gelesis	(42,938)
Reclassification of investment upon loss of significant influence	(111,661)
As of 31 December 2019	**10,642**

The following table summarises the financial information of Gelesis as included in its own financial statements, adjusted for fair value adjustments at deconsolidation and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Gelesis. The information for the year ended 31 December 2019 includes the results of Gelesis only for the period 1 July 2019 to 31 December 2019, as Gelesis was consolidated prior to this period.

	2019
Year ended 31 December	**$000s**
Percentage ownership interest - common stock	49.3 %
Non-current assets	369,336
Current assets	40,079
Non-current liabilities	82,406
Current liabilities	216,852
Net assets (100%)	**110,157**
Group's share of net assets (49.3%)	54,340
Share in associate's equity settled share based payments	(760)
Investment before impairment	53,580
Impairment of investment in associate	(42,938)
Investment in associate	**10,642**
Revenue	—
Income from continuing operations (100%)	74,573
Total comprehensive income (100%)	74,573
Group's share of total comprehensive income (49.8%)	**37,136**

7. **Operating Expenses**

Total operating expenses were as follows:

For the years ending 31 December:	**2019**	2018
	$000s	$000s
General and administrative	**59,358**	47,365
Research and development	**85,848**	77,402
Total operating expenses	**145,206**	124,767

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

For the years ending 31 December:	**2019**	2018
General and administrative	**39**	55
Research and development	**90**	90
Total	**129**	145

The aggregate payroll costs of these persons were as follows:

For the years ending 31 December:	**2019**	2018
	$000s	$000s
General and administrative	**24,468**	22,939
Research and development	**20,682**	20,109
Total	**45,150**	43,048

Detailed operating expenses were as follows:

For the years ending 31 December:	**2019**	2018
	$000s	$000s
Salaries and wages	**27,703**	27,274
Healthcare benefits	**1,511**	1,465
Payroll taxes	**1,468**	1,672
Share-based payments	**14,468**	12,637
Total payroll costs	**45,150**	43,048
Other selling, general and administrative expenses	**34,890**	24,426
Other Research and development expenses	**65,166**	57,293
Total other operating expenses	**100,056**	81,719
Total operating expenses	**145,206**	124,767

Auditors remuneration:

For the years ended 31 December:	**2019 $000s**	2018 $000s
Audit of these financial statements	**870**	652
Audit of the financial statements of subsidiaries	**290**	200
Audit-related assurance services	**163**	162
Non-audit related services	**778**	159
Taxation	**—**	—
Total	**2,101**	1,173

Please refer to Note 8 for further disclosures related to share-based payments and Note 24 for management's remuneration disclosures.

8. **Share-based Payments**

Share-based payments includes stock options, restricted stock units ("RSUs") and performance-based restricted share unit awards in which the expense is recognised based on the grant date fair value of these awards.

Share-based Payment Expense

The Group share-based payment expense for the years ended 31 December 2019 and 2018, were comprised of charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary stock plans.

The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the Consolidated Statement of Income/(Loss):

For the years ended 31 December	**2019 $000s**	2018 $000s
General and administrative	**10,677**	5,293
Research and development	**3,791**	7,344
Total	**14,468**	12,637

There was no income tax benefit recognised for share-based payment arrangements during the periods presented due to existence of operating losses for all issuing entities. In conjunction with the acquisition of the remaining minority interests of Ariya Therapeutics Inc. ("Ariya") PureTech Health granted options to the co-inventors and advisors of Ariya to purchase 2,147,295 ordinary shares under the PureTech Health Performance Share Plan (Please refer to Note 16). Upon the conclusion of the transaction, Ariya was subsequently renamed PureTech LYT.

The Performance Share Plan

In June 2015, the Group adopted the Performance Stock Plan ("PSP"). Under the PSP and subsequent amendments, awards of ordinary shares may be made to the Directors, senior managers and employees of, and other individuals providing services to the Company and its subsidiaries up to a maximum authorised amount of 10.0 per cent of the total ordinary shares outstanding. The shares have various vesting terms over a period of service between two and four years, provided the recipient remains continuously engaged as a service provider.

The share-based awards granted under the PSP are equity settled and expire 10 years from the grant date. As of the years ended 31 December 2019 and 2018, the Company had issued share-based awards to purchase an aggregate of 5,409,751 and 5,657,602 shares, respectively, under this plan.

RSUs

During the twelve months ended 31 December 2019 and 2018, the Company issued 1,775, 568 and 2,860,782 performance based RSUs under the PSP, respectively.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are based on a cliff vesting schedule over a three-year requisite service period in which the Company recognises compensation expense on a graded basis for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions.

The Company recognises the estimated fair value of performance-based awards as share-based compensation expense over the performance period based upon its determination of whether it is probable that the performance targets will be achieved. The Company assesses the probability of achieving the performance targets at each reporting period. Cumulative adjustments, if any, are recorded to reflect subsequent changes in the estimated outcome of performance-related conditions.

The fair value of the performance-based awards is based on the Monte Carlo simulation analysis utilising a Geometric Brownian Motion process with 100,000 simulations to value those shares. The model considers share price volatility, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

The performance conditions attached to the 2019 RSU awards are based on the achievement of total shareholder return ("TSR"), with 50.0 per cent of the shares under award vesting based on the achievement of absolute TSR targets, 12.5 per cent of the shares under the award vesting based on TSR as compared to the FTSE 250 Index, 12.5 per cent of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25.0 per cent of the shares under the award vesting based on the achievement of strategic targets. The RSU award performance criteria have changed over time as the criteria is continually evaluated by the Group's Remuneration Committee.

The Company incurred share-based payment expenses for performance based RSUs of $2.2 million and $2.3 million for the twelve months ended 31 December 2019 and 2018, respectively.

Stock Options

During the twelve months ended 31 December 2019 and 2018, the Company granted 3,634,183 and 2,796,820 stock option awards under the PSP, respectively.

The fair value of the stock options awarded by the Company was estimated at the grant date using the Black-Scholes option valuation model, considering the terms and conditions upon which options were granted, with the following weighted- average assumptions:

At 31 December:	**2019**	2018
Expected volatility	**35.68 %**	44.18 %
Expected terms (in years)	**5.81**	6.08
Risk-free interest rate	**1.85 %**	2.79 %
Expected dividend yield	**—**	—
Grant date fair value	**$2.23**	$0.96
Share price at grant date	**$2.57**	$2.05

The Company incurred share-based payment expense for the stock options of $9.2 million and $1.4 million for the twelve months ended 31 December 2019 and 2018, respectively. The significant increase for the year ended 31 December 2019, as compared to the year ended 31 December 2018, is largely attributable to the amortisation of share based payments awarded to the Ariya founders.

As of 31 December 2019, 4,229,793 incentive options are exercisable with a weighted-average exercise price of $1.42. Exercise prices ranged from $0.01 to $4.62.

PureTech LLC Incentive Stock Issuance

In May 2015 and August 2014, the directors of PureTech Health LLC approved the issuance of shares to the management team, directors and advisors of PureTech Health LLC, subject to vesting restrictions. The share-based awards granted under the 2016 PureTech LLC Incentive Stock Issuance Plan are equity settled and expire 10 years from the grant date. No additional shares will be granted under this compensation arrangement. The fair value of the shares awarded was estimated as of the date of grant.

The Company incurred an expense of nil and $0.2 million in share-based payment expense for the twelve months ended 31 December 2019 and 2018, respectively, related to PureTech Health LLC incentive compensation.

As of 31 December 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

Subsidiary Plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of stock option activity by number of shares in these subsidiaries is presented in the following table:

	Outstanding as of 1 January 2019	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	**Outstanding as of 31 December 2019**
Gelesis	3,681,732	—	—	(110,386)	(3,571,346)[1]	**—**
Alivio	2,393,750	1,329,494	(3,125)	—	(21,875)	**3,698,244**
PureTech LYT	2,180,000	—	—	—	(2,180,000)[2]	**—**
Commense	540,416	—	—	—	(540,416)	**—**
Entrega	914,000	58,000	—	—	—	**972,000**
Follica	1,229,452	79,588	—	—	—	**1,309,040**
Karuna	1,949,927	—	—	—	(1,949,927)[1]	**—**
Sonde	22,500	1,806,504	—	—	—	**1,829,004**
Vedanta	1,373,750	154,193	—	—	(77,843)	**1,450,100**

1. These shares represent the options outstanding on the date of deconsolidation of Karuna and Gelesis.
2. These share represent the option outstanding on the date of conversion to PureTech stock options.

	Outstanding as of 1 January 2018	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of 31 December 2018
Gelesis	2,728,232	953,500	—	—	—	3,681,732
Alivio	2,393,750	—	—	—	—	2,393,750
Akili	2,385,355	—	—	—	(2,385,355)[1]	—
PureTech LYT	—	2,180,000	—	—	—	2,180,000
Commense	418,750	121,666	—	—	—	540,416
Entrega	867,750	60,000	—	(3,750)	(10,000)	914,000
Follica	1,271,302	—	—	(41,850)	—	1,229,452
Karuna	855,427	1,111,000	—	(4,125)	(12,375)	1,949,927
Knode	32,500	—	—	(32,500)	—	—
Sonde	35,000	—	—	(6,250)	(6,250)	22,500
Tal	1,663,806	—	—	(30,250)	(2,750)	1,630,806
The Sync Project	1,080,000	—	—	—	(1,080,000)	—
Vedanta	1,194,014	278,786	—	(24,800)	(74,250)	1,373,750

1. These shares represent the options outstanding on the date of Akili's deconsolidation.

The weighted average exercise prices for the options outstanding as of 1 January 2019 were as follows:

Outstanding at 1 January 2019	Number of options	Weighted-average exercise price $
Alivio	2,393,750	0.03
Entrega	914,000	0.71
Follica	1,229,452	0.92
Sonde	22,500	0.12
Vedanta	1,373,750	9.30

The weighted average exercise prices for the options granted for the years ended 31 December 2019 and 2018 were as follows:

For the years ended 31 December:	**2019** **$**	2018 $
Alivio	**0.49**	—
PureTech LYT	**—**	0.03
Commense	**—**	1.34
Entrega	**—**	1.95
Follica	**0.03**	—
Karuna	**—**	9.42
Sonde	**0.20**	—
Vedanta	**19.13**	14.66

The weighted average exercise prices for options forfeited during the year ended 31 December 2019 were as follows:

Forfeited during the year ended 31 December 2019	Number of options	Weighted-average exercise price $
Gelesis	3,571,346	7.48
Alivio	21,875	0.49
PureTech LYT	2,180,000	0.01
Commense	540,416	0.13
Karuna	1,949,927	5.10
Vedanta	77,843	1.31

The weighted average exercise prices for options exercisable as of 31 December 2019 were as follows:

Exercisable at 31 December 2019	Number of Options	Weighted-average exercise price $	Exercise Price Range
Alivio	1,419,750	0.04	$0.03 - $0.49
Entrega	882,062	0.60	$0.03 - $2.36
Follica	1,118,635	0.89	$0.03 - $1.40
Sonde	191,405	0.18	$0.13 - $0.20
Vedanta	1,081,005	7.05	$0.02 - $19.94

Significant Subsidiary Plans

Vedanta 2010 Stock Incentive Plan

In 2010, the Board of Directors for Vedanta approved the 2010 Stock Incentive Plan (the “Vedanta Plan”). Through subsequent amendments, as of 31 December 2019, it allowed for the issuance of 2,145,867 share-based compensation awards through incentive share options, nonqualified share options, and restricted shares to employees, directors, and nonemployees providing services to Vedanta. At 31 December 2019, 595,642 shares remained available for issuance under the Vedanta Plan.

The options granted under Vedanta Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Vedanta's Board of Directors.

Options granted under the Vedanta Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following range of assumptions:

Assumption/Input	**2019**	2018
Expected award life (in years)	**5.86 - 6.07**	6.03-6.16
Expected award price volatility	**89.24%- 95.46%**	91.60%-92.56%
Risk free interest rate	**1.73% - 1.88%**	2.65%-2.78%
Expected dividend yield	**—**	—
Grant date fair value	**$14.12 - $15.61**	$11.21-$11.26
Share price at grant date	**$18.71 - $19.94**	$14.66

Vedanta incurred share-based compensation expense of $1.7 million and $2.1 million for the years ended 31 December 2019 and 2018, respectively.

Gelesis 2016 Stock Incentive Plan

In September 2016, the Directors of Gelesis approved the 2016 Stock Incentive Plan (the "2016 Gelesis Plan") which provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees providing services to Gelesis. At 30 June 2019, 329,559 shares remained available for issuance under the Gelesis Plan.

The options granted under the 2016 Gelesis Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Gelesis Board of Directors.

Options granted under the 2016 Gelesis Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	**2019**	2018
Expected award life (in years)	**0**	6.22
Expected award price volatility	**— %**	64.58 %
Risk free interest rate	**— %**	2.79 %
Expected dividend yield	**—**	—
Grant date fair value	**$—**	$7.84
Share price at grant date	**$—**	$12.82

Gelesis used an average historical share price volatility based on an analysis of reported data for a peer group of comparable companies which were selected based upon industry similarities. As there is not sufficient historical share exercise data to calculate the expected term of the options, Gelesis elected to use the "simplified" method

for all options granted at the money to value share option grants. Under this approach, the weighted average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Gelesis incurred share-based compensation expense of $2.4 million for the six month period prior to deconsolidation ended 30 June 2019 and $3.9 million for the year ended 31 December 2018.

Karuna Pharmaceuticals, Inc. 2009 Stock Incentive Plan

In 2009, the Board of Directors for Karuna Pharmaceuticals, Inc. approved the 2009 Stock Incentive Plan (the "Karuna 2009 Plan"). It allowed for the issuance of 1,000,000 share-based compensation awards through stock options, restricted stock units and other stock-based awards under the Karuna 2009 Plan to employees, officers, directors, consultants and advisors of Karuna. At 15 March 2019, 106,865 shares remained available for issuance under the Karuna 2009 Plan.

The options granted under the Karuna 2009 Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Karuna's Board of Directors.

Options granted under the Karuna 2009 Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognised over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	**2019**	2018
Expected award life (in years)	**0**	6.07
Expected award price volatility	**— %**	50.28 %
Risk free interest rate	**— %**	1.95 %
Expected dividend yield	**—**	—
Grant date fair value	**$—**	$3.51
Share price at grant date	**$—**	$7.08

Karuna incurred share-based compensation expense of $1.2 million for the period prior to deconsolidation ended 15 March 2019 and $1.9 million for the year ended 31 December 2018.

Other Plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis, Vedanta and Karuna was $0.01 million and $0.8 million for the years ended 31 December 2019 and 2018, respectively. The negative expense incurred during the year ended 31 December 2019 was largely attributable to Commense forfeitures.

9. **Finance Cost, net**

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

For the year ended 31 December	**2019**	2018
	$000s	$000s
Finance income		
Interest from financial assets not at fair value through profit or loss	**4,362**	3,358
Total finance income	**4,362**	3,358
Finance costs		
Contractual interest expense on convertible notes	**(149)**	(388)
Interest income/(expense) on other borrowings	**—**	(4)
Interest Expense	**(2,495)**	—
Gain/(loss) on forgiveness of debt	**—**	289
Gain/(loss) on foreign currency exchange	**68**	137
Total finance income/(costs) – contractual	**(2,576)**	34
Gain/(loss) from change in fair value of warrant liability	**(11,890)**	82
Gain/(loss) on fair value accounting	**(34,585)**	22,549
Total finance income/(costs) – fair value accounting	**(46,475)**	22,631
Total finance income/(costs) – subsidiary preferred shares	**(1,458)**	(106)
Total finance income/(costs)	**(47,933)**	22,525
Finance income/(costs), net	**(46,147)**	25,917

10. **Earnings/(Loss) per Share**

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended 31 December 2019 and 2018, respectively.

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

	2019		2018	
	Basic $000s	**Diluted $000s**	Basic $000s	Diluted $000s
Earnings/(loss) for the year, attributable to the owners of the Company	**421,144**	**421,144**	(43,654)	(43,654)
Earnings/(loss) attributable to ordinary shareholders	**421,144**	**421,144**	(43,654)	(43,654)

Weighted-Average Number of Ordinary Shares:

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 1 January	**282,493,867**	**282,493,867**	236,897,579	236,897,579
Effect of shares issued	**932,600**	**932,600**	36,950,688	36,950,688
Effect of dilutive shares	**—**	**8,355,866**	—	—
Weighted average number of ordinary shareholders at 31 December	**283,426,467**	**291,782,333**	273,848,267	273,848,267

Earnings/(Loss) per Share:

	2019		2018	
	Basic $	**Diluted $**	Basic $	Diluted $
Basic and diluted earnings/(loss) per share	**1.49**	**1.44**	(0.16)	(0.16)

11. **Property and Equipment**

Cost	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2018	6,082	469	1,214	2,899	74	10,738
Additions, net of transfers	1,586	27	477	2,070	171	4,331
Disposals	(261)	(8)	(260)	(27)	—	(556)
Exchange differences	(101)	—	—	(18)	(6)	(125)
Balance as of 31 December 2018	7,306	488	1,431	4,924	239	14,388
Additions, net of transfers	3,374	1,126	175	13,494	4,649	22,818
Disposals	(183)	(168)	(9)	(45)	—	(405)
Deconsolidation of subsidiaries	(3,076)	—	(137)	(754)	(4,190)	(8,157)
Reclassifications	(25)	6	48	36	(76)	(11)
Exchange differences	(11)	—	—	1	24	14
Balance as of 31 December 2019	**7,385**	**1,452**	**1,508**	**17,656**	**646**	**28,647**

Accumulated depreciation and impairment loss	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of 1 January 2017	(2,360)	(175)	(534)	(807)	—	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)	—	(2,476)
Disposals	114	2	74	20	—	210
Exchange differences	56	—	—	21	—	77
Balance as of 31 December 2018	(3,222)	(233)	(756)	(1,854)	—	(6,065)
Depreciation	(1,328)	(144)	(312)	(1,448)	—	(3,232)
Disposals	102	138	5	20	—	265
Deconsolidation of subsidiaries	1,457	—	53	319	—	1,829
Reclassifications	15	—	(20)	6	—	1
Exchange differences	8	—	—	2	—	10
Balance as of 31 December 2019	**(2,968)**	**(239)**	**(1,030)**	**(2,955)**	—	**(7,192)**

Property and Equipment, net	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures$000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s

Balance as of 31 December 2018	4,084	255	675	3,070	239	8,323
Balance as of 31 December 2019	**4,417**	**1,213**	**478**	**14,701**	**646**	**21,455**

Depreciation of property and equipment is included in the General and administrative expenses and Research and development expenses line items in the Consolidated Statements of Comprehensive Income/(Loss). The Company recorded depreciation expense of $3.2 million and $2.5 million for the years ended 31 December 2019 and 2018, respectively.

12. **Intangible Assets**

Intangible assets consist of licenses of intellectual property acquired by the Group through various agreements with third parties and are recorded at the value of cash and non-cash consideration transferred. Information regarding the cost and accumulated amortisation of intangible assets is as follows:

Cost	Licenses $000s
Balance at 1 January 2018	5,018
Additions	125
Deconsolidation of subsidiary	(76)
Balance as of 31 December 2018	5,067
Additions	400
Deconsolidation of subsidiaries	(4,842)
Balance as of 31 December 2019	**625**

Accumulated amortisation	Licenses $000s
Balance at 1 January 2018	(1,709)
Amortisation	(302)
Deconsolidation of subsidiary	24
Balance as of 31 December 2018	(1,987)
Amortisation	(117)
Deconsolidation of subsidiary	2,104
Balance as of 31 December 2019	—

Intangible assets, net	Licenses $000s
Balance as of 31 December 2018	3,080
Balance as of 31 December 2019	**625**

These intangible asset licenses represent in-process-research-and-development assets since they are still being developed and are not ready for their intended use. As such, these assets are not yet amortised but tested for impairment annually. The Company tested such assets for impairment as of balance sheet date and concluded that none were impaired. During the year ended 31 December 2019, Vor, Karuna and Gelesis were deconsolidated and as such $2.7 million in net assets were derecognised.

Amortisation expense is included in the Research and development expenses line item in the accompanying Consolidated Statements of Comprehensive Income/(Loss). Amortisation expense, recorded using the straight-line method, was approximately $0.1 million and $0.3 million for the years ended 31 December 2019 and 2018, respectively.

13. **Other Financial Assets**

Other financial assets consist of restricted cash held, which represents amounts that are reserved as collateral against letters of credit with a bank that are issued for the benefit of a landlord in lieu of a security deposit for office space leased by the Group. Information regarding restricted cash was as follows:

As of 31 December	**2019**	2018
	$000s	$000s
Restricted cash	**2,124**	2,199
Total other financial assets	**2,124**	2,199

14. **Equity**

Total equity for PureTech as of 31 December 2019 and 2018 was as follows:

Equity	**31 December 2019**	31 December 2018
	$000s	$000s
Share capital, £0.01 par value, issued and paid 285,370,619 and 282,493,867 as of 31 December 2019 and 2018, respectively	**5,408**	5,375
Merger reserve	**138,506**	138,506
Share premium	**287,962**	278,385
Translation reserve	**—**	10
Other reserves	**(18,282)**	20,923
Retained earnings/(accumulated deficit)	**254,444**	(167,692)
Equity attributable to owners of the Group	**668,037**	275,507
Non-controlling interests	**(17,640)**	(108,535)
Total equity	**650,397**	166,972

Changes in share capital and share premium relate primarily to acquisition of Ariya non-controlling interest and incentive options exercises during the period.

Shareholders are entitled to vote on all matters submitted to shareholders for a vote. Each ordinary share is entitled to one vote. Each ordinary share is entitled to receive dividends when and if declared by the Company's Directors. The Company has not declared any dividends in the past.

On June 18, 2015, the Company acquired the entire issued share capital of PureTech LLC in return for 159,648,387 Ordinary Shares. This was accounted for as a common control transaction at cost. It was deemed that the share capital was issued in line with movements in share capital as shown prior to the transaction taking place. In addition, the merger reserve records amounts previously recorded as share premium.
Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognised through Consolidated Statements of Comprehensive Income/(Loss).

15. **Subsidiary Preferred Shares**

IFRS 9 addresses the classification, measurement, and recognition of financial liabilities. Preferred shares issued by subsidiaries and affiliates often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument.

The subsidiary preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above that specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of ordinary shares receivable on conversion will change and therefore, a variable number of shares will be issued. Because the possible conversion of the preferred shares is outside of the control of the Group, these have been classified as liabilities on the balance sheet and subsequently remeasured at fair value through the profit and loss.

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

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

The balance as of 31 December 2019 and 2018 represents the fair value of the instruments for all subsidiary preferred shares except for Tal, which represents the host instrument at amortised cost. The following summarises the subsidiary preferred share balance:

As of 31 December	**2019**	2018
	$000s	$000s
Entrega	**3,222**	2,780
Follica	**11,663**	60
Gelesis	**—**	140,192
Karuna	**—**	32,342
Sonde	**7,212**	—
The Sync Project	**—**	109
Tal	**—**	113
Vedanta Biosciences	**78,892**	41,923
Total subsidiary preferred share balance	**100,989**	217,519

As of 31 December 2019, the total subsidiary preferred share balance decreased owing to the deconsolidation of Karuna and Gelesis.

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

As of 31 December 2019 and 2018, the minimum liquidation preference reflects the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

As of 31 December	**2019**	2018
	$000s	$000s
Entrega	**2,216**	2,216
Follica	**6,405**	1,895
Gelesis	**—**	77,301
Karuna	**—**	24,343
Sonde	**7,250**	—
Sync	**—**	109
Tal	**—**	113
Vedanta Biosciences	**77,161**	41,923
Total minimum liquidation preference	**93,032**	147,900

As of 31 December 2018, Tal ceased operations and was in the process of liquidated. Therefore, the liquidation preference shown above equals the cash on hand, as this will be paid out to existing investors.

As of 31 December 2019, the minimum liquidation preference decreased owing to the deconsolidation of Karuna and Gelesis.

For the years ended 31 December 2019 and 2018, the Group recognised the following changes in the value of subsidiary preferred shares:

	$000s
Balance as of 31 Balance as of 1 January 2018	215,635
Issuance of new preferred shares	54,537
Conversion of convertible notes	7,930
Decrease in value of preferred shares measured at fair value	(23,110)
Sale of The Sync Group	(1,062)
Deconsolidation of subsidiary	(36,517)
Accretion	106
Balance as of 31 December 2018 and 1 January 2019	**217,519**
Issuance of new preferred shares	51,048
Conversion of convertible notes	4,894
Increase in value of preferred shares measured at fair value	33,636
Finance costs	1,458
Deconsolidation of subsidiary	(207,346)
Other	(108)
Cash Distribution	(112)
Balance as of 31 December 2019	**100,989**

2019

On 15 March 2019, Karuna was deconsolidated. As of deconsolidation, the fair value of Karuna's preferred share liability was $31.7 million.

On 4 April 2019, Sonde Health issued and sold shares of Series A-2 preferred shares for aggregate proceeds of $11.1 million, of which $5.3 million was contributed by outside investors. Approximately $5.8 million of outstanding principal and interest on convertible promissory notes issued by Sonde to PureTech converted into Series A-2 preferred shares in this financing in accordance with their terms. On 29 August 2019, Sonde sold an

additional 1,052,632 shares of its Series A-2 preferred shares for aggregate proceeds of $2.0 million. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In April 2019, Gelesis completed further closings of its Series 2 Growth financing issuing 799,894 shares for proceeds of $10.2 million, of which $8.6 million was contributed by outside investors and $1.6 million was contributed by PureTech.

In March and May 2019, Vedanta completed a second and third closing of its Series C preferred shares financing for aggregate proceeds of $18.7 million. PureTech Health did not participate in either closing. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

On 1 July 2019, Gelesis was deconsolidated. As of deconsolidation, the fair value of Gelesis' preferred share liability was $175.6 million.

On 19 July 2019, all of the outstanding notes, plus accrued interest, issued by Follica converted into 17,639,204 shares of Series A-3 Preferred Shares and 14,200,044 shares of common share pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Third parties held 2,422,990 A-3 preferred shares following the conversion. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In September 2019, Vedanta received $16.7 million from outside investors through the issuance of its Series C-2 preferred shares in two separate closings. The issuances provided for the purchase of 711,772 Series C-2 shares at a purchase price of $23.28. PureTech Health did not participate in either closing. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

2018

In 2018, Gelesis received $16.8 million from outside investors through the issuance of its Series 2 Growth preferred shares as part of a $30.0 million financing with multiple closings. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In May 2018, Akili issued Series C preferred shares for aggregate proceeds of $55.0 million; PureTech Health did not participate in this financing. Upon closing of Akili's Series C financing, the subsidiary was deconsolidated by PureTech Health (Please refer to Note 3).

In August 2018, Karuna issued Series A preferred shares for aggregate proceeds of $42.1 million, of which $23.9 came from outside investors. In conjunction with the August 2018 issuance of Series A preferred shares, $26.1 million of outstanding principal and accrued interest on notes payable converted, of which $7.9 million related to outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

On 21 December 2018, Vedanta issued Series C preferred shares for aggregate proceeds of $26.7 million, of which $21.7 million came from outside investors. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

16. Financial Instruments

The Group's financial instruments consist of financial liabilities, including preferred shares, convertible notes, warrants and loans payable, as well as financial assets classified as assets held at fair value.

Subsidiary Preferred Shares Liability and Subsidiary Convertible Notes

The following table summarises the changes in the Group's subsidiary preferred shares and convertible note liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Preferred Shares $000s	Subsidiary Convertible Notes $000s
Balance at 31 December 2016	—	—
Value of derivatives at issuance	—	—
Change in fair value	—	—
Balance at 1 January 2018	215,635	11,343
Adjustment for IFRS 9 implementation		
Value at issuance	54,537	5,824
Conversion	7,930	(7,581)
Deconsolidation of preferred shares	(36,517)	—
Change in fair value	(24,066)	(128)
Balance at 31 December 2018 and 1 January 2019	**217,519**	**9,458**
Value at issuance	51,048	1,607
Conversion to preferred	4,894	(4,894)
Conversion to common	—	(2,418)
Deconsolidation	(207,346)	(5,017)
Change in fair value	33,636	1,389
Finance Costs	1,458	—
Other	(112)	—
Cash distribution	(108)	—
Balance at 31 December 2019	**100,989**	**125**

For financial instruments measured at fair value under IFRS 9 the change in the fair value of the entire instrument is reflected through profit and loss. The techniques used to determine fair value of the preferred shares and convertible notes included the market approach, the market backsolve approach and the discounted cash flow income approach. A market approach uses prices and other relevant information generated by recent market transactions involving identical or comparable assets or liabilities. The discounted cash flow income approach, which represents a Level 3 approach, relies upon unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of certain assets or liabilities. The market backsolve method is derived from the total equity that is implied by the most recent financing round in which the only truly observable value indicator is the financing round and the economic rights and the allocation inputs

are implied by the terms of the financing, while volatility and term are Management inputs within the option pricing-method.

During the years ended 31 December 2019 and 2018, at each measurement date, the total fair value of preferred share, warrants and convertible note instruments, including embedded conversion rights that are not bifurcated, was determined using an OPM, PWERM or with or without framework which consisted of a three-step process detailed below.

First, the total business enterprise value of each business within the Group was determined using a discounted cash flow income approach or market approach, or market backsolve approach through a recent arm's length financing round.

Second, the principal methods that the Group applies for the allocation of value are the Option Pricing Method ("OPM") and the Probability-Weighted Expected Return Method ("PWERM").

- The OPM treats outstanding securities as call options on the enterprise's value or overall equity value. The value of a security is based on the optionality over and above the value of securities that are senior in the capital structure (e.g. preferred shares), which takes into consideration the dilutive effects of subordinate securities. In the OPM, the exercise price is based on a comparison with the overall equity value rather than per-share value.

- The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private or public enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class.

Third, the fair value of the preferred shares was determined as the calculated business enterprise value allocated to the outstanding preferred share classes treated as call options within the OPM or the value of preferred shares on a converted common share basis within the PWERM. For convertible notes, the fair value of the instrument, including the embedded conversion right which was not bifurcated, was also calculated using a with or without method.

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's embedded derivative liability related to the subsidiary preferred shares designated as Level 3 is as follows:

Option Pricing Model Inputs for Preferred Shares and Convertible Notes Liabilities under IFRS 9 at 31 December 2019:

	Range of Values			
Measurement Date	Expiration Date	Volatility	Risk Free Rate	Probability of IPO/M&A
31/12/2018	0.3 – 2.5 years	45.00% – 85.00%	2.47% – 2.60%	—%
31/12/2019	0.7 – 2.0 years	30.00% – 85.00%	1.58% – 1.60%	65%/35%

Probability Weighted Expected Return Method Inputs for Preferred Shares and Convertible Notes Liabilities under IFRS 9 at 31 December 2019:

Range of Values

Measurement Date	Time to Anticipated Exit Event	Probability of IPO/M&A/ Dissolution
31/12/2018	0.75 – 1.00 years	50.0%/50.0%/0.0%
31/12/2019	—	—%

Quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's convertible note liabilities designated as Level 3 for the year ended 31 December 2018 is as follows:

	Range of Values	
Significant Unobservable Inputs	At Issuance	2018
Time to next qualified equity financing	1.00 – 2.03 years	0.33 – 1.50 years
Implied discount rate	11.3% – 2,459.0%	10.8% – 44.9%
Probability of a qualified financing or change of control	0.0% – 100.0%	95.0% – 100.0%

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorised within Level 3, are prepared and reviewed on their issuance date and then on an annual basis and any third-party valuations are reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS.

Subsidiary Preferred Shares Sensitivity

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's preferred share liabilities, which do not qualify for bifurcation and are recorded at fair value (Please refer to Note 15).

	Subsidiary Preferred Share Liability	
Input	**Sensitivity Range**	**Financial Liability Increase/ (Decrease)**
As of 31 December		**$000s**
Enterprise Value	-2 %	**(1,785)**
	2 %	**1,784**
Volatility	-10 %	**410**
	10 %	**(459)**
Time to Liquidity	-6 Months	**565**
	+6 Months	**(501)**
Risk-free Rate[1]	-0.08%/-0.03%	**565**
	+0.02%/+0.05%	**(501)**
IPO/M&A Event Probability	-10 %	**1,167**
	+10%	**(1,162)**

1. Risk-free rate is a function of the time to liquidity input assumption.

The change in fair value of preferred shares are recorded in Finance cost, net in the Consolidated Statements of Comprehensive Income/(Loss).

Financial Assets Held at Fair Value

resTORbio Valuation

ResTORbio (NASDAQ: TORC) is a listed entity on an active exchange and as such the fair value as of 31 December 2019 was calculated utilising the quoted common share price. Please refer to Note 5 for further details.

Karuna Valuation

Karuna (NASDAQ: KRTX) is a listed entity on an active exchange and as such the fair value as of 31 December was calculated utilising the quoted common share price. Please refer to Note 5 for further details.

Akili, Gelesis and Vor Valuation

In accordance with IFRS 9, the Company accounts for its preferred share investments in Akili, Gelesis and Vor as financial assets held at fair value through the profit and loss. During the year ended 31 December 2019, the Company recorded its investment at fair value and recognised a gain of $48.8 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value.

The following table summarises the changes in the Group's investments held at fair value using significant unobservable inputs (Level 3):

	$'000s
Balance at 1 January 2018	1,449
Deconsolidation of Akili	70,748
Gain/ (Loss) on changes in fair value	12,966
Issuance of note receivable	—
Balance at 31 December 2018 and 1 January 2019	**85,163**
Deconsolidation of Vor	12,028
Deconsolidation of Karuna	77,373
Deconsolidation of Gelesis	49,170
Reclass of Karuna to Associate	(118,006)
Gain/ (Loss) on changes in fair value	48,867
Issuance of note receivable	6,480
Conversion of note receivable	(6,630)
Balance at 31 December 2019	**154,445**

Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2019 and 2018:

	Range of Values	
PWERM (IPO Scenario) Measurement Date	Time to Anticipated Exit Event	Probability of IPO
31/12/2018	0.50 years	50.0 %
31/12/2019	1.1 — 3.0 years	55.0% - 75.0%

	Range of Values		
OPM (Long-term Exit Scenario) Measurement Date	Expiration Date	Volatility	Risk Free Rate
31/12/2018	1.25 years	75.0%	2.56%
31/12/2019	1.13 — 3 years	56.0% — 80.0%	1.59% — 1.62%

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's investments held at fair value (Please refer to Note 5):

	Investments Held at Fair Value	
Input	**Sensitivity Range**	**Financial Asset Increase/ (Decrease)**
As of 31 December		**$000s**
Enterprise Value	-2 %	**(2,947)**
	2 %	**2,947**
Volatility	-10 %	**131**
	10 %	**(143)**
Time to Liquidity	-6 Months	**20,699**
	+6 Months	**(17,711)**
Risk-free Rate[1]	-0.08%/-0.02%	**20,699**
	+0.10%/+0.16%	**(17,711)**

1. Risk-free rate is a function of the time to liquidity input assumption.

Warrants

Warrants issued by the Group are classified as liabilities, as they will be settled in a variable number of shares and are not fixed-for-fixed. The following table summarises the changes in the Group's subsidiary warrant liabilities measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Warrant Liability $000s
Balance at 1 January 2018	13,095
Adjustment for IFRS 9 implementation	—
Change in fair value	(83)
Balance at 31 December 2018	**13,012**
Warrant Issuance	4,706
Gelesis Deconsolidation	(21,611)
Change in fair value	11,890
Balance at 31 December 2019	**7,997**

In June 2019, Gelesis amended their existing license and patent agreement with One S.r.l. As a result of the amendment Gelesis issued One S.r.l. a warrant equal to 2.7 per cent of as converted shares following the next financing round. The fair value of the warrant was $4.7 million at issuance. On 1 July 2019, Gelesis deconsolidated and warrant liability of $21.6 million relating to Series A-1, A-3, A-4 and One S.r.l. warrants was derecognised.

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued Series A-1 preferred share warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of $0.1425 and a contractual term of 10 years from the date of issuance. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share. The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Consolidated Statements of Comprehensive Income/(Loss). The $8.0 million warrant liability at 31 December 2019 is attributable to the outstanding Follica preferred share warrants.

The following weighted average assumptions were utilised by the Company with respect to determining the fair value of the Follica warrants at 31 December 2019:

Assumption/Input		Series A-1 Warrants
Expected term		3.66
Expected volatility		40.6 %
Risk free interest rate		1.6 %
Expected dividend yield		— %
Estimated fair value of the convertible preferred shares	$	2.93
Exercise price of the warrants	$	0.07

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's warrant liabilities as of 31 December 2019:

	Warrant Liability	
Input	Sensitivity Range	Financial Liability Increase/ (Decrease)
As of 31 December		**$000s**
Enterprise Value	-2 %	(128)
	2 %	127

Fair Value Measurement and Classification

The fair value of financial instruments by category at 31 December 2019 and 2018:

	2019					
	Carrying Amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
US treasuries[1]	30,088	—	30,088	—	—	30,088
Money Markets[2]	106,586	—	106,586	—	—	106,586
Investments held at fair value	714,905	—	560,460	—	154,445	714,905
Trade and other receivables[3]	1,977	—	—	1,977	—	1,977
Total financial assets	**853,556**	**—**	**697,134**	**1,977**	**154,445**	**853,556**
Financial liabilities:						
Subsidiary warrant liability	—	7,997	—	—	7,997	7,997
Subsidiary preferred shares	—	100,989	—	—	100,989	100,989
Subsidiary notes payable	—	1,455	—	1,455	—	1,455
Total financial liabilities	**—**	**110,441**	**—**	**1,455**	**108,986**	**110,441**

(1) Issued by governments and government agencies, as applicable, all of which are investment grade.
(2) Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.
(3) Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

2018

	Carrying Amount		Fair Value			
	Financial Assets $000s	**Financial Liabilities $000s**	**Level 1 $000s**	**Level 2 $000s**	**Level 3 $000s**	**Total $000s**
Financial assets:						
US treasuries[1]	133,828	—	133,828	—	—	133,828
Certificates of deposit[2]	2,199	—	—	2,199	—	2,199
Other deposits[2]	100	—	—	100	—	100
Investments held at fair value	169,755	—	84,592	—	85,163	169,755
Loans and receivables:						
Trade and other receivables[3]	1,328	—	—	1,328	—	1,328
Total financial assets	**307,210**	**—**	**218,420**	**3,627**	**85,163**	**307,210**
Financial liabilities:						
Subsidiary warrant liability	—	13,012	—	—	13,012	13,012
Subsidiary preferred shares	—	217,519	—	—	217,519	217,519
Subsidiary notes payable	—	12,010	—	12,010	—	12,010
Total financial liabilities	**—**	**242,541**	**—**	**12,010**	**230,531**	**242,541**

(1) Issued by governments and government agencies, as applicable, all of which are investment grade.
(2) Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.
(3) Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. During the years ended 31 December 2019 and 2018, the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. The notes payable consist of the following:

As of 31 December	**2019**	2018
	$000s	$000s
Loans	**1,330**	2,552
Convertible notes	**125**	9,458
Total subsidiary notes payable	**1,455**	12,010

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loans are secured by Follica's assets, including Follica's intellectual property. The outstanding loan balance totalled approximately $1.3 million as of each of 31 December 2019 and 2018.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €1.1 million as of 31 December 2018 (approximately $1.3 million). Gelesis was required to make interest payments only in fiscal years 2014 and 2015, with principal and interest payments from January 2017 through January 2024. As of Gelesis' deconsolidation, $0.9 million in outstanding principal and interest remained and the outstanding balance was derecognised.

Convertible Notes

Convertible Notes outstanding were as follows:

	Karuna $000s	Follica $000s	Knode $000s	Appeering $000s	Total $000s
1 January 2018	5,812	5,406	50	75	11,343
Gross principal	4,700	1,124	—	—	5,824
Change in fair value	(93)	(35)	—	—	(128)
Conversion	(7,581)	—	—	—	(7,581)
31 December 2018 and 1 January 2019	**2,838**	**6,495**	**50**	**75**	**9,458**
Gross principal	1,607	—	—	—	1,607
Change in fair value	572	817	—	—	1,389
Conversion to preferred	—	(4,894)	—	—	(4,894)
Conversion to common	—	(2,418)	—	—	(2,418)
Deconsolidation	(5,017)	—	—	—	(5,017)
31 December 2019	**—**	**—**	**50**	**75**	**125**

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

Substantially all Notes become due and payable on or after either 31 December of the year of issuance or on the thirtieth day following a demand by the majority of Note holders and bear interest at a rate of either 8.0 per cent (or 12.0 per cent upon an Event of Default) or 10.0 per cent (or 15.0 per cent upon an Event of Default). Interest is calculated based on actual days elapsed for a 360-day calendar year. Generally, the Notes cannot be prepaid without approval from the holders of a majority of the outstanding principle of a series of Notes. During the years ended 31 December 2019 and 2018, the Notes were assessed under IFRS 9 and the entire financial instruments are elected to be accounted for as FVTPL.

The Notes constitute complex hybrid instruments, which contain equity conversion features where holders may convert, generally at a discount, the outstanding principal and accrued interest into shares of the subsidiary before maturity and redemption options upon a change of control of the respective subsidiary.

The three key features are described below:

- Automatic conversion feature – upon a Qualified Financing, as such term is defined in the applicable Note, the unpaid principal and interest amounts are automatically converted into shares of the subsidiary issued in the Qualifying Financing at a conversion price equal to the price at which shares are sold in such Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.

- Optional conversion feature – upon a Non-Qualified Financing, holders may convert the outstanding principal balance and unpaid interest to shares issued in the Non-Qualifying Financing at a conversion price equal to the price shares are sold in such Non-Qualified Financing, less a discount. The discounts range from 5.0 per cent to 25.0 per cent and some require the issuance of an equal number of ordinary shares.

- Change of control features – The Notes also generally contain a put option such that, in the event of a Change of Control transaction of the respective subsidiary prior to conversion or repayment of the Notes, the holders will be paid an amount equal to two or three times the outstanding principal balance plus any accrued and unpaid interest, in cash, on the date of the Change of Control.

On 15 March 2019, Karuna was deconsolidated in conjunction with the closing of a Series B Preferred Stock financing and the outstanding convertible note liability of $5.0 was derecognised.

In May 2017 and September 2017, Follica received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bear interest at an annual rate of 10.0 per cent, mature 30 days after demand by the holder, are convertible into equity upon a qualifying financing event, and require payment of at least five times the outstanding principal and accrued interest upon a change of control transaction. On 19 July 2019, all of the outstanding notes, plus accrued interest, issued by Follica converted into 17,639,204 shares of Series A-3 Preferred Stock and 14,200,044 shares of common shares pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Third parties held 2,422,990 A-3 preferred shares and 1,981,944 common shares following the conversion. The preferred shares are classified as financial liabilities at fair value through the profit and loss. The common shares are accounted for as Non-controlling interests.

18. **Non-Controlling Interest**

During 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. As such, the Company has updated the following disclosures. Please refer to Note 4 “Segment Information” for further details regarding reportable segments.

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

	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other$000s	Total $000s
Balance at 1 January 2018 *	(1,484)	(18,869)	(125,758)	525	(145,586)
Share of comprehensive loss *	(7,315)	(10,710)	(8,980)	—	(27,005)
Deconsolidation of subsidiary *	—	—	55,168	—	55,168
Equity settled share-based payments *	—	2,476	6,345	67	8,888
Balance as of 31 December 2018 and 1 January 2019 *	(8,799)	(27,103)	(73,225)	592	(108,535)
Share of comprehensive loss	(15,264)	(15,862)	(23,953)	—	(55,079)
Deconsolidation of subsidiaries	—	—	97,178	—	97,178
Subsidiary note conversion and changes in NCI ownership interest	—	23,049	—	—	23,049
Equity settled share-based payments		1,683	—	—	1,683
Purchase of minority interest	24,039	—	—	—	24,039
Other	24	—	—	1	25
Balance as of 31 December 2019	**—**	**(18,233)**	**—**	**593**	**(17,640)**

* During the year ended 31 December 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. Consequently, the Company has revised the 2018 financial information to conform to the presentation as of and for the period ending 31 December 2019

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

2019

For the year ended : 31 December	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s
Statement of Comprehensive Loss			
Total revenue	**6,078**	**1,968**	**—**
Income/(loss) for the year	**(24,289)**	**(26,250)**	**(47,905)**
Other comprehensive income/(loss)	**—**	**—**	**(10)**
Total comprehensive income/(loss) for the year	**(24,289)**	**(26,250)**	**(47,915)**
Statement of Financial Position			
Total assets	**17,614**	**5,290**	**—**
Total liabilities	**11,510**	**50,554**	**—**
Net assets/(liabilities)	**6,104**	**(45,264)**	**—**

	2018		
For the year ended : 31 December	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s1
Statement of Comprehensive Loss			
Total revenue	2,195	18,504	20
Income/(loss) for the year	(8,454)	(26,206)	(41,239)
Other comprehensive income/(loss)	—	(214)	(214)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,453)
Statement of Financial Position			
Total assets	2,984	15,603	35,934
Total liabilities	13,366	60,992	202,161
Net Liabilities	(10,382)	(45,389)	(166,227)

1. Non-Controlled Founded Entities non-controlling interest calculation does not include equity method accounting, fair value method accounting or the gain on the deconsolidation of subsidiary related to Vor, Karuna, Gelesis, resTORbio or Akili, which is recorded within PureTech Health, LLC. Please refer to Note 5.

On 19 July 2019 PureTech and a third party investor converted their convertible debt in Follica to Follica Preferred shares (presented as liabilities) and Follica common shares. The amount of convertible debt converted by the third party investor into Follica common shares amounted to $2.4 million (see also Note 16). As a result of the conversion Follica NCI share (in Follica common stock) was reduced from 68% to 19.9%, which resulted in a reduction in the NCI share in Follica's shareholders' deficit of $20.1 million. The excess of the change in the book value of NCI ($20.1 million noted above) over the contribution made by NCI ($2.4 million) amounted to $17.8 million and was recorded as a loss directly in shareholders' equity.

During 2019 a subsidiary of the Company fully funded by the Company ceased its operations and became inactive. This resulted in a change in the NCI share in the subsidiary deficit. As a result the Company recorded a loss directly in equity of $3.1 million.

On 1 October 2019, PureTech acquired the remaining 10.0 per cent of minority non-controlling interests of PureTech LYT, Inc. (previously named Ariya Therapeutics, Inc.), increasing its ownership from 90 per cent to 100 per cent. In consideration for the acquisition of minority interests, PureTech issued 2,126,338 shares of common shares and granted options to the co-inventors and advisors of PureTech LYT to purchase 2,147,295 ordinary shares under the PSP. The fair value of the shares and options issued in consideration for the minority

non-controlling interest amounted to $15.8 million. The carrying amount of the non-controlling interest at the acquisition was a $24 million deficit and the excess of the consideration paid over the book value of the non-controlling interest of approximately $39.8 million was recorded directly in shareholders' equity.

19. **Trade and Other Payables**

As of 31 December	**2019**	2018
	$000s	$000s
Trade payables	**11,098**	4,644
Accrued expenses	**8,744**	11,231
Total trade and other payables	**19,842**	15,875

20. **Other Long-Term Liabilities**

Information regarding Other long-term liabilities was as follows:

As of 31 December	**2019**	2018
	$000s	$000s
Deferred rent	**—**	1,283
Lease incentive obligation	**—**	357
Accrued professional fees	**—**	738
Other	**—**	138
Other long-term liabilities	**—**	2,516

With the implementation of IFRS 16 on 1 January 2019 all other long-term liabilities were extinguished.

Please refer to Note 3 for a discussion of deferred revenue balances as of 31 December 2019 and 2018.

21. **Leases**

On 1 January 2019 the Company adopted IFRS 16, which replaced IAS 17 for the annual period beginning on 1 January 2019. Further discussion around the adoption of IFRS 16 is included in Note 1.

The activity related to the Group's right of use asset and lease liability for the year ended 31 December 2019 is as follows:

	Right of use asset, net
	$000s
Balance at 31 December 2018	—
Adoption of IFRS 16	10,353
Balance at 1 January 2019	10,353
Additions	19,434
Subleases	(2,580)
Depreciation	(3,237)
Deconsolidated	(1,587)
Balance at 31 December 2019	**22,383**

	Total lease liability
	$000s
Balance at 31 December 2018	-
Adoption of IFRS 16	10,995
Balance at 1 January 2019	10,995
Additions	30,305
Cash paid for rent	(4,173)
Interest expense	2,495
Deconsolidated	(1,779)
Balance at 31 December 2019	**37,843**

The following reconciles operating lease commitments disclosed as at 31 December 2018 to the lease liability recognised at 1 January 2019:

	2019
	$000s
Operating lease commitments disclosed as at 31 December 2018	11,443
Discounted using the lessee's incremental borrowing rate at the date of initial application	(448)
Lease liability recognised at 1 January 2019	**10,995**

The following details the short term and long-term portion of the lease liability as at 31 December 2019:

	Total lease liability
	$000s
Short-term Portion of Lease Liability	2,929
Long-term Portion of Lease Liability	34,914
Total Lease Liability	**37,843**

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

	2019
	$000s
Less than one year	5,257
One to two years	5,409
Two to three years	5,603
Three to four years	6,071
Four to five years	6,247
More than five years	21,494
Total undiscounted lease maturities	**50,080**
Interest	12,237
Total lease liability	**37,843**

Additions in the period relate to three leases that were entered into by PureTech and its consolidated subsidiaries during the year ended 31 December 2019. Amounts were arrived at using the contractual minimal lease payments, present valued using the applicable incremental borrowing rate, which ranged from 5.49 per cent to 6.58 per cent. Rent expense related to short-term leases which are not accounted for under IFRS 16 was $1.3 million for the year ended 31 December 2019.

During the year ended 31 December 2019, PureTech entered into a lease agreement for certain premises consisting of approximately 50,858 rentable square feet of space located at 6 Tide Street. The lease commenced on 26 April 2019 ("Commencement Date") for an initial term consisting of ten years and three months and there is an option to extend for two consecutive periods of five years each. As of 31 December 2019, the Company has not determined whether it will exercise these extension options.

On 26 June 2019, PureTech executed a sublease agreement with Gelesis. The lease is for the approximately 9,446 rentable square feet located on the sixth floor of the Company's former offices at the 501 Boylston Street building. The sublessee obtained possession of the premises on 1 June 2019 and the rent period term begins 1 June 2019 and expires on 31 August 2025. The sublease was determined to be a finance lease and was reclassified from the right of use asset to a lease receivable at inception of the sublease. As of 31 December 2019 the balances related to the sublease were as follows:

	Total lease receivable
	$000s
Short-term Portion of Lease Receivable	350
Long-term Portion of Lease Receivable	2,082
Total Lease Liability	**2,432**

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

	2019
	$000s
Less than one year	485
One to two years	494
Two to three years	504
Three to four years	513
Four to five years	523
More than five years	353
Total undiscounted lease receivable	**2,872**
Unearned Finance income	440
Net investment in the lease	**2,432**

On 6 August 2019, PureTech executed a sublease agreement with Dewpoint Therapeutics, Inc. ("Dewpoint"). The sublease is for approximately 11,852 rentable square feet located on the third floor of the 6 Tide Street building, where the Company's offices are currently located. Dewpoint obtained possession of the premises on 1 September 2019 with a rent period term that begins on 1 September 2019 and expires on 31 August 2021. The sublease was determined to be an operating lease.

Rental income recognised by the Company during the year ended 31 December 2019 was $0.36 million. The following table details the future payments under the sublease, showing the undiscounted lease payments to be received after the reporting date:

	2019
	$000s
Less than one year	1,083
One to two years	722
Total	**1,805**

Prior to the adoption of IFRS 16, minimum rental commitments under non-cancellable leases were payable as follows:

	2018
As of 31 December	$000s
Within one year	1,742
Between one and five years	9,349
More than five years	352
Total minimum lease payments	**11,443**

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $18.7 million.

During the year ended 31 December 2019, the Group reassessed the anticipated term of its Tide Street lease due to uncertainty as to whether the two extension options provided for in the lease agreement will be exercised. It was determined that there was sufficient uncertainty as to whether these options would be utilised, resulting in the useful life of the lease being adjusted from 20 years to 10 years. This resulted in a decrease to the lease liability and right of use asset, as well as an increase to the minimum lease payments due within one year and between one and five years.

During the year ended 31 December 2018, the Group determined that there were certain tenant improvement allowances that were originally classified as a reduction to leasehold improvements rather than as a liability. The Company concluded that the impact of the change of a reclassification from property and equipment to other current and long-term liabilities was not material to the Consolidated Financial Statements presented in the Annual Report of 31 December 2018.

Total rent expense under these leases was approximately $2.5 million during the year ended 31 December 2018. Rent expense is included in the General and administrative expenses line item in the Consolidated Statements of Comprehensive Income/(Loss).

22. **Capital and Financial Risk Management**

The Company's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence and sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in subsidiary companies. The

Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of its risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main objective in using financial instruments is to promote the development and commercialisation of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

Credit Risk

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group held the following balances:

	2019	2018
As of 31 December	**$000s**	$000s
Cash and cash equivalents	**132,360**	117,051
Short-term investments	**30,088**	133,828
Investments held at fair value	**714,905**	169,755
Trade and other receivables	**1,977**	1,328
Total	**879,330**	421,962

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

The Group assesses the credit quality of customers on an ongoing basis, taking into account its financial position, past experience and other factors. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

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

	2019	2018
As of 31 December	**$000s**	$000s
Neither past due or impaired	**1,977**	1,328
Total	**1,977**	1,328

The Company is also potentially subject to concentrations of credit risk in its accounts receivable. Concentrations of credit risk with respect to receivables is owed to the limited number of companies comprising

the Company's customer base. The Group's exposure to credit losses is low, however, owing largely to the credit quality of its larger collaborative partners such as Roche, Boehringer Ingelheim and Eli Lilly.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group actively manages its risk of a funds shortage by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the nature of these financial liabilities, the funds are available on demand to provide optimal financial flexibility.

The table below summarises the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of 31 December 2019 and 2018 based on contractual undiscounted payments:

	2019				
As of 31 December	**Carrying Amount $000s**	**Within Three Months $000s**	**Three to Twelve Months $000s**	**One to Five Years $000s**	**Total $000s**
Subsidiary notes payable	**1,455**	**1,455**	**—**	**—**	**1,455**
Trade and other payables	**19,842**	**19,842**	**—**	**—**	**19,842**
Warrants	**7,997**	**7,997**	**—**	**—**	**7,997**
Subsidiary preferred shares (Note 15)	**100,989**	**100,989**	**—**	**—**	**100,989**
Total	**130,283**	**130,283**	**—**	**—**	**130,283**

	2018				
As of 31 December	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years $000s	Total $000s
Subsidiary notes payable	12,010	12,010	—	—	12,010
Trade and other payables	15,875	15,875	—	—	15,875
Warrants	13,012	13,012	—	—	13,012
Subsidiary preferred shares (Note 15)	217,519	217,519	—	—	217,519
Total	258,416	258,416	—	—	258,416

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

	2019	2020	2021	2022
	$000s	$000s	$000s	$000s
Licenses	1,366	1,374	1,373	773
Total	1,366	1,374	1,373	773

Market Risk

Market risk is due to changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its financial instrument holdings. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising its return. The Group maintains the exposure to market risk from such financial instruments to insignificant levels. The Group's exposure to changes in interest rates has been determined to be insignificant.

Controlled Founded Entity Investments

The Group maintains investments in certain Controlled Founded Entities. The Group's investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. The Group is however exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. The liability of preferred shares is maintained at fair value through the profit and loss. The Group's strong cash position, budgeting and forecasting processes, as well as decision making and risk mitigation framework enable the Group to robustly monitor and support the business activities of the Controlled Founded Entities to ensure no exposure to credit losses and ultimately dissolution or liquidation. Accordingly, the Group views exposure to 3rd party preferred share liability as low.

Non-Controlled Founded Entity Investments

The Group maintains certain investments in Non-Controlled Founded Entities which are deemed associates and accounted for under the equity method (Please refer to Note 1). The Group's exposure to investments in associates in limited to the initial carrying amount upon recognition as an Associate. The Group is not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of 31 December 2019, Gelesis was the only associate. The initial carrying amount of the investment in Gelesis as an associate was $16.4 million. Accordingly, the Group views the risk as high.

Equity Price Risk

We have an investment in common shares of Karuna and resTORbio, as described further in Note 5. As of 31 December 2019 the fair value of our investments in resTORbio and Karuna common shares was $3.2 million and $557.2 million, respectively. These investments are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 per cent adverse change in the market price of resTORbio and Karuna common shares as of 31 December 2019 would have been a loss of approximately $0.3 million and $55.7 million, respectively, recognised as a component of Other income (expense) in our Consolidated Statements of Comprehensive Income/(Loss).

Foreign Exchange Risk

With respect to Gelesis, prior to deconsolidation, certain grant revenues and the research and development costs associated with those grants are generated and incurred in Euros. As such, the Group's certain results of operations and cash flows will be subject to fluctuations due to change in foreign currency exchange rates. Foreign currency transaction exposure arising from external trade flows is generally not hedged.

Capital Risk Management

The Group is funded by equity and debt financing as well as grant and research collaboration income. Total capital is calculated as Total Equity as shown in the Consolidated Statements of Financial Position.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or incur new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in Note 15.

As discussed in Note 15, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares.

23. Commitments and Contingencies

Gelesis is a party to a patent license and assignment agreement whereby it will be required to pay approximately $8.0 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. Gelesis accrued $6.6 million as potential expenses under the patent license and assignment agreement for the year ended 31 December 2018. During the year ended 31 December 2019 Gelesis was deconsolidated. Therefore, there are no additional contingencies recorded related to Gelesis at 31 December 2019.

Other members of the Group are also parties to certain licensing agreements that require milestone payments and/or royalties on future sales. None of these payments have become due and the amounts of any future milestone or royalty payments cannot be reliably measured as of the date of the financial information.

24. Related Parties Transactions

Related Party Subleases

During 2019, PureTech executed sublease agreements with related parties Gelesis and Dewpoint Therapeutics. Please refer to Note 20 for further details regarding the sublease.

Key Management Personnel Compensation

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

	2019	2018
As of 31 December	**$000s**	$000s
Short-term employee benefits	**5,543**	3,998
Share-based payments	**2,774**	3,062
Total	**8,317**	**7,060**

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

Convertible Notes Issued to Directors

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of 31 December 2019 and 2018, the outstanding related party notes payable totalled $84 thousand and $79 thousand, respectively including principal and interest.

The notes issued to related parties bear interest rates, maturity dates, discounts and other contractual terms that are the same as those issued to outside investors during the same issuances, as described in Note 17.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as at 31 December 2019:

Directors	Business Name (Share Class)	Number of shares held as of 31 December 2019	Number of options held as of 31 December 2019	Ownership Interest[1]
Ms Daphne Zohar[2]	Gelesis (Common)	59,443	939,086	4.30 %
Dame Marjorie Scardino	—		—	— %
Dr Bennett Shapiro	Akili (Series A-2 Preferred)[3]	—	33,088	0.20 %
	Gelesis (Common)	24,009	10,840	0.01 %
	Gelesis (Series A-1 Preferred)	23,418	—	0.20 %
	Vedanta Biosciences (Common)	—	25,000	0.22 %
	Vedanta Biosciences (Series B Preferred)	11,202	—	0.10 %
Dr Robert Langer	Entrega (Common)	—	332,500	4.09 %
	Alivio (Common)	—	1,575,000	6.06 %
Dr Raju Kucherlapati	Enlight (Class B Common)	—	30,000	3.00 %
	Gelesis (Common)[5]	—	20,000	0.10 %
Dr John LaMattina[4]	Akili (Series A-2 Preferred)	—	37,372	0.20 %
	Gelesis (Common)[4]	—	117,169	0.50 %
	Gelesis (Common)[5]		20,000	0.10 %
	Gelesis (Series A-1 Preferred)[4]	—	49,524	0.20 %
	Vedanta Biosciences (Common)	—	25,000	0.22 %
Mr Christopher Viehbacher	—	—	—	— %
Mr Stephen Muniz	Gelesis (Common)[5]	—	20,000	0.10 %
Senior Managers:				
Dr Eric Elenko	—	—	—	— %
Dr Joep Muijrers	—	—	—	— %
Dr Bharatt Chowrira	Karuna (Common)5	10,000	—	0.04 %
Dr Joseph Bolen	Vor (Common)	—	125,000	0.12 %

1. Ownership interests as of 31 December 2019 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.
2. Common shares and options held by Yishai Zohar, who is the husband of Ms. Zohar. Ms. Zohar does not have any direct interest in the share capital of Gelesis. Ms Zohar recuses herself from any and all material decisions with regard to Gelesis.
3. Shares held through Dr Bennett Shapiro and Ms Fredericka F. Shapiro, Joint Tenants with Right of Survivorship.
4. Dr John and Ms Mary LaMattina hold 49,523 shares of common shares and 49,524 shares of Series A-1 preferred shares in Gelesis. Individually, Dr LaMattina holds 12,642 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount of $50,000.
5. Options to purchase the listed shares were granted in connection with the service on such founded entity's Board of Directors and any value realised therefrom shall be assigned to PureTech Health, LLC.

Directors and senior managers hold 29,939,913 ordinary shares and 10.5 per cent voting rights of the Company as of 31 December 2019. This amount excludes options to purchase 2,909,344 ordinary shares. This amount also excludes 8,374,351 shares, which are issuable contingent to the terms of performance based RSU awards granted to certain senior managers covering the financial years 2019, 2018 and 2017. Such shares will be issued to such senior managers in future periods provided that performance conditions are met and certain of the shares will be withheld for payment of customary withholding taxes.

25. **Taxation**

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

For the years ended 31 December 2019 and 2018, the Group filed a consolidated US federal income tax return which included all subsidiaries in which the Company owned greater than 80% of the vote and value. For the years ended 31 December 2019 and 2018, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Company owned greater than 50% of the vote and value. The remaining subsidiaries file separate US tax returns.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are recognised in Consolidated Statements of Comprehensive Income/(Loss) except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

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

	2019	2018
As of 31 December	**$000s**	$000s
Income/(loss) for the year	**366,065**	(70,659)
Income tax expense/(benefit)	**112,409**	2,221
Income/(loss) before taxes	**478,474**	(68,438)

Recognised income tax expense/(benefit):

As of 31 December	**2019 $000s**	2018 $000s
Federal	**—**	2
Foreign	**—**	—
State	**—**	496
Total current income tax expense/(benefit)	**—**	498
Federal	**83,776**	2,034
Foreign	**—**	(311)
State	**28,633**	—
Total deferred income tax expense/(benefit)	**112,409**	1,723
Total income tax expense/(benefit), recognised	**112,409**	2,221

The tax expense of $112.4 million and $2.2 million in 2019 and 2018, respectively, is primarily the result of the establishment of a deferred tax liability for unrealised gains pertaining to our investments in Karuna, Vor, AZ Therapies, and Gelesis, and the remeasurement of existing deferred tax liabilities for unrealised gains pertaining to our investments in resTORbio and Akili.

Reconciliation of Effective Tax Rate

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

	2019		2018	
As of 31 December	**$000s**	**%**	$000s	%
Weighted-average statutory rate	**97,183**	**21.00**	(14,372)	21.00
Effects of state tax rate in US	**22,111**	**4.78**	(3,267)	4.77
R&D and orphan drug tax credits	**(6,321)**	**(1.37)**	(3,268)	4.78
Share-based payment measurement	**433**	**0.09**	3,429	(5.01)
Mark-to-market adjustments	**3,725**	**0.80**	(3,745)	5.47
Accretion on preferred shares	**—**	**—**	22	(0.03)
Deconsolidation adjustments	**(13,658)**	**(2.95)**	9,688	(14.16)
Mark-to-market investment in subsidiary	**—**	**—**	(55)	0.08
Income of partnerships not subject to tax	**—**	**—**	(78)	0.11
Recognition of deferred tax assets not previously recognized	**(6,251)**	**(1.35)**	—	0.00
Current year losses for which no deferred tax asset is recognised	**14,514**	**3.14**	13,012	(19.01)
Other	**674**	**0.15**	854	(1.25)
	112,410	**24.29**	2,220	(3.25)

The Group is also subject to taxation in the UK and exposed to state taxation in certain jurisdictions within the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit).

Deferred Tax Assets and Liabilities

Deferred taxes have been recognised in the US jurisdiction in respect of the following items:

	2019	2018
As of 31 December	**$000s**	$000s
Operating tax losses	**68,690**	69,170
Capital loss carryovers	**2,292**	—
Research credits	**9,931**	8,056
Investment in subsidiaries	**—**	589
Share-based payments	**9,711**	13,003
Deferred revenue	**1,125**	—
Lease Liability	**10,339**	—
Other	**2,117**	2,184
Deferred tax assets	**104,205**	93,002
Investment in Subsidiaries	**(173,069)**	—
ROU asset	**(6,115)**	—
Other temporary differences	**(3,225)**	(33,412)
Deferred tax liabilities	**(182,409)**	(33,412)
Deferred tax liabilities, net, recognised	**115,445**	6,428
Deferred tax assets, net, recognised	**(142)**	(449)
Deferred tax assets, net, not recognised	**37,099**	65,569

We have recognised deferred tax assets related to entities in the US Federal and Massachusetts consolidated return groups due to future reversals of existing taxable temporary differences that will be sufficient to recover the net deferred tax assets. Our remaining deferred tax assets have not been recognised because it is not probable that future taxable profits will be available to support their realisability.

There was movement in deferred tax recognised which impacted income tax expense of approximately $112.4 million, primarily related to the unrealised gains pertaining to our investments in resTORbio, Akili, Karuna, Vor, AZ Therapies, and Gelesis. The deferred tax liability related to the unrealised gains on these investments exceeds our available US federal and state deferred tax assets.

The Company had US federal net operating losses carry forwards (“NOLs”) of approximately $243.0 million and $238.1 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire through 2037 with the exception of $126.6 million which is not subject to expiration. The Company had US Federal research and development tax credits of approximately $7.4 million and $6.7 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes that expire at various dates through 2039. The Company also had Federal Orphan Drug credits of approximately $3.7 million and $0.0 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes that expire at various dates through 2039. These NOLs and credits are subject to review and possible adjustment by the Internal Revenue Service.

The Company had Massachusetts net operating losses carry forwards (“NOLs”) of approximately $273.0 million and $179.5 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire at various dates beginning in 2024. The Company had Massachusetts research and development tax credits of approximately $1.6 million and $1.3 million for the years ended 31 December 2019 and 2018, respectively, which are available to offset future taxes and expire at various dates

through 2034. These NOLs and credits are subject to review and possible adjustment by the Massachusetts Department of Revenue.

Utilisation of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilised annually to offset future taxable income and tax, respectively. The Company notes that a 382 analysis was performed through 31 December 2019. The results of this analysis concluded that certain net operating losses were subject to limitation under Section 382 of the Internal Revenue Code. None of the Company's tax attributes which are subject to a restrictive Section 382 limitation have been recognised in the financial statements.

Uncertain Tax Positions

The changes to uncertain tax positions from 1 January 2018 through 31 December 2019 are as follows:

	US $000s	Foreign $000s	Total $000s
Gross tax liabilities as of 1 January 2018	—	15	15
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	—	—	—
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	—	(12)	(12)
Gross tax liabilities as of 31 December 2018	—	3	3
Additions based on tax provisions related to the current year	—	—	—
Additions to tax positions of prior years	—	—	—
Reductions due to settlements with tax authorities	—	—	—
Reductions for positions of prior years	—	(3)	(3)
Gross tax liabilities as of 31 December 2019	**—**	**—**	**—**

US corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. During 2019, the IRS completed an audit of Vedanta for the financial year ended 31 December 2016 with no impact to the Group's financial condition, results of operations, or cash flows.

26. Sale of assets

In February 2018, The Sync Project, Inc. ("Sync") entered into an asset purchase agreement with Bose Corporation for the sale of certain assets and liabilities. The total aggregate purchase price was $4.5 million, consisting of approximately $4.0 million paid at closing and $0.5 million in cash deposited into escrow to be held for 12 months in order to secure the indemnification obligations of Sync after the closing date.

PureTech Health derecognised certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain on sale of assets" on the accompanying Consolidated Statements Comprehensive Income/ (Loss) for the year ended 31 December 2018.

Additionally, as part of the derecognition, the Company and certain preferred shareholders received a cash distribution of approximately $3.3 million during the year ended 31 December 2018. During the year ended 31

December 2019, certain preferred shareholders received further cash distributions of $0.1 million. As of 31 December 2019, no remaining third party obligations remained.

27. **Tal Merger Agreement**

During the year ended 31 December 2018, Tal Medical, Inc. ("Tal") a subsidiary of the Group entered into an option agreement with a third party, through which the third party was given the option to acquire substantially all of Tal's assets. The option was contingent on the third party raising gross proceeds of $15 million prior to 1 January 2019 (the option expiration date). Upon the expiration of the option all external investors, not including PureTech, would be entitled to a distribution equal to the cash on hand on the date of expiration, and Tal's operations would wind down. As of 31 December 2018, the minimum gross proceeds were not raised, resulting in the option expiring. As a result, the preferred shares were adjusted to the cash distribution the external investors were entitled to, which totalled $0.1 million, resulting in gain of $11 million being recognised in Finance costs – subsidiary preferred shares line of the Consolidated Statements of Comprehensive Income/(Loss). In 2019 a merger was executed between PureTech and Tal wherein PureTech became the sole shareholder of Tal following the liquidation of all assets. In 2019, certain preferred shareholders received distributions of $0.1 million in connection with the merger. As of 31 December 2019 Tal was an inactive entity in the Group's Parent segment.

28. **Subsequent Events**

The Company has evaluated subsequent events after 31 December 2019, the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events not otherwise reported in these consolidated financial statements or notes thereto, except for the following:

On 6 January 2020, Sonde effected the second tranche closing of its Series A-2 preferred share financing which initially closed on 4 April 2019. The Company received an aggregate of $4.8 million in gross proceeds in the second tranche closing.

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

On 5 February 2020, PureTech Health participated in the second closing of Vor's Series A-2 preferred share financing which initially closed on 12 February 2019. PureTech's participation totalled $0.7 million. Proceeds for the second closing totalled $17.8 million.

In March 2020, the World Health Organization declared the outbreak of a new Coronavirus, now known as COVID-19, a pandemic. The outbreak of the virus has caused material disruptions to the global economy, including its health care system. Since the future course and duration of the COVID-19 outbreak are unknown, the Company is currently unable to determine whether the outbreak will have a negative effect on the Company's results in 2020. To date, the Company has seen limited impact on its research and development activities and the operation of the Company more generally. If the pandemic continues to extended for a period of time such as six months, the Company would potentially have milestones delayed; however the Company has sufficient capital to absorb any potential delays and continue operations in line with its going concern statement set forth in Note 1.

On 1 April 2020, PureTech Health participated in the second closing of Gelesis' Series 3 Growth preferred share financing which initially closed on 5 December 2019. PureTech's participation totalled $10.0 million. Proceeds for the second closing totalled $14.1 million.

PureTech Health plc Statement of Financial Position

For the years ended 31 December

	Note	**2019**	2018
		$000s	$000s
Assets			
Non-current assets			
Investment in subsidiary	2	**141,348**	141,348
Total non-current assets		**141,348**	141,348
Current assets			
Intercompany receivables	3	**296,531**	286,886
Other Receivables	3	**—**	—
Total current assets		**296,531**	286,886
Total assets		**437,879**	428,234
Equity and liabilities			
Equity			
Share capital	4	**5,408**	5,375
Share premium	4	**287,962**	278,349
Merger reserve	4	**138,506**	138,506
Other reserve	4	**991**	991
Accumulated deficit	4	**(7,882)**	(5,192)
Total equity		**424,985**	418,029
Trade and other payables		**1,235**	—
Intercompany payables	5	**11,658**	10,204
Total current liabilities		**12,893**	10,204
Total equity and liabilities		**437,878**	428,234

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

Please refer to the accompanying Notes to the PureTech Health plc financial information. Registered number: 09582467.

The PureTech Health plc financial statements were approved by the Board of Directors and authorised for issuance on 8 April 2020 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer
8 April 2020

PureTech Health plc Statements of Changes in Equity

For the years ended 31 December

	Shares	Amount $000s	Share Premium $000s	Merger Reserve $000s	Other Reserve $000s	Accumulated deficit $000s	Total equity $000s
Balance 1 January 2018	**237,429,696**	**4,679**	**181,588**	**138,506**	**855**	**(4,483)**	**321,145**
Total comprehensive loss for the period							
Issuance of placing shares	45,000,000	696	96,761	—	—	—	97,457
Offering costs	—	—	—	—	—	(86)	(86)
Exercise of share-based awards	64,171	—	—	—	136	—	136
Net loss	—	—	—	—	—	(623)	(623)
Balance 31 December 2018	**282,493,867**	**5,375**	**278,349**	**138,506**	**991**	**(5,192)**	**418,029**
Total comprehensive loss for the period							
Issue of shares to Ariya founders	2,126,338	28	9,078	—	—	—	9,106
Issuance of restricted stock units	513,324	—	—	—	—	—	0
Exercise of share-based awards	237,090	5	535	—	—	—	540
Net loss	—	—	—	—	—	(2,689)	(2,689)
Balance 31 December 2019	**285,370,619**	**5,408**	**287,962**	**138,506**	**991**	**(7,881)**	**424,986**

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

PureTech Health plc Statements of Cash Flows

For the years ended 31 December

	2019	2018
	$000s	$000s

Cash flows from operating activities		
Income/(loss) for the year	**(2,689)**	(623)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash items:		
Intercompany receivable	**(539)**	(97,493)
Intercompany payable	**1,453**	1,323
Accounts payable and accrued expenses	**1,235**	(715)
Net cash (used in) operating activities	**(540)**	(97,372)
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	**—**	—
Cash flows from financing activities:		
Equity settled share-based payment expense	**540**	136
Issuance of placing shares	**—**	97,493
Offering costs	**—**	(121)
Net cash provided by (used in) financing activities	**540**	97,372
Effect of exchange rates on cash and cash equivalents	**—**	—
Net decrease in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental disclosure of non-cash investment and financing activities:		
Vesting of incentive awards	**33**	70
Issuance of shares against intercompany receivable	**9,106**	0

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

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") have been prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent is United States ("US") Dollars and the financial statements are presented in US Dollars.

Investments

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

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of net realisable value and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account.

Financial Instruments

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

2. **Investment in subsidiary**

	$000s
Balance at 8 May 2015	—
Additions	**141,348**
Balance at 31 December 2019 and 2018	**141,348**

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the US as a US-focused scientifically driven research and development company that conceptualises, sources, validates and commercialises unexpected and potentially disruptive approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries please refer to Note 1 of the Consolidated Financial Statements of PureTech Health plc.

3. **Intercompany receivables**

The Parent has an accounts receivable balance from its operating subsidiary PureTech LLC of $296.5 million due to cash received from the IPO.

4. **Share capital and reserves**

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 8 May 2015.

On 12 March 2018, the Company raised approximately $100.0 million, before issuance costs and other expenses, by way of a Placing of 45,000,000 placing shares.

On 24 June 2015, the Company authorised 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorisation of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for$159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 per cent of the total number of new ordinary shares. The stabilisation manager provided notice to exercise in full its over-allotment option on 2 July 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

5. **Intercompany payables**

The Parent has a balance due to its operating subsidiary PureTech LLC of $11.7 million, which is related to IPO costs and operating expenses. These intercompany payables do not bear any interest and are repayable upon demand.

6. **Profit and loss account**

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $2.7 million.

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

The remuneration of the executive directors of the Parent Company is disclosed in Note 24, Related Parties Transactions, of the accompanying Consolidated Financial Statements. Full details for directors' remuneration can be found in the Directors' Remuneration Report. Full detail of the share-based payment charge and the related disclosures can be found in Note 8, Share-based Payments, of the accompanying Consolidated Financial Statements.

The Parent had no employees during 2019 or 2018.