30 August 2017

PureTech Health plc - Half-Year Report

Advancing a rich pipeline of innovative therapies, including several programmes in late-stage development and two expected to read out in 2H2017

Strengthened leadership by adding business, scientific, and commercial talent to the team

PureTech Health plc ("PureTech" or the "Company," LSE: PRTC), an advanced, clinical-stage biopharmaceutical Company, today announces its half-yearly results for the six months ended 30 June 2017.

PureTech Health, which is comprised of PureTech Health plc and its subsidiaries (together, the "Group"), is developing medicines for serious diseases resulting from dysfunctions in the nervous, immune and gastrointestinal systems (the brain-immune-gut or BIG axis). The Group is at the forefront of understanding and addressing the biological processes and crosstalk associated with the BIG axis. By harnessing this emerging field of human biology, PureTech Health is leading new categories of medicine with the potential to have great impact on medical needs. With a foundational view of biology, an experienced team, board and global collaborators as well as a capital-efficient operating model, the Company is well-positioned to deliver novel medicines that could have a significant impact on patients and drive major value for shareholders. PureTech Health is advancing a rich pipeline of late and mid-stage clinical programmes and preclinical product candidates, with several advanced clinical studies, including two pivotal studies, expected to read out over the next 6 to 12 months.

Operational Highlights
PureTech Health continues to make significant progress across its advanced pipeline of seven clinical, seven preclinical, and eight concept/discovery-stage programmes:

- The Group advanced its innovative clinical stage medicines
    - Positive results in a pilot study with Project:EVO™ treatment in children with sensory processing dysfunction and attentional deficits (Akili)
    - Advancement of the RTB101 and RTB101/RAD001 candidates, that selectively target TORC1, into a Phase 2b clinical study to reduce the incidence of respiratory tract infections in the elderly (resTORbio)
    - Completion of initial development efforts of a single capsule co-formulation of proprietary KarXT (xanomeline plus trospium chloride) candidate for the treatment of schizophrenia and Alzheimer's Disease (Karuna)
    - Successful progression of other clinical programmes toward data readouts, including a pivotal Gelesis100 weight-loss study and a pivotal Akili Project:EVO™ study, among others highlighted in the body of this report
- PureTech Health further strengthened its leadership by adding business, scientific, and commercial leaders to its team, including Bharatt Chowrira. PhD, JD as President and Chief of Business & Strategy; Atul Pande, MD, as Chief Medical Officer; and Lance Tyler as Vice President, Commercial Strategy
- The Group enhanced its immune-modulation portfolio with exclusive license agreements with Novartis, New York University School of Medicine and University of British Columbia and realised approximately $10 million in additional investments and approximately $3.7 million in grant funding
- The Group continued to build on its leading IP position, with nearly 100 patents issued since 1 January including five new patents issued in the U.S. and Japan for its innovative microbiome platform technology (Vedanta Biosciences), additional composition of matter allowances in Japan and Russia for the proprietary mechanobiology platform technology (Gelesis), and more than 75 issued patents licensed relating to the advanced TORC1 programme (resTORbio), bringing the Group's total number of owned and licensed patents and applications to nearly 400

Post-period Highlights
Since 30 June, PureTech Health has also:

- Announced the last patient visit in the pivotal Gelesis100 weight-loss study, with results expected in Q3 2017
- Announced an exclusive licensing agreement with Monash University for a novel lymphatic targeting technology (Glyph)

Upcoming Milestones (next 12 months):
Over the next 12 months, PureTech Health anticipates reaching several key milestones:

- Results from a pivotal Gelesis100 weight-loss study in Q3 2017 and potential subsequent filings with the FDA and EU regulatory authorities; results from additional Gelesis products and studies in other indications.
- Results from the pivotal Akili Project:EVO™ paediatric ADHD study in Q4 2017 and potential subsequent filing with the FDA; results from or initiation of studies of Akili products in other indications, including major depressive disorder and multiple sclerosis
- Initiation of the Karuna KarXT Phase 1 coformulation study in Q3 2017, which is expected to be completed in Q1 2018 and followed by the initiation of a Phase 2 trial in schizophrenia with the co-formulated candidate
- Initiation of the Vedanta Biosciences VE303 (recurrent C. *difficile* infections programme) Phase 1 trial in healthy volunteers in Q4 2017, with results anticipated in Q1 2018; initiation of VE202 (collaboration with Janssen Biotech, Inc. for inflammatory bowel disease) Phase 1 trial anticipated in 1H 2018 along with advancement of product candidates in other indications
- Publication of the results of a Phase 2a clinical study (previously completed by Novartis but not yet published) examining the immune-enhancing potential of RTB101 and RAD001 in 264 elderly subjects. (resTORbio)
- Initiation and readouts of a number of clinical studies across the PureTech Health pipeline of programmes

Financial Highlights

- Consolidated cash reserves[1] at 30 June 2017: $247.5 million (31 December 2016: $281.5 million) of which $157.0 million (31 December 2016: $192.1 million) was held on a PureTech Health parent company level
- As expected, adjusted loss for the period[2]: $47.9 million (30 June 2016: $26.9 million). Reported loss for the period of $67.3 million as expected (30 June 2016: $43.5 million) inclusive of $35.4 million (30 June 2016: $15.3 million) spent on research and development)

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

[2]Stated before the effect of non-cash charges including share-based payment of $7.1 million (30 June 2016: $5.3 million), impairment of tangible assets of $0.5 million (30 June 2016: nil), depreciation of $0.8 million (30 June 2016: $0.6 million), amortisation of $0.2 million (30 June 2016: $0.2 million), IAS 39 fair value accounting charge of $4.7 million (30 June 2016: $7.1 million) and finance cost – subsidiary preferred shares of $6.1 million (30 June 2016: $3.5 million). Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.

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

"PureTech Health has made significant progress in the first half of 2017, including the growth of our brain-immune-gut axis-focused pipeline with the inclusion of a novel Phase 2b programme in age-related immunosenescence and positive clinical and preclinical data in multiple programmes. We have advanced our GI-acting hydrogel and cognitive interference programmes towards pivotal clinical trial readouts in obesity and paediatric ADHD, respectively, and we have also expanded those programmes into additional therapeutic indications across multiple product candidates. Our growing team of industry leaders has made great strides advancing our other mid- to late-stage programmes towards key milestones. We believe we are well-positioned to deliver value and strong growth for our shareholders, and we are encouraged and excited about the many opportunities we have to do so."

Also commenting on PureTech's half-yearly results, Stephen Muniz, Chief Operating Officer and Executive Director of PureTech Health, said:

"With $247.5 million in consolidated cash reserves at the period end, PureTech Health is well-positioned to fund the upcoming clinical trials and ongoing preclinical development. We have also successfully centralised many functions, driving synergies between the programmes and allowing us to support significant growth in our research and development related activities as we progress our pipeline."

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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, options and warrants, written commitments to issue 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 has made excellent progress in 2017 as it continues to develop innovative new medicines. The Company is at the forefront of understanding and addressing the biological processes and crosstalk associated with the brain-immune-gut (BIG) axis. The Company is harnessing this rapidly growing field of human biology to develop new categories of medicine with the potential to have great impact on serious disease.

PureTech's seasoned team of industry pioneers and subject matter experts are working together to unlock the underlying biology of these dynamic systems, enabling the Company to develop novel disease-altering approaches that may tackle serious conditions more effectively than existing options.

PureTech Health is driven to make a difference in peoples' lives, which is why the Company is progressing a robust pipeline of medicines with the potential to impact serious diseases that affect many people. This vision also underlies the Company's commitment to innovation that enables early detection and intervention with medicines that may have a superior risk-benefit profile over existing treatment options. By developing solutions that slow, halt, or reverse the progression of serious diseases, PureTech Health aims to address some of the largest health issues facing society today.

Several of these programmes are rapidly approaching key milestones, any one of which independently could drive significant value for PureTech Health. Similarly, the Company's balanced portfolio enables many opportunities for value creation, and ensures that patients and stakeholders benefit from the most effective path forward.

A selection of notable developments across a few of the Company's programmes follows below.

NOTABLE DEVELOPMENTS

Near-term catalysts

PureTech Health is on target to deliver two pivotal clinical trial readouts before the end of the year. In July, PureTech Health announced the completion of the Gelesis100 GLOW pivotal clinical trial. GLOW was designed to assess the long-term efficacy and safety of lead product candidate Gelesis100 for weight loss over a six-month period across a broad patient population. Results from this potentially registration-enabling trial are anticipated in Q3 2017, with subsequent PMA and CE mark filings with the FDA and EU, respectively, if the results are positive.

The Akili Project:EVO™ pivotal clinical trial is also expected to report results. The trial was designed to assess the efficacy and safety of lead product candidate, Project:EVO™, in patients with paediatric ADHD. The trial was designed, with significant input from the FDA, to serve as a registration trial. Results are expected in Q4 of 2017 with potential subsequent FDA filings as a digital treatment for ADHD.

While both readouts represent potential major value inflection milestones for PureTech Health, the Company has also undertaken additional pilot and mechanistic studies with other product candidates to evaluate the full potential of both platform technologies. For example, the first European patient was recently enrolled in the

ongoing Gelesis LIGHT-UP study, which will assess a second product candidate, Gelesis200, for weight loss and glycaemic control in people with diabetes. The Gelesis platform consists of a tuneable hydrogel platform that can be optimised based on volumetric, viscosity and elasticity features to have effects in different parts of the gastrointestinal system. These properties are being explored in additional GI-related therapeutic areas, as Gelesis has observed a positive impact on local inflammation with its proprietary hydrogel system. The Company is further exploring these properties in GI-related conditions such as non-alcoholic fatty liver disease (NAFLD), non-alcoholic steatohepatitis (NASH), and inflammatory bowel disease (IBD), including the initiation of additional clinical studies in 2018. Further investigation of the Gelesis mechanism has also led to an international collaboration with leading obesity and nutrition experts – and subsequent publication in the American Journal of Clinical Nutrition – building on a novel and proprietary biomarker approach for people with prediabetes.

The Akili cognitive interference targeting technology has also been further studied, with additional efficacy data and symptom benefit in a group of children with sensory processing and attention impairments shown in an open-label study published in April. This most recent study builds on a series of announcements and publications since December 2016 [Alzheimer's disease, late life depression, depression and sensory processing dysfunction], which together support the advancement of three major product programmes based on the platform technology: treatments, screens, and monitors. The Company is currently planning on or conducting multiple additional clinical trials across a variety of patient populations including autism spectrum disorder (in collaboration with Autism Speaks), depression, Alzheimer's disease, Parkinson's disease and traumatic brain injury.

Additional progress has also been made toward the initiation of the Follica RAIN pivotal study in androgenetic alopecia as well as the identification and testing of next-generation, proprietary compounds based on the Group's intellectual property. The Follica RAIN pivotal study is expected to commence in the first half of 2018, following the completion of an optimisation study that is expected to begin imminently. The Follica RAIN platform builds on new insights into cell signalling and leverages immune pathways activated during wound healing to create new hair follicles and hair in adult skin.

Next wave of catalysts

PureTech Health has also achieved additional clinical milestones over the past several months that are anticipated to lead to its next wave of catalysts, including the initiation of a resTORbio Phase 2b study with mechanistic target of rapamycin complex 1 (mTORC1) inhibitors. The study, which is expected to read out in the second half of 2018, will evaluate the effectiveness of RTB101 alone or in combination with RAD001 in reducing the incidence of respiratory tract infections (RTIs) in elderly patients at increased risk of morbidity and mortality related to RTIs. RTB101 and RAD001 (along with more than 75 issued patents) were in-licensed from Novartis in March for aging-related indications. These proprietary and selective mTORC1 inhibitors have potential broad application to conditions associated with aging including immunosenescence (aging of the immune system), neurodegenerative diseases, and organ dysfunction. The process of aging may be due in part to perturbations of a discrete set of cell signalling pathways including the mTOR pathway. Inhibition of the mTOR kinase extends lifespan and ameliorates a variety of aging-related conditions in yeast, worms, flies and mice. The mTOR inhibitors being developed by resTORbio potentially result in selective inhibition of mTORC1 and may therefore have therapeutic potential to ameliorate multiple aging-related conditions and diseases with a favourable safety profile.

Following positive results from the tolerability proof-of-concept study in December 2016, PureTech Health has completed initial development efforts of a single capsule coformulation for its proprietary Karuna KarXT (xanomeline plus trospium chloride) technology. A Phase 1, dose-exploration study in healthy volunteers is expected to begin in Q3 2017. This study will examine the twice daily coformulation – in contrast with the thrice daily dosing from previous xanomeline studies – and will lay the foundation for a Phase 2 study in schizophrenia to begin in the first half of 2018.

The opportunity for KarXT is both potentially improved and expanded efficacy over existing drugs and also a potentially significantly improved safety profile. Currently used drugs can leave residual positive symptoms and do not treat the cognitive or negative symptoms of schizophrenia. Available drugs also have serious side effects associated with them including potentially irreversible movement disorders, considerable weight gain, diabetes, risk of metabolic syndrome, and sedation. Psychosis (hallucinations and delusions) can also be present in a number of different diseases such as Alzheimer's disease. Xanomeline has demonstrated efficacy in reducing psychosis and improving cognition in placebo-controlled human trials in both Alzheimer's disease and schizophrenia. Xanomeline has been dosed to date in over 800 subjects.

An innovative pre-clinical pipeline

PureTech Health is advancing new categories of medicine that leverage the crosstalk between the adaptive human systems. One of the most dynamic adaptive systems, the immune system, has risen to the forefront of PureTech's early clinical and preclinical pipeline as a result of new insights identified by PureTech Health and its scientific collaborators.

For example, PureTech Health is harnessing the diverse mechanisms of the immune system as it further develops its proprietary Vedanta Biosciences technology for rationally-designed, microbiome-derived medicines. Over the past six months, the technology has made tremendous progress bringing this new category of medicine toward the clinic with a Phase 1 trial for VE303 in recurrent C. *difficile* infections expected to begin in Q4 2017. Key in-house manufacturing milestones have also been achieved, which places a Phase 2 study of VE303 on track to start in 2018. Additionally, the collaboration with Janssen, Biotech, Inc. on VE202 for inflammatory bowel disease continues to flourish and is anticipated to enter the clinic in the first half of 2018.

The global network of clinical partners supporting the Vedanta Biosciences technology has also expanded with the initiation of clinical translational medicine collaborations with Stanford University School of Medicine and Leiden University Medical Center. The collaboration with Stanford will analyse changes in the gut microbiome as they relate to responses to oral immunotherapies in children with food allergies. In the collaboration with Leiden University, clinical data will be generated from interventional studies of faecal transplantation in C. *difficile* patients, as well as from patients with graft-versus-host disease (GvHD). Both collaborations seek to better understand patterns in the microbiome that can potentially inform clinical responses to therapy and support ongoing drug development efforts using the Vedanta Biosciences technology with human data and careful science.

In addition to these key clinical updates, the Vedanta Biosciences technology was granted five total patents – four U.S. and one Japanese – in the first six months of 2017, further strengthening PureTech's leading global IP portfolio. One of the U.S. patents broadly covers methods of treatment with therapeutic products based on human microbiota-derived bacterial spore fractions, including their use for the treatment of C. *difficile* infections, inflammatory bowel disease (IBD), and graft versus host disease (GvHD), among others. The issued patent is exclusively licensed under an agreement with the University of Tokyo and it represents a family of foundational microbiome intellectual property with the earliest priority dates in the field known to PureTech Health.

Building on PureTech's microbiome-leadership position is the Commense programme, which this year secured a licensing agreement with the University of British Columbia for a microbiome-based therapy directed toward halting the development of asthma, allergy and other autoimmune diseases that present themselves in childhood. This live biotherapeutic product is being explored as a novel therapeutic to nurture a healthy microbiome early in life and expands PureTech's growing microbiome-based pipeline.

Significant advances were also made with the Alivio technology. The Alivio technology is designed to adhere selectively to inflamed tissue and remain adhered to deliver the incorporated medication based on the levels of inflammation at the adhesion site, potentially enabling improved properties for the drug while minimising its exposure to healthy tissue and systemic side effects. Lead product candidate ALV-107 recently demonstrated pain control throughout a 24-hour study period, lasting at least 12 times longer than lidocaine at a comparable dose (ALV-107 16 mg/kg, conventional lidocaine 16 mg/kg), in a validated preclinical model for the treatment of interstitial cystitis/bladder pain syndrome (IC/BPS). The results were presented at the 2017 Drug Discovery and Therapy World Congress in Boston, Massachusetts. PureTech Health anticipates that ALV-107 will enter clinical trials in 2019.

Furthermore, greater validation of the breadth of the Alivio technology has been achieved. Multiple active pharmaceutical ingredients (APIs) were shown to be successfully incorporated into the Alivio technology at clinically relevant levels. The APIs covered a range of solubilities, molecular weights and potential dosage forms. These findings confirm and expand the range of new therapeutic opportunities. Work is also ongoing in additional areas where the Alivio technology can potentially offer a highly differentiated therapeutic option in a major medical need area, with an emphasis on inflammatory diseases of the GI tract and bladder. The Alivio technology was exclusively licensed in 2016 from the lab of Jeff Karp, PhD, Associate Professor at Brigham and Women's Hospital (BWH), Harvard Medical School. In March of 2017, the Bill & Melinda Gates Foundation awarded a $1.2 million grant to Professor Jeff Karp's Lab at BWH to support additional research on the technology.

In April, PureTech Health announced a new immuno-oncology programme focused on developing first-in-class monoclonal antibodies aimed at neutralising novel mechanisms of immunosuppression in solid tumours. The programme, Nybo, will initially focus on Pancreatic cancer, one of the deadliest cancers, with five-year survival

rates below 6%. Currently approved immunotherapies generally have not been successful in this disease setting due to a highly immunosuppressive environment that wards off the body's natural defences. Findings published in the leading scientific journals Cell and Nature Medicine by Dr George Miller's laboratory at New York University, whose work is the basis of the Nybo programme, demonstrated that a specific subtype of tumour-infiltrating gamma delta T cells and macrophages may drive immunosuppression. Creating monoclonal antibodies against specific targets on the immunosuppressive gamma delta cells could relieve the immunosuppression potentially allowing other immune cells to attack the tumour. One of Nybo's targets is Galectin-9, a protein which is believed to be relevant to both immunosuppressive gamma delta cells and macrophages.

Pre-clinical in vivo models validating the therapeutic concept show survival extensions in gold-standard animal models of pancreatic cancer that are superior to those previously observed in literature using approved treatments. The Nybo approach is differentiated from traditional checkpoint inhibitors in immuno-oncology, yet has potential synergies with existing immunotherapies and current standards-of-care. It may also have broader applicability in the immuno-oncology space, with research underway expanding the initial work in pancreatic cancer to include other solid tumours.

In the August post-period, PureTech Health announced the launch of a new programme harnessing the biology of the lymphatic system to design and develop novel therapeutics that can potentially avoid first-pass metabolism, enhance oral bioavailability and selectively target the lymph nodes. The programme, Glyph, is based on the pioneering research of Christopher Porter, PhD, Director of Drug Delivery Disposition and Dynamics at Monash University in Australia. The programme is a novel approach designed to enable oral administration of medicines that traffic via the lymphatic system that are expected to have an improved safety profile and significantly lower the risk of liver toxicity. Harnessing lymphatic biology also enables targeting of therapeutics to the mesenteric lymph node (in the gut) to modulate the immune system, representing an innovative new approach to treating a broad range of serious immunological disorders, such as cancer and autoimmune diseases. Foundational intellectual property on the lymphatic biology platform has been exclusively licensed from Monash University and will be developed by PureTech Health through its subsidiary Glyph in collaboration with Dr Porter's laboratory.

People

PureTech's seasoned management team and accomplished Board of Directors, along with an advisory network of more than 70 world-renowned collaborators, drive the PureTech Health innovation and development engine. The Company continues to attract top talent at all levels across the organisation and has added more than 30 exceptional full-time team members in the first half of 2017.

PureTech Health continues to build out its leadership team of industry pioneers and business leaders. In February, PureTech Health announced the appointment of Atul Pande, MD, as Chief Medical Officer (CMO). Dr Pande has more than two decades of experience in drug development, and he is the former Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline. While with GlaxoSmithKline, Dr Pande was involved in the clinical development and commercial support of numerous important medicines including Potiga/Trobalt, Lamictal XR, Treximet, ReQuip, Paxil, Wellbutrin/Zyban, and others. He was also clinical advisor and senior internal reviewer for the NDA/MAA filings for Breo Ellipta, Anoro Ellipta, and Tivicay. As CMO of PureTech Health, Dr Pande oversees all clinical operations across PureTech's pipeline and works closely with the team to de-risk and advance opportunities that hold the most potential for patients.

In March, the Company announced the appointment of Bharatt Chowrira, PhD, JD, as President and Chief of Business and Strategy. Dr Chowrira has more than two decades of experience in the biopharma industry, combining a unique blend of R&D, corporate development, operations, financing, public offering, M&A, legal, IP, and licensing expertise. Dr Chowrira was most recently the President of Synlogic. Prior to joining Synlogic, Dr Chowrira was the Chief Operating Officer of Auspex Pharmaceuticals, which was acquired by Teva Pharmaceuticals in the spring of 2015 for $3.5 billion. He has also held senior leadership and management positions at Nektar Therapeutics, Merck & Co., Sirna Therapeutics, (acquired by Merck & Co. for $1.1 billion) and Ribozyme Pharmaceuticals. Since his appointment, Dr Chowrira has worked as a close partner to PureTech's Chief Executive on strategy, corporate and business development, and preparation for value realisation across the PureTech Health pipeline.

Lance Tyler also joined PureTech Health as Vice President of Commercial Strategy. Mr Tyler has more than 25 years of commercial leadership experience in the pharmaceutical industry, including the successful launch of Viagra. He has also worked across therapeutic areas related to anti-infectives, pain/arthritis, schizophrenia, bipolar disorder, Parkinson's Disease and cardiovascular disease, and he most recently led the Customer

Engagement Marketing Team at Boehringer Ingelheim. In this new role at PureTech Health, Mr Tyler is involved in all commercial and marketing strategy across the Company's pipeline.

Furthermore, a number of distinguished leaders joined PureTech Health subsidiaries in the first half of 2017, including:

- Robert J. Perez, Executive Chairman for Akili. Most recently, Mr Perez was CEO of Cubist Pharmaceuticals. Previously, he served as Vice President of Biogen, Inc.'s CNS Business Unit. He is also Founder and Chairman at Life Science Cares.
- Joan Mannick, MD, Chief Medical Officer for resTORbio. Dr Mannick joins from Novartis Institutes of Biomedical Research (NIBR), where she led the clinical-stage mTORC1 programme licensed by resTORbio. Prior to Novartis, Dr Mannick was a Medical Director at Genzyme and a faculty member at Harvard Medical School and University of Massachusetts Medical School.
- Stephen Brannan, MD, Chief Medical Officer for Karuna. Dr Brannan previously served as Vice President and Head of Neuroscience at Takeda, in addition to senior positions within Novartis, Eli Lilly, Forum Pharmaceuticals, and Cyberonics. He has been active in the development of several central nervous system treatments achieving multibillion-dollar sales including Cymbalta, Exelon Patch, Trintellix, and VNS for Treatment Resistant Depression.
- Jonathan Freeman, PhD, Chief Business Officer for Vedanta Biosciences. Previously, Dr Freeman was Senior Vice President, Head of Strategy Development and Portfolio Management at Merck KGaA. Prior to that role, he was the Head of Global Business Development and Licensing at Merck. Dr Freeman also served in senior positions at Baxter and Serono.
- Elaine Chiquette, PharmD, Executive Vice President and Head of Science for Gelesis. Ms Chiquette joins Gelesis from Aegerion Pharmaceuticals, Amylin and GI Dynamics where she served in senior Global Medical Affairs and R&D strategy roles. Ms Chiquette has more than 20 years' experience in the field of metabolic disorders and has built a strong understanding of the unique opportunities and challenges in developing and launching therapeutics for obesity and related metabolic diseases.
- Glenn Entis, Executive Advisor for Akili. An Academy Award-winning animation pioneer and games industry veteran, Mr Entis is the former CEO of DreamWorks Interactive. Previously, he co-founded Pacific Data Images (PDI) and is also a co-founder and Senior Advisor with Vanedge Capital.
- Noah Falstein, Executive Advisor for Akili. The first elected chairman of the Computer Game Developers Association (CGDA), Mr Falstein most recently served as Chief Game Designer at Google. He previously held positions at Lucasfilm Games (LucasArts), 3DO, and DreamWorks Interactive. Mr Falstein is on the advisory board for Health Conference and Serious Games Summit.

As the team expands and the Company grows, team members also occasionally move on. Michael MacLean, Chief Financial Officer of PureTech Health, will step down in September 2017 to join another Boston-based biopharma company. Stephen Muniz, Chief Operating Officer and Executive Director of PureTech Health, who oversaw the finances and operations of PureTech Health prior to and during its public listing process, will serve as interim CFO as the Company conducts a search for Mr MacLean's successor.

Michael MacLean comments: "I am fortunate to have worked in such a remarkable organisation as PureTech Health and am pleased to have contributed to the Company's successful transition from a private to public company. PureTech Health has an exciting pipeline of products and an amazing team and board. As a shareholder, I look forward to the Company's continued success in the near and long term."

Daphne Zohar, PureTech Health Chief Executive Officer comments: "I want to thank Michael for his distinguished service to PureTech Health. Michael scaled up our financial infrastructure and controls, helped to build a highly experienced finance team and leaves the business in excellent financial shape. We wish him the very best in his professional endeavours and much continued success."

Financial review

In the first half of 2017, PureTech Health continued to prudently deploy its cash reserves to advance its pipeline by progressing and de-risking its growth stage programmes and identifying and initiating new programmes.

The Company has progressed research and clinical activities across the pipeline in line with its forecasted expectations. Specifically, the Company is on track for pivotal clinical trial read outs for the Gelesis and Akili programmes in the second half of 2017. Notably, PureTech Health commenced clinical activities of its resTORbio programme and contributed $5.5 million in cash, with an additional $9.5 million committed to be contributed upon achievement of certain milestones. An additional $10 million may be contributed at PureTech's discretion. Simultaneously, Novartis provided a license to the resTORbio programme in exchange for preferred shares in the programme and future success-based milestone and royalty payments. Shortly after

the financing, a Phase 2b study was initiated utilising the licensed technology. Additionally, the second tranche ($25 million) from Vedanta Bioscience's June 2016 financing was funded in January 2017, of which $9.9 million was contributed by outside investors. Sync also announced that it had raised $5 million since inception from PureTech Health and outside investors [Greylock Partners (via Discovery Fund), Reid Hoffman, Esther Dyson, David Shaw, and Digital Garage] through convertible notes, which have since been converted into preferred shares in the programme.

The Group continues to source and develop new important scientific programmes, including Glyph and Nybo. PureTech Health also continues to evolve its shared functions to support the increased level of activities of the programmes in all phases of development.

	2017 (30 June) $ millions	2016 (31 December) $ millions
Cash Reserves		
Consolidated Cash Reserves[(1)]	**247.5**	281.5
PureTech Health Level Cash Reserves[(1)]	**157.0**	192.1
	H1 2017 $ millions	H1 2016 $ millions
Results of Operations		
Revenue	**0.7**	0.2
Operating Loss	**(57.0)**	(34.6)
Adjusted Operating Loss[(2)]	**(48.4)**	(28.6)
Loss for the Period[(3)]	**(67.3)**	(43.5)
Adjusted Loss for the Period[(3)(4)]	**(47.9)**	(26.9)

1) Cash reserves includes cash balances and short-term investments.
2) Stated before the effect of non-cash items, including a share-based payment of $7.1 million (30 June 2016: $5.3 million), impairment of tangible assets of $0.5 million (30 June 2016: nil), depreciation of $0.8 million (30 June 2016: $0.6 million) and amortisation of $0.2 million (30 June 2016: $0.1 million). Non-cash items are excluded due to the fact that the Group's businesses require the cash investment in order to operate and continue with their R&D activities. Adjusted operating loss is therefore considered to be an appropriate alternative performance measure, as it is more representative of the operating performance of the Group.
3) Stated before the non-cash charges discussed in footnote 2 above, the IAS 39 fair value accounting charge of $4.7 million (30 June 2016 – $7.1 million) and finance costs – subsidiary preferred shares of $6.1 million (30 June 2016 – $3.5 million). Adjusted loss for the period is therefore considered to be an appropriate alternative performance measure, as it is more representative of the operating performance of the Group.
4) In 2016, both the Loss for the period and Adjusted loss for the period were positively impacted by recognition of a $0.9 million tax benefit.

Result of Operations

Revenue

As is customary and expected with pre-commercial biopharma companies, the Group's operations do not yet generate consistent product revenues. Revenue in the first half of 2017 relates primarily to the achievement of milestones under a collaboration agreement. Growth stage programmes generate revenue from collaborations with third parties. Future revenues from growth stage programmes are expected to be earned under existing and new license and collaboration agreements and may include non-refundable license fees. Revenue from these license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event-driven. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Group's overall revenue trend.

Operating expenses

Operating expenses before the impact of the non-cash items noted in footnote 2 of the Results of Operations Schedule above increased 70 percent on a year-over-year basis. Most of the increase in expenses has been to support the Group's research and development efforts. The Group carried out development activities to progress its programmes by initiating new clinical trials – such as the resTORbio Phase 2b study – and advancing existing clinical studies, adding headcount and expanding its footprint requiring leasing additional space. As a result, and as expected, the Group experienced a significant increase in research and development expenses over the first six months of the prior year. General and administrative expenses continue to increase at a much more modest rate of 20 percent over the prior year in line with expectations. The lower growth rate of general and administrative expenses reflects the ability of the Group to leverage its

existing infrastructure. By centralising many of the administrative functions, the Group can efficiently support significant growth in the research and development related activities for all programmes.

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

Net finance costs

The Group's results of finance activities before consideration of the items noted in footnote 3 of the Results of Operations Schedule above, was a modest net finance income consistent with the prior year. The income is driven by interest income earned on the Group's cash reserves offset by interest expense on subsidiary loans and notes.

The Group's IAS 39 fair value accounting charge relates to derivative liabilities associated with preferred stock conversion rights, convertible notes and warrants at the subsidiary level. Consistent with prior periods, this charge was driven by positive changes in the equity value of the underlying subsidiaries. When the Group realises an increase in the value of the subsidiaries that are consolidated for accounting purposes, a charge will be recognised when there are external preferred shareholders. While the fair value of derivative liabilities has increased during the first half of 2017, the relative increase compared to the prior year was less. This is primarily the result of less outside funds received in the period and the specific finance structures employed. In addition to the IAS 39 fair value accounting charge, the Group recognised a finance cost of $6.1 million in the first half of 2017 due to the accretion to the liquidation preference on subsidiary preferred stock held by external parties. The balance of subsidiary preferred stock held by external parties, and therefore the related balance of the aggregate liquidation preference, increased during the first half of 2017 due to the issuances of preferred stock in the Vedanta Biosciences and resTORbio programmes, as well as the conversion of notes at Sync.

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

Financial Position

	2017 (30 June) $ millions	**2016 (31 December) $ millions**
Assets		
Total non-current assets	**$15.5**	**$10.6**
Total current assets	**254.0**	**288.1**
Total assets	**269.5**	**298.7**
Non-current liabilities	**2.3**	**2.3**
Total current liabilities[(1)]	**234.5**	**204.1**
Total liabilities	**$236.8**	**$206.4**

1) Included in current liabilities are $210.4 million and $183.1 million related to non-cash liabilities related to derivatives, warrants and preferred shares at 30 June 2017 and 31 December 2016, respectively.

Cash and short-term investments make up a significant portion of the Group's current assets of $254.0 million. Amounts that cannot be immediately deployed have been used to purchase U.S. Treasuries with short durations. The Group's cash reserves, consisting of cash, cash equivalents and U.S. Treasuries, were $247.5 million at 30 June 2017 (31 December 2016 – $281.5 million). Of this amount, the Group held $157.0 million (31 December 2016 – $192.1 million) of cash reserves at the PureTech Health level to fund all activities of the Group, including supporting future activities of the subsidiaries, progressing the existing growth stage programmes toward meaningful milestone events, funding pipeline development and maintaining an appropriate infrastructure.

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

- Intangible assets increased primarily due to $5.0 million related to the equity component of the license received in connection with the resTORbio equity financing.
- Current liabilities increased in during the first half of 2017, primarily as a result of equity financings involving the issuance of preferred shares classified as a liability by Vedanta Biosciences, resTORbio and Sync totalling $16.1 million to outside investors and the increase in liability associated with pre-existing derivatives.

Cash Flows

	H1 2017 $ millions	H1 2016 $ millions
Net cash outflow from operating activities	**(44.6)**	**(28.7)**
Net cash inflow/(outflow) from investing activities	**40.2**	**(49.3)**
Net cash inflow from financing activities	**11.6**	**14.8**

As noted above, the Group increased spending as expected, with increases driven primarily by its research and development operations during the first half of 2017. The Directors anticipate that the Group's funds will be sufficient to continue to progress the existing growth stage programmes to meaningful milestone events and pipeline development and to fund infrastructure costs. The Group's net operating cash outflow reflects the payment of operating expenses which, with the exception of the non-cash charges highlighted in Footnotes 2 and 3 of the Results of Operations Schedule, are cash based. Offsetting operating cash inflows were primarily driven by interest earned on U.S. Treasuries.

The net cash inflow from investing activities during the first half of 2017 primarily relates to proceeds from maturity of short-term duration U.S. Treasuries, offset by $1.1 million expended for property and equipment. The net cash inflow from financing activities during 2017 was due to Vedanta Biosciences receiving an additional $9.9 million of proceeds from equity financings by outside investors in January 2017 and $1.9 million from issuances of convertible notes for growth stage programmes.

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 2017, the Group had $4.3 million of cash reserves held in Euros. These cash reserves are used to fund the operation of Gelesis' Italian manufacturing and research and development subsidiary. The Directors believe it is prudent to have these cash reserves denominated in Euro to fund operations.

As indicated in the Annual Report and Accounts for 2016, 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 Value"); therefore, PureTech Health has not included any update to the value of the Aggregate Holdings Value as part of this Half Yearly Report.

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 2016 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 subsidiaries may fail and/or the Group's subsidiaries may not be able to develop their intellectual property into commercially-viable products or technologies. There is also a risk that certain programmes may fail or not succeed as anticipated, potentially resulting in significant decline of the Group's value.

Clinical Trial Risk: Clinical trials and other tests to assess the commercial viability of a 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 product candidates 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 product candidates, 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 or the validity of its patents may be challenged by third parties. If these actions are successful then the Group would have to pay substantial damages and potentially remove its products from the market or may not be able to block third parties from selling similar products.

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 could 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 2016 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

Conclusion

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 2017 which comprises the condensed consolidated statement of loss and other comprehensive loss, condensed statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows (together, the "consolidated interim financial statements") and the related explanatory notes.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Charles le Strange Meakin
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

30 August 2017

Condensed Consolidated Statement of Loss and Other Comprehensive Loss

For the six months ended:	**Note**	**30 June 2017**	**30 June 2016**
		$'000	**$'000**
Revenue		665	243
Operating expenses:			
General and administrative expenses		(22,294)	(19,492)
Research and development expenses		(35,391)	(15,313)
Operating loss		**(57,020)**	**(34,562)**
Other income/(expense)			(9)
Finance cost:			
Finance income		728	778
Finance costs – subsidiary preferred shares		(6,050)	(3,529)
Finance costs – contractual		(217)	(39)
Finance costs – IAS 39 fair value accounting		(4,668)	(7,102)
Net finance costs	5	**(10,207)**	**(9,892)**
Loss before taxes		**(67,227)**	**(44,463)**
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		**(47,911)**	**(27,862)**
Finance costs – subsidiary preferred shares		(6,050)	(3,529)
Finance costs – IAS 39 fair value accounting		(4,668)	(7,102)

Share based payment expense		(7,126)	(5,270)
Impairment of tangible assets	14	(454)	-
Depreciation of tangible assets		(787)	(551)
Amortisation of intangible assets		(231)	(149)
Loss before taxes		**(67,227)**	**(44,463)**
Income taxes	6	(113)	924
Loss for the period		**(67,340)**	**(43,539)**
Other comprehensive loss:			
Items that are or may be re-classified as profit or loss			
Unrealised gain on available for sale investments		257	93
Foreign currency translation differences		227	21
Total other comprehensive gain		484	114
Taxes		-	-
Other comprehensive income, net of tax		484	114
Total comprehensive loss for the period		**(66,856)**	**(43,425)**
Loss attributable to:			
Owners of the Company		(42,193)	(30,004)
Non-controlling interests	10	(25,147)	(13,535)
		(67,340)	(43,539)
Comprehensive loss attributable to:			
Owners of the Company		(41,709)	(29,890)
Non-controlling interest	10	(25,147)	(13,535)
		(66,856)	(43,425)
Loss per share			
Basic loss per share	3	(0.18)	(0.13)
Diluted loss per share	3	(0.18)	(0.13)

Condensed Consolidated Statement of Financial Position

As of the period ended:	**Note**	**30 June 2017**	**31 December 2016**
		$'000	**$'000**
Assets			
Non-current assets			
Property and equipment, net		6,790	6,924
Available for sale investments		336	83
Intangible assets, net		8,293	3,524
Other non-current assets		75	65
Total non-current assets		15,494	10,596
Current assets			
Trade and other receivables		5	125
Prepaid expenses and other current assets		5,543	5,662
Other financial assets		897	897
Short-term investments		177,192	218,510
Cash and cash equivalents		70,332	62,959
Total current assets		253,969	288,153
Total assets		**269,463**	**298,749**
Equity and liabilities			
Equity			
Share capital		4,655	4,609
Merger reserve		138,506	138,506
Share premium		181,612	181,658
Translation reserve		43	(184)
Other reserve		15,458	13,412
Accumulated deficit		(202,294)	(160,335)
Equity attributable to owners of the Company	7	137,980	177,666
Non-controlling interests	10	(105,322)	(85,255)
Total equity		**32,658**	**92,411**
Non-current liabilities			
Deferred revenue		188	203
Other long-term liabilities		2,142	2,055
Total non-current liabilities		2,330	2,258

Current liabilities			
Deferred revenue		1,574	2,202
Trade and other payables		14,325	11,121
Subsidiary:			
Notes payable	8	7,320	6,953
Derivative liability	12	78,158	71,240
Warrant liability	12	13,080	14,942
Preferred shares	9	119,174	96,937
Other current liabilities		844	685
Total current liabilities		234,475	204,080
Total liabilities		**236,805**	**206,338**
Total equity and liabilities		**269,463**	**298,749**

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 (As reclassified, see Note 1)	Accumulated deficit	Total Parent equity (As reclassified, see Note 1)	Non-controlling interests (see Note 11) (As reclassified, see Note 1)	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	**226,173,751**	**4,523**	**181,744**	**138,506**	**(93)**	**7,627**	**(111,420)**	**220,887**	**(56,834)**	**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		-	-	-	-	3,704	-	3,704	1,566	5,270
Balance at 30 June 2016	**229,841,947**	**4,576**	**181,691**	**138,506**	**(72)**	**11,424**	**(141,524)**	**194,601**	**(68,803)**	**125,798**
Balance at 1 January 2016	**226,173,751**	**4,523**	**181,744**	**138,506**	**(93)**	**7,627**	**(111,420)**	**220,887**	**(56,834)**	**164,053**
Net loss	—	—	—	—	—	—	(48,792)	(48,792)	(32,816)	(81,608)
Unrealised gain	—	—	—	—	(91)	—	—	(91)	—	(91)
Foreign currency exchange	—	—	—	—	—	4	—	4	—	4
Total comprehensive loss for the period	**—**	**—**	**—**	—	(91)	4	(48,792)	(48,879)	(32,816)	(81,695)
Gain/(loss) arising from change in NCI	—	—	—	—	—	—	(23)	(23)	23	—
Issuance of shares as equity incentives	5,538,791	86	(86)	—	—	—	—	—	—	—
Subsidiary dividends	—	—	—	—	—	—	(100)	(100)	—	(100)
Equity settled share based payments	—	—	—	—	—	5,781	—	5,781	4,372	10,153
Balance at 31 December 2016	**232,712,542**	**4,609**	**181,658**	**138,506**	**(184)**	**13,412**	**(160,335)**	**177,666**	**(85,255)**	**92,411**
Balance at 1 January 2017	**232,712,542**	**4,609**	**181,658**	**138,506**	**(184)**	**13,412**	**(160,335)**	**177,666**	**(85,255)**	**92,411**
Net loss	—	—	—	—	—	—	(42,193)	(42,193)	(25,147)	(67,340)
Foreign currency exchange	—	—	—	—	227	—	—	227	—	227
Unrealised gain (loss) on investments	—	—	—	—	—	—	257	257	—	257
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**227**	**—**	**(41,936)**	**(41,709)**	**(25,147)**	**(66,856)**
Subsidiary distributions to members	—	—	—	—	—	—	(23)	(23)	—	(23)
Issuance of shares as equity incentives	3,645,457	46	(46)	—	—	—	—	—	—	—
Equity-settled share-based payments	—	—	—	—	—	2,046	—	2,046	5,080	7,126
Balance at 30 June 2017	**236,357,999**	**4,655**	**181,612**	**138,506**	**43**	**15,458**	**(202,294)**	**137,980**	**(105,322)**	**32,658**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

For the six months ended:	Note	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities:			
Net operating loss		(67,340)	(43,539)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation		1,018	700
Equity-settled share-based payment expense	4	7,126	5,270
Impairment of fixed assets	14	454	—
Finance costs	5	11,101	10,740
Changes in operating assets and liabilities:			
Other non-current assets		(10)	—
Trade and other receivables		120	587
Prepaid expenses and other current assets		119	(2,046)
Deferred revenues		(643)	(148)
Other long-term liabilities		87	66
Other current liabilities		159	—
Trade and other payables		3,204	(317)
Net cash used in operating activities		**(44,605)**	**(28,687)**
Cash flows from investing activities:			
Purchase of property and equipment		(1,107)	(2,394)
Purchase of short-term investments		(79,338)	(202,618)
Proceeds from maturity of short-term investments		120,656	155,682
Net cash provided by/(used in) investing activities		**40,211**	**(49,330)**
Cash flows from financing activities:			
Proceeds from issuance of subsidiary convertible notes		1,884	250
Repayments of long-term debt		(163)	—
Proceeds from issuance of subsidiary loans		—	272
Proceeds from issuance of preferred shares in subsidiaries	9	9,900	14,357
Subsidiary distributions to members		(23)	(100)
Net cash provided by financing activities		**11,598**	**14,779**
Effect of exchange rates on cash and cash equivalents		169	15
Net increase in cash and cash equivalents		7,373	(63,223)
Cash and cash equivalents at beginning of period		62,959	134,751
Cash and cash equivalents at end of period		**70,332**	**71,528**

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

Cash contributed by the Parent to its subsidiaries is used to fund research, development, regulatory and commercialisation preparation activities and to support administration and operations.

The Group may obtain third party validation of its programmes through strategic collaboration, industry partnerships and grants. Use of partnerships, grants and external debt and to a lesser extent equity investments in its subsidiaries enables the Group to distribute development and financial risk, while preserving its significant equity ownership and control of its subsidiaries.

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 2016.

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 2018. 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 2017 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 30 August 2017.

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 companies 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 warrants and derivatives deriving from the preferred shares and convertible notes, financial instrument classification (debt vs.

equity) and revenue recognition. 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 2016 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.) Reclassification

During 2016 management further considered certain aspects of accounting for share options issued by subsidiary companies and concluded that the credit in equity associated with the related IFRS 2 charges is more appropriately allocated wholly to non-controlling interests rather than pro-rata to parent equity and non-controlling interests. As a result, a reclassification has been reflected at 31 December 2015 to reduce negative non-controlling interests and reduce other reserve within parent equity by $5.2 million. There is no impact on total equity at either 30 June 2016 or 31 December 2015 and no impact on the consolidated statement of comprehensive loss for the six month period ended 30 June 2016.

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 programmes** – programmes 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 stage programmes** – programmes 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 2017			
	Growth stage programmes	**Project stage programmes**	**Parent company & other**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated Statement of Loss and Other Comprehensive Loss				
Revenue	665	—	—	665
Loss from continuing operations, before taxes	(56,313)	(3,108)	(7,806)	(67,227)
Consolidated Statement of Financial Position				
Total assets	156,375	7,351	105,737	269,463
Total liabilities	(299,537)	(18,422)	81,154	(236,805)
Net (liabilities)/assets	**(143,162)**	**(11,071)**	**186,891**	**32,658**

	31 December 2016			
	Growth stage programmes	**Project stage programmes**	**Parent company & other**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated Statement of Financial Position				
Total assets	153,691	9,289	135,769	298,749
Total liabilities	(269,084)	(17,244)	79,990	(206,338)

	31 December 2016			
	Growth stage programmes $'000	Project stage programmes $'000	Parent company & other $'000	Consolidated $'000
Net (liabilities)/assets	**(115,393)**	**(7,955)**	**215,759**	**92,411**

	30 June 2016			
	Growth stage programmes $'000	Project phase programmes $'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	(30,318)	(4,994)	(9,151)	(44,463)
Consolidated Statement of Financial Position				
Total assets	85,682	11,849	216,228	313,759
Total liabilities	(183,299)	(21,871)	17,209	(187,961)
Net (liabilities)/assets	**(97,617)**	**(10,022)**	**233,437**	**125,798**

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

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

The Group has retrospectively restated 2016 segment amounts to reflect the above transitions.

resTORbio was graduated to a growth stage programme following the completion of a financing in March 2017. The Company funded $5.5 million and technology was obtained through a license agreement with Novartis. Furthermore, in the first half of 2017, resTORbio established a management team and initiated a Phase 2b study.

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 $42.2 million (HY16: $30.0m), by the weighted average number of ordinary shares vested and outstanding of 235,453,705 (HY16: 227,613,040) during the period:

Loss attributable to ordinary shareholders:

For the six months ended:	30 June 2017		30 June 2016	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Loss for the period, attributable to the owners of the Company	(42,193)	(42,193)	(30,004)	(30,004)
Loss attributable to ordinary shareholders	(42,193)	(42,193)	(30,004)	(30,004)

Weighted average number of ordinary shares:

For the six months ended:	30 June 2017	30 June 2016

	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	232,712,542	232,712,542	226,173,751	226,173,751
Effect of shares issued	2,741,163	2,741,163	1,439,289	1,439,289
Weighted average ordinary shares	235,453,705	235,453,705	227,613,040	227,613,040

The following potentially dilutive securities (which are ordinary shares issued pursuant to the PureTech Health LLC's ("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 2017	30 June 2016
Weighted average unvested equity incentive shares	2,918,789	9,856,954

Loss per share:

For the six months ended:	30 June 2017		30 June 2016	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.18)	(0.18)	(0.13)	(0.13)

4. Share-based payments

The share-based payments expense for the period was $7.1 million (HY16: $5.3 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 subsidiaries 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 2017 and 2016, the Company issued 4,648,082 and 2,592,863 restricted share units ("RSUs") under the PSP, respectively. 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 2019 and 2018, respectively, as further described in the Directors' Remuneration Report of PureTech's 2016 Annual Report and Accounts.

The share grants vest as follows:

- The share grants that vest upon the occurrence of a market condition (i.e. upon achievement of TSR 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 2017, the Company had issued awards for 10,880,109 shares under this plan.

The fair value of the stock options awarded by the Company 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 2017	30 June 2016
Expected volatility	26.40 – 29.56%	29.7%
Expected term (in years)	5.0 – 6.1	5.9
Risk-free interest rate	1.95 – 2.00%	1.52%
Expected dividend yield	0%	0%
Grant date fair value	$1.38 – $1.50	$0.58
Share price at grant date	$1.43 – $1.55	$1.85

The Company recorded an expense of $959,000 and $254,000 for the six months ended 30 June 2017 and 30 June 2016, respectively, related to PSP awards.

Pre-IPO Incentive Compensation

In May 2015 and August 2014, PureTech Health LLC Directors approved the issuance of shares to management, the directors and advisors of PureTech LLC, subject to vesting restrictions. No additional shares will be granted under this compensation arrangement, 2,014,495 shares remain unvested as at 30 June 2017. The fair value of the shares awarded was estimated as of the date of grant. The Company recorded an expense of $1.1 million and $1.5 million for the six months ended 30 June 2017 and 30 June 2016, respectively, related to PureTech LLC incentive compensation.

Subsidiaries plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of stock option activity in these subsidiaries for the year ended 31 December 2016 and the six months ended 30 June 2017 and 2016 is presented in the following table:

	Gelesis	Akili	Karuna	Tal	Vedanta Biosciences	Knode	Entrega	Follica	The Sync Project	Commense	resTORbio	Sonde
Outstanding as of 1 January 2016	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 year	818,826	771,927	165,000	137,870	159,750	-	61,500	-	-	-	-	-
Exercised during the year	-	(74,250)	-	-	-	-	-	-	-	-	-	-
Forfeited during the year	(11,460)	-	-	-	(5,000)	-	(325,000)	-	-	-	-	-
Outstanding as of 31 December 2016	2,517,731	1,599,423	734,427	1,763,806	882,250	149,480	821,500	396,655	850,000	212,500	-	-
Granted during the period	297,500	333,250	96,259	-	298,308	-	-	1,119,283	242,500	18,750	130,535	57,500
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited during the period	-	-	-	-	(9,500)	-	-	-	-	-	-	-
Outstanding as of 30 June 2017	2,815,231	1,932,673	830,686	1,763,806	1,171,058	149,480	821,500	1,515,938	1,092,500	231,250	130,535	57,500

	Gelesis	Akili	Karuna	Tal	Vedanta Biosciences	Knode	Entrega	Follica	The Sync Project	Commense
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 fair value measurements

The fair value of the stock options awarded under the Gelesis 2016 Stock Incentive Plan and the Gelesis 2006 Stock Incentive Plan (collectively the "Gelesis Plans") was estimated at the grant date using the Black-Scholes option valuation model, taking into account the terms and conditions upon which options are granted, with the following weighted-average assumptions:

For the six months ended:	30 June 2017	30 June 2016[(1)]
Expected volatility	67 - 68%	n/a
Expected term (in years)	5.27 - 5.8	n/a
Risk-free interest rate	1.76 - 1.98%	n/a
Expected dividend yield	0%	n/a
Weighted average share price at grant date	$7.47 – $7.87	n/a

For the six months ended:	30 June 2017	30 June 2016[(1)]
Weighted average exercise price	$11.56	n/a

(1) 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 Plans of $2.6 million and $0.7 million for the six months ended 30 June 2017 and 30 June 2016, respectively.

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 2017 $'000	Six months ended 30 June 2016 $'000
General and administrative	4,157	4,567
Research and development	2,969	703
Total	**7,126**	**5,270**

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

5. Financial costs

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

For the six months ended:	30 June 2017 $'000	30 June 2016 $'000
Finance income		
Interest income on bank deposits	728	778
Total finance income	**728**	**778**
Finance costs		
Interest expense on other borrowings	199	109
Other (income)/expenses and fees	-	(70)
Non-cash interest expense on convertible notes	184	-
Currency gain/loss	(166)	-
Total finance costs contractual	217	39
Subsidiary preferred shares	6,050	3,529
(Gain)/Loss from change in fair value of warrant liability	(1,862)	1,417
Loss on fair value measurement of derivative liability	6,530	5,685
Total finance costs	**10,935**	**10,670**
Finance costs, net	**10,207**	**9,892**

6. Income Taxes

Tax benefit/(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 2017 was 0.2% (six months ended 30 June 2016: (3)%). The 2016 effective tax rate reflecting a benefit was primarily due to Vedanta Biosciences' ability to carry back losses in 2016 to offset prior year taxable income.

7. Equity

Movements below explain the movements in share capital:

Equity	Note	30 June 2017 $'000	31 December 2016 $'000
Share capital, £0.01 par value, issued and fully paid 236,357,999 and 232,712,542 as of 30 June 2017 and 31 December 2016, respectively		4,655	4,609
Merger reserve		138,506	138,506
Share premium		181,612	181,658
Translation reserve		43	(184)
Other reserve		15,458	13,412
Accumulated deficit		(202,294)	(160,335)
Equity attributable to owners of the Group		**137,980**	**177,666**
Non-controlling interests	10	(105,322)	(85,255)
Total equity		**32,658**	**92,411**

At 30 June 2017, outstanding ordinary shares were 237,387,951 and exclude 1,029,952 unvested ordinary shares issued pursuant to PureTech LLC Incentive Compensation arrangements detailed in note 4.

8. Notes payable

The notes payable balance consists of the following:

	30 June 2017	31 December 2016
	$'000	**$000s**
Loans	2,488	2,549
Convertible notes	4,832	4,404
Total Subsidiary Notes Payable	7,320	6,953

Convertible notes outstanding were as follows:

	Vedanta Biosciences	Karuna	Follica	Entrega	Knode	Appeering	Sync	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
31 December 2015	75	2,149	200	125	50	75	—	2,674
Gross Principle	—	1,800	250	—	—	—	10	2,060
Discount	—	(408)	—	—	—	—	—	(408)
Accretion	—	153	—	—	—	—	—	153
Conversion	(75)		—	—	—	—	—	(75)
Repayment			—	—	—	—	—	—
31 December 2016	**—**	**3,694**	**450**	**125**	**50**	**75**	**10**	**4,404**
Gross Principle	—	304	500	—	—	—	1,080	1,884
Discount	—	(53)	(497)	—	—	—	—	(550)
Accretion	—	170	14	—	—	—	—	184
Conversion	—	—	—	—	—	—	(1,090)	(1,090)
Repayment	—	—	—	—	—	—	—	—
30 June 2017	**—**	**4,115**	**467**	**125**	**50**	**75**	**—**	**4,832**

In August 2015, Karuna entered into an agreement to issue up to $3.8 million of convertible notes to the Wellcome Trust subject to meeting certain development milestones. At 30 June 2017, the Company had issued $3.7 million of the notes, $0.3 million of which were issued during the first half of 2017.

In May 2017, Follica received $500,000 from an existing third-party investor through the issuance of convertible notes. The note bears interest at an annual rate of 10%, matures 30 days after demand by the holder, is convertible into equity upon a qualifying financing event and requires payment of at least five times outstanding principal and accrued interest upon a change of control transaction.

Between January and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

9. 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 such as a liquidation or dissolution of the subsidiary; and/or 2.) 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. Under certain scenarios the number of common shares receivable on conversion will change.

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

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

The following summarises the subsidiary preferred share balance:

	30 June 2017	**31 December 2016**
	$'000	**$'000**
Akili	19,293	18,465
Follica	274	159
Gelesis	58,102	56,333
Karuna	1	-
resTORbio	5,000	-
Tal	11,007	10,695
Sync	1,350	-
Vedanta Biosciences	24,147	11,285
Subsidiary preferred shares	**119,174**	**96,937**

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of a subsidiary, the holders of subsidiary preferred shares then outstanding shall be entitled to be paid 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 2017	**31 December 2016**
	$'000	**$'000**
Akili	21,972	21,972
Follica	2,020	2,020
Gelesis	60,490	60,490
Karuna	413	413
resTORbio	5,000	-
Sync	1,498	-
Tal	11,430	11,430
Vedanta Biosciences	30,295	15,445
Total	**133,118**	**111,770**

For the year ended 31 December 2016 and the six months ended 30 June 2017, the Group recognised the following changes in subsidiary preferred shares:

	$'000
Balance as of 31 December 2015	65,502
Issuance of new preferred shares	27,655
Value of derivatives at issuance	(2,588)
Accretion	6,368
Balance as of 31 December 2016	96,937
Issuance of new preferred shares	16,399
Value of derivatives at issuance	(212)
Accretion	6,050
Balance as of 30 June 2017	**119,174**

In January 2017, Vedanta Biosciences received the second and final tranche of its Series B financing, with the same terms as the initial tranche, totalling $24.9 million, of which the Company invested $15.0 million.

In March 2017, resTORbio completed its Series A financing, in which the Company committed $15 million to be funded in three tranches. The first tranche of $5.5 million was funded at closing. In addition, the Company may invest an additional $10 million of funding in excess of the $15 million at the Company's option upon the occurrence of certain events. In conjunction with the financing, resTORbio entered into a license agreement with Novartis which included issuing Series A preferred shares in resTORbio in consideration for the license and provides for future milestone payments and royalties based on net sales. The fair value of the Series A preferred shares issued to Novartis was determined to be $5.0 million with an equal amount reflected as an intangible asset.

In May 2017, Sync converted $1.1 million of outstanding notes issued in the second half of 2016 and the first half of 2017 plus accrued interest into Series A-2 preferred shares, at a value of $1.4 million, based on the terms of the notes.

10. Non-controlling interest

The following summarises the changes in the equity classified non-controlling ownership interest in subsidiaries by reportable segment during the six months ended 30 June 2017:

	Growth stage business units $'000	Project stage business units $'000	Parent company & other $'000	Consolidated $'000
Non-controlling interest as of 31 December 2016	**(84,677)**	**(578)**	**-**	**(85,255)**
Share of comprehensive loss	(23,979)	(1,168)	-	(25,147)
Equity-settled share-based payment	5,019	61	-	5,080
Non-controlling interest as of 30 June 2017	**(103,637)**	**(1,685)**	**-**	**(105,322)**

11. Leases

Office and laboratory space is rented under operating leases. These agreements contain various clauses for renewal at the Group's option and, in certain cases, escalation clauses typically linked to rates of inflation.

In January 2017, the Company entered into a lease for office and lab space for a one-year period beginning in January 2017 for rent of $108,000 per year. In June 2017, the Company exercised its option to extend the lease for an additional year for rent of $111,000 per year.

In May 2017, the Company entered into a lease for shared lab space beginning in May 2017 and ending in April 2019. The lease has a base rent of $144,000 which increases to $151,000 in May 2018.

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 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 2016 and the six months ended 30 June 2017 is as follows:

	Derivative liability - preferred stock conversion $'000	**Derivative liability - convertible notes $'000**	**Warrant liability $'000**
Balance as of 31 December 2015	65,164	337	14,263
Value of derivatives at issuance	2,588	408	-
Change in fair value	2,440	303	679
Settlement of derivatives	-	-	-
Balance as of 31 December 2016	70,192	1,048	14,942
Value of derivatives at issuance	212	550	-
Change in fair value	4,798	1,732	(1,862)
Settlement of derivatives	**-**	(374)	-
Balance as of 30 June 2017	75,202	2,956	13,080

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**
31/12/2014	2.0 – 5.0 years	60.0%	0.67% - 1.65%
30/6/2015	1.5 – 4.5 years	35.0% - 65.0%	0.48% - 1.53%
31/12/2015	1.5 – 4.0 years	35.0% - 60.0%	0.86% - 1.54%
30/6/2016	1.0 – 3.5 years	35.0% - 60.0%	0.45% - 1.53%
31/12/2016	1.5 – 5.0 years	35.0% - 80.0%	1.03% - 1.93%
30/6/2017	1.0 – 2.5 years	50.0% - 80.0%	1.26% - 1.40%

Probability Weighted Expected Return Method Inputs

	Range of Values	
Measurement Date	Time to Anticipated Exit Event	Probability of IPO / M&A / Dissolution Sale
31/12/2014	0.33 years	70.0% / 25.0% / 5.0%
30/6/2015	0.38 – 0.50 years	70.0% / 30.0% / 0.0%
31/12/2015	1.33 years	70.0% / 30.0% / 0.0%
30/6/2016	1.25 years	40.0% / 60.0% / 0.0%
31/12/2016	1.16 – 1.41 years	40.0% / 60.0% / 0.0%
30/6/2017	0.67 – 0.92 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	31/12/2015	31/12/2016	30/6/2017
Time to next qualified equity financing	1.00 - 2.03 years	0.5 - 1.0 years	0.17 – 1.5 years	0.33 years
Implied discount rate	11.3% - 2,459.0%	11.0% - 31.7%	9.3% - 39.5%	8.63% - 44.44%
Probabilities of a qualified financing	50% / 50% - 100% / 0%	45% - 75%	50% - 95%	90% - 95%

The following weighted average assumptions were used to determine the fair value of the warrants at 30 June 2017:

	Series A-1 Warrants	Series A-3 Warrants	Series A-4 (contingent) Warrants
Expected term	3.8 years	5.0 years	6.1 years
Expected volatility	67%	62%	62%
Expected dividend yield	—	—	—
Risk free interest rate	1.72%	1.89%	2.02%
Estimated fair value of the convertible preferred stock	$13.86	$13.86	$13.86
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 2017, and, accordingly, adjustments will 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 2017 $'000	30 June 2016 $'000
Short-term employee benefits	2,003	2,506
Share-based payments	1,200	944
Total	**3,203**	**3,450**

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 (these are legacy holdings from before the Company's IPO) in shares in the following operating companies and sourcing companies as at 30 June 2017:

Directors	Company name (share class)	Number of shares held as at 30 June 2017	Number of options held as at 30 June 2017	Ownership interest[1]
Mr Joichi Ito	Akili (Series A-2 preferred)	26,627	—	0.10%
Ms Daphne Zohar[2]	Gelesis (common)	59,443	744,423	5.30%
Dame Marjorie Scardino	—	—	—	—
Dr Bennett Shapiro[4]	Akili (Series A-2 preferred)[3]	33,088	—	0.20%
	Gelesis (common)	24,010	10,841	0.20%
	Gelesis (Series A-1 preferred)[5]	23,419	—	0.20%
	Tal (Series A-2 preferred)[3]	14,451	—	0.10%
	Vedanta Biosciences (common)	—	25,000	0.30%
	Vedanta Biosciences (Series B preferred)	11,202	—	0.10%

Dr Robert Langer	Entrega (common)	—	250,000	5.20%
Dr Raju Kucherlapati	Enlight (Class B common)	30,000	—	3.00%
Dr John LaMattina[4]	Akili (Series A-2 preferred)	37,372	—	0.20%
	Gelesis (common)[4]	54,120	63,050	0.70%
	Gelesis (Series A-1 preferred)[4]	49,524	—	0.30%
	Tal (Series A-2 preferred)	114,411	—	1.10%
	Vedanta Biosciences (common)	—	25,000	0.30%
Mr Christopher Viehbacher	—	—	—	—
Mr Stephen Muniz	—	—	—	—
Senior Managers				
Dr Eric Elenko	—	—	—	—
Mr David Steinberg	—	—	—	—
Mr Michael MacLean	—	—	—	—
Dr Bharatt Chowrira	—	—	—	—
Dr Joseph Bolen	—	—	—	—
Dr Atul Pande	Tal (Common)	—	51,478	0.50%

Notes:

(1) Ownership interests are as at 30 June 2017 calculated on a diluted basis, including issued and outstanding shares, warrants and options to purchase shares (and written commitments to issue options), but excluding unallocated shares authorised to be issued pursuant to equity incentive plans, and any shares of common stock issuable upon conversion of outstanding convertible promissory notes.

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

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

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

Directors and senior managers of the Company hold 34.6 million ordinary shares of the Company, options to purchase 1.9 million ordinary shares of the Company and Restricted Stock Units representing 7.4 million ordinary shares of the Company. The outstanding ordinary shares of the Company held by such directors and senior managers represent 14.6% of the voting power of the Company's outstanding ordinary shares.

14. Impairment of fixed assets

During the first half of 2017, the Group determined that certain fixed assets within its project stage programmes were rendered obsolete. The Company recorded an impairment charge of $454,000 to reduce the carrying amount to its estimated fair value, which is included in Research and Development expenses on the Consolidated Statements of Loss.

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

30 August 2017

Further information for shareholders:

Company Registration Number
9582467

Registered Office
5th Floor
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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 (Chief Operating Officer)

Company Secretary
Mr Stephen Muniz