7 September 2016

PureTech Health plc

Half-Yearly Report

Strong momentum with advancements in growing pipeline and multiple successful validating funding events

PureTech Health plc ("PureTech" or the "Company," LSE: PRTC), a cross-disciplinary biotech company developing 21st century medicines to tackle major healthcare needs, today announces its half-yearly results for the six months ended 30 June 2016.

PureTech, which is comprised of PureTech Health plc and its subsidiaries (together, the "Group"), is advancing the next generation of medicines. New insights into human physiology are shifting prior linear thinking about the immune, central nervous and gastrointestinal systems to focus on the interconnectedness and adaptive nature of these highly regulated and important human systems. By working collaboratively with world renowned scientists that have pioneered the modern understanding of how these systems function, PureTech is able to identify and develop novel therapeutic modalities that are ideally suited to modulate these systems safely and effectively. PureTech's approach leads the Group between and beyond existing disciplines, giving it an advantage in today's changing healthcare landscape.

Operational Highlights

The Group made significant progress across its pipeline of more than 20 clinical studies and attracted a range of prominent new collaborators, investors and technologies to its business units.

- In the first half of 2016, the Group raised $83 million, including $50 million by Vedanta Biosciences and over $30 million by Akili
- Commense, Sonde Health and Vedanta Biosciences signed licensing agreements to further enhance their technology platforms
- PureTech advanced two new business units to the project phase: Vor Biopharma focused on immuno-oncology and Alivio Therapeutics focused on inflammatory disorders
- PureTech's business units continue to progress potential treatments through the clinic with Akili Interactive Labs initiating a pivotal study in paediatric ADHD and Gelesis and Tal Medical reporting results of clinical studies
- The Group added business, commercial and scientific leaders to its advisory team and The Sync Project added world-renowned musical artists to its advisory board

Post-period Highlights

- In July, Akili increased its Series B financing round to over $42 million including investments by two pharma venture firms. Akili now has relationships with four major biopharma companies or their investment affiliates
- In July, PureTech further grew its operations and advisory team with renowned science and business leaders
- In August and September, Vedanta Biosciences was granted a total of three key U.S. patents that PureTech believes are critically important in the microbiome space. One of these patents triggered a $2 million milestone from Janssen Biotech, Inc. Vedanta Biosciences also announced a collaboration with the NYU School of Medicine to develop microbiome-derived immunotherapies for cancer
- Over the summer, Gelesis and Akili made key hires in preparation for potential commercialisation

Financial Highlights

- Consolidated cash reserves[1] at 30 June 2016: $297.4 million (December 2015: $313.7 million) of which $218.6 million (December 2015: $255.5 million) was held on a PureTech parent company level
- Funds raised by business units through July 2016: $95.1 million, of which $37.4 million was from outside investors (inclusive of the Akili financing in July 2016)
- Average holdings of the top 12 business units at 30 June 2016: 72% with effective control over all of them
- Adjusted Loss for the period: $26.92 million (2015: $10.92 million). Reported loss for the period of $43.5 million (2015: $18.7 million) inclusive of $15.3 million (2015: $6.7 million) spent on research and development)

[1]Cash reserves consists of all cash, cash equivalents and U.S. Treasuries, including those with maturities beyond one year.

[2]Stated before the effect of share-based payment of $5.3 million (2015: $4.3 million), depreciation of $0.6 million (2015: $0.1 million), amortisation of $0.1 million (2015: $0.1 million), IAS 39 fair value accounting charge of $7.1 million (2015: $1.6 million) and finance cost – subsidiary preferred shares of $3.5 million (2015: $1.5 million). These items are non-cash charges. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the business.

Commenting on the Group's half-yearly results, Daphne Zohar, Chief Executive Officer of PureTech, said:

"*The first half of 2016 has been a time of strong execution and positive momentum for PureTech. We made significant advancements across our pipeline, further grew our outstanding team and attracted several new strategic collaborators and investors to our business units, providing further validation and increased value. With $297 million in consolidated cash reserves at the period end, we are well-positioned to drive upside from the innovative products in our growing pipeline as they near major potential inflection points and commercialisation. We believe that our track record positions us to create value and strong growth for our shareholders. We look to the future with confidence."*

For more information, please contact:

PureTech +1 617 456 0032
Daphne Zohar, Chief Executive Officer
Allison Mead, Director, Communications and Investor Relations

FTI Consulting (Communications adviser to PureTech) +44 (0) 20 3727 1000
Ben Atwell
Matthew Cole

For more information, visit www.puretechhealth.com and connect with PureTech on Twitter and LinkedIn.

This half-yearly results release may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of PureTech's business units. Throughout this half-yearly results release, PureTech's ownership interests in operating companies are calculated on a diluted basis, including issued and outstanding shares and outstanding warrants, written commitments to issue options, options to purchase shares and shares to be issued upon closing of tranched financings, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

Interim Management Report

Introduction

PureTech Health is making excellent progress advancing more than 20 clinical studies across its pipeline, including five human proof-of-concept studies and multiple pivotal or registration study readouts expected in the next two years. During the first half of 2016, PureTech made significant progress in developing its pipeline and growing resources and capital for its business units.

Healthcare is undergoing major transformation, and PureTech is at the forefront of that change, advancing the next generation of medicines. New insights into human physiology are shifting prior linear thinking about the immune, central nervous and gastrointestinal systems to focus on the interconnectedness and adaptive nature of these highly regulated and important human systems. By working collaboratively with world renowned scientists that have pioneered the modern understanding of how these systems function, PureTech is able to identify and develop novel therapeutic modalities that are ideally suited to modulate these systems safely and effectively. PureTech's approach leads the Group between and beyond existing disciplines, giving it an advantage in today's changing healthcare landscape.

For example, PureTech is applying digital interventions to enable a shift from symptomatic, episodic care to a continuous and preventive model, allowing for early intervention that could dramatically lower the long-term disease burden to the individual as well as the costs of care. This increased knowledge from real-time continuous patient monitoring informs how PureTech approaches drug discovery and development and how the Group launches new medicines. PureTech believes that the convergence of monitoring and digital medicine creates the foundation for closed-loop management to transform how patients are diagnosed, treated and monitored across many diseases.

As another example, PureTech is also pioneering new modalities in the field of immunology by systematically identifying bacteria that drive immune responses that are relevant to a broad range of therapeutic areas. The Company carefully controls its approach by utilising defined consortia of bacteria to ensure that the composition used across clinical trials is exactly the same. This platform also allows for the development of live biotherapeutic products, which are backed by foundational intellectual property covering large microbiota clusters.

The Group now has over 220 patents and patent applications. During the first six months of 2016, PureTech reviewed over 400 technologies across strategic target areas. Opportunities are rigorously filtered by a team including some of the world's leading experts in pursuit of only those technologies that management believes have the potential to have a significant impact on a major unmet medical need, are highly novel and protectable by strong intellectual property, and are de-risked through preclinical and clinical proof of concept. PureTech's structure allows the Company to diversify risk and attract the brightest minds to help create and launch medicines for the 21st century.

PureTech's leading team and Board of Directors, along with an advisory network of more than 70 expert founder-scientists and advisors across multiple disciplines, gives PureTech access to potentially ground-breaking science and technological innovation. During the first half of 2016, PureTech and its business units continued to strengthen the internal team and recruited more than 30 outstanding full-time team members with a focus on commercial and regulatory expertise, including for example:

- David Pass, Pharm.D., Chief Operating Officer of Gelesis. Dr. Pass has more than 20 years of commercial expertise across multiple therapeutic areas with a focus on diabetes and metabolics. He most recently served as Vice President of Marketing for the Diabetes Franchise at Boehringer Ingelheim (hired September 2016)
- LeRoux Jooste, Chief Commercial Officer of Akili. Mr. Jooste brings global, biopharmaceutical executive experience with a track record of launching blockbuster neurology products and establishing commercial capabilities that deliver strong and sustained revenue growth (hired July 2016)
- Bruce L. Roberts, Ph.D., Chief Scientific Officer for Vedanta Biosciences. Dr. Roberts has 30 years of experience in biotechnology and pharmaceutical drug discovery and development. He most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme
- Jeff Stevens, MBA, Vice President of Growth Strategy & Operations for PureTech. Mr. Stevens has been involved with the global healthcare industry for nearly 25 years. He started his career at Roche in sales, marketing and business development before transitioning into institutional investments. Over the past decade, Mr. Stevens was a dedicated healthcare analyst and portfolio manager at Fidelity Investments in Boston

- Daniel Cuoto, Senior Vice President of Process Development and Manufacturing for Vedanta Biosciences. Mr. Couto has 25 years of experience in biotechnology, biologics drug development and cGMP manufacturing. Most recently, he was Senior Vice President of Manufacturing and Facilities Operations at ContraFect Corporation
- William Aschenbach, Ph.D., MBA, Vice President of Medical Affairs for Gelesis. Dr. Aschenbach was previously Scientific Director and Director of U.S. Medical Science Liaisons at EMD Serono (hired July 2016)

Furthermore, in the first eight months of 2016, a number of distinguished leaders in their fields also joined PureTech and its business units as advisors, including:

- Edward Boyden, Ph.D., Professor of Biological Engineering and Brain and Cognitive Sciences at the Massachusetts Institute of Technology (MIT) Media Lab and the MIT McGovern Institute, and a pioneer in optogenetics technology
- David A. Edwards, Ph.D., the Gordon McKay Professor of the Practice of Idea Translation at the Harvard John A. Paulson School of Engineering and Applied Sciences
- Meghan Fitzgerald, DrPH, Executive Vice President of Corporate Strategy, M&A and Health Policy at Cardinal Health
- Steven Holtzman, former Biogen Idec Executive Vice President and Millennium Pharmaceuticals Chief Business Officer
- Donald E. Ingber, M.D., Ph.D., Founding Director of the Wyss Institute for Biologically Inspired Engineering at Harvard University
- Sachin H. Jain, M.D., Chief Operating Officer and Chief Medical Officer of CareMore Health and former Chief Medical Information and Innovation Officer at Merck
- Philip J. Larsen, M.D., Ph.D., Global Head of Diabetes Research & Development at Sanofi
- Atul Pande, M.D., Former Senior Vice President and Head of Neurosciences at GlaxoSmithKline
- Robert J. Perez, former Chief Executive Officer of Cubist Pharmaceuticals (acquired by Merck for $8.4 billion)
- Feng Zhang, Ph.D. of Massachusetts Institute of Technology's Brain and Cognitive Sciences and the Broad Institute and a pioneer in CRISPR technology

Also in the first half of 2016, PureTech, its management and its business units have been recognised by a number of industry publications and awards. A few of these are highlighted below:

- *Entrepreneur* magazine named Akili number one health company on its Brilliant 100 2016 list.
- PureTech CEO Daphne Zohar was named EY Entrepreneur of the Year 2016 in New England.
- PureTech's Andrew Miller and Ketki Karanam were named to MedTech Boston's Top 40 Under 40 healthcare innovators list and Aleks Radovic-Moreno received an Outstanding Alumnus Award from Penn State.

To access the latest news coverage, please visit the news page on PureTech's web site.

The Directors are delighted by these and other advancements across the Group, in particular, the continued positive engagement with potential strategic and financial partners to fund and/or co-develop existing or new technologies.

PureTech and Business Units Review

Overview

With $297.4 million in consolidated cash reserves as of 30 June 2016, PureTech is well positioned to fund its growth stage business units to meaningful milestone events and has the resources to advance its new and existing early stage programmes. For the period from January through July 2016, PureTech's business units raised over $95 million, including from outside validating strategic and financial investors such as Rock Springs Capital, Amgen Ventures, Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada), Seventure, JAZZ Venture Partners and Canepa Advanced Healthcare Fund. PureTech expects to continue to drive growth and deploy cash in a milestone-driven manner.

PureTech has a 72 per cent average shareholding with effective control overall in its twelve most advanced (growth-stage and project-phase) business units on a diluted basis as of 30 June. Additionally, PureTech has **14 concept-phase initiatives** which the Company is actively pursuing and has obtained options and licences to a number of promising technologies in connection with such initiatives. These concept-phase initiatives have the potential to develop into PureTech's future project and growth-stage business units. In

the subsequent sections, PureTech provides an overview of project and growth-stage business units, including key financings completed and other significant updates.

PureTech Business Units – Average holdings: 72%*

Business Unit	Ownership Interest*	Overview
	Growth-Stage	
Vedanta Biosciences	75.4%	Developing a microbiome immune system drug-discovery platform and drug candidates for the treatment of infectious disease, autoimmune disease, inflammation and immune-oncology. Partnership of up to $339 million plus royalties with Janssen Biotech, Inc. solely in Inflammatory Bowel Disease. Preclinical stage, expected to enter the clinic in two indications in the first half of 2017.
Akili	61.4%	Developing a platform and products for the screening, diagnosis and treatment of neurological disorders such as ADHD, autism and depression, with a collaboration with Pfizer and investments from Shire, Amgen Ventures and Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada). Clinical stage with an active FDA pivotal study in paediatric ADHD expected to read out in the first half of 2017 and an exploratory Alzheimer's pilot biomarker study funded by Pfizer expected to read out in the second half of 2016; multiple other clinical studies ongoing.
Gelesis	22.5% plus potential product royalties	Developing products that seek to induce weight loss and improve glycaemic control through an orally administered capsule containing novel biocompatible hydrogel particles that expand in the stomach as they absorb water. Clinical stage with an active FDA pivotal study of Gelesis100 in obesity and a three-month efficacy proof-of-concept study of Gelesis200 both expected to read out in the first half of 2017.
Karuna	79.6% plus potential product royalties	Developing an innovative selective muscarinic (M1/M4) targeting product for the treatment of schizophrenia and psychosis with strong efficacy data from two past clinical studies and support from the Wellcome Trust. Clinical stage with combination tolerability proof-of-concept study expected to read out by the end of 2016.
Tal Medical	54.2%	Developing a non-invasive, rapid-acting neuromodulation therapy for depression. Three randomised controlled trials have investigated the therapy in bipolar depression and major depressive disorder to date, of which two have provided early proof of concept. Two more studies in major depressive disorder expected to read out in the second half of 2016.
Follica	58.7% plus potential product royalties	Developing products to generate new human hair follicles and hair. Clinical stage, expected to enter FDA pivotal/registration studies in the first half of 2017.
Entrega	67.5%	Developing a drug delivery platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads, including magnetic nanoparticles. Preclinical stage with proof-of-concept data in large animals expected to read out in late 2016/early 2017.
	Project-Phase	

Alivio Therapeutics	89.4%	Developing a proprietary drug delivery platform for drugs designed to treat inflammation and underlying disorders that cause inflammation by targeting the inflamed tissue and delivering the payload based on the level of inflammation. Preclinical stage.
Commense	91.2%	Developing bacterial-derived products for early intervention in major disorders of early childhood resulting from a lack of certain key microorganisms in the first 100 days of life. Clinical stage.
Sonde Health	95.4%	Developing vocal biomarkers for the passive assessment and tracking of patient health in mental health conditions such as depression as well as a number of other mental health, respiratory and cardiovascular conditions where remote, passive monitoring could be impactful. Clinical stage.
The Sync Project	81.4%	Developing a personalised music platform and products to treat conditions such as sleep, pain, movement and cognitive disorders. Clinical stage.
Vor BioPharma	82.1%	Developing targeted therapies for cancer based on a novel immune-oncology platform that could enable applications beyond B-cell malignancies. Preclinical stage.

*Ownership interests are as of 30 June 2016, and are calculated on a diluted basis, including issued and outstanding shares and outstanding warrants, written commitments to issue options, options to purchase shares and shares to be issued upon closing of tranched financings, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

Operational Review

IMMUNE AND GASTROINTESTINAL SYSTEMS

PureTech made significant progress in its work focused on the interface of the gastrointestinal and immune systems.

In June 2016, Vedanta Biosciences raised $50 million in equity financing, including from new investors Rock Springs Capital, Health For Life Capital (Seventure) and Invesco Asset Management, to advance multiple clinical studies and scale its technology platform. PureTech invested approximately $30 million in the financing. Vedanta Biosciences is developing an innovative class of drugs based on research into the human microbiome (the population of micro-organisms that inhabit the human body). Also during the first half of 2016, Vedanta Biosciences executed a licence agreement with RIKEN, the University of Tokyo and Azabu University for a new immune-boosting microbiome technology with potential applications in infectious disease, vaccine design and immuno-oncology. Additionally, Vedanta Biosciences expanded into a new headquarters and R&D facility, including a state-of-the-art Clinical Good Manufacturing Practice facility, in Cambridge, Massachusetts, and added senior members to its team including the following:

- Bruce L. Roberts, Ph.D., Chief Scientific Officer for Vedanta Biosciences. Dr. Roberts has 30 years of experience in biotechnology and pharmaceutical drug discovery and development. He most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme
- Daniel Cuoto, Senior Vice President of Process Development and Manufacturing for Vedanta Biosciences. Mr. Couto has 25 years of experience in biotechnology, biologics drug development and cGMP manufacturing. Most recently, he was Senior Vice President of Manufacturing and Facilities Operations at ContraFect Corporation

In May 2016, Gelesis announced positive safety data from a first-in-human study of Gelesis200 targeting patients with type 2 diabetes – a study designed to evaluate the safety and tolerability of Gelesis200 in adults who are overweight or have obesity but are otherwise considered healthy. Results from the study showed Gelesis200 was generally well-tolerated, no serious adverse events (AEs) were reported, and the total number of AEs reported in the active treatment arms was comparable to the total number of AEs reported in the placebo arms. Gelesis' next step will be to assess Gelesis200 in a three-month proof-of-

concept study, expected to read out in the first half of 2017, with the goal of ultimately offering a novel weight management and glycaemic control product for patients with type 2 diabetes. Gelesis also enrolled the first U.S. patient in its pivotal Gelesis100 weight-loss GLOW (Gelesis Loss Of Weight) study. The study will assess the long-term safety and efficacy of Gelesis100, a novel oral capsulated device designed to achieve weight loss in adults who are overweight or have obesity, including those with prediabetes and type 2 diabetes. In August 2016, Gelesis announced new hires including:

- David Pass, Pharm.D., Chief Operating Officer of Gelesis. Dr. Pass has a strong history of commercialising new medicines in the metabolic and diabetes arena from his tenure as Vice President of Marketing for the Diabetes Franchise at Boehringer Ingelheim.
- William Aschenbach, Ph.D., MBA, Vice President of Medical Affairs for Gelesis. Dr. Aschenbach was previously Scientific Director and Director of U.S. Medical Science Liaisons at EMD Serono.

In May 2016, Commense, focused on preventing and treating disease through microbiome-based interventions in infancy and early childhood, executed an exclusive licence agreement with New York University for a new microbiome technology. Commense also announced the advancement of its discovery and development platform focused on preventing and treating disease through microbiome-based interventions in infancy and early childhood. Commense is developing a pipeline of novel therapeutics for the prevention and treatment of disease based on a deep understanding of these human/microbe interactions and their impact on health. Supporting this pipeline is Commense's platform to characterise and design microbiome-based therapeutics to potentially restore these "missing microbes," along with a suite of technologies designed to improve diagnosis, microbial quantification, delivery and colonisation. Commense also named its founding scientists and advisors, including:

- Rob Knight, Ph.D., Professor in the Department of Paediatrics and Department of Computer Science and Engineering at the University of California San Diego (UC San Diego); Director of UC San Diego's Center for Microbiome Innovation
- Maria Gloria Dominguez-Bello, Ph.D., Associate Professor of Medicine at NYU Langone Medical Center
- Martin J. Blaser, M.D., Professor of Microbiology, NYU Langone Medical Center; Director of the Human Microbiome Program
- B. Brett Finlay, Ph.D., Professor of Biochemistry and Molecular Biology at the University of British Columbia
- Joseph St. Geme III, M.D., Physician-in-Chief and Chairman of Paediatrics at the Children's Hospital of Philadelphia
- Sam Kass, former Senior Policy Advisor for Nutrition Policy at the White House and former Executive Director of First Lady Michelle Obama's Let's Move! childhood health campaign

In the first half of 2016, PureTech advanced two new efforts focused on the immune system from concept to project phase – Vor Biopharma and Alivio Therapeutics.

Vor Biopharma is focusing on a novel targeting platform designed to expand the applicability of CAR T-Cell immunotherapies in immuno-oncology. CAR T-cell therapy, which is designed to cause the body's own immune cells (T-cells) to recognise and kill cancer cells, has emerged as a promising therapy for patients with advanced B-cell leukaemia. In May 2016, Vor executed an exclusive licence agreement with Columbia University for the technology and is working with a world-class team of immunologists and oncologists on the technology, including:

- Joseph Bolen, Ph.D., Former President and Chief Scientific Officer of Moderna Therapeutics and Millennium Pharmaceuticals; current Puretech Entrepreneur-in-Residence
- Sanjiv Sam Gambhir, M.D., Ph.D., Professor of Radiology, Materials Science & Engineering and Bioengineering at Stanford University, where he is also the Chairof the Department of Radiology
- Dan Littman, M.D., Ph.D., Howard Hughes Medical Institute Investigator and the Helen L. and Martin S. Kimmel Professor of Molecular Immunology and Professor of Pathology and Microbiology at New York University (NYU) School of Medicine
- Siddhartha Mukherjee, M.D., Ph.D., Assistant Professor of Medicine at Columbia University and oncologist; Pulitzer Prize-winning author of *Emperor of all Maladies*
- Derrick J. Rossi, Ph.D., Associate Professor in the Stem Cell and Regenerative Biology Department at Harvard Medical School and Harvard University
- Justin Stebbing, Ph.D., F.R.C.P., F.R.C.PATH., Professor of Cancer Medicine and Oncology and Consultant Oncologist at Imperial College London and Imperial College Healthcare National Health Service (NHS) Trust

Alivio Therapeutics is developing a novel approach for the targeted treatment of inflammatory disorders. The technology is based on an innovative hydrogel material that is designed to adhere to and deliver drugs to inflamed tissue based on the degree of inflammation (e.g., more drug may be released at site with greater inflammation). This approach may help overcome major technical challenges in the field, enabling new therapies that have the potential to address multiple acute and chronic inflammatory disorders. In May 2016, Alivio executed an exclusive licence agreement with Massachusetts Institute of Technology and the Brigham and Women's Hospital for the technology. In addition to its co-founders, Jeff Karp, Ph.D. and Robert Langer, Sc.D., Alivio is also working with leading experts in biomaterials and immunology, including:

- Michael B. Brenner, M.D., Theodore B. Bayles Professor of Medicine at Harvard Medical School; Chief of the Division of Rheumatology, Immunology and Allergy at Brigham and Women's Hospital
- Ivana Magovcevic-Liebisch, Ph.D., J.D., Senior Vice President and Head of Global Business Development at Teva Pharmaceuticals
- Ulrich H. von Andrian, M.D., Ph.D., Mallinckrodt Professor of Immunopathology at Harvard Medical School
- Ralph Weissleder, M.D., Ph.D., Thrall Professor of Radiology and Systems Biology at Harvard Medical School; Director of the Center for Systems Biology at Massachusetts General Hospital

CENTRAL NERVOUS SYSTEM

Looking beyond the pill at new approaches and modalities in the area of the brain, PureTech made a number of advancements in the first half of 2016.

In January 2016, Akili Interactive Labs, focused on developing clinically validated digital medicine for cognitive assessment and personalised treatment, raised $30.5 million to advance product development across multiple patient populations and build a commercial infrastructure. With the financing, Akili attracted new investors including JAZZ Venture Partners and Canepa Advanced Healthcare Fund. Akili is currently conducting multiple clinical trials of its digital medicine platform across a variety of patient populations, including paediatric attention deficit hyperactivity disorder (ADHD), autism spectrum disorder (in strategic collaboration with Autism Speaks), depression, Alzheimer's disease (in strategic collaboration with Pfizer, Inc.) and traumatic brain injury. Also in the first half of 2016, Akili opened enrolment for its pivotal study in paediatric ADHD, results of which are expected in the first half of 2017, which, if successful, will potentially position Akili for a product launch by year-end 2017. In July 2016, Akili hired LeRoux Jooste as Chief Commercial Officer. Mr. Jooste brings global, biopharmaceutical executive experience with a track record of launching blockbuster neurology products and establishing commercial capabilities that deliver strong and sustained revenue growth.

Sonde Health is developing a voice-based technology platform for monitoring and diagnosing mental and physical medical conditions. In June 2016, Sonde executed an exclusive licence with the Massachusetts Institute of Technology (MIT) Lincoln Laboratory to an award-winning health monitoring audio analysis technology. The technology is designed to enable analysis of brief voice samples to screen and monitor for a range of mental and physical medical concerns based on subtle changes in acoustic characteristics of the speaker's voice. Sonde's focus areas include mental health conditions like depression as well as a number of other mental health, respiratory and cardiovascular conditions where remote, passive monitoring could be impactful. Sonde is collaborating with distinguished experts in the areas of population health, mental health, disease monitoring and information technology. The company's newly appointed clinical and commercial advisors include:

- Maurizio Fava, M.D., Director of the Division of Clinical Research of the Massachusetts General Hospital (MGH) Research institute, Executive Vice Chair of the MGH Department Psychiatry, Executive Director of the MGH Clinical Trials Network & Institute (CTNI), a Harvard teaching hospital
- Aimee Danielson, Ph.D., Founder and Director of the Women's Mental Health Program at MedStar Georgetown University
- Harry Leider, M.D., MBA, Chief Medical Officer and Group Vice President of Walgreens
- Helen Christensen, Ph.D., Director and Chief Scientist of the Black Dog Institute; Professor of Mental Health at the University of New South Wales
- Ian Gotlib, Ph.D., David Starr Jordan Professor and Chair of the Department of Psychology at Stanford University and Director of the Stanford Mood and Anxiety Disorders Laboratory
- Julien Epps, Ph.D., Associate Professor in Signal Processing with the School of Electrical Engineering and Telecommunications at UNSW Australia and Contributed Principal Researcher with Data61, CSIRO, Australia

The Sync Project, focused on developing music as personalised medicine, seeks to measure how the structural properties of music – like beat, key and timbre – impact biometrics such as heart rate, brain activity and sleep patterns. The platform is designed for medical and health research to potentially accelerate the discovery of the clinical applications of music in a variety of health conditions including sleep disorders, fatigue, Parkinson's disease, stroke recovery, anxiety and pain. In May 2016, The Sync Project announced new advisors who will collaborate with The Sync Project on product strategy and advance The Sync Project's platform. The advisors include:

- Peter Gabriel, six-time Grammy Award-winning British singer-songwriter, musician and humanitarian activist
- Annie Clark (St. Vincent), Grammy-winning American singer-songwriter and multi-instrumentalist
- Jon Hopkins, classically trained British pianist, critically acclaimed recording artist, Ivor Novello-nominated composer of film scores and prominent producer/collaborator
- Esa-Pekka Salonen, Principal Conductor and Artistic Advisor of the Philharmonia Orchestra in London and Conductor Laureate for the Los Angeles Philharmonic, where he was Music Director from 1992 until 2009. He is currently the Marie-Josée Kravis Composer-in-Residence at the New York Philharmonic
- Steve Holtzman, former Executive Vice President of Corporate Development at Biogen Idec. Prior to Biogen Idec he was Chief Business Officer at Millennium Pharmaceuticals and a founding officer of Infinity Pharmaceuticals, Inc.

Also in the area of the central nervous system, Tal Medical is developing an innovative, non-invasive treatment for depression and other psychiatric disorders based on a proprietary low field magnetic stimulation (LFMS) technology. In June 2016, Tal reported top-line data of its LFMS technology in treatment resistant major depressive disorder (MDD). LFMS did not achieve the primary endpoint of statistically significant improvement over sham at 48-hours following first dose. Some non-statistically significant mood improvements were detected compared to sham. This was the first study to evaluate the technology in a clinical trial focused on MDD and also the first to look at the 48-hour time point following the first dose. In two previous randomised, controlled studies focused primarily on bipolar depression, LFMS demonstrated an immediate effect size greater than antidepressant drugs typically achieve in 4-10 weeks. Tal expects several studies, including a dose optimisation study in MDD, to read out by the end of the year. The outcome of these studies will provide a greater understanding of the full potential for Tal's technology.

Karuna, developing muscarinic receptors for the treatment of central nervous system disorders, continues to progress its innovative selective muscarinic (M1/M4) targeting product for the treatment of schizophrenia and psychosis. In July 2016, Karuna announced the appointment of Atul Pande, M.D., to its Board of Directors. Dr. Pande brings to Karuna more than 25 years of experience in the fields of psychiatry and neurosciences and an expertise in drug development.

Post-period Highlights

In July 2016, Akili announced an $11.9 million expansion of its January 2016 Series B financing. Amgen Ventures, the venture arm of Amgen and M Ventures (Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany known as M Ventures in the United States and Canada) joined existing investors to bring the total Series B proceeds to $42.4 million. With the M Ventures and Amgen Ventures investments, Akili now has relationships with four major biopharma companies or their investment affiliates, including its existing partnership with Pfizer, Inc. and an investment from Shire Pharmaceuticals. PureTech invested approximately $25 million in the Series B round (inclusive of the extension in July 2016).

PureTech continues to attract top talent, and on 8 July 2016 PureTech appointed Feng Zhang, Ph.D. to its Scientific Advisory Board. The Company has also appointed Jeff Stevens as Vice President of Growth Strategy & Operations and has expanded its team of senior advisors to include Meghan Fitzgerald, DrPH, Executive Vice President of Corporate Strategy, M&A and Health Policy at Cardinal Health; Atul Pande, M.D., Former Senior Vice President and Head of Neurosciences at GlaxoSmithKline; and Philip J. Larsen, M.D., Ph.D., Global Head of Diabetes Research & Development at Sanofi. (For full details, please see the Interim Management report.)

In August 2016, Vedanta Biosciences was granted two U.S. patents that PureTech believes are critical to its leadership in the microbiome arena. The first patent broadly covers pharmaceutical compositions with Clostridium live bacterial strains and builds on Vedanta Biosciences' patent issuances in Japan. The patent is exclusively licenced worldwide to Vedanta Biosciences under an agreement with the University of Tokyo and provides coverage through at least 2031. The first patent issuance also triggered a milestone payment

of $2 million from Janssen Biotech, Inc. as part of Vedanta Biosciences' ongoing collaboration for a product candidate in inflammatory bowel disease. The second patent broadly covers methods of treating autoimmune disease with mixtures of Clostridium live bacterial strains. In the same month, Vedanta Biosciences also announced a collaboration with the NYU School of Medicine to develop novel microbiome-derived immunotherapies for cancer patients being treated with checkpoint inhibitors. On 6 September, Vedanta Biosciences was granted a third U.S. patent broadly covering treatment of infectious disease and allergic disease.

Summary and Outlook

PureTech has had an excellent first half to the year and enters the second half of 2016 with strong momentum, including having raised $83 million into its growth-stage business units, expanded its team of global experts, making meaningful progress across its pipeline and advanced late-stage candidates toward commercialisation.

With $297.4 million of consolidated cash reserves at 30 June 2016, PureTech is well positioned to progress to significant milestones at its growth stage business units and continue to invest in new and existing early stage pipeline programmes.

Financial review

During the first half of 2016, PureTech has continued to deploy its cash reserves to advance its pipeline by both progressing its late-stage programmes and also identifying future programmes and working to de-risk them.

PureTech progressed research and clinical activities and now has more than 20 clinical trials ongoing. In addition, the Company continues to attract meaningful outside investment. The increased activities have been further supported by financings that have occurred at the growth stage business units in the first half of 2016. Akili, Vedanta Biosciences, Entrega and Follica executed financings that generated funding totalling $83.2 million, with $28.5 million provided from outside investors. This included financings of $50 million for Vedanta Biosciences and $30.5 million for Akili, which are funded in two approximately equal tranches. The amount related to the second tranches totalling $39.4 million for Akili and Vedanta Biosciences will be funded in September 2016 and January 2017, respectively. All second tranche funding is highly likely to occur. Additionally, after period end, Akili completed a financing of $11.9 million, with $8.9 million from outside investors.

Project phase activity has continued to progress at The Sync Project and Sonde. During the first half of 2016, Alivio and Vor were advanced to the project phase indicating that intellectual property has been secured, key scientific founders are on-board, and/or some level of de-risking has been achieved. Each of these business units has appropriate funding to reach anticipated milestones. The Group continues to source new ideas and execute on pipeline opportunities. In addition, PureTech continues to evolve shared functions to support the increased level of activities of the growth stage and project phase business units.

Results of Operations (six months ended 30 June)

	2016 $ millions		2015 $ millions	
Revenue	**$0.2**		$10.9	
Operating loss	**(34.6)**		(11.6)	
Adjusted operating loss	**(28.6)**	(1)	(7.1)	(1)
Loss for the period	**(43.5)**		(18.7)	
Adjusted loss for the period	**$(26.9)**	(2)	$(10.9)	(2)

(1) Stated before the effect of share-based payment of $5.3 million (2015 – $4.3 million), depreciation of $0.6 million (2015 – $0.1 million) and amortisation of $0.1 million (2015 – $0.1 million). These items are non-cash charges. Adjusted operating loss is therefore considered to be more representative of the operating performance of the business.

(2) Stated before the charges discussed in footnote 1 and the IAS 39 fair value accounting charge of $7.1 million (2015 – $1.6 million) and finance cost – subsidiary preferred shares of $3.5 million (2015 - $1.5 million). These items are non-cash charges. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the business.

Revenue

The primary reason for the change in revenue relates to a $10.0 million non-refundable milestone payment Vedanta Biosciences received in the first half of 2015 as part of its collaboration with Janssen Biotech, Inc. to develop and commercialise VE202, a microbiome product candidate with an initial focus on inflammatory bowel disease. This was not expected to be a recurring event in the first half of 2016, however, the Group has opportunities to recognise meaningful revenues by achieving milestones under current agreements as well as potentially from future agreements. After period end, Vedanta Biosciences achieved a milestone under the agreement with Janssen Biotech, Inc., triggering a $2 million payment to Vedanta Biosciences which will be recognised as revenue in 2016.

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

Operating expenses

Operating expenses before the impact of the non-cash items noted in footnote 1 of the Results of Operations Schedule above increased 60% on a half year over half year basis. The Group carried out development activities to progress programmes by initiating new clinical trials and advancing existing clinical studies, adding headcount and expanding their footprint requiring additional space, the result of which was an increase of 125% in research and development expenses.

As discussed above, most of the increase in expenses has been to support the Group's research and development efforts. General and administrative expenses increased at a much more modest 25% compared to the same period last year. The lower growth rate of general and administrative expenses reflects the ability of the Group to leverage the existing infrastructure. By centralising many of the administrative functions, the Group can efficiently support significant growth in the research and development related activities of the business units.

The Directors anticipate that operating expenses, particularly research and development-related, will continue to increase as the Group advances the pipeline and which will include regulatory activities, preparation for commercial launch of later stage programmes, clinical and preclinical studies, intellectual property registration (and likely acquisition for earlier stage programmes) and the cost of acquiring, developing and manufacturing clinical study materials. General and administrative costs, consisting primarily of personnel-related costs and professional fees, are anticipated to grow as well, however at a much lower rate than research and development expenses.

Net finance costs

Net finance costs, before consideration of the items noted in footnote 2 of the Results of Operations Schedule above, changed by $3.0 million to income of $0.7 million in 2016. The expense in 2015 was driven primarily by the conversion of notes payable into equity holdings for certain growth stage business units. In 2016, the Group, as further described in Cash Flows below, has adopted a conservative cash management policy and invested the significant cash reserves generated during 2015 in U.S. Treasuries, which has resulted in meaningful income from interest earned on these securities.

The Group's IAS 39 fair value accounting charge relates to derivative liabilities associated with subsidiary preferred stock conversion rights, convertible notes and warrants. This change is driven by increases in the equity value of the underlying business units. When the Group realises an increase in the value of the business units that is consolidated, a charge will be recognised. The charge related to IAS 39 fair value accounting increased by $5.4 million to $7.1 million in 2016. The half year over half year increase is attributable to the increase in the value of conversion rights embedded in the preferred stock of several growth stage business units as well as an increase in the stock held by outsiders due to issuances of preferred stock containing conversion rights subsequent to 30 June 2015 at Gelesis, Akili and Vedanta Biosciences.

Financial Position

2016 (30 June) $ millions	2015 (31 December) $ millions

Assets		
Total non-current assets	**$45.5**	$8.6
Total current assets	**268.3**	318.2
Total assets	**313.8**	326.8
Non-current liabilities	**2.2**	2.2
Total current liabilities	**185.7**	160.5
Total liabilities	**$187.9**	$162.7

Cash and investments make up a significant portion of the Group's assets. The Group intends to use the more than $295 million raised during 2015 to progress the existing growth stage business units toward meaningful milestone events and to fund pipeline development and infrastructure costs. Amounts that cannot be immediately deployed in these efforts have been used to purchase U.S. Treasuries. The Group's cash reserves, consisting of all cash, cash equivalents and U.S. Treasuries, including those with maturities beyond one year, were $297.4 million at 30 June 2016 (2015 - $313.7 million) and held $218.6 million (2015 - $255.5 million) of cash reserves at the PureTech level to fund activities of the Group, including pipeline development and cash resources to support activities of the business units.

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

- Property and equipment increased by $1.9 million due to leasehold improvements and equipment related to Vedanta Biosciences' new facilities located in Cambridge, Massachusetts.
- Prepaid expenses and other current assets increased $2.0 million primarily as a result of the expected tax refund related to the carry back of Vedanta Biosciences' current year losses and advance funding of clinical trials by Gelesis.
- Current liabilities increased significantly in 2016 primarily as a result of equity financings involving the issuance of liability classified preferred shares by Akili and Vedanta Biosciences to outside investors during the first half of 2016 and the increase in derivative liability associated with all derivatives.

Cash Flows

	2016	2015
	$ millions	$ millions
Net cash outflow from operating activities	**$(28.7)**	$(2.1)
Net cash outflow from investing activities	**$(49.3)**	$(73.0)
Net cash inflow from financing activities (1)	**$14.8**	$234.4

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

As noted above, the Group significantly increased spending primarily on its research and development operations during 2016. This spending was offset by $14.6 million received from outside investors from growth stage business units from financings in the first half of 2016, which are expected to add an additional $13.9 million from outside investors by January 2017. In addition, Akili completed a financing after period end for $11.9 million with $8.9 million from outside investors. The Directors anticipate that the Group's funds will be sufficient to continue to fund infrastructure costs, pipeline development and progress the existing growth stage business units to meaningful milestone events.

The Group's net operating cash outflow funded the payment of operating expenses which are primarily cash based. Offsetting cash inflows were primarily driven by interest earned on U.S. Treasuries.

The net cash inflow from financing activities during 2016 was from $14.6 million of proceeds from outside investors in subsidiary financings.

The Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly-rated, short duration vehicles, primarily U.S. Treasuries with maturities under one year. The Group monitors market conditions to manage any risk to the investment portfolio and investigates opportunities to increase the yield on the amounts invested, while maintaining the Group's liquidity and capital preservation objectives. At 30 June 2016, the Group had $0.2 million of cash reserves held in Euros at a foreign bank. These cash reserves are used to fund the operation of Gelesis' Italian manufacturing and R&D subsidiary. The Directors believe it is prudent to have these cash reserves denominated in Euro to fund operations and maintain some diversification of currency exchange risk.

As indicated in the Annual Report and Accounts for 2015, at the close of each annual financial period, the Directors estimate, and formally approve, the value of all growth-stage businesses in the Group, which is used to derive the Aggregate Value of Growth Stage Business Holdings ("Aggregate Holdings"); therefore, PureTech has not included any update to the value of the Aggregate Holdings as part of this filing.

Principal Risks and Uncertainties

The principal risks and uncertainties surrounding the Group's business are set out in detail in the Risk Management section of the Strategic Report included in the 2015 Annual Report and Accounts. Those risks can be summarised as follows:

Technical Risk: The science and technology being developed or commercialised by 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.

Clinical Trial Risk: Clinical trials and other tests to assess the commercial viability of the product are typically expensive, complex and time consuming and have uncertain outcomes. 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. A critical failure of a clinical trial may result in termination of the programme and a significant decrease in the Group's value.

Regulatory Risk: The pharmaceutical industry is highly regulated. The Group may not obtain regulatory approval for its products. Even if products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects. The failure of one of the Group's products to obtain any required regulatory approval may result in a significant decrease in the Group's value.

Safety Risk: 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, 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.

Reimbursement and Commercial Risk: 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. Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community, or the Group's competitors may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Company. The failure of the Group to obtain reimbursement from third-party payers, as well as competition from other products, may significantly decrease the amount of revenue the Group may receive from product sales. This may result in a significant decrease in the Group's value.

Intellectual Property Risk: The Group may not be able to obtain patent protection for its products or maintain the secrecy of its trade secrets and know-how. 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.

Profitability Risk: The Group expects to continue to incur substantial expenditure in further research and development activities of its businesses. There is no guarantee that the Group will become profitable and, even if it does so, it may be unable to sustain profitability.

Personnel Risk: The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. 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.

A copy of the 2015 Annual Report and Accounts is available on the Company's website at www.puretechhealth.com under "Investors - Reports & Presentations."

Independent review report to PureTech Health plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated statement of loss and other comprehensive loss, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statements of cash flows (together, the "consolidated interim financial statements") and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Charles le Strange Meakin
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

7 September 2016

Condensed Consolidated Statement of Loss and Other Comprehensive Loss

For the six months ended:	Note	30 June 2016 $'000	30 June 2015 (restated, see note 1) $'000
Revenue		243	10,989
Operating expenses:			
General and administrative expenses		(19,492)	(15,890)
Research and development expenses		(15,313)	(6,705)
Operating loss		**(34,562)**	**(11,606)**
Other (expense)/income		(9)	69
Finance cost:			
Finance income		778	609
Finance costs – subsidiary preferred shares		(3,529)	(1,491)
Finance costs – contractual		(39)	(2,871)
Finance costs – IAS 39 fair value accounting		(7,102)	(1,676)
Net finance costs	5	(9,892)	(5,429)
Loss before taxes		**(44,463)**	**(16,966)**
Loss before taxes pre IAS 39 fair value accounting, finance costs – subsidiary preferred shares, share based payment expense, depreciation of tangible assets and amortisation of intangible assets		**(27,862)**	**(9,180)**
Finance costs – IAS 39 fair value accounting		(7,102)	(1,676)
Finance costs – subsidiary preferred shares		(3,529)	(1,491)
Share based payment expense		(5,270)	(4,336)
Depreciation of tangible assets		(551)	(144)
Amortisation of intangible assets		(149)	(139)
Loss before taxes		**(44,463)**	**(16,966)**
Income taxes	6	924	(1,759)
Loss for the period		**(43,539)**	**(18,725)**
Other comprehensive loss:			
Items that are or may be re-classified as profit or loss			
Unrealised gain on available for sale investments		93	-
Foreign currency translation differences		21	(268)
Total other comprehensive loss		114	(268)
Taxes		-	-
Other comprehensive income/(loss), net of tax		114	(268)
Total comprehensive loss for the period		(43,425)	(18,993)
Loss attributable to:			
Owners of the Company		(30,004)	(9,905)
Non-controlling interests	11	(13,535)	(8,820)
		(43,539)	(18,725)
Comprehensive loss attributable to:			
Owners of the Company		(29,890)	(10,173)
Non-controlling interest	11	(13,535)	(8,820)
		(43,425)	(18,993)
Loss per share			
Basic loss per share	3	(0.13)	(0.07)
Diluted loss per share	3	(0.13)	(0.07)

Condensed Consolidated Statement of Financial Position

As of the period ended:	Note	30 June 2016	31 December 2015
		$'000	$'000
Assets			
Non-current assets			
Property and equipment, net	7	6,378	4,519
Long-term investments		35,129	-
Available for sale investments		195	106
Intangible assets, net		3,722	3,871
Other non-current assets		76	57
Total non-current assets		45,500	8,553
Current assets			
Trade and other receivables		125	706
Prepaid expenses and other current assets		4,996	2,964
Other financial assets		845	826
Short-term investments		190,765	178,955
Cash and cash equivalents		71,528	134,751
Total current assets		268,259	318,202
Total assets		**313,759**	**326,755**
Equity and liabilities			
Equity			
Share capital		4,576	4,523
Share premium		181,691	181,744
Merger reserve		138,506	138,506
Translation reserve		(72)	(93)
Other reserve		18,226	12,863
Accumulated deficit		(141,524)	(111,420)
Equity attributable to owners of the Company	8	201,403	226,123
Non-controlling interests	11	(75,605)	(62,070)
Total equity		**125,798**	**164,053**
Non-current liabilities			
Deferred revenue		255	291
Other long-term liabilities		1,955	1,887
Total non-current liabilities		2,210	2,178
Current liabilities			
Deferred revenue		2,353	2,458
Trade and other payables		7,073	7,223
Other current liabilities		556	622
Subsidiary:			
Notes payable	9	5,420	4,955
Derivative liability	12	70,975	65,501
Warrant liability	12	15,680	14,263
Preferred shares	10	83,694	65,502
Total current liabilities		185,751	160,524
Total liabilities		**187,961**	**162,702**
Total equity and liabilities		**313,759**	**326,755**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Share Capital									
	Shares	Amount	Share Premium	Merger reserve	Translation reserve	Other reserve	Accumulated deficit	Total Parent equity	Non-controlling interests (see Note 11)	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015	**118,098,967**	**2,362**	**-**	**86,755**	**169**	**3,139**	**(70,421)**	**22,004**	**(45,317)**	**(23,313)**
Net loss	-	-	-	-	-	-	(9,905)	(9,905)	(8,820)	(18,725)
Foreign currency exchange	-	-	-	-	(268)	-	-	(268)	-	(268)
Total comprehensive loss for the period	-	-	-	-	(268)	-	(9,905)	(10,173)	(8,820)	(18,993)
Issuance of shares	24,006,500	480	-	51,751	-	-	-	52,231	-	52,231
Issuance of IPO Shares (net of issuance costs of $11.8M)	67,599,621	1,352	157,918	-	-	-	-	159,270	-	159,270
New funds into non-controlling interests	-	-	-	-	-	-	-	-	8,661	8,661
Loss arising from change in NCI	-	-	-	-	-	-	(889)	(889)	889	-
Issuance of shares as equity incentives	1,248,017	25	(25)	-	-	-	-	-	-	-
Conversion of convertible notes	-	-	-	-	-	-	88	88	-	88
Dividends	-	-	-	-	-	-	(42)	(42)	-	(42)
Equity-settled share-based payments	-	-	-	-	-	4,336	-	4,336	-	4,336
Balance at 30 June 2015 (restated, see note 1)	**210,953,105**	**4,219**	**157,893**	**138,506**	**(99)**	**7,475**	**(81,169)**	**226,825**	**(44,587)**	**182,238**
Balance at 1 January 2015	**118,098,967**	**2,362**	**-**	**86,755**	**169**	**3,139**	**(70,421)**	**22,004**	**(45,317)**	**(23,313)**
Net loss	-	-	-	-	-	-	(39,393)	(39,393)	(18,851)	(58,244)
Unrealised gain	-	-	-	-	-	24	-	24	-	24
Foreign currency exchange	-	-	-	-	(262)	-	-	(262)	-	(262)
Total comprehensive loss for the period	-	-	-	-	(262)	24	(39,393)	(39,631)	(18,851)	(58,482)
Issuance of shares	24,006,500	480	-	51,751	-	-	-	52,231	-	52,231
Issuance of IPO Shares (net of issuance costs of $11.8M)	67,599,621	1,352	157,923	-	-	-	-	159,275	-	159,275
Issuance of Overallotment shares (net of issuance costs of $772,000)	10,139,943	202	23,948	-	-	-	-	24,150	-	24,150
Gain arising from change in NCI	-	-	-	-	-	-	(1,727)	(1,727)	694	(1,033)
Issuance of shares as equity incentives	6,328,720	127	(127)	-	-	-	-	-	-	-
Conversion of convertible notes	-	-	-	-	-	-	88	88	-	88
Subsidiary distributions to members	-	-	-	-	-	9	33	42	-	42
Equity-settled share-based payments	-	-	-	-	-	9,691	-	9,691	1,404	11,095
Balance at 31 December 2015	**226,173,751**	**4,523**	**181,744**	**138,506**	**(93)**	**12,863**	**(111,420)**	**226,123**	**(62,070)**	**164,053**
Net loss	-	-	-	-	-	-	(30,004)	(30,004)	(13,535)	(43,539)
Unrealised gain	-	-	-	-	-	93	-	93	-	93
Foreign currency exchange	-	-	-	-	21	-	-	21	-	21
Total comprehensive loss for the period	-	-	-	-	21	93	(30,004)	(29,890)	(13,535)	(43,425)
Subsidiary distributions to members	-	-	-	-	-	-	(100)	(100)	-	(100)
Issuance of shares as equity incentives	3,668,196	53	(53)	-	-	-	-	-	-	-
Equity-settled share-based payments	-	-	-	-	-	5,270	-	5,270	-	5,270
Balance at 30 June 2016	**229,841,947**	**4,576**	**181,691**	**138,506**	**(72)**	**18,226**	**(141,524)**	**201,403**	**(75,605)**	**125,798**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

For the six months ended:	Note	30 June 2016	30 June 2015 (restated, see note 1)
		$'000	$'000
Cash flows from operating activities:			
Net operating loss		(43,539)	(18,725)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation		700	283
Equity-settled share-based payment expense	4	5,270	4,336
(Gain)/loss on foreign currency transactions		-	(291)
Finance costs	5	10,740	5,360
Changes in operating assets and liabilities:			
Accounts receivable, net		587	570
Other financial assets		-	(9)
Prepaid expenses and other current assets		(2,046)	(155)
Deferred revenues		(148)	(639)
Other long-term liabilities		66	464
Accounts payable and accrued expenses		(317)	6,752
Net cash used in operating activities		**(28,687)**	**(2,054)**
Cash flows from investing activities:			
Purchase of property and equipment		(2,394)	(2,247)
Purchases of intangible assets		-	(1,155)
Proceeds from sale of available-for-sale investments		-	-
Purchase of short-term investments		(202,618)	(100,895)
Proceeds from maturity of short-term investments		155,682	31,253
Net cash provided (used in)/by investing activities		**(49,330)**	**(73,044)**
Cash flows from financing activities:			
Proceeds from issuance of subsidiary convertible notes		250	200
Repayments of long-term debt		-	(307)
Proceeds from the issuance of shares, net of issuance costs	8	-	211,501
Proceeds from issuance of subsidiary loans		272	-
Proceeds from issuance of share capital and warrants in subsidiaries	10	14,357	24,271
Subsidiary deferred initial public offering costs		-	(1,236)
Subsidiary distributions to members		(100)	(42)
Net cash provided by financing activities		**14,779**	**234,387**
Effect of exchange rates on cash and cash equivalents		15	54
Net increase in cash and cash equivalents		(63,223)	159,343
Cash and cash equivalents at beginning of period		134,751	61,960
Cash and cash equivalents at end of period		71,528	221,303

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

a.) Reporting entity

PureTech is comprised of PureTech Health plc (the “Parent” or the “Company”) and its subsidiaries (together, the “Group"). The Company’s ordinary shares are admitted to the premium listing segment of the Official List of the U.K. Listing Authority and are traded on the Main Market of the London Stock Exchange. PureTech is a cross-disciplinary biotech company focused on areas of growing scientific and technical insights that it believes are at an important inflection point, including the immune, gastro-intestinal and central nervous systems and the interactions and signalling between them. PureTech has more than 20 clinical studies across its pipeline targeting multi-billion dollar market opportunities, including five human proof-of-concept studies and multiple pivotal or registration study readouts expected in the next two years. While inevitably some technologies will not advance to commercialisation, PureTech’s approach mitigates risk as most of the cash resides on a PureTech parent company level, allowing PureTech to build value and divert cash to its most successful programmes as milestones are achieved. PureTech has over 220 patents and patent applications. PureTech's leading team and board, along with an advisory network of more than 70 expert founder-scientists and advisors across multiple disciplines, gives PureTech access to potentially ground-breaking science and technological innovation. With healthcare undergoing major transformation, PureTech believes it is well positioned to develop and launch medicines for the 21st century. The Group provides a combination of experienced management and administrative support to its businesses in which it typically holds a significant ownership interest. Cash contributed by PureTech Health plc to its subsidiaries is used to fund research, development, regulatory and commercialisation preparation activities and to support administration and operations.

The Group seeks third party validation of its operating businesses and concept-phase initiatives through strategic collaboration, industry partnerships and grants. Use of partnerships, grants and external debt and equity investments in its operating companies enables the Group to distribute development and financial risk, while preserving its significant equity ownership and control of operating companies.

b.) Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial information included in the annual report and accounts as at and for the year ended 31 December 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial information of the subsidiaries is prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (‘‘NCI’’) are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. If there is an obligation to deliver cash or other assets, the investment is classified as subsidiary preferred shares. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

This financial information presented in these half-yearly results has been prepared under the historical cost convention. The reporting currency adopted by the Company is U.S. dollar (‘$’) as this is the functional currency of the majority of the entities in the group. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Company has prepared trading and cash flow forecasts for the Group covering the period to 31 December 2017. After making enquiries and considering the impact of risks and opportunities on

expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the half-yearly results.

The financial information contained in this half-yearly report does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The condensed consolidated financial statements are not audited and the results for the six months ended 30 June 2016 are not necessarily indicative of results for future operating periods.

These interim financial statements are unaudited and were approved by the Board of Directors and authorised for issue on 7 September 2016.

c.) Use of judgments and estimates

In preparing this consolidated financial information, management has made judgments, 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 those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Significant estimates are made by the Group when determining the appropriate methodology for valuing the subsidiary businesses for disclosure purposes and then in deriving the estimated fair value including making certain estimates of the future earnings potential of the businesses and determining the appropriate discount rate. Significant judgment is applied in determining the valuation of share-based payments, derivative instruments and warrants and in determining the value and point of capitalisation of intangible assets. Significant judgment is also applied in determining where control over subsidiaries exists. Information about these critical judgments and estimates is included in the following notes.

d.) Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its consolidated financial information in its 2015 Annual Report and Accounts. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

e.) Prior year restatement

The Company has a number of debt host contracts, in the form of subsidiary preferred shares, in issue with embedded derivatives. Management should have recorded accretion using the effective interest rate method on these debt host contracts for the six-month period ended 30 June 2015 resulting in finance costs – subsidiary preferred shares and subsidiary preferred shares being understated by $1.5 million. The impact of this restatement is a $1.5 million decrease in net assets at 30 June 2015 and a corresponding increase in the loss for the period then ended. The impact of the restatement on the cash flow statement is an increase in the loss after tax and an equal increase in the finance cost non-cash adjustment to reconcile net loss to net cash used in operations of $1.5 million. There is no net effect on the net cash used in operating activities.

2. Segment information

2.1 Basis for segmentation

The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of two operating segments. Each operating segment is considered a distinct unit by the Directors. The Group's operating segments, which are also reportable segments, are outlined below. Substantially all of the revenue and profit generating activities of the Group are generated within the U.S. and accordingly, no geographical disclosures are provided.

2.1.1 **Growth stage operating business units** - subsidiaries in this segment are those whose activities focus on actively developing products that have been de-risked through various mechanisms

(including for example clinical studies or outside partnerships) to solve major healthcare problems in varied markets.

2.1.2 **Project phase business units**– subsidiaries in this segment are those whose activities are focused on sourcing, creating and financing new technologies that are in the process of validation.

2.2 Information about reportable segments

	30 June 2016			
	Growth stage business units $'000	Project phase business units $'000	Parent company & other $'000	Consolidated $'000
Consolidated Statement of Loss and Other Comprehensive Loss				
Revenue	43	200	-	243
Loss from continuing operations, before taxes	(31,679)	(2,560)	(9,300)	(43,539)
Consolidated Statement of Financial Position				
Total assets	92,367	5,164	216,228	313,759
Total liabilities	(195,392)	(9,778)	17,209	(187,961)
Net (liabilities)/assets	(103,025)	(4,614)	233,437	125,798

	31 December 2015			
	Growth stage business units $'000	Project phase business units $'000	Parent company & other $'000	Consolidated $'000
Consolidated Statement of Financial Position				
Total assets	68,350	1,509	256,896	326,755
Total liabilities	(168,224)	(2,969)	8,491	(162,702)
Net (liabilities)/assets	(99,874)	(1,460)	265,387	164,053

	30 June 2015 (restated, see note 1)			
	Growth stage business units $'000	Project phase business units $'000	Parent company & other $'000	Consolidated $'000
Consolidated Statement of Loss and Other Comprehensive Loss				
Revenue	10,082	907	-	10,989
Loss from continuing operations, before taxes	(6,605)	(218)	(8,652)	(15,475)
Consolidated Statement of Financial Position				
Total assets	47,936	5,546	250,010	303,492
Total liabilities	(119,579)	(6,448)	4,773	(121,254)
Net (liabilities)/assets	(71,643)	(902)	254,783	182,238

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

3. Earnings per share

The calculation of basic and diluted earnings per share has been calculated by dividing the loss for the period attributable to ordinary shareholders of $30.0 million (HY15: $9.9m), by the weighted average number of ordinary shares outstanding of 227,613,040 (HY15: 146,105,740) during the six-month period ended 30 June 2016:

Loss attributable to ordinary shareholders:

For the six months ended:	30 June 2016		30 June 2015 (restated, see note 1)	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Loss for the period, attributable to the owners of the Company	(30,004)	(30,004)	(9,905)	(9,905)

Loss attributable to ordinary shareholders	(30,315)	(30,315)	(9,905)	(9,905)

Weighted average number of ordinary shares:

For the six months ended:	30 June 2016		30 June 2015	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	226,173,751	226,173,751	118,098,967	118,098,967
Effect of shares issued	1,439,289	1,439,289	28,006,773	28,006,773
Weighted average ordinary shares	227,613,040	227,613,040	146,105,740	146,105,740

The following potentially dilutive securities (which are ordinary shares issued pursuant to the PureTech LLC Incentive Compensation arrangements detailed in note 4) have been excluded (on a weighted average basis for the period) from the computation of diluted weighted-average shares outstanding as they are subject to vesting conditions:

	30 June 2016	30 June 2015
Weighted average unvested equity incentive shares	9,856,954	13,316,511

Loss per share:

For the six months ended:	30 June 2016		30 June 2015 (restated, see note 1)	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.13)	(0.13)	(0.07)	(0.07)

4. Share-based payments

The share-based payments expense for the period was $5.3 million (HY15: $4.3 million) comprising charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary plans, as disclosed in the annual report and accounts.

The Performance Share Plan ("PSP")

In June 2015, the Company adopted the PSP. Under the PSP, awards over ordinary shares may be made to the Directors, senior managers and employees of, and other individuals providing services to the Company and its operating companies up to a maximum authorised amount of 22,724,800 ordinary shares. The awards made under the PSP have various vesting terms over a period of service between two and four years, provided the recipient remains continuously engaged as a service provider.

In May 2016, the Company issued 2,592,863 restricted share units ("RSUs") under the PSP. Each RSU entitles the holder to one ordinary share on vesting. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions. The performance conditions attaching to the RSUs are based on the achievement of Total Shareholder Return ("TSR") targets (50 per cent. of the awards), Net Asset Value growth targets (25 per cent. of the awards) and targets based on strategic measures (25 per cent. of the awards), measured over the three-year period to 31 December 2018, as further described in the Directors' Remuneration Report of PureTech's 2015 Annual Report and Accounts.

The share grants vest as follows:

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

As of 30 June 2016, the Company issued awards for 3,504,353 shares under this plan.

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

For the six months ended:	30 June 2016	30 June 2015
Expected volatility	29.7%	30.6%
Expected term (in years)	5.9	5.9
Risk-free interest rate	1.52%	1.78%
Expected dividend yield	0%	0%
Grant date fair value	$0.58	$0.75
Share price at grant date	$1.85	$2.28

The Company recorded an expense of $254,000 and nil for the six months ended 30 June 2016 and 30 June 2015 related to PSP awards.

PureTech LLC Incentive Compensation

In May 2015 and August 2014, PureTech LLC's Directors approved the issuance of shares to management, the directors and advisors of PureTech LLC, subject to vesting restrictions. For the six months ended 30 June 2016 and 30 June 2015, there were nil and 18,007,537 shares granted, respectively, of which 7,628,047 shares remain unvested as at 30 June 2016. The fair value of the shares awarded was estimated as of the date of grant. The Company recorded an expense of $1.5 million and $2.7 million for the six months ended 30 June 2016 and 30 June 2015 related to PureTech LLC incentive compensation.

Subsidiaries plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of unaudited stock option activity in these subsidiaries for the six months ended 30 June 2016 and 2015, respectively, is presented in the following table:

	Gelesis	Akili	Karuna	Tal	Vedanta Biosciences	Knode	Entrega	Follica	The Sync Project	Commense
Outstanding as of 1 January 2015	1,603,180	638,000	541,927	1,229,800	550,000	154,480	662,500	-	-	-
Granted during the year	122,685	263,746	27,500	396,136	177,500	-	422,500	396,655	850,000	212,500
Exercised during the year	(15,500)	-	-	-	-	(1,875)	-	-	-	-
Forfeited during the year	-	-	-	-	-	(3,125)	-	-	-	-
Outstanding as of 31 December 2015	1,710,365	901,746	569,427	1,625,936	727,500	149,480	1,085,000	396,655	850,000	212,500
Granted during the period	-	503,177	41,250	8,870	110,000	-	7,500	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-	-
Outstanding as of 30 June 2016	1,710,365	1,404,923	610,677	1,634,806	837,500	149,480	1,092,500	396,655	850,000	212,500

	Gelesis	Akili	Karuna	Tal	Vedanta Biosciences	Knode	Entrega
Outstanding as of 31 December 2014	1,603,180	638,000	541,927	1,229,800	550,000	194,063	662,500
Granted during the period	97,700	-	-	232,500	-	-	-
Exercised during the year	-	-	-	-	-	-	-
Forfeited during the year	-	-	(45,000)	-	-	-	-
Outstanding as of 30 June 2015	1,700,880	638,000	496,927	1,462,300	550,000	194,063	662,500

Gelesis fair value measurements

The fair value of the stock options awarded under the Gelesis 2006 Stock Incentive Plan (the "Gelesis Plan") was estimated at the grant date using the Black-Scholes option valuation model, taking into account the terms and conditions upon which options are granted, with the following weighted-average assumptions:

For the six months ended:	30 June 2016	30 June 2015
Expected volatility	n/a	72.4%
Expected term (in years)	n/a	8.3
Risk-free interest rate	n/a	2.2%
Expected dividend yield	n/a	0%
Weighted average share price at grant date	n/a	$9.76
Weighted average exercise price	n/a	$7.13

No stock options were granted during the six months ended 30 June 2016.

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.

The Company recorded stock compensation expense related to the Gelesis Plan of $0.7 million and $1.6 million for the six months ended 30 June 2016 and 30 June 2015.

Share-based payment expense

The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the condensed consolidated statement of loss and other comprehensive loss (in thousands):

	Six months ended 30 June 2016 $'000	Six months ended 30 June 2015 $'000
General and administrative	4,606	4,044
Research and development	705	292
Total	**5,311**	**4,336**

There was no income tax benefit recognised for share-based payment arrangements during the periods present due to existence of operating losses for all issuing entities.

5. Financial costs

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

For the six months ended:	30 June 2016 $'000	30 June 2015 (restated, see note 1) $'000
Finance income		
Interest income on bank deposits	778	609
Total finance income	778	609
Finance costs		
Interest expense on other borrowings	109	392
Other (income)/expenses and fees	(70)	319
Non-cash interest expense on convertible notes	-	361
Loss on extinguishment of subsidiary notes payable	-	1,799
Total finance costs contractual	39	2,871
Subsidiary preferred shares	3,529	1,491
Loss from change in fair value of warrant liability	1,417	413
Loss on fair value measurement of derivative liability	5,685	1,263
Total finance costs	10,670	6,038
Finance costs, net	9,892	5,360

During the six months ended 30 June 2015, Gelesis recognised a loss on extinguishment of $1.8 million upon the conversion of outstanding convertible notes into preferred shares in conjunction with its March 2015 private financing. Refer to note 12 for further details of warrant and derivative mark to market charge.

6. Tax expense

Tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2016 was (35)% (six months ended 30 June 2015: 10%). The change in effective tax rate was caused mainly by Vedanta Biosciences generating a loss for the six months ended 30 June 2016 which can be carried back to offset taxable income in prior years resulting in a year to date current tax benefit of $1.1 million, offset by $149,000 of tax expense related to investment income.

7. Property and equipment

During the six months ended 30 June 2016, Vedanta Biosciences occupied new lab, manufacturing and office space in Cambridge, Massachusetts. The Company capitalised leasehold improvements and equipment in the amount of $1.8 million associated with the build out of the space which represents the majority of the $1.8 million increase in property and equipment from 31 December 2015 to 30 June 2016.

8. Equity

Movements below explain the movements in share capital:

Equity	Note	30 June 2016 $'000	31 December 2015 $'000
Share capital, £0.01 par value, issued and fully paid 237,469,995 and 226,173,751 as of 30 June 2016 and 31 December 2015, respectively		4,576	4,523
Share premium		181,691	181,744
Merger reserve		138,506	138,506
Translation reserve		(72)	(93)
Other reserves		18,226	12,863
Accumulated deficit		(141,524)	(111,420)
Equity attributable to owners of the Group		201,403	226,123
Non-controlling interests	11	(75,605)	(62,070)
Total equity		125,798	164,053

At 30 June 2016 outstanding ordinary shares were 229,841,947 and exclude 7,628,047 unvested ordinary shares issued pursuant to PureTech LLC Incentive Compensation arrangements detailed in note 4.

9. Notes payable

In conjunction with its March 2015 private financing, Gelesis converted $3.9 million of convertible notes plus accrued interest into preferred shares. During the same month, Tal, also in conjunction with its private financing, converted $0.5 million of convertible notes plus accrued interest into preferred shares. These conversions resulted in the recognition of $0.9 million of related derivatives. Vedanta Biosciences repaid $0.3 million of convertible notes payable on 31 May 2015.

In March 2016, Follica issued convertible notes of $250,000. During 2016, Gelesis received additional advances under its grant and loan agreement with an Italian economic development agency totalling €243,000 ($272,000). In conjunction with its June 2016 private financing, Vedanta Biosciences converted $75,000 of notes payable plus accrued interest into preferred shares. The increase in the notes payable balance from 31 December 2015 to 30 June 2016 is primarily driven by these transactions.

10. Subsidiary preferred shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a liability in accordance with IAS 39 as the subsidiaries have a contractual obligation to deliver: 1.)

cash or other assets to the holders under certain future events; and/or 2.) a requirement to deliver an uncertain number of common shares upon conversion. The preferred shares do not contain mandatory dividend rights. The preferred shares are convertible into common stock of the subsidiary at the option of the holder and mandatorily convertible into common stock of the subsidiary upon a subsidiary listing on a public market at a price above those specified in the agreements or upon the vote of the holders of a majority of the subsidiary preferred shares. The conversion feature has been accounted for as a derivative liability at fair value with the residual proceeds allocated to the subsidiary preferred share at issuance. The preferred shares are entitled to a vote with holders of common stock on an as converted basis. The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a sale of the respective subsidiary.

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

The following summarises the subsidiary preferred share balance:

	30 June 2016	31 December 2015
	$'000	$'000
Akili	7,181	2,625
Follica	121	94
Gelesis	55,181	52,640
Tal	10,342	10,143
Vedanta Biosciences	10,869	-
Subsidiary preferred shares	**83,694**	**65,502**

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

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

	30 June 2016	31 December 2015
	$'000	$'000
Akili	9,072	4,613
Follica	2,020	2,020
Gelesis	60,490	60,490
Karuna	413	413
Tal	11,430	11,430
Vedanta Biosciences	15,447	-
Total	**98,872**	**78,966**

As of 31 December 2014, the Group determined that the balance of the subsidiary preferred shares classified as a current liability was appropriately stated at the issuance amounts, given the high degree of uncertainty associated with the ultimate conversion of the shares to common stock. However, during 2015 the Group determined that the uncertainty related to conversion to common stock had been reduced as funding was obtained from the IPO and other sources and the businesses had progressed toward significant milestone events. As such, the Group has begun to accrete the subsidiary preferred shares liability up to the minimum liquidation preference amount based on the estimated date of conversion to common stock.

For the six months ended 30 June 2016, the Group recognised the following changes in subsidiary preferred shares:

In January 2016, Akili closed a $36.1 million private equity financing of which PureTech invested $23.4 million. Of those amounts, $11.5 million and $4.5 million were funded in January 2016 by PureTech and outside investors, respectively. The balance of the financing will be funded in September 2016.

In June 2016, Vedanta Biosciences closed a $49.8 million private equity financing of which PureTech invested $30.0 million. Of those amounts, $15.0 million and $9.9 million were funded in June 2016 by PureTech and outside investors, respectively. The balance of the financing will be funded in January 2017. Also, in conjunction with this transaction, preferred shares were issued upon conversion of $426,000 of outstanding convertible notes, of which PureTech held $351,000.

11. Non-controlling interest

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

	Growth stage business units	Project phase business units	Parent company & other	Consolidated
	$'000	$'000	$'000	$'000
Non-controlling interest as of 31 December 2015	**(62,054)**	**(16)**	**-**	**(62,070)**
Share of comprehensive loss	(13,265)	(270)	-	(13,535)
Non-controlling interest as of 30 June 2016	**(75,319)**	**(286)**	**-**	**(75,605)**

12. Financial instruments

All of the Group's financial assets and liabilities, with the exception of the derivative and warrant liabilities, are measured at amortised cost. The derivative and warrant liabilities are carried at fair value with changes recognised in through finance costs, net in the consolidated statement of loss and other comprehensive loss.

A summary of the changes in the Group's embedded derivative liabilities and warrant liabilities measured at fair value using significant unobservable inputs (Level 3) as of and for the year ended 31 December 2015 and the six months ended 30 June 2016 is as follows:

	Derivative liability - preferred stock conversion	Derivative liability - convertible notes	Warrant liability
	$'000	$'000	$'000
Balance as of 31 December 2014	51,721	1,073	14,125
Value of derivatives at issuance	6,031	206	-
Change in fair value	7,412	26	138
Settlement of derivatives	-	(968)	-
Balance as of 31 December 2015	65,164	337	14,263
Value of derivatives at issuance	91	50	-
Change in fair value	5,301	32	1,417
Settlement of derivatives	-	-	-
Balance as of 30 June 2016	70,556	419	15,680

The change in the fair value of derivatives and warrants is recorded in finance costs, net in the consolidated statement of loss and other comprehensive loss.

At each measurement date, the fair value of the conversion rights embedded in the preferred shares was determined using with and without framework which consisted of a three-step process. First, the value of each company within the Group was determined using a discounted cash flow model, guideline transaction method, or through a recent arm's length financing round. Second, the value of the subject preferred shares was determined using either an option pricing allocation model or a probability weighted expected return model, where the conversion rights of the preferred shareholders were included and then excluded. Third, the fair value of conversion rights was calculated as the difference of value between the concluded values of preferred shares with and without the conversion rights.

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

Option Pricing Model Inputs

	Range of Values		
Measurement Date	**Expiration Date**	**Volatility**	**Risk-Free Rate**
4/30/2011	1 year	70.0%	0.22%
12/31/2011	1 year	71.0%	0.12%
6/30/2012	1 year	70.0%	0.21%
12/31/2012	0.75 - 5.0 years	0.67% - 0.85%	0.12% - 0.72%
12/31/2013	5 years	75.0%	1.75%
2/28/2014	3.5 years	60.0%	0.94%
3/31/2014	5 years	75.0%	1.73%
12/31/2014	2.0 - 5.0 years	60.0%	0.67% - 1.65%
6/30/2015	1.5 – 4.5 years	35.0% - 65.0%	0.48% - 1.53%
12/31/2015	1.5 – 4.0 years	35.0% - 60.0%	0.86% - 1.54%
6/30/2016	1.0 – 3.5 years	35.0% - 60.0%	0.45% - 1.53%

Probability Weighted Expected Return Method Inputs

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO / M&A / Dissolution Sale
8/1/2013	1.25 - 1.34 years	30.0% / 55.0% / 15.0%
12/31/2013	1.25 years	30.0% / 55.0% / 15.0%
3/31/2014	1.0 year	40.0% / 45.0% / 15.0%
12/31/2014	0.33 years	70.0% / 25.0% / 5.0%
6/30/2015	0.38 – 0.50 years	70.0% / 30.0% / 0.0%
12/31/2015	1.33 years	70.0% / 30.0% / 0.0%
6/30/2016	1.25 years	40.0% / 60.0% / 0.0%

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

Significant Unobservable Inputs	**At Issuance**	**12/31/2014**	**6/30/2015**	**12/31/2015**
Time to next qualified equity financing	1.00 - 2.03 years	0.16 - 0.25 years	1.00 – 1.50 years	0.5 - 1.0 years
Implied discount rate	11.3% - 2,459.0%	18.3% - 34.8%	13.3% - 29.8%	11.0% - 31.7%
Probabilities of a qualified financing	50% / 50% - 100% / 0%	50% / 50% - 90% / 10%	50% - 75%	45% - 75%

The following weighted average assumptions were used to determine the fair value of the warrants at 30 June 2016:

	Series A-1 Warrants	**Series A-3 Warrants**	**Series A-4 (contingent) Warrants**
Expected term	4.80 years	6.00 years	7.10 years
Expected volatility	57.0%	60.0%	65.0%
Expected dividend yield	—	—	—
Risk free interest rate	1.01%	1.15%	1.29%
Estimated fair value of the convertible preferred stock	$12.72	$12.72	$12.72
Exercise price of warrants	$4.44	$0.04	$0.04

The fair value of these embedded derivative liabilities may differ significantly in the future from the carrying value as of 30 June 2015, and, accordingly, adjustments may be recorded in the consolidated statement of loss and other comprehensive loss at that time.

13. Related party transactions

13.1 Transactions with key management personnel

13.1.1 Key management personnel compensation

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

For the six months ended:	30 June 2016 $ 000	30 June 2015 $ 000
Short-term employee benefits	2,506	1,342
Share-based payments	944	666
Total	**3,450**	**2,008**

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

13.1.2 Directors' and Senior Managers' shareholdings and share incentive awards

The Directors and senior managers hold beneficial interests in shares in the following operating companies and sourcing companies as at 30 June 2016:

	Company name (share class)	Number of shares held as at 30 June 2016	Number of options held as at 30 June 2016	Ownership interest[(1)]
Directors				
Mr. Joichi Ito	Akili (Series A-2 preferred)	26,627	—	0.2%
Ms. Daphne Zohar[(2)]	Gelesis (common)	34,444	618,734	5.2%
Dame Marjorie Scardino	—	—	—	—
Dr. Bennett Shapiro[(4)]	Akili (Series A-2 preferred)[(3)]	33,088	—	0.2%
	Gelesis (common)	24,010	10,841	0.5%
	Gelesis (Series A-1 preferred)[(5)]	23,419	—	0.5%
	Tal (Series A-2 preferred)[(3)]	14,451	—	0.1%
	Vedanta Biosciences (common)	—	25,000	0.5%
Dr. Robert Langer	Entrega (common)	—	250,000	5.0%
Dr. Raju Kucherlapati	Enlight (Class B common)	30,000	—	3.0%
Dr. John LaMattina[(4)]	Akili (Series A-2 preferred)	37,372	—	0.2%
	Gelesis (common)[(4)]	54,120	63,052	1.3%
	Gelesis (Series A-1 preferred)[(4)(5)]	49,524	—	1.3%
	Tal (Series A-2 preferred)	114,411	—	1.2%
	Vedanta Biosciences (common)	—	25,000	0.3%
Mr. Christopher Viehbacher	—	—	—	—
Mr. Stephen Muniz	—	—	—	—
Senior Managers				
Dr. Eric Elenko	—	—	—	—
Mr. David Steinberg	—	—	—	—
Mr. Michael MacLean	—	—	—	—

Notes:

(1) Ownership interests are as at 30 June 2016 calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity

incentive plans, and any shares of common stock issuable upon conversion of outstanding convertible promissory notes. Unallocated shares authorised to be issued pursuant to equity incentive plans are further discussed in the Group's Prospectus.

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

(3) Shares held though Dr. Bennett M. Shapiro and Ms. Fredericka F. Shapiro, JTWROS. 174,621 shares of common stock and 174,621 shares of Series A-1 preferred stock in Gelesis held by Dr. John and Ms. Mary LaMattina. 12,642 shares in Gelesis held individually by Dr. LaMattina.

(4) In addition, Dr. John LaMattina holds convertible notes issued by Appeering in the aggregate principal amount of $50,000. For further details refer to the Group's 2015 Annual Report and Accounts.

(5) The Gelesis Series A-1 preferred stock coverts to common stock at a ratio of 3.526 shares of Series A-1 preferred stock to one share of common stock.

Directors and senior managers hold 32,979,173 shares and 14% voting rights of the Company as of 30 June 2016.

14. Subsequent events

In July 2016, Akili closed an additional tranche of Series B financing of $6.2 million of which PureTech invested $1.6 million.

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

a.) the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
b.) the interim management report includes a fair review of the information required by the FCA's Disclosure Guidance and Transparency Rules (4.2.7 R and 4.2.8 R)

By order of the Board

Joichi Ito	Daphne Zohar
Chairman	Chief Executive Officer

7 September 2016

Further information for shareholders:

Company Registration Number
9582467

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

Website
http://www.puretechhealth.com

Board of Directors
Mr. Joichi Ito (Non-Executive Chairman)
Ms. Daphne Zohar (Chief Executive Officer)
Dame Marjorie Scardino (Senior Independent Director)
Dr. Bennett Shapiro (Non-Executive Director)
Dr. Robert Langer (Non-Executive Director)
Dr. Raju Kucherlapati (Independent Non-Executive Director)
Dr. John LaMattina (Independent Non-Executive Director)
Mr. Christopher Viehbacher (Independent Non-Executive Director)
Mr. Stephen Muniz (Executive Vice President, Legal, Finance and Operations)

Company Secretary
Mr. Stephen Muniz