6 April 2017

PureTech Health plc

PureTech Health Announces Annual Results for Year Ended 31 December 2016

PureTech Health plc ("PureTech Health", LSE: PRTC), an advanced clinical stage biopharmaceutical company, today announces its annual results for the year ended 31 December 2016. The following information represents select highlights from the full Report, which is available on the Investor Relations section of the PureTech Health website at http://puretechhealth.com/investors-reports-presentations.php.

Period Highlights

Financial and Business Highlights

- As of 31 December 2016, PureTech Health reports a consolidated cash balance of approximately $281.5 million, with approximately $192.1 million held at the Parent Company
- Aggregate Value of Growth-Stage Holdings at 31 December 2016 increased to $380.1 million from $291.7 million at 31 December 2015, an increase of 30.3 percent. A majority of the Growth Stage Holdings Value is based on transactions including third-party investors
- PureTech Health's Asset Value (Corporate Cash + Growth-Stage Holdings Value) at 31 December 2016 is $572 million. This Asset Value does not include 15 project and concept stage programmes that are not yet formally valued by the Group
- In 2016, the Group's programmes attracted in excess of $98 million in funding, including $29.3 million from leading strategic and financial institutions such as Amgen Ventures, Merck Ventures BV*, Rock Springs Capital, Seventure, JAZZ Venture Partners, and Canepa Advanced Healthcare Fund
    - Vedanta Biosciences raised $50.0 million in new equity investments
    - Akili raised $42.4 million in new equity investments
- PureTech Health has average equity holdings of approximately 72 percent in its programmes, and effective control over all
- PureTech Health advanced four programmes - Alivio, Commense, Sonde, and The Sync Project - from project stage to growth stage due to achieving a level of de-risking, securing intellectual property, establishing management teams, developing a sustainable business plan and engaging key scientific founders
- PureTech Health progressed three new programmes from concept stage to project stage:
    - resTORbio – A Phase 2 clinical programme developing a treatment to address immunosenescence, an age-dependent decline in immune function (advanced to growth stage in the post-period and not included in the Growth-Stage Holdings Value as of 31 December 2016)
    - Nybo – A preclinical programme developing monoclonal antibodies to target immuno-suppressive cells in pancreatic cancer, colorectal cancer, and other solid tumours
    - Glyph – A preclinical programme developing novel approaches to enhance delivery and distribution of therapeutics via the lymphatic system

Pipeline/Clinical Highlights

PureTech Health is advancing a robust pipeline of late and mid-stage clinical programmes and preclinical product candidates, with several pivotal trials and human proof-of-concept studies expected to read out over the next 12 to 18 months. PureTech Health has made significant progress in advancing its eight clinical programmes and seven preclinical programmes, including:

- Akili initiated a pivotal study of Project:EVO™ in paediatric attention deficit hyperactivity disorder (ADHD), published data from two studies showing the potential benefit of its core cognitive treatment technology in targeting cognition and mood in individuals diagnosed with depression, and presented positive top line data from its Alzheimer's screen digital biomarker study in collaboration with Pfizer
- Gelesis initiated the U.S. portion of a pivotal study of Gelesis100 in people who are overweight or have obesity and presented positive top line safety data and positive satiety data from its second candidate (Gelesis200) in obesity
- Karuna announced positive results from a tolerability proof-of-concept clinical study of its lead programme for the treatment of schizophrenia and Alzheimer's disease psychosis and cognition impairment
- Vedanta commenced GMP manufacturing of its C. difficile candidate, VE303, to begin human clinical studies in 2017
- Entrega's targeted delivery platform generated positive proof-of-concept data for delivery of peptides in large animals
- Sonde completed initial development of its scalable, vocal biomarker technology and gathered data from 1,800 participants

Team Highlights

As PureTech Health's pipeline deepens and progresses, the Group has attracted several industry leaders to full-time positions to help take PureTech Health to the next level of growth and value realisation, including:

- Joseph Bolen, PhD, an industry leader who has advanced more than 30 medicines into clinical development and previously served as President and Chief Scientific Officer for Moderna Therapeutics and Chief Scientific Officer at Millennium, as Chief Scientific Officer of PureTech Health
- LeRoux Jooste, who has launched and commercialised several blockbuster neurology drugs, as Chief Commercial Officer of Akili
- David Pass, PharmD, who brings commercial expertise building a billion-dollar franchise across diabetes and metabolic disorders from his time with Boerhinger Ingelheim, as Chief Operating Officer of Gelesis
- Bruce L. Roberts, PhD, who brings drug discovery and development expertise and most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme, as Chief Scientific Officer for Vedanta Biosciences

Intellectual Property

PureTech Health has also significantly expanded and strengthened its IP portfolio across several programmes:

- Increased total number of patents and patent applications by 79
- Licensed key IP to strengthen coverage for its Commense, Sonde Health, and Vedanta Biosciences programmes
- Received grants of patents for Vedanta Biosciences (4), Gelesis (4), and Follica (2)

Post Year-end Highlights

- PureTech Health entered a licensing and equity agreement with Novartis to advance two clinical-stage programmes focused on diseases related to immunosenescence, an age-related decline in immune function, in its resTORbio operating subsidiary
- Vedanta Biosciences entered into clinical translational medicine collaborations with Stanford University School of Medicine and Leiden University Medical Center

- Bharatt Chowrira, PhD, JD, who brings a strong track record of value realisation with several billion-dollar deals, joined PureTech Health in March 2017 as President and Chief of Business and Strategy
- Atul Pande, MD, who brings deep clinical expertise and most recently served as Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline, joined PureTech Health in February 2017 as Chief Medical Officer

Commenting on the annual results, Daphne Zohar, Co-founder and Chief Executive Officer of PureTech Health said:

"2016 was a year of great progress at PureTech Health. Consistent with our previously disclosed timelines, we successfully executed several important milestones, including the initiation of two pivotal studies (Akili and Gelesis) which we expect to read out later this year. We also had a number of positive clinical data readouts, including results from our Karuna tolerability proof-of-concept study, a second Gelesis clinical programme, and the presentation of top line data for Akili's Alzheimer's screen digital biomarker study in collaboration with Pfizer."

"With the active engagement of our seasoned management team, Board of industry pioneers, and extensive network of collaborators and leading experts, we continued to strengthen and grow our robust pipeline of novel programmes to treat serious diseases caused by dysfunctions in the immune, gastrointestinal and nervous systems."

"We enter 2017 with a strong balance sheet ($281.5 million in consolidated cash) and a focus on converting some of our exciting progress into value realisation."

PureTech Health today released its Annual Report for the year ended 31 December 2016. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM

- Annual Report and Accounts for the year ended 31 December 2016; and
- Notice of 2016 Annual General Meeting.

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

PureTech Health's 2017 Annual General Meeting will be held at 17.00 BST on Monday 8 May 2017 at the St Martins Lane Hotel, 45 St Martin's Lane, London WC2N 4HX, United Kingdom.

PureTech Health will also hold its annual Capital Markets Meeting in London on Tuesday 9 May 2017 from 13.00-17.00 BST. The meeting will feature PureTech Health presenters including members of the Company's Board of Directors, senior team, key scientific advisors, and management from the Company's programmes. Please confirm if you would like to attend the Capital Markets Meeting to PureTech.Event@fticonsulting.com.

About PureTech Health

PureTech Health (PureTech Health plc, PRTC.L) is a cross-disciplinary, advanced, clinical-stage biopharmaceutical Company developing novel medicines that modulate the adaptive human systems. PureTech's therapies target the dysfunctions in 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 Company is advancing a rich pipeline that includes multiple human proof-of-concept studies and pivotal or registration studies expected to read out over the next 12-18 months. PureTech Health's growing research and development pipeline has been developed in collaboration with some of the world's leading scientific experts, who along with PureTech's experienced team and a stellar Board identify, analyse and advance very selectively the opportunities the Company believes hold the most promise for patients. This experienced and engaged team places PureTech Health at the forefront of ground-breaking science and technological innovation and leads the Company between and beyond existing disciplines. For more information, visit www.puretechhealth.com or connect with us on Twitter @puretechh.

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For further information:

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**Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany, known as M Ventures in the United States and Canada, is the strategic, corporate venture capital arm of Merck KGaA, Darmstadt, Germany.*

Notes

(i) Nature of announcement

The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2016 or 2015. Any references to page numbers in this announcement are to pages within the Annual Report and Accounts. Statutory accounts for the year ended 31 December 2016 have been reported on by the Independent Auditor and will be delivered to the Registrar when due.

(ii) Forward looking statements

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

Letter from the Chairman

I am pleased to present the PureTech Health 2016 Annual Report. Under the excellent leadership of our CEO and co-Founder, Daphne Zohar, and an accomplished management team, PureTech Health achieved significant progress over the past year and continued to execute on all of its stated goals. It is with great excitement that we turn to 2017, on the cusp of major inflection points and the opportunity to drive value for patients and shareholders.

There is nothing more important than one's health. We see on a daily basis how it affects us, our friends and our families. There is also a tremendous strain endured on a societal level due to the costs and loss in productivity caused by the consequences and treatment of chronic diseases. Factors, such as an ageing population and the effects of the environment on our systems result in complex chronic diseases, which are the most common and costly of all health problems in the 21st century. Fresh ideas and new approaches are needed to address these enormous needs.

PureTech Health is at the forefront of innovation. Using an unbiased and cross-disciplinary approach, we set out to identify and solve some of the largest health issues affecting us today. PureTech Health is not constricted by a particular scientific bias or technology. Our boundless innovation philosophy coupled with strict capital discipline allow us the freedom to tackle issues in the most promising way. The outcomes are new therapeutics and modalities that will potentially lead to the safe and efficacious treatment of millions of patients.

These transformative technologies are clearly demonstrated in our programmes, including our advanced pipeline that contains significant catalysts in 2017. Akili, our digital cognitive treatments and assessments programme, intervenes directly on brain function using interference processing to treat paediatric ADHD in a safe, non-pharmacological manner.

Gelesis, focused on the treatment of obesity and diabetes, employs a superabsorbent hydrogel to promote weight loss with drug-like efficacy and food-like safety. Vedanta, which takes a differentiated approach to the microbiome, utilises rationally defined bacterial consortia that have specific biological effects to treat a wide range of autoimmune and infectious diseases. Karuna is poised to tackle the huge societal and patient problems associated with psychosis in schizophrenia and Alzheimer's disease.

These types of products and their potential impact on patients drive PureTech's purpose and mission.

PureTech's leadership position in the hub of biopharmaceutical development and innovation, Boston and Cambridge, MA, and the stellar team and network of collaborators represent a unique cross-section of some of the industry's best minds and ideas. We have built on this regional network to expand our collaborations across the globe with the world's leading experts.

Together, we will continue to push the boundaries of medicine and transcend what is possible today. Thank you for your continued support of PureTech Health as we build a unique biopharmaceutical company. We look forward to sharing our progress with you as we move imminently closer to providing truly novel therapeutics to patients and creating significant value for shareholders.

Joichi Ito
Chairman

Strategic report

Letter from the Chief Executive Officer

2016 was a seminal year and a year of great progress at PureTech Health. In 2017, we will be focused on converting some of our exciting progress into value realisation for our shareholders.

In a rapidly transforming healthcare landscape, PureTech Health is at the forefront of scientific advances that are changing our fundamental understanding of and ability to intervene in major chronic diseases, which touch every aspect of healthcare and account for the overwhelming majority of healthcare spending. With our capital-efficient operating model, macroscopic view of biology, and leading team, Board and group of global collaborators, we've built a company ideally positioned to navigate this new era of healthcare with truly novel medicines that could make a significant positive impact for patients and drive major value for our shareholders.

Consistent with our previously disclosed timelines, we successfully executed several milestones in 2016. We initiated pivotal studies for two of our growth-stage programmes – Gelesis (Gelesis100 for weight loss in obesity) and Akili (Project: EVO™ in paediatric ADHD) – both of which we expect to read out in 2017. We continued to develop both of these technologies in a number of additional indications, as our ongoing mechanistic and pilot studies yield positive new findings. In May, we announced positive data from a first-in-human safety and tolerability study of Gelesis200 targeting patients with type 2 diabetes and later presented positive satiety data at a key obesity scientific congress. In December, a joint Akili/ Pfizer study found that Akili's screen technology was sensitive enough to detect even subtle functional cognitive impairments in healthy subjects at risk of developing Alzheimer's disease, and two separate academic collaborations demonstrated the potential benefit of Akili's core cognitive treatment technology in targeting cognition and mood in depressed individuals.

Our mid-stage programmes progressed as well. Karuna, our schizophrenia and Alzheimer's psychosis programme, announced a positive tolerability proof-of-concept study with our proprietary combination approach. This achievement paves the way for a Phase II trial in schizophrenia to begin later this year, which aims to build on the previous exciting human efficacy data generated at Eli Lilly. Vedanta has also commenced its first GMP manufacturing run of product candidate VE303, which we plan to advance into human clinical studies in C. difficile this year. Vedanta is also progressing very well in its partnership with Janssen, including moving towards human clinical trials in the next six to twelve months.

We've also expanded our IP portfolio, increasing our total patent and patent applications by 79 in the past year. These patents protect not only the foundational technologies for our programmes but also provide significant exclusivity periods for our product candidates.

As our pipeline deepens and progresses, we've made strategic additions to our world-class team with a focus on taking PureTech Health to the next level of growth and value realisation:

- Bharatt Chowrira, PhD, JD, joined PureTech Health as President and Chief of Business and Strategy. Dr. Chowrira brings more than two decades of experience in the biopharmaceutical 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, and prior to that he was Chief Operating Officer of Auspex (sold to Teva Pharmaceuticals for $3.5 billion) (joined in March 2017)
- Joseph Bolen, PhD, joined PureTech Health as Chief Scientific Officer. Dr. Bolen brings decades of industry experience, having overseen the discovery and advancement of more

than 30 drugs. He most recently served as President and CSO of Moderna Therapeutics, and prior to that he was CSO and President of Research and Development at Millennium (Sold to Takeda Pharmaceuticals for $8.8 billion)

- Atul Pande, MD, joined PureTech Health as Chief Medical Officer. Dr. Pande has more than two decades of experience in drug development. He is the former Senior Vice President, Head of Neuroscience, and Senior Advisor, Pharmaceutical R&D at GlaxoSmithKline (joined in February 2017)
- David Pass, PharmD, joined Gelesis as Chief Operating Officer. Dr. Pass has more than 20 years of commercial expertise across multiple therapeutic areas with a focus on diabetes and metabolics. He most recently served as Vice President of Marketing for the Diabetes Franchise at Boehringer Ingelheim where he built a billion-dollar commercial business in diabetes
- LeRoux Jooste, joined Akili as Chief Commercial Officer. Mr. Jooste brings a track record of launching blockbuster neurology products and establishing commercial capabilities that deliver strong and sustained revenue growth
- Bruce L. Roberts, PhD, joined Vedanta Biosciences as Chief Scientific Officer. Dr. Roberts has 30 years of experience in biotechnology and pharmaceutical drug discovery and development. He most recently served as head of Neuro-Immunology and Immune-Mediated Disease Research at Sanofi Genzyme

PureTech Health continues to build on synergies and existing expertise from our later-stage programmes, utilising core competencies and resources to maintain both our entrepreneurial roots and our lean operating model.

We also continue to stage-gate resource-allocation based on discrete deliverables and key milestones, resulting in our strong balance sheet and cash position ($281.5 million in consolidated cash and short term investments). All funding decisions are proposed by senior executive management, ratified by the Board, and guided by our capital-efficient tenets. Our early-stage programmes are de-risked and developed internally, and we will be aggressively exploring monetisation and commercialisation opportunities as our assets mature. We believe that this model will deliver great value to patients and shareholders.

For several programmes – including Akili and Vedanta Biosciences – we secured strategic, validating financing in 2016 from investors such as Rock Springs Capital, Amgen Ventures, Merck Ventures BV, Amsterdam, The Netherlands, a subsidiary of Merck KGaA, Darmstadt, Germany (known as M Ventures in the United States and Canada), Seventure, JAZZ Venture Partners, and Canepa Advanced Healthcare Fund. As of this year, Akili has relationships with four major biopharmaceutical companies or their investment affiliates, and Vedanta has an ongoing collaboration with Janssen Biotech, Inc., which is progressing well and earned IP-related milestone payments this year.

In 2017, we will build on this momentum and deepen our focus on the human adaptive systems – the nervous, gastrointestinal, and immune systems. Approaching biology from a systems level enables us to access the underlying pathophysiology of disease at multiple dimensions – rather than through a single receptor or pathway – which we believe is the key to unlocking therapeutic potential.

This focus also places us at the cutting edge of a paradigm shift in medicine. Early intervention is critical for the reduction of healthcare costs, and our programmes such as Akili, Gelesis, Sonde, Commense, and resTORbio are all advancing new approaches to enable earlier intervention to address the burden of chronic disease.

As the healthcare landscape evolves, PureTech Health is at the forefront of that change and we believe we will be positively impacted by the emerging trends in the sector. We think about the world a little differently, looking around corners together with the experts who have pioneered the current industry. We deeply appreciate your continued support - and the contributions of our terrific team - and we look forward to an exciting 2017.

Daphne Zohar
Chief Executive

Letter from the Chief Scientific Officer

The foundations of modern biology were framed in the latter half of the 20th century: The advent of "molecular" biology, advances in medicinal chemistry and automation, and the inventions of gene cloning, monoclonal antibodies, and gene sequencing revolutionised biomedical research and drug discovery, creating the global biopharmaceutical industry we know today.

Over the first decade and a half of the 21st century, a comparable revolution has begun with the convergence of a dazzling array of novel molecular, computational, material, and mechanical technologies that have fundamentally transformed our knowledge of biological systems. This shift is enabling an unprecedented understanding of complex human diseases, most notably chronic diseases, which are the leading cause of death and disability in the industrialised regions of the world.

Chronic diseases – such as diabetes, obesity, cancer, heart disease, depression, arthritis, schizophrenia, and Alzheimer's disease – represent the most common and costly of all health problems. In contrast to previous assumptions, we now understand that environmental exposures outweigh an individual's inherited genetic content as the primary influence governing chronic disease risk. This also helps to explain why the chances of acquiring one or more chronic diseases increases with age.

Previous efforts to develop therapeutics for highly prevalent, complex chronic diseases have been limited by a focus on individual drug targets, many of which were identified through genome-wide association analyses, and the inherent platform bias of the traditional biopharmaceutical model, which restricted the kind of cross-disciplinary discovery that can yield breakthrough innovation. Considering recent insights documenting the dominant role of the environment on the immune and nervous systems in the initiation and progression of chronic diseases, new orthogonal systems-based approaches are clearly needed to discover safe and effective therapeutic and diagnostic solutions for this diverse group of complex diseases.

PureTech Health is at the forefront of incorporating this emerging disease knowledge and cutting-edge technologies into new therapeutic and diagnostic programmes that are focused on chronic diseases. We've strategically centred our efforts around the biological processes associated with the nervous, gastrointestinal, and immune systems, as these together represent the major adaptive systems responsible for interacting with the environment and are frequently implicated in serious chronic disease. We seek diagnostic and treatment solutions without bias to either therapeutic precedent or therapeutic modality, and our team is guided by a network of the world's leading scientists.

The success of this approach is exemplified by our pipeline, which is rich in both the diversity of interventional modalities as well as the range of disease indications. We have established a solid track record of recognising key advances in technology and landmark discoveries, ranging from digital

conditioning of neural circuits to regulation of the immune system by rationally-designed commensal bacteria. The knowledge accumulated from this exciting array of interrelated technology programmes is informing and enabling our ongoing earlier concept and discovery stage programmes that represent the next waves of PureTech Health innovations.

I'm thrilled to have joined an organisation and a team that is pioneering the next generation of healthcare advances. PureTech Health is truly harnessing deep expertise from the past and technology of the future to create a modern biopharmaceutical company.

Joseph Bolen
Chief Scientific Officer

How PureTech Health aims to build value for investors

Empowered by industry pioneers

The innovation process starts with the people. PureTech Health's seasoned management team and Board of Directors consist of accomplished industry leaders with significant experience in maximising shareholder value, discovering scientific breakthroughs, and delivering products to market.

A team that includes former CEOs, CSOs and heads of research and development from big pharma and biotech, top academic scientists, and entrepreneurs has proven to be a key driver in the recruitment of top talent and ideas to PureTech Health. The Company's network of scientists, inventors, and executives, including more than 70 of the world's foremost experts in their fields, serve as integral partners in the identification and development of potential new therapies.

Boundless innovation

With a blank slate, PureTech Health sets out to identify unexpected solutions to big problems. The Company begins by identifying a significant medical need within its core focus areas, and then it collaborates with the world's leading experts to deconstruct the problem and identify the most promising solutions.

PureTech's principle of boundless innovation allows for the freedom to tackle issues without the constraint of being bound to a single platform or modality. The process encourages cross-disciplinary, orthogonal thinking and the creation of disruptive technologies.

Technological advances and cross-disciplinary research have transformed the way medical advances are achieved in the 21st century. PureTech Health is harnessing this new era of convergence for the distinct purpose of developing innovative treatments with better risk-benefit profiles for patients.

Unbiased and data-driven

The process remains unbiased at every stage. PureTech Health is not tied to a single scientific programme and does not have an institutional bias to continue a specific programme, but rather senior leadership and the Board make decisions based on the data. Assets that are advanced to the lab from the brain-storming processes are examined through a sceptical lens and undergo rigorous de-risking experiments.

Optimising and diversifying risk is a central theme in PureTech's therapeutic development. An early focus on approaches that have signals of human efficacy and strong safety aids in alleviating some of the industry's major obstacles in advancing novel treatments.

PureTech's diversified portfolio also mitigates the binary risk associated with singular scientific programmes.

With a strong emphasis on pressure testing ideas early, PureTech Health demands the validation needed to justify further investment and the formation of a programme around the technology. The data and market opportunity help to guide decision-making regarding which candidates to advance.

Capital efficiency

By pressure testing ideas early and following a strict stage-gated funding process, PureTech Health has advanced its programmes for a fraction of the average drug development cost. The company has built a robust pipeline of innovative programmes in a highly capital-efficient way that have collectively generated significant value.

With the seeds of innovation that were planted several years ago, the first wave of those programmes have grown in a capital-efficient manner and are now beginning to bear fruit with two pivotal studies reading out in 2017. The second wave of programmes is in mid-stage clinical studies and expected to readout in 2018, and the third wave of programmes/assets are in preclinical development, with some moving into the clinic soon. We believe this is a compelling innovation and growth story with a steady stream of catalysts and value inflection points over the next two years.

Value realisation

PureTech's approach is to generate meaningful clinical data and develop its assets to considerable value inflection points.

The Company has the built-in flexibility to choose the best path for the advancement of its assets. In some cases, PureTech Health will pursue third-party validation of the intrinsic value of its pipeline through strategic partnerships, licensing agreements and external investor participation. In other cases, when the funding required to get to the next milestone is within PureTech's budget and scope, PureTech Health may choose to maintain essentially all of the ownership and fund the next study internally. The PureTech Health Board and senior executive team are deeply engaged in this decision-making process and consider a number of elements, including the likelihood of achieving the next milestone and the value accretion at that stage, while weighing potential partnership constructs and the validation they signal.

The PureTech Health structure enables full optionality to evaluate trade sales, IPOs, and/or commercialisation partnerships to monetise assets in a way that creates the most value for shareholders.

A new generation of biopharmaceuticals

PureTech Health has a deep pipeline with key areas of focus. The discovery and preclinical pipeline builds on the synergies and existing expertise of later stage programmes.

In particular, PureTech Health looks to expand its presence in the treatment of chronic diseases tied to the adaptive human systems. Utilising core competencies, such as microbiome and bio-inspired

engineering, PureTech Health has developed new programmes that could affect the lives of millions of patients.

Programmes such as Vedanta, Akili, Gelesis, Karuna, and resTORbio are prime examples of the first-in-class innovation being performed at PureTech Health and offer tremendous upside potential for shareholders as they progress towards the clinic.

PureTech Health has created a unique model for drug development that builds on the learnings from the last 40 years of the biopharmaceutical industry. The PureTech Health team and external collaborators are empowered to pursue scientific discoveries that address some of the major issues burdening the healthcare system, while the stage-gated de-risking approach ensures capital discipline, with all decision making executed on a group level by the PureTech Health Board and senior team to ensure that resources are allocated to the product candidates that hold the most promise.

The PureTech Health Board and management team are fully aligned with shareholders. Using a capital disciplined and data-driven approach, the Company efficiently advances its top programmes to valuable inflection points in order to harvest the greatest returns.

With an advanced pipeline, including two pivotal trials expected to readout in 2017, and an exciting preclinical and discovery pipeline, PureTech Health is positioned to deliver meaningful rewards to patients and shareholders over the coming year.

An advanced pipeline

PureTech Health has a robust pipeline of programmes that have made excellent progress over the course of 2016, with multiple programmes advancing in clinical development and approaching commercialisation. PureTech Health's most advanced programmes are considered growth stage and are formally valued at the conclusion of each year. These growth stage programmes are used to derive the aggregate value of the Company's holdings in its growth stage programmes (Growth-Stage Holdings Value). PureTech's earlier stage programmes are considered project stage and concept stage and are not included in the Growth-Stage Holdings value.

Growth stage programmes

Given the progress of PureTech Health's growth stage programmes, PureTech Health's Growth-Stage Holdings Value increased by $88.4 million or 30.3 percent during 2016, from $291.7 million to $380.1 million. The increase in PureTech Health's Growth-Stage Holdings Value, net of new investments by PureTech Health, was approximately $46.7 million, or approximately 16.0 percent.

Clinical stage programmes

Both Akili and Gelesis are funded through the read-out of their pivotal studies (Gelesis mid-2017; Akili second half of 2017), with sufficient funding to also begin commercialisation planning activities as they prepare for product launches within the next year. Gelesis has also initiated a six-month proof-of- concept study of Gelesis200 for glycaemic control and weight loss in patients with prediabetes and type 2 diabetes, which is expected to read-out mid-2018.

Beyond its pivotal study in ADHD, Akili is also advancing its platform technology, which powers both treatment and assessment (monitor, screen) products, in multiple clinical trials, including pilot studies in paediatric and early adult cognitive disorders, depression, and neurodegenerative disorders such as Alzheimer's disease and multiple sclerosis. In December 2016, two pilot studies exploring the

technology's potential use in late life depression (LLD) and major depressive disorder (MDD) were published in two peer-reviewed journals. Both studies yielded promising results and pave the way for additional randomised, controlled studies.

Karuna has made significant progress in its clinical development throughout 2016, with a positive readout in the second half of 2016 in a tolerability proof-of-concept study. Karuna plans to initiate a Phase II trial in the second half of 2017 to replicate existing efficacy data in schizophrenia with improved tolerability. If successful, this study could serve as the basis for initiating a pivotal study.

Follica is progressing the development of its proprietary, in-office skin disruption therapy that induces follicular neogenesis and enhances the new follicles with an active drug compound. Follica is initiating a pilot optimisation study mid-year, with a pivotal trial expected to begin in the second half of 2017.

In June 2016, Sonde executed an exclusive license with the Massachusetts Institute of Technology (MIT) Lincoln Laboratory for technology being used to analyse brief patient voice samples to screen and monitor a range of mental and physical medical concerns based on subtle changes in acoustic characteristics of the speaker's voice. Sonde's focus areas include mental health conditions like depression as well as a number of other mental health, respiratory and cardiovascular conditions. As of 31 December 2016, Sonde's mobile depression and speech research corpus had studied 1,800 participants.

The Sync Project completed its end-to-end implementation of the Sync system, collecting ratings data on music for various indications, and expects to roll out product offerings in different indications or functional music areas over the coming year.

Preclinical pipeline

Vedanta Biosciences, Commense, Entrega, and Alivio have all made significant progress towards human clinical trials in 2016. Vedanta's VE303 has demonstrated efficacy in animal models of C. difficile infections and is expected to begin human clinical studies in the second half of 2017. VE202, partnered with Janssen, is progressing positively toward human clinical studies, which are expected to begin in the next six to twelve months. Vedanta also has multiple candidates in additional indications including food allergy, multidrug-resistant organisms (MDROs), graft versus host disease (GvHD), and oncology.

Commense initiated preclinical studies to explore the role of VMT in immune and metabolic phenotypes. Commense also initiated manufacturing of a VMT Procedure Kit for clinical trials and data collection, and is expected to initiate human clinical studies in 2019 for its lead product candidate.

In 2016, Alivio executed an exclusive license agreement with MIT and Brigham and Women's Hospital for the Alivio programme technology. Alivio has made significant advancements in preclinical studies to date and expects to initiate human clinical studies in 2019.

As of late 2016, Entrega has generated proof-of-concept data demonstrating successful delivery of peptides in large animals, and it expects to continue preclinical studies to further refine this platform.

Project stage programmes and concept stage initiatives

(not included in the Growth-Stage Holdings Value calculation)

Unlike its growth stage programmes, the Company's project stage programmes and concept stage initiatives are not assigned values by PureTech Health but rather form the basis for PureTech's next

growth stage programmes. The Company's pipeline is primarily focused on three therapeutic areas of accelerating biological insight and substantial unmet medical need – the nervous, gastro-intestinal, and immune systems, and – despite not being formally valued by PureTech Health – the most advanced of these are now clinical stage and have strong proof- of-concept and teams in place.

For example, in March 2017, resTORbio executed a licensing and equity agreement with Novartis to advance two clinical-stage programmes targeting the age-related decline in immune function. A Phase IIb study with these candidates is planned to commence in 2017. resTORbio was not included in our Growth-Stage Holdings Value calculation as it was still a project stage programme at 31 December 2016.

Valuation of PureTech Health's growth stage programmes

The Company expects that the value of at least some of the Company's programmes will be realised through liquidity events, with proceeds accruing to the Group. On average, PureTech Health owns 72 percent of all growth stage programmes as of 31 December 2016 on a diluted basis. As all growth stage programmes are fully consolidated in PureTech Health's consolidated financial statements prepared in accordance with IFRS, the consolidated statements of financial position incorporated within PureTech Health's consolidated financial statements do not include current valuations of the growth stage programmes. As a means to more fully meet the information needs of shareholders, the Directors have determined that it is appropriate to voluntarily present, as supplementary information, an ownership adjusted valuation of its growth stage programmes in aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines (see page 102). The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS.

At the close of each annual financial period, the Directors estimate and formally approve the value of PureTech Health's holdings in its growth stage programmes which is used to derive the Growth-Stage Holdings Value. The Directors engage an external valuation expert in assisting the Company in estimating the Growth-Stage Holdings Value. The Growth-Stage Holdings Value was $380.1 million as at 31 December 2016. The Growth-Stage Holdings Value consists of PureTech Health's ownership-adjusted interests in its ten growth stage programmes. The Growth-Stage Holdings Value does not include PureTech's interests in its five project stage programmes or PureTech's interests in its 10 concept stage initiatives.

The Growth-Stage Holdings Value is an alternative performance measure (APM) used by the Directors as a key performance indicator (KPI) to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, the activities of such subsidiaries are fully consolidated in the Group accounts and the value of those investments is not separately disclosed in the statement of financial position.

The Company previously disclosed Growth-Stage Holdings Values totalling $291.7 million and $222.4 million as of 31 December 2015 and 2014, respectively. This information was provided to assist potential shareholders and other key stakeholders in gaining a baseline understanding of the Company's business model and its underlying portfolio of growth- stage programmes. As previously disclosed, beginning with this filing, the Company will disclose the total Growth-Stage Holdings Value, but not the specific value of each growth stage programme making up the total amount, as the Company believes that such information could affect its ability to realise the highest possible value for these programmes in the event of equity financings, collaborations, partnerships or other third-party arrangements. [Note that a pie chart showing the relative contributions of each programme to the Growth-Stage Holdings Value can be found on page 17 of the full report, available at

http://puretechhealth.com/investors-reports-presentations.php]. At 31 December 2016, the largest five holdings (Akili, Gelesis, Karuna, Vedanta Biosciences, and Follica) constitute approximately 88 percent of the Growth-Stage Holdings Value. The Company's business model relies on the ongoing discussions and negotiations with third-party investors and partners regarding its growth stage programmes. Disclosing the individual valuation of the Company's ownership stake in each growth stage programme, as part of communicating our Growth-Stage Holdings Value, provides potential third-party partners and investors negotiating leverage. The amount presented in the Growth-Stage Holdings Value is usually not reflective of the highest possible value and may not be the most favourable valuation that could ultimately be assigned by an investor or partner. In the interests of promoting transparency, PureTech Health provides the above notes on our approach to valuation. There can be no guarantee that the aforementioned Growth-Stage Holdings Value will be considered to be correct in light of the future performance of the Company's programmes, or that PureTech Health would be able to ultimately realise proceeds in the amount of such valuation, or at all, in the event of a sale or other monetisation event involving its growth stage programmes.

Each growth stage programme has an equity incentive plan in place which has the potential to dilute PureTech Health's ownership. The equity incentive plans are for the benefit of employees, directors and other advisors and service providers of the relevant programme.

The Growth-Stage Holdings Value has increased by $88.4 million to $380.1 million or 30.3 percent during 2016. Excluding the impact of the amounts invested by PureTech Health of $41.7 million (excluding the first tranche of the Akili financing round in January 2016 of $11.5 million) subsequent to the 31 December 2015 valuation, the Growth-Stage Holdings Value increased by approximately 16 percent.

A majority of the Growth-Stage Holding Value is supported by third-party investments, without effect for any increase subsequent to the third-party transaction.

Valuation methodology

Each growth stage programme is evaluated by the Company when requesting further investment from PureTech Health based on a range of inputs, including, amongst others, technical likelihood of successful business performance, market and competitor analyses.

The Growth-Stage Holdings Value represents the sum of the parts valuation of the Group's growth stage programmes. In 2015, the sum of the parts valuation included Akili, Vedanta, Gelesis, Follica, Karuna, Entrega and Tal. 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 a statistically significant dose- dependent effect, the Company reclassified Tal as a project stage programme. Furthermore, Sonde, Alivio, Commense, and The Sync Project have graduated to growth stage primarily due to achieving some level of de-risking, successfully securing intellectual property, establishing management teams, developing a sustainable business plan and engaging key scientific founders. As such, these programmes are included in the Growth-Stage Holdings Value at 31 December 2016. In 2016, our valuation of the Growth-Stage Holdings Value includes Akili, Vedanta, Gelesis, Follica, Karuna, Entrega, Sonde, Alivio, Commense and The Sync Project. [Note that a pie chart showing the relative contributions of each programme to the Growth-Stage Holdings Value can be found on page 17 of the full report, available at http://puretechhealth.com/investors-reports-presentations.php]. At 31 December 2016, the largest five holdings (Akili, Gelesis, Karuna, Vedanta Biosciences, and Follica) constitute approximately 88 percent of the Growth-Stage Holdings Value.

Subsidiary	PureTech Health Ownership

GROWTH STAGE	
Akili	56.5 %
Gelesis	21.4 %
Vedanta Biosciences	74.9 %
Karuna	77.8 %
Follica	59.1 %
Entrega	71.4 %
Alivio	88.7 %
Commense	90.5 %
Sonde Health	95.4 %
The Sync Project	80.0 %
PROJECT STAGE (not included in Growth-Stage Holdings Value)	
resTORbio*	67.4 %
Tal	53.4 %
Vor	82.1 %
Nybo	100 %
Glyph	100 %
CONCEPT STAGE (not included in Growth-Stage Holdings Value)	
ProEng Central Pathway 3DRNAi SynDel Ibridge Multibiome VITarg Crossroads Potens Cenobium	PureTech Health typically owns 100% of each concept-stage Programme at the time of license agreement

*As announced on 24 March 2017, the Company progressed resTORbio to a growth stage programme in 2017, resulting in the percentage ownership shown above assuming the allocation of $25 million.

More than two-thirds of the increase in the Growth-Stage Holdings Value was related to the increase in value of the 2015 portfolio of growth stage programmes, inclusive of the negative effect of Tal being reclassified as a project stage programme.

The valuation of each growth stage programme relied on varying methodologies. A majority of the Growth-Stage Holding Value is supported by third-party investments, without effect for any increase subsequent to the transaction. This includes the third-party financings of Gelesis, Akili and Vedanta.

Further details of the methodology applied by the Directors in determining the Growth-Stage Holdings Value is set out in the accompanying audited financial statements.

PureTech Health's project stage programmes and concept stage initiatives

The Directors believe that PureTech Health has adopted a conservative approach in providing valuation disclosure in respect of our growth stage programmes only. The Directors believe that the project stage programmes and concept stage initiatives, established international advisory network and theme driven business creation process provide significant opportunities to create and realise significant further value for PureTech Health's shareholders.

In addition to its 10 growth stage programmes, PureTech Health has five project stage programmes which are at an earlier stage in PureTech Health's process and will form the basis of future growth stage programmes.

PureTech Health's existing growth stage programmes have all emerged from PureTech Health's established model. PureTech Health's pipeline, infrastructure and international advisory network enables it to explore new themes on an ongoing basis. PureTech Health currently has 10 concept stage initiatives with the potential to become the foundation for our future programmes.

PureTech Health's employees have built up extensive knowledge in areas that are critical to its business such as opportunity analysis and design of key experiments, as well as filing and licensing intellectual property. PureTech Health also relies on leading service providers, consultants and vendors including leading law firms with intellectual property expertise, regulatory consultants and contract research organisations whose expertise the Company can employ in a disciplined manner while conducting key validating experiments. The Directors believe this combination of established working relationships and broad expertise across the team enables PureTech Health to manage its business with efficiency and reduced risk and ultimately provides PureTech Health with a reproducible model to grow its business and generate further value for its shareholders.

Portfolio Review

Growth Stage Programmes

Akili is a clinical-stage programme building clinically-validated cognitive treatments and assessments that are delivered in an action video game interface. Leveraging medical-grade science and consumer-grade software technology, Akili seeks to produce a new type of medical product that can offer safe and effective scalable treatment and better monitoring for patients across a range of mental health and neurological conditions. Akili's technologies are based on a proprietary neuroscience technology developed to target specific neurological systems through sensory and digital mechanics. The lead, patent-pending technology was exclusively licensed from the lab of Dr. Adam Gazzaley at the University of California, San Francisco (UCSF), and has been further developed with proprietary adaptive algorithms invented at Akili, all built into action video game interfaces. The programme powers both assessment and treatment products, which target the brain's interference processing system (an individual's core ability to process multiple streams of information), a key function underlying cognitive control. Akili's pivotal study in ADHD is expected to read out in the second half of 2017, with potential FDA clearance in 2018.

Gelesis is a clinical-stage programme developing oral non-systemic therapies utilising a novel platform technology to induce weight loss and improve glycaemic control in people who are overweight or have obesity, including those with prediabetes and type 2 diabetes. Gelesis100, the programme's late-stage candidate and potential first-in-class therapeutic, is currently being evaluated in a six-month pivotal study. Gelesis expects its pivotal study to read-out in mid-2017, with potential FDA approval in late 2018. Gelesis is also developing Gelesis200, created from the same proprietary technology programme as Gelesis100, as a product optimised to induce weight loss and improve glycaemic control in patients with type 2 diabetes. Gelesis200's six-month efficacy proof-of-concept study is expected to read out in mid-2018.

Vedanta Biosciences is a preclinical-stage programme novel class of therapies for immune and infectious diseases based on rationally designed consortia of bacteria derived from the human microbiome, with clinical trials expected to begin in 2H 2017. Vedanta Biosciences is a leader in the microbiome field, with capabilities to discover, develop, and manufacture drugs based on live bacterial consortia. Leveraging its proprietary technology programme and the expertise of its team of scientific cofounders, Vedanta Biosciences has isolated a vast collection of human-associated bacterial strains and characterised how the immune system recognises and responds to these microbes. Vedanta Biosciences has harnessed these biological insights as well as data from translational

medicine collaborations involving human interventional studies to develop a deep pipeline of drug candidates.

Karuna is a clinical stage programme targeting muscarinic receptors for the treatment of central nervous system (CNS) disorders. Karuna's lead programme, KarXT, is a product candidate consisting of xanomeline, a novel muscarinic acetylcholine receptor agonist that has demonstrated efficacy in placebo-controlled human trials in schizophrenia and Alzheimer's disease, and trospium chloride, an FDA-approved and well-established muscarinic receptor antagonist that has been shown not to enter the CNS. If successful, KarXT could provide a new mechanism for treating schizophrenia, a field in which treatments have relied on the same fundamental mechanisms for the last half-century. In December 2016, Karuna had a positive readout in its tolerability proof-of-concept study, and it expects to initiate a Phase II trial in the second half of 2017 to replicate existing efficacy data with xanomeline in schizophrenia with improved tolerability.

Follica is a clinical stage programme utilising its regenerative biology platform technology to develop a novel treatment for hair loss. Follica's technology employs a technique designed to stimulate the growth of new follicles and hair through disruption of the skin, followed by treatment to enhance the effect of these new hair follicles and develop new hair. Follica has completed three human clinical studies of patients with androgenetic alopecia to demonstrate hair growth and new hair follicle formation. Follica has also performed and funded preclinical work which, together with research from the University of Pennsylvania, serves as the foundational observations on which the technology is based. Follica is progressing its proprietary technology and device, and is expected to initiate a pivotal trial in the second half of 2017.

Entrega is a preclinical stage programme developing a technology for the oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally. To underpin its technology, Entrega generated proof-of-concept data demonstrating delivery of therapeutic peptides, including insulin, into the bloodstream of healthy rats. As of late 2016, Entrega has also generated proof-of-concept data demonstrating successful delivery of peptides in large animals, and it expects to continue preclinical studies to further refine this platform. Entrega expects to continue preclinical studies to further refine its peptide-delivery platform.

Alivio Therapeutics is a preclinical programme that is developing a novel technology for the targeted treatment of chronic and acute inflammatory disorders. Alivio's proprietary hydrogel technology is designed to entrap drugs, preferentially adhere to inflamed tissue, then deliver medication based on the levels of inflammation. These properties enable a pipeline of novel drug products with improved pharmacologic and pharmacokinetic properties while minimising exposure to healthy tissue, leading to fewer systemic side effects. Alivio seeks to provide solutions for the dozens of conditions where inflammation is a central part of the underlying disease pathology, but targeted and effective treatment options are lacking. Alivio is expected to begin human clinical studies in 2019.

Commense is a preclinical programme developing interventions for maternal and paediatric health based on a deep understanding of the early life microbiome. Drawing insights from natural exposures to beneficial microbes, Commense is developing approaches to guide the priming, seeding, and maintaining of the microbiome in mothers, infants and children. Working with the world's leading microbiome scientists, physicians, and product designers, Commense is developing a novel category of products to address critical unmet needs in paediatric populations. Commense is expected to begin human clinical studies in 2019.

Sonde is a clinical stage programme developing a voice-based technology with the potential to transform the way mental and physical health is monitored and diagnosed. Sonde is advancing its

proprietary technology – developed internally and licensed from the Massachusetts Laboratory – which has demonstrated the potential to effectively screen and monitor for disease using information obtained from an individual's voice on commonly-owned devices. Sonde's initial focus is on chronic diseases that lack low-burden objective measures and are associated with high burdens and costs, including conditions that affect the neurological, muscular, and respiratory systems required for speech production. The privacy- preserving platform is designed to generate unprecedented persistent and passive health awareness and objective data to enable and enhance holistic patient management.

The Sync Project is a clinical stage programme developing musical products that seek to create music as personalised medicine by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components such as beat tempo, timbre, and rhythm. In the growing digital medicine industry, The Sync Project is positioned to become a leader. The Sync Project has built the first end-to-end version of the platform combining both an open consumer community and focused clinical studies. The Sync Project expects to complete an Amazon Alexa "Skill" application to collect data on sleep, relaxation, and anxiety in the second half of 2017. Algorithmically programmed music and playlist recommendation pilot studies to generate data in the area of sleep, relaxation, and stress are expected to begin in 2017.

Project Stage Programmes

resTORbio is a clinical programme developing a platform to address immunosenescence, an age-dependent decline in immune function. Immunosenescence is associated with a decreased ability to fight infections, an increase in cancer incidence, and a decline in organ function in the elderly. With a rapidly ageing population, there is a need to address aging-related diseases. resTORbio technology targets pathways that may revitalise immune homeostasis.

Tal Medical is a clinical stage programme developing non-invasive neurostimulation treatments for brain disorders. Tal's proprietary Low Field Magnetic Stimulation (LFMS) technology uses a unique magnetic field waveform, with a mechanism of action different from other brain stimulation techniques. Tal aims to redefine the clinical practice of psychiatry and neurology by introducing safe, effective medical device treatments as standards of care. The programme's current focus is on depression and sleep.

Vor Biopharma is a preclinical programme focused on developing technologies that can broaden the applicability of targeted therapies to treat cancer. Engineered cells, such as chimeric antigen receptor (CAR) T cells, have shown promising results in clinical trials for treating B cell malignancies. However, extending these results to other cancer types has proven elusive. A key challenge is selectively targeting cancer cells without causing toxicity to normal hematopoietic cells. Vor is taking a fundamentally novel approach to solve this problem by developing modified hematopoietic stem cells (HSCs) that are protected from depletion by cancer-targeted therapies. This effect is achieved by editing HSCs so that the antigen targeted by the therapy has been deleted or modified. This broad platform can be used to enhance the therapeutic window of CAR-modified cells (such as CAR T cells, CAR NK cells, and others), antibody-drug conjugates, or conventional antibodies. By overcoming hematopoietic toxicity of targeted therapies, Vor believes it can enable a broad array of important new medicines that have a differentiated profile. Vor has an exclusive license to the technology originally developed by Siddhartha Mukherjee, MD, DPhil of Columbia University.

Nybo Therapeutics is a preclinical, first-in-class cancer immunotherapy programme developing monoclonal antibodies to target immuno-suppressive cells in pancreatic cancer, colorectal cancer and other solid tumours. By neutralising immunosuppressive cells, Nybo aims to allow other immune cells

to attack tumours. The overall goal is to address the great unmet medical need in malignancies with dismal prognoses that derive little benefit from current standards of care including ones that have no approved immunotherapy regimens. Nybo will leverage the translational and clinical expertise of its team of scientific co-founders and scientific advisory board members to execute its programme.

Glyph is a preclinical programme developing novel approaches to enhance delivery and distribution of therapeutics via the lymphatic system. The lymphatic system, often viewed as the body's disposal system, also plays a unique role in absorbing materials from the digestive system and distributing them throughout the body, as well as modulating the body's immune system. Unlike materials absorbed through the gut into the bloodstream, materials absorbed lymphatically bypass the portal vein and enter circulation directly, thereby avoiding first pass metabolism.

Risk Management

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

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

1. The science and technology being developed or commercialised by some of the Group's businesses may fail and/or the Group's businesses may not be able to develop their intellectual property into commercially viable products or technologies. There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of the Group's value

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

   Mitigation: Before making any decision to develop any technology, extensive due diligence is carried out by the Group which covers all the major business risks, including technological feasibility, market size, strategy, adoption and intellectual property protection. A capital efficient approach is pursued such that some level of proof-of-concept has to be achieved before substantial capital is committed and thereafter allocated. Capital is tranched so as to fund programmes only to their next value milestone. Members of the Group's Board serve on the Board of Directors of each business so as to maintain control over each business's strategy and to oversee proper execution thereof. The Group uses its extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy.

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

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

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

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

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

   Mitigation: The Group manages its regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of the Group's preclinical and clinical programmes. These experts ensure that high quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organisations with global capabilities are retained to manage the trials.

4. There is a risk of adverse reactions with all drugs and medical devices. If any of the Group's products are found to cause adverse reactions or unacceptable side effects, then product development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This may occur even after regulatory approval has been obtained, in which case additional trials may be required, the approval may be suspended or withdrawn or

additional safety warnings may have to be included on the label. Adverse events or unforeseen side effects may also potentially lead to product liability claims being raised against the Group as the developer of the products and sponsor of the relevant clinical trials.

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

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

5. The Group may not be able to sell its products profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available because, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact. Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical products and denying or limiting coverage and the level of reimbursement. Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community. Alternatively, the Group's competitors – many of whom have considerably greater financial and human resources – may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group.

   Impact: 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.

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

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

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

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

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

   Impact: The strategic aim of the business is to generate profits for its shareholders through the commercialisation of technologies through product sales, strategic partnerships and sales of businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the Group's business.

   Mitigation: The Group retains significant cash in order to support funding of its operating companies. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses.

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

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

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

This Strategic Report was approved by the Board of Directors.

By order of the Board

Stephen Muniz
Company Secretary

Responsibility statement of the Directors in respect of the Annual Financial Report

The responsibility statement set out below has been reproduced from the Annual Report and Accounts and relates to that document and not this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategy Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

By order of the Board

Stephen Muniz
Company Secretary

Financial review

During 2016, PureTech Health continued to deploy its cash reserves to advance its pipeline by both progressing and de-risking its growth stage programmes, and identifying and initiating future programmes.

The Company has progressed research and clinical activities, including commencing new clinical trials. The increased activities have been further supported by financings that have occurred at the growth stage programmes in 2016. Akili, Vedanta Biosciences, Entrega, Karuna and Follica have executed financings that generated funding totalling $98 million, with $29.3 million provided from outside validating financial and strategic investors in 2016. This included 2016 financings of $42.4 million for Akili and $50 million for Vedanta Biosciences. $25 million of the Vedanta financing was funded in June 2016 with the remainder funded in January 2017.

The Sync Project, Sonde, Alivio and Commense have graduated to growth stage in 2016 after reaching a requisite level of maturity during the year, including successfully securing intellectual property, establishing management teams and completion of substantive business plans. In addition, all of these programmes have engaged key scientific founders and have achieved some level of technological de-risking during 2016. In 2016, Tal Medical's LFMS technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in TR-MDD. As a result of not demonstrating statistically significant dose-dependent effect, we have reclassified Tal Medical as a project stage programme. The Group continues to source and develop new ideas, including those that formed the basis of Vor, Glyph, resTORbio and Nybo, as well as execute on pipeline opportunities. In addition, PureTech Health continues to evolve shared functions to support the increased level of activities of the growth stage and project stage programmes.

	2016 $ millions	2015 $ millions
Growth-Stage Holdings Value		
Growth-Stage Holdings Value(1)	$380.1	$291.7
Annual increase in Growth-Stage Holdings Value in Dollars(2)	$88.4	$69.3
Annual increase in Growth-Stage Holdings Value Percentage(2)	30.3%	31.2%
Cash Reserves		
Consolidated Cash Reserves(3)	$281.5	$313.7
PureTech Level Cash Reserves(3)	$192.1	$255.5
Results of Operations		
Revenue	$4.4	$11.8
Operating Loss	$(73.9)	$(43.6)
Adjusted Operating Loss(4)	$(62.2)	$(31.8)
Loss for the Period(5)	$(81.6)	$(58.2)
Adjusted Loss for the Period(5)(6)	$(60.1)	$(35.3)

1) As a means of promoting transparency, the Directors also present, as supplementary information, an ownership adjusted valuation of the growth stage programmes in aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The Growth-Stage Holdings Value is an APM used by the Directors as a KPI to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the group accounts and the value of those investments is not separately disclosed in the statement of financial position.
2) Annual Increase in Growth-Stage Holdings Value, excluding amounts invested by the Group, was $46.7 (2015 – $46.3) or 16% (2015 – 20.8%).
3) Cash reserves includes cash balances and short-term investments.
4) Stated before the effect of share-based payment of $10.2 million (2015 – $11.1 million), depreciation of $1.2 million (2015 – $0.5 million) and amortisation of $0.3 million (2015 – $0.3 million). These items are non-cash charges. Adjusted operating loss is therefore considered to be more representative of the operating performance of the Group. Non-cash items are excluded due to the nature of the Group in that the businesses require the cash investment in order to operate and continue with their R&D activities and this is therefore deemed to be an appropriate alternative performance measure.
5) Stated before the charges discussed in Note 4 above – the IAS 39 fair value accounting charge of $3.4 million (2015 – $7.5 million) and finance cost – subsidiary preferred shares of $6.4 million (2015 – $3.5 million). These items are also non-cash charges. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group.
6) In 2016, both the Loss for the period and Adjusted loss for the period were positively impacted by recognition of a $1.6 million tax benefit.

Result of Operations

Revenue

The primary reason for the decrease in revenue relates to a $10.0 million non-refundable milestone payment Vedanta Biosciences received in 2015 as part of its collaboration with Janssen Biotech, Inc. to develop and commercialise VE202, a microbiome product candidate with an initial focus on inflammatory bowel disease. Payments such as this are not expected to be a recurring event each period. In September and December 2016, Vedanta Biosciences successfully achieved two additional milestones under the agreement with Janssen Biotech, Inc., resulting in receipt of two separate $2 million payments to Vedanta Biosciences which have been recognised as revenue in 2016 totalling $4 million. In 2017 and beyond, the Group has opportunities to recognise meaningful revenues by achieving milestones under this collaboration, as well as potentially from future agreements.

The Group's operations do not yet generate consistent product revenues. Some of the growth stage programmes have generated revenue from collaborations with third parties, including the revenue events described above. 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 1 of the Results of Operations Schedule above increased 53 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 and advancing existing clinical studies, adding headcount and expanding its footprint requiring leasing additional space, the result of which was an increase of 126 percent in research and development expenses over the prior year. General and administrative expenses increased at a much more modest rate of 6 percent over the prior year. 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 later 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

Net finance costs, before consideration of the items noted in footnote 2 of the Results of Operations Schedule above, increased by $2.6 million from expense of $2.1 million in 2015 to income of $0.5 million in 2016. The expense in 2015 was driven primarily by the conversion of previously outstanding notes payable held by external parties into equity holdings for certain growth stage programmes during 2015.

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 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. The decrease in the expense of $4.1 million from the prior period was primarily a result of a $5.0 million decrease in the previously reported amount related to the derivative liability associated with the preferred share conversion rights associated with Tal Medical, offset by increases in the derivative liabilities of all other derivative liabilities associated with the subsidiaries' preferred share conversion rights. In addition to the IAS 39 fair value accounting charge, the Group recognised a finance cost of $6.4 million in 2016 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 increased during 2016 due to the issuances of preferred stock in the Akili and Vedanta equity financings.

The Group, as further described in Cash Flows below, has adopted a conservative cash management policy and invested the significant cash reserves generated during 2015 and 2016 in U.S. Treasuries, which has resulted in meaningful income from interest earned on these securities.

Financial Position

	2016 (31 December) $ millions	2015 **(31 December)** $ millions
Assets		
Total non-current assets	$10.6	$8.6
Total current assets	288.1	318.2
Total assets	298.7	326.8
Non-current liabilities	2.3	2.2
Total current liabilities(1)	204.1	160.5
Total liabilities	$206.4	$162.7

1) Included in current liabilities are $183.1 million and $145.3 million related to non-cash liabilities related to derivatives, warrants and preferred shares at 31 December 2016 and 2015, respectively.

Cash and short-term investments make up a significant portion of the Group's current assets of $288.1 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 all cash, cash equivalents and U.S. Treasuries, were $281.5 million at 31 December 2016 (2015 – $313.7 million). Of this amount, the Group held $192.1 million (2015 – $255.5 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:

- Property and equipment increased primarily due to $3.6 million in leasehold improvements and equipment related to Vedanta Biosciences' new facilities located in Cambridge, Massachusetts
- Prepaid expenses and other current assets increased by $2.7 million, primarily as a result of the expected tax refund related to the carry back of Vedanta Biosciences' current year tax losses and advance funding of clinical trials by Gelesis
- Current liabilities increased in 2016, primarily as a result of equity financings involving the issuance of liability classified preferred shares by Akili and Vedanta Biosciences totalling $27.3 million to outside investors during 2016 and the increase in liability associated with all derivatives

Cash Flows

	2016 $ millions	2015 $ millions
Net cash outflow from operating activities(1)	$(58.0)	$(28.6)
Net cash inflow/(outflow) from investing activities	$(43.2)	$(184.2)
Net cash inflow from financing activities	$29.5	$285.9

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

As noted above, the Group increased spending as expected, primarily on its research and development operations during 2016. 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 4 and 5 of the Results of Operations Schedule, are primarily cash based. Offsetting operating cash inflows were primarily driven by interest earned on U.S. Treasuries.

The net cash outflow from investing activities during 2016 primarily relates to investment of excess cash available in short-term duration U.S. Treasuries, as well as $3.6 million expended for property and equipment. The net cash inflow from financing activities during 2016 was from $27.3 million of proceeds from outside investors in equity financings of growth stage programmes and $2.0 million from issuances of convertible notes. In addition, Vedanta Biosciences received an additional $9.9 million in equity from outside investors in January 2017.

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 31 December 2016, the Group had $4.7 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.

Growth-Stage Holdings Value

It is the expectation of the Group's shareholders and others that the value of at least some of our programmes will be realised through exit events, with proceeds accruing to the Group. As all growth stage programmes are fully consolidated in PureTech Health's consolidated financial statements prepared in accordance with IFRS, the consolidated statements of financial position incorporated within PureTech Health's consolidated financial statements do not include current valuations of the growth stage programmes. As a means to more fully meet the information needs of shareholders, the Directors have determined that it is appropriate to voluntarily present, as supplementary information, an ownership adjusted valuation of the growth stage programmes in the aggregate. This valuation disclosure has been prepared on the basis of the AICPA Guidelines. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The Growth-Stage Holdings Value is an APM used by the Directors as a KPI to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the group accounts and the value of those investments is not separately disclosed in the statement of financial position.

The Growth-Stage Holdings Value has increased by $88.4 million to $380.1 million or 30.3 percent in 2016. Excluding the impact of the amounts invested by PureTech Health of $41.7 million (excluding the first tranche of the Akili financing round in January 2016 of $11.5 million) subsequent to the 31 December 2015 valuation, the Growth-Stage Holdings Value increased by approximately 16.0 percent.

The Growth-Stage Holdings Value represents the sum of the parts valuation of the Group's growth stage programmes. In 2015, the sum of the parts valuation included Akili, Vedanta Biosciences, Gelesis, Follica, Karuna, Entrega and Tal. Sonde, Alivio, Commense and The Sync Project graduated to growth stage in 2016 primarily due to achieving some level of de-risking, successfully securing intellectual property, establishing management teams, developing a sustainable business plan and engaging key scientific founders. As such, these subsidiaries are included in the Growth-Stage Holdings Value at 31 December 2016. In 2016, Tal Medical's LFMS technology showed a dose-dependent – yet not statistically significant – effect in two trials evaluating its therapeutic potential in

TR-MDD. As a result of not demonstrating statistically significant dose-dependent effect, Tal Medical has been reclassified as a project stage programme and, as such, it has not been included in the Growth-Stage Holdings Value at 31 December 2016. However, the Directors believe that Tal has value. Accordingly, in 2016, the Growth- Stage Holdings Value includes Akili, Vedanta Biosciences, Gelesis, Follica, Karuna, Entrega, Sonde, Alivio, Commense and The Sync Project. At 31 December 2016, the largest five holdings (Akili, Gelesis, Karuna, Vedanta Biosciences, and Follica) constitute approximately 88 percent of the Growth-Stage Holdings Value.

Consolidated Statements of Comprehensive Loss

For the years ended December 31:

	Note	2016 $000s	2015 $000s
Revenue		**4,431**	11,828
Operating expenses:			
General and administrative expenses		**(37,155)**	(36,471)
Research and development expenses		**(41,205)**	(18,999)
Operating loss		**(73,929)**	(43,642)
Other income		**46**	448
Finance costs:			
Finance income		**1,292**	262
Finance costs – subsidiary preferred shares		**(6,368)**	(3,515)
Finance costs – contractual		**(801)**	(2,364)
Finance costs – IAS 39 fair value accounting		**(3,422)**	(7,509)
Net finance costs		**(9,299)**	(13,126)
Loss before taxes		**(83,182)**	(56,320)
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets		**(61,669)**	(33,461)
Finance costs – subsidiary preferred shares		**(6,368)**	(3,515)
Finance costs – IAS 39 fair value accounting		**(3,422)**	(7,509)
Share-based payment expense		**(10,153)**	(11,095)
Depreciation of tangible assets		**(1,223)**	(452)
Amortisation of intangible assets		**(347)**	(288)
Loss before taxes		**(83,182)**	(56,320)
Taxation		**1,574**	(1,924)
Loss for the year		**(81,608)**	(58,244)
Other comprehensive (loss)/income:			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**(91)**	(262)
Unrealised gain on available for sale investments		**4**	24
Total other comprehensive loss		**(87)**	(238)
Total comprehensive loss for the year		**(81,695)**	(58,482)
Loss attributable to:			
Owners of the Company		**(48,792)**	(39,393)
Non-controlling interests		**(32,816)**	(18,851)
		(81,608)	(58,244)
Comprehensive loss attributable to:			
Owners of the Company		**(48,879)**	(39,631)
Non-controlling interests		**(32,816)**	(18,851)
		(81,695)	(58,482)

Loss per share			
Basic (loss) per share	3	**$(0.21)**	$(0.21)
Diluted (loss) per share	3	**$(0.21)**	$(0.21)

Consolidated Statements of Financial Position

For the years ended 31 December:

	Note	2016 $000s	2015 $000s
Assets			
Non-current assets			
Property and equipment, net		**6,924**	4,519
Available for sale investments		**83**	106
Intangible assets, net		**3,524**	3,871
Other non-current assets		**65**	57
Total non-current assets		**10,596**	8,553
Current assets			
Trade and other receivables		**125**	706
Prepaid expenses and other current assets		**5,662**	2,964
Other financial assets		**897**	826
Short term investments		**218,510**	178,955
Cash and cash equivalents		**62,959**	134,751
Total current assets		**288,153**	318,202
Total assets		**298,749**	326,755
Equity and liabilities			
Equity			
Share capital		**4,609**	4,523
Merger reserve		**138,506**	138,506
Share premium		**181,658**	181,744
Translation reserve		**(184)**	(93)
Other reserve*		**13,412**	7,627
Accumulated deficit		**(160,335)**	(111,420)
Parent equity		**177,666**	220,887
Non-controlling interests*		**(85,255)**	(56,834)
Total equity		**92,411**	164,053
Non-current liabilities			
Deferred revenue		**203**	291
Other long term liabilities		**2,055**	1,887
Total non-current liabilities		**2,258**	2,178
Current liabilities			
Deferred revenue		**2,202**	2,458
Trade and other payables		**11,121**	7,223
Subsidiary:			
Notes payable		**6,953**	4,955
Derivative liability		**71,240**	65,501
Warrant liability		**14,942**	14,263
Preferred shares	4	**96,937**	65,502
Other current liabilities		**685**	622
Total current liabilities		**204,080**	160,524
Total liabilities		**206,338**	162,702
Total equity and liabilities		**298,749**	326,755

*The 2015 amounts have been reclassified. See Note 1.

Consolidated Statement of Changes in Equity

For the years ended 31 December:

	Share Capital									
	Shares	Amount $000s	Share premium $000s	Merger reserve $000's	Translation reserve $000's	Other reserve (As reclassified, see Note 1) $000's	Accumulated deficit $000's	Total Parent equity (As reclassified, see Note 1) $000's	Non-controlling interests (As reclassified, see Note 1) $000's	Total Equity $000"
Balance 1 January 2015	118,098,967	2,362	—	86,755	169	494	(70,421)	19,359	(42,672)	(23,313)
Net loss	—	—	—	—	—	—	(39,393)	(39,393)	(18,851)	(58,244)
Foreign currency exchange	—	—	—	—	(262)	—	—	(262)	—	(262)
Unrealised gain	—	—	—	—	—	24	—	24	—	24
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(262)**	**24**	**(39,393)**	**(39,631)**	**(18,851)**	**(58,482)**
Issuance of shares	24,006,500	480	—	51,751	—	—	—	52,231	—	52,231
Issuance of IPO shares (net of issuance costs of $11.8m)	67,599,621	1,352	157,923	—	—	—	—	159,275	—	159,275
Issuance of Overallotment shares (net of issuance costs of $772,000)	10,139,943	202	23,948	—	—	—	—	24,150	—	24,150
New funds into non-controlling interests	—	—	—	—	—	—	—	—	—	—
Gain/(loss) arising from change in NCI	—	—	—	—	—	—	(1,727)	(1,727)	694	(1,033)
Issuance of shares as equity incentives	6,328,720	127	(127)	—	—	—	—	—	—	—
Conversion of convertible notes	—	—		—	—	—	88	88	—	88
Subsidiary distribution to members	—	—	—	—	—	9	33	42	—	42
Equity settled share based payments	—	—	—	—	—	7,100	—	7,100	3,995	11,095
Balance 31 December 2015	**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)
Foreign currency exchange	—	—	—	—	(91)	—	—	(91)	—	(91)
Unrealised gain	—	—	—	—	—	4	—	4	—	4
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(91)**	**4**	**(48,792)**	**(48,879)**	**(32,816)**	**(81,695)**
Issuance of shares										
Gain/(loss) arising from change in NCI	—	—	—	—	—	—	(23)	(23)	23	—
Issuance of shares as equity incentives	6,538,791	86	(86)	—	—	—	—	—	—	—
Subsidiary dividends	—	—	—	—	—	—	(100)	(100)	—	(100)
Equity settled share based payments	—	—	—	—	—	5,781	—	5,781	4,372	10,153
Balance 31 December 2016	**232,712,542**	**4,609**	**181,658**	**138,506**	**(184)**	**13,412**	**(160,335)**	**177,666**	**(85,255)**	**92,411**

Consolidated Statements of Cash Flows

For the years ended 31 December:

	Note	2016 $000s	2015 $000s
Cash flows from operating activities:			
Loss for the year		**(81,608)**	(58,244)
Adjustments to reconcile net operating loss to net cash used in operating activities:			

Non cash items:			
Depreciation and amortisation		**1,570**	740
Equity settled share based payment expense		**10,153**	11,095
Subsidiary research and development tax credit		**(783)**	(395)
Non-cash rent expense		**174**	248
Unrealised gain on foreign currency transactions		**—**	12
Finance costs		**10,526**	13,126
Changes in operating assets and liabilities:			
Accounts receivable, net		**581**	1,112
Other financial assets		**—**	(354)
Prepaid expenses and other current assets		**(1,994)**	(780)
Deferred revenues		**(344)**	(1,104)
Other long term liabilities		**168**	1,614
Accounts payable and accrued expenses		**3,524**	4,319
Net cash used in operating activities		**(58,033)**	(28,611)
Cash flows from investing activities:			
Purchase of property and equipment		**(3,676)**	(3,455)
Purchases of intangible assets		**—**	(1,155)
Purchases of short term investments		**(312,825)**	(385,383)
Proceeds from maturity of short term investments		**273,270**	205,752
Net cash provided (used in)/by investing activities		**(43,231)**	(184,241)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes		**2,060**	1,845
Proceeds from subsidiary notes payable		**268**	—
Repayments of long term debt		**—**	(366)
Proceeds from the issuance of shares, net of issuance costs	4	**27,260**	52,231
Proceeds from initial public offering, net of issuance costs		**—**	159,275
Proceeds for overallotment shares		**—**	24,150
Proceeds from issuance of share capital and warrants in subsidiaries		**—**	48,760
Other financing activities		**(100)**	42
Net cash provided by financing activities		**29,488**	285,937
Effect of exchange rates on cash and cash equivalents		**(16)**	(294)
Net (decrease)/increase in cash and cash equivalents		**(71,792)**	72,791
Cash and cash equivalents at beginning of year		**134,751**	61,960
Cash and cash equivalents at end of year		**62,959**	134,751
Supplemental disclosure of non-cash investment and financing activities:			
Conversion of subsidiary notes payable and accrued interest into preferred stock		**95**	5,936
(Loss) on NCI		**—**	(2,098)

Extracts from notes to the financial statements

1. Accounting policies

General Information

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. PureTech Health is a cross-disciplinary biopharmaceutical company creating 21st century medicines that modulate the adaptive human systems. PureTech Health'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 Company has multiple human proof-of-concept studies and pivotal or registration studies expected to read out

in the near-term. PureTech Health'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 PureTech Health'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 PureTech Health on the cutting edge of ground-breaking science and technological innovation and leads the Company between and beyond existing disciplines. The Group provides a combination of experienced management and administrative support to its businesses in which it typically holds a significant ownership interest. Cash contributed by the Parent to its subsidiaries is used to fund research, development, regulatory and commercialisation preparation activities and to support administration and operations.

The financial information set within this document does not constitute the company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for 2016 will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; their report were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Derivative and warrant policy

Equity conversion features and put options within host instruments that meet the definition of a derivative and have economic and risk characteristics that are not closely related to the host are considered embedded derivatives and are bifurcated from the host and accounted for separately. The Group has recognised embedded derivative liabilities related to features within convertible notes and conversion features with subsidiary preferred shares. Derivative financial liabilities are initially recorded at fair value and are re-measured to fair value at each period end while such instruments are outstanding, with gains and losses arising from changes in fair value recognised in finance costs in the consolidated statements of comprehensive loss. The embedded derivative liabilities are being valued using a probability weighted expected return model or an option pricing allocation model.

The Group derecognises the embedded derivative liability when the host instrument is extinguished or converted or when the feature no longer meets the definition of a derivative.

The Group has recognised common shares and preferred share warrants on subsidiary shares issued to investors and note holders. Warrants are recognised as derivative financial liabilities if the underlying shares are liability classified or the terms of the warrants are not fixed due to potential adjustments in the exercise price and/or the number of shares issuable under the warrants. Warrant liabilities are recorded at fair value, with gains and losses arising from changes in fair value recognised in finance costs in the consolidated statements of comprehensive loss at each period end while such instruments are outstanding. The warrant liabilities were valued using a Black-Scholes option pricing model.

The Group has also recognised common share warrants issued to investors which are classified in equity and initially measured at fair value using a Black-Scholes option pricing model.

Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying amount of cash and cash equivalents, accounts receivable, short term investments, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's consolidated statements of financial position approximates their fair value because of the short maturities of these instruments.

Operating segments

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

Reclassification

During the year 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 (31 December 2014: $2.6 million). There is no impact on total equity at either 31 December 2015 or 31 December 2014 and no impact on the consolidated statement of comprehensive loss for the year ended 31 December 2015.

2. Operating Segments

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.

Growth stage programmes

Programmes in this segment are those whose activities focus on actively developing products to solve major healthcare problems in varied markets. All programmes shown below are included in one operating segment which is also a reportable segment:

Subsidiary	Principal Activities and Target Market
Akili	A clinical stage programme developing technology and products for the screening, diagnosis and treatment of neurological disorders such as ADHD, autism and depression through computer software.
Gelesis	A clinical stage programme developing products that seek to induce weight loss and potentially improve glycaemic control through an orally administered capsule that expands in the GI tract as it absorbs water.
Vedanta Biosciences	A preclinical stage programme developing a microbiome immune system drug-discovery platform and drug candidates for the treatment of immune-mediated diseases.
Karuna	A clinical stage programme developing an innovative combination therapy for the treatment of schizophrenia.
Follica	A clinical stage programme developing products to generate new human hair follicles and hair.
Entrega	A preclinical stage programme developing a drug platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads, including magnetic nanoparticles.
Alivio	A preclinical stage programme developing a proprietary drug delivery platform for drugs that treat inflammation and associated disorders.
Commense	A preclinical stage programme developing commensal organism-based products for the improvement of human health in, for example, early childhood.
Sonde Health	A clinical stage programme developing voice-based tools for the passive assessment and tracking of patient health.
The Sync Project	A clinical stage programme developing a platform and products that seek to explore and leverage the health potential of music by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components (e.g. beat and rhythm).

Project stage programmes

Programmes in this segment are those whose activities are focused on financing, sourcing and creating new product candidates and newly created programmes whose technologies are in the process of validation. This segment includes the following programmes:

Subsidiary	Principal Activities and Target Market
Project stage programmes	
resTORbio	A clinical programme developing a platform to address immunosenescence, an age-dependent decline in immune function.
Vor	A preclinical programme developing novel targeted immunotherapies for cancer.
Nybo	A preclinical programme developing monoclonal antibodies to target immuno-suppressive gamma delta T cells in pancreatic cancer, colorectal cancer and other solid tumours
Glyph	A preclinical programme developing novel approaches to enhance delivery and distribution of therapeutics.
Tal	A clinical stage medical device programme developing an innovative, noninvasive neurostimulation treatment for psychiatric disorders including depression and bipolar disorder.
Other businesses	
Enlight Biosciences, LLC	Developing digital health technologies.
Mandara Sciences, LLC	Improving health through food through the creation of innovative nutrition technology companies.
Knode	A technology platform being developed to identify experts in healthcare and other research-based disciplines based on the content they have produced.
Appeering	Identifying healthcare expert networks and reviewing their conversations and content on social media.

The Group expects subsidiaries within the project stage will 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 de-risking, 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, we have reclassified Tal as a project stage programme.

The Group has retrospectively restated 2015 segment amounts to reflect the above transitions.

Information about reportable segments

The following provides detailed information of the Group's two reportable segments and Parent activity as of and for the years ended 31 December 2016 and 2015, respectively:

	2016			
	Growth stage programmes $000s	Project stage programmes $000s	Parent company & other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Loss				
Revenue	4,098	333	—	4,431
General and administrative expenses	(18,259)	(2,134)	(16,762)	(37,155)
Research and development expenses	(35,190)	(5,684)	(331)	(41,205)
Total operating expenses	(53,449)	(7,818)	(17,093)	(78,360)[1]
Other income	46	—	—	46
Net finance costs	(14,844)	4,459	1,086	(9,299)
Loss from continuing operations	(64,149)	(3,026)	(16,007)	(83,182)
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(44,616)	(7,054)	(9,999)	(61,669)
Finance costs – subsidiary preferred shares	(5,816)	(552)	—	(6,368)
Finance costs – IAS 39 fair value accounting	(8,439)	5,017	—	(3,422)
Share-based payment expense	(4,185)	(187)	(5,781)	(10,153)
Depreciation of tangible assets	(768)	(228)	(227)	(1,223)
Amortisation of intangible assets	(325)	(22)	—	(347)
Loss before taxes	(64,149)	(3,026)	(16,007)	(83,182)
Provision for income taxes	1,577	8	(11)	1,574
Loss for the year	(62,572)	(3,018)	(16,018)	(81,608)
Other comprehensive income/(loss)	(87)	—	—	(87)
Total Comprehensive Loss for the Year	(62,659)	(3,018)	(16,018)	(81,695)
Total comprehensive loss attributable to:				
Owners of the Company	(30,429)	(2,432)	(16,018)	(48,879)
Non-controlling interests	(32,230)	(586)	—	(32,816)
Consolidated Statements of Financial Position				
Total assets	153,691	9,289	135,769	298,749
Total liabilities	(269,084)	(17,244)	79,990	(206,338)
Net (liabilities)/assets	(115,393)	(7,955)	215,759	92,411

	2015			
	Growth stage programmes $000s	Project stage programmes $000s	Parent company & other $000s	Consolidated $000s

Consolidated Statements of Comprehensive Loss				
Revenue	10,189	1,639	—	11,828
General and administrative expenses	(13,733)	(2,318)	(20,420)	(36,471)
Research and development expenses	(15,744)	(2,973)	(282)	(18,999)
Total operating expenses	(29,477)	(5,291)	(20,702)[3]	(55,470)[2]
Other income	448	—	—	448
Net finance costs	(10,774)	(2,954)	602	(13,126)
Loss from continuing operations	(29,614)	(6,606)	(20,100)	(56,320)
Loss before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(17,412)	(3,298)	(12,751)	(33,461)
Finance costs – subsidiary preferred shares	(3,066)	(449)	—	(3,515)
Finance costs – IAS 39 fair value accounting	(5,010)	(2,499)	—	(7,509)
Share-based payment expense	(3,609)	(276)	(7,210)	(11,095)
Depreciation of tangible assets	(250)	(63)	(139)	(452)
Amortisation of intangible assets	(267)	(21)	—	(288)
Loss before taxes	(29,614)	(6,606)	(20,100)	(56,320)
Provision for income taxes	(2,158)	(85)	319	(1,924)
Loss for the year	(31,772)	(6,691)	(19,781)	(58,244)
Other comprehensive income/(loss)	(262)	—	24	(238)
Total Comprehensive Loss for the Year	(32,034)	(6,691)	(19,757)	(58,482)
Total comprehensive loss attributable to:				
Owners of the Company	(13,180)	(6,694)	(19,757)	(39,631)
Non-controlling interests	(18,854)	3	—	(18,851)
Consolidated Statements of Financial Position				
Total assets	57,937	11,922	256,896	326,755
Total liabilities	(154,833)	(16,360)	8,491	(162,702)
Net (liabilities)/assets	(96,896)	(4,438)	265,387	164,053

1) For 2016, operating expenses for our reportable segments, Parent company and other and in total, stated prior to share-based compensation, depreciation and amortisation, were $48.1 million, $7.4 million, $11.1 million and $66.6 million for growth stage programmes, project stage programmes, Parent company and other and in total, respectively.
2) For 2015, operating expenses for our reportable segments, Parent company and other and in total, stated prior to share-based compensation, depreciation and amortisation, were $25.3 million, $4.9 million, $13.4 million and $43.6 million for growth stage programmes, project stage programmes, Parent company and other and in total, respectively.
3) Parent company and other operating expenses further adjusted for the cost of professional services totalling $5.5 million associated with our IPO, which is non recurring in nature, was $7.9 million for 2015.

The Parent commences initiatives in themes, raises capital for investment in new companies and existing subsidiaries, provides other corporate shared services and support for all subsidiaries and manages the new company creation process.

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

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 15. The Group's revenue generated outside of the United States was $86,000 and $89,000 for the years ended 31 December 2016 and 2015, respectively.

The Group's non-current assets consist of investments, property and equipment, intangible assets and other assets, of which $1.2 million were located in Italy as of 31 December 2016 and 2015.

Growth stage programme valuation

At the close of each annual financial period, the Directors estimate and formally approve the value of PureTech Health's growth stage programmes which is used to derive the Growth-Stage Holdings Value. The Directors engage an external valuation expert in assisting the Company in estimating the Growth-Stage Holdings Value. The valuations disclosed in respect of the prior periods are not retrospectively adjusted in line with changes to the operating segments classification, therefore where programmes are promoted or demoted between project stage and growth stage this

classification is applied prospectively in the disclosure. This is to enable visibility of the development of the Growth-Stage Holdings Value of programmes in terms of their progress between periods. The Growth-Stage Holdings Value was $380.1 million as at 31 December 2016 (2015: $291.7 million). The Growth-Stage Holdings Value consists of PureTech's ownership-adjusted interests in its 10 growth stage programmes (2015: seven). The Growth-Stage Holdings Value does not include PureTech Health's interests in its five project stage programmes in 2015 and 2016, in which PureTech Health holds, on average, approximately 90 percent on a diluted basis, or PureTech Health's interests in its 10 concept stage initiatives in 2015 and 2016, which are, in effect, wholly owned by PureTech Health.

The methodology for the Group's growth stage programme valuations, extracts of which are set out below, is based on the American Institute of Certified Public Accountants' Valuation of Privately Held Company Equity Securities Issued as Compensation ("AICPA Guidelines"). The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS.

The Growth-Stage Holdings Value excludes cash, cash equivalents and short term investment balances of $192.1 million and $255.5 million held at the PureTech Health level as at 31 December 2016 and 2015, respectively. In 2015 the Growth-Stage Holdings Value includes the $11.5 million invested by PureTech Health in the first tranche of the Akili financing round in January 2016.

The Growth-Stage Holdings Value has been calculated on the basis of the Company's percentage ownership as at 31 December 2016 and 2015. Where Akili had raised financing from external parties immediately subsequent to 31 December 2015, the 2015 value reflects the percentage ownership following the financing and the valuation implied by that external investment on a post new money basis.

The Company's percentage ownership has been calculated on a diluted basis, including issued and outstanding shares and outstanding warrants and options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

Valuation methodology

The Growth-Stage Holdings Value represents the sum of the parts ("SOTP") of, principally, risk adjusted net present value ("rNPV") from discounted cash flow ("DCF") valuations (for Entrega, Karuna, Akili, Follica, Alivio, Sonde, Commense and The Sync Project), probability-weighted expected return method (for Gelesis) and valuations based on recent investments at the programme level (for Vedanta). In the absence of recent arm's length, third-party investments at the programme level which could otherwise have formed the basis for the valuations, DCF valuations are used for the valuation of the Group's programmes and any anticipated royalty streams paid directly to PureTech Health stemming from license agreements with some of the growth stage programmes. DCF valuations are highly sensitive to key input assumptions, including estimates associated with discount rates and projected financial performance. Due to the stage of development of the programmes, projections are particularly sensitive to certain key assumptions, namely:

- Discount rate, and in particular the varying components of the Equity Risk Premium and probability of success;
- The ability to predict the investment and timing of achieving technical and commercial viability;
- Projected revenue and operating costs in the post product development phase of each programme; and
- The size and share of addressable market for intellectual property, products and services developed.

Notwithstanding the fact that the valuation methodologies applied are based on the AICPA Guidelines and the Directors' view that the methodologies and assumptions adopted in each valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. While this uncertainty applies to all programmes included in the Growth-Stage Holdings Value, it could have a higher degree of impact in the case of the four programmes that graduated from project stage to growth stage in 2016: Sonde, Alivio, Commense and The Sync Project. The Growth-Stage Holdings Value is an alternative performance measure ("APM") used by the Directors as a key performance indicator ("KPI") to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings, their activities are fully consolidated in the Group accounts and the value of those investments is not separately disclosed in the statement of financial position.

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 $48.8 million (2015: $39.4 million), by the weighted average number of ordinary shares outstanding of 229,511,866 (2015: 185,281,244) during the year ended 31 December 2016:

Loss attributable to ordinary shareholders:

	2016		2015	
	Basic $000s	**Diluted $000s**	Basic $000s	Diluted $000s
Loss for the year, attributable to the owners of the Company	**(48,792)**	**(48,792)**	(39,393)	(39,393)
Loss attributable to ordinary shareholders	**(48,792)**	**(48,792)**	(39,393)	(39,393)

Weighted-average number of ordinary shares

	2016		2015	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 1 January	**226,173,751**	**226,173,751**	118,100,407	118,100,407
Effect of shares issued	**3,338,215**	**3,338,215**	67,180,837	67,180,837
Weighted average number of ordinary shares	**229,511,866**	**229,511,866**	185,281,244	185,281,244

Loss per share

	2016		2015	
	Basic	**Diluted**	Basic	Diluted
Loss per share	**$ (0.21)**	**$ (0.21)**	$ (0.21)	$ (0.21)

The potentially dilutive securities excluded from the computation of diluted weighted average shares outstanding as they would be anti-dilutive was 8,860,528 and 9,441,126 as at 31 December 2016 and 2015, respectively.

4. Subsidiary preferred shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a liability in accordance with IAS 39 as the subsidiaries have a contractual obligation to deliver: 1) cash or other assets to the holders under certain future events; and/or 2) a requirement to deliver an uncertain number of common shares upon conversion. The preferred shares do not contain mandatory dividend rights. The preferred shares are convertible into common shares of the subsidiary at the option of the holder and mandatorily convertible into common shares 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:

As of 31 December:	**2016 $000s**	2015 $000s
Akili	**18,465**	2,625
Follica	**159**	94
Gelesis	**56,333**	52,640
Tal	**10,695**	10,143
Vedanta	**11,285**	—
Subsidiary preferred shares	**96,937**	65,502

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 out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of common shares. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary do not own a majority of the outstanding shares of the surviving company shall be deemed to be a liquidation event. Additionally, a sale, lease, transfer or other disposition of all or substantially all of the assets of the subsidiary shall also be deemed a liquidation event.

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

As of 31 December:	**2016 $000s**	2015 $000s
Akili	**21,972**	4,613
Follica	**2,020**	2,020
Gelesis	**60,490**	60,490
Karuna	**413**	413
Tal	**11,430**	11,430
Vedanta Biosciences	**15,445**	—
Total	**111,770**	78,966

For the two-year period ending 31 December 2016, the Group recognised the following changes in subsidiary preferred shares:

	$000s
Balance at 1 January 2015	11,494
Issuance of new preferred shares	56,534
Value of derivatives at issuance	(6,041)
Accretion	3,515
Balance at 1 January 2016	65,502
Issuance of new preferred shares	27,655
Value of derivatives at issuance	(2,588)
Accretion	6,368
Balance at 31 December 2016	**96,937**

2015

In March 2015, Gelesis closed an $18.0 million private equity financing of which PureTech Health invested $3.0 million in the financing. Also, in conjunction with this transaction, preferred shares were issued upon conversion of $4.3 million of outstanding convertible notes.

In March 2015, Tal closed a $14.5 million private equity financing of which PureTech Health invested $5.0 million in the financing. Also, in conjunction with this transaction, preferred shares were issued upon conversion of outstanding convertible notes.

In December 2015, Gelesis closed a $31.5 million private equity financing of which PureTech Health invested approximately $7 million.

2016

During 2016, Akili closed a total of $42.4 million of private equity financings of which PureTech Health invested $25.0 million.

In June 2016, Vedanta Biosciences closed a $50.0 million private equity financing of which PureTech Health invested $30.0 million in the financing. Of the $50.0 million, $25.0 million was funded in 2016 with $15.0 million of that amount contributed by PureTech Health. The remaining $25.0 million was received in January 2017. Also, in conjunction with this transaction, preferred shares were issued upon conversion of $0.6 million of outstanding convertible notes.