11 September 2018

PureTech Health plc - Half-Year Report

Significant momentum across the Affiliates and Internal divisions, including two FDA filings, a NASDAQ IPO, financings, clinical readouts, and a multiyear collaboration with Roche

Solid financial position provides PureTech Health with a strong platform for continued growth

PureTech Health plc (LSE: PRTC) ("PureTech Health," "PureTech," or "the Company"), an advanced biopharmaceutical company, today announces its half-yearly results for the six months ended 30 June 2018.

PureTech Health, which is comprised of PureTech Health plc and its subsidiaries (together, "the Consolidated Group"), and its deconsolidated affiliates (together, "the Group"), is developing novel medicines for dysfunctions of the Brain-Immune-Gut (BIG) axis. The Company has developed deep insights into the connection between the individual components of these systems and the resulting role in many chronic diseases, which have proven resistant to established therapeutic approaches. By harnessing this emerging field of human biology, PureTech Health is developing new categories of medicines with the potential to have great impact on people with serious diseases.

PureTech Health is advancing a rich pipeline of innovative therapies across two divisions: the Affiliates division (inclusive of deconsolidated affiliates) and the Internal division. Its Affiliates division includes two product candidates that have been filed with the US Food and Drug Administration (FDA) for review and several other novel clinical and pre-clinical programmes. These affiliates are developing highly innovative platforms and therapeutic candidates in collaboration with some of the world's leading experts.

PureTech's Internal division (named Ariya) is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune and neuroimmune disorders.

Operational Highlights

PureTech Health has made significant progress across its Affiliates division.

- Key clinical and regulatory developments included:
  - Akili and Gelesis filed applications with the US FDA for review of their lead product candidates in paediatric attention deficit/hyperactivity disorder (ADHD) and weight loss, respectively.
  - In the July 2018 post-period, resTORbio announced positive topline results from a Phase 2b study of its proprietary target of rapamycin complex 1 (TORC1) inhibitor, RTB101. resTORbio anticipates initiation of a Phase 3 clinical study in 2019.
  - Karuna developed a single capsule co-formulation of its proprietary combination of trospium chloride and xanomeline (KarXT), which it intends to use in a Phase 2 clinical trial in schizophrenia that is expected to begin in the third quarter of 2018.
- A number of affiliates have also continued to make excellent progress across their clinical pipelines:
  - Gelesis is conducting a Phase 2 study for a second product candidate, Gelesis200, in weight loss and glycaemic control in people with prediabetes or type 2 diabetes.
  - Akili is advancing a broad pipeline of programmes to treat cognitive deficiency and improve symptoms associated with medical conditions across neurology and psychiatry, including major depressive disorder (MDD) and multiple sclerosis.
  - Vedanta Biosciences is completing a Phase 1a/1b clinical trial for VE303, its lead, orally-administered candidate for the treatment of recurrent C. *difficile* infection.
  - Sonde has expanded development of its proprietary technology in neurodegenerative disease, respiratory and cardiovascular disease, and other health and wellness conditions.
  - Follica has made significant progress towards the initiation of a pivotal study in androgenetic alopecia.
- Affiliates continued to attract equity investments and non-dilutive funding:
  - resTORbio completed an initial public offering (IPO) on NASDAQ, raising gross proceeds of $97.8 million.
  - Akili completed a $55 million financing round to advance its pipeline of prescription digital treatment candidates. In the August 2018 post-period, Akili announced a $13 million extension of the financing, bringing the total round to $68 million.
  - Gelesis completed a $30 million financing round to support commercial-stage manufacturing, product launch preparations, company operations and the clinical advancement of its pipeline

of additional product candidates for gastrointestinal disorders, including type 2 diabetes and non-alcoholic steatohepatitis/non-alcoholic fatty liver disease (NASH/NAFLD).
    - In the August 2018 post-period, Karuna announced the completion of a $42 million Series A round, including the issuance of $22 million in shares upon conversion of debt into equity. Proceeds from the financing will be used to advance its lead product candidate, KarXT (Karuna-xanomeline-trospium chloride), including the initiation of a Phase 2 trial in patients with schizophrenia in the third quarter of 2018 and the expansion into other therapeutic areas, including a non-opiate pain indication.
- As at 30 June 2018, two of these affiliates, Akili and resTORbio, have been deconsolidated from the Group's financial statements and will now be referred to as deconsolidated affiliates. PureTech Health maintains an equity stake and a presence on each company's Board of Directors, but it no longer holds a majority equity position or majority board control in each of these companies.

PureTech Health is also advancing several programmes within its Internal division. To date, four of these programmes have been announced. Key developments are as follows:

- In the July 2018 post-period, PureTech Health announced a collaboration with Roche to advance PureTech's milk-derived exosome platform technology for the oral administration of Roche's Locked Nucleic Acid (LNA) antisense oligonucleotide platform, designed to facilitate the oral administration of complex payloads. PureTech Health will receive up to $36 million in upfront payments, research support, and early preclinical milestones and is eligible to potentially receive over $1 billion in development milestones.
- Also in the July 2018 post-period, PureTech's central nervous system (CNS) lymphatics technology was published as the cover story in *Nature.* The publication revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with aging, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline.

The Consolidated Group continued to build its leading IP position, with more than 500 owned and licensed patents and patent applications. Key newly issued IP includes two patents issued in the US and Australia broadly covering methods of detecting physical and psychological conditions through vocal biomarker technology (Sonde), and two patents issued in the US broadly covering compositions of matter and other aspects of inflammation-targeting microfiber materials with embedded molecules of interest (Alivio).

The Consolidated Group also further strengthened its leadership with the additions of Joep Muijrers, PhD, as Chief Financial Officer of PureTech Health; Steven Paul, MD, as Chief Executive Officer and Chairman of the Board of Karuna (post-period); Harry Leider, MD, MBA, as Chief Medical Officer of Gelesis; Edward J "Tad" Stewart as President and Chief Executive Officer of Commense; Paul Fonteyne, MBA, to the Gelesis Board of Directors; and Thai Lee, MBA, to the Sonde Board of Directors .

Upcoming Milestones (next 12 months)

Over the next 12 months, the Group anticipates reaching several key milestones:

- Akili anticipates results from the AKL-T03 Phase 2 clinical study targeting cognitive dysfunction in depression in the second half of 2018.
- Akili anticipates results from the AKL-T03 proof-of-concept clinical study targeting cognitive dysfunction in multiple sclerosis in the second half of 2018.
- Follica expects to initiate the pivotal study in androgenetic alopecia following completion of an ongoing optimisation study in the first half of 2019.
- Gelesis anticipates results from the Gelesis200 Phase 2 study for weight loss and glycaemic control in people with prediabetes or type 2 diabetes in 2019.
- Gelesis expects to initiate proof-of-concept clinical studies in product candidates for NASH/NAFLD in late 2018/early 2019.
- Karuna expects to initiate the KarXT Phase 2 clinical study in schizophrenia in the third quarter of 2018.
- Karuna expects to initiate a proof-of-concept study with KarXT for an additional indication in 2019.
- resTORbio expects to initiate a Phase 3 study of its proprietary TORC1 inhibitor, RTB101, in 2019.
- resTORbio expects to initiate a proof-of-concept study in a second indication in late 2018/early 2019.
- Vedanta Biosciences anticipates results from the VE303 (recurrent C. difficile infections programme) Phase 1a/1b clinical study in healthy volunteers in the second half of 2018. A Phase 2 study of VE303 is expected to begin in the second half of 2018.
- Vedanta Biosciences expects the initiation of the VE202 (in collaboration with Janssen Biotech, Inc.) Phase 1 clinical trial in inflammatory bowel disease (IBD) in the second half of 2018.
- Vedanta Biosciences expects to initiate the VE416 Phase 1b/2 clinical study in food allergy in the second half of 2018.

- Vedanta Biosciences expects to file an investigational new drug (IND) application for cancer immunotherapy candidate, VE800, in the first quarter of 2019.
- The Group also anticipates further clinical progress and potential strategic transactions

Financial Highlights

- Group cash reserves (APM)[1,2] at 30 June 2018 were $416.9 million (31 December 2017: $242.1 million).
- Consolidated cash reserves[2] at 30 June 2018 were $229.2 million (31 December 2017: $188.7 million), of which $196.7 million (31 December 2017: $126.7 million) was held on a PureTech Health parent company level.
- In April 2018, PureTech Health successfully raised gross proceeds of approximately $100 million (£72 million) through a placing[3].
- Adjusted loss for the period[4] was $46.6 million (30 June 2017: $47.9 million).

1) Group Cash Reserves is an alternative performance measure (APM) which includes cash reserves held at deconsolidated affiliates of $187.7 million that are not included in the consolidated statement of financial position. Group Cash is therefore considered to be more representative of the Group's cash available to advance product candidates within the full breadth of its operations, as the cash held at deconsolidated affiliates not included in Consolidated Cash Reserves will be invested in activities that could ultimately result in value accretion for the Group.
2) Cash reserves includes cash balances, short-term investments, and long-term investments, but does not include future committed tranches of previously closed financings which will be received in future periods.
3) Based on GBP:USD rates at the time of the announcement of the offering of 1.3885
4) Stated before the effect of non-cash charges, including share-based payments of $3.8 million (30 June 2017: $7.1 million), depreciation of $0.9 million (30 June 2017: $0.8 million), amortisation of $0.1 million (30 June 2017: $0.2 million), impairment of tangible assets of nil (30 June 2017: $0.5 million), Finance income/(cost) – fair value accounting income of $11.1 million (30 June 2017 – cost of $4.7 million), Finance costs – subsidiary preferred shares of $0.1 million (30 June 2017 – $6.1 million), non-cash Gain on deconsolidation of subsidiary of $41.7 million (2017 – nil), non-cash Gain on the Disposal of Assets of $4.0 million (2017 – nil), Loss on investments held at fair value of $14.3m (2017 – nil), and Share of net loss of associates accounted for using the equity method of $7.0 million (2017 – nil).

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

"This has been an exciting and fast-paced first half for PureTech Health, with several material advances and milestones reached in our Affiliates division, including two FDA filings, a NASDAQ IPO, significant pipeline progress, and multiple financings. We also unveiled our Internal division with a focus on lymphatics and immune cell trafficking and announced a multiyear collaboration with Roche in the post-period for a therapeutic application of one of those internal programmes.

"With an additional $100 million in funds raised and the significant progress made across both divisions, we are well-placed to execute on our mission to make a difference in human health and generate value for our shareholders."

Also commenting on PureTech's half-yearly results, Joep Muijrers, PhD, Chief Financial Officer of PureTech Health, said:

"With $416.9 million in group cash reserves at the period end, of which $196.7 million is held at the PureTech Health parent level, PureTech Health is in a strong position to execute on its business strategy and generate significant value across its Affiliates and Internal divisions."

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This half-yearly results release may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of PureTech's business units. Throughout this half-yearly results release, PureTech's ownership

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

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

Interim Management Report

Introduction

PureTech Health was founded with a vision to advance breakthrough science into promising new medicines for patients. Each programme was housed in an independent corporate entity, and cash was raised as needed from internal resources and validating third-party investors. Over the years, the Group has successfully executed against this vision by progressing new categories of medicine for dysfunctions of the BIG Axis through human proof-of-concept to regulatory review for approval. At the same time, the Group has also forged strategic relationships with major pharmaceutical companies and leading academic scientists and institutions. All of this has been achieved in a capital-efficient manner while maintaining significant ownership in each entity.

PureTech's proven track record has resulted in deep intellectual insights and financial resources that now support two paths for the advancement of new medicines. The first path is through the Affiliates division, which includes two product candidates that have been filed with the US FDA for review, as well as multiple other product candidates that have demonstrated clinical proof-of-concept. The Affiliates division has access to various avenues of funding to fuel the affiliates' continued growth, including potential private rounds of equity financing, IPOs, strategic transactions and industry partnerships at the global or regional levels. PureTech's advantageous position of having significant ownership in the Affiliates division creates near- to mid-term value as well as a source of non-dilutive funding at the parent company level.

The second path is through PureTech's newly formed Internal division, which is advancing internal research and development projects around lymphatics and immune cell trafficking. Derived from PureTech's deep understanding of the BIG Axis, these programmes are focused on novel therapeutic approaches for diseases with major needs, including cancers, autoimmune diseases and neuroimmune disorders. To date, PureTech Health has announced four of the programmes that have been consolidated into this Internal division, including two programmes that allow the administration of therapeutics directly into the lymphatic system and a programme enabling the modulation of lymphocyte trafficking and function (formerly known as Glyph, Calix, and Nybo), as well as the recently announced CNS lymphatics technology, which equity investors can access through shareholding on a PureTech Health parent company level.

PureTech's two divisions are connected through a shared focus on the BIG Axis and a mission to address some of the greatest medical needs. Together with a seasoned management team, an outstanding Board and leading scientific advisors, the Company has made excellent progress in 2018 towards executing on this vision.

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

Notable Developments

Affiliates division
PureTech's Affiliates division continues to reach key development milestones, with many additional catalysts anticipated. Notably, deconsolidated affiliate Akili filed its lead product candidate, AKL-T01, with the US FDA for review. AKL-T01 is designed to be prescribed by physicians as a stand-alone treatment for children and adolescents with ADHD. If approved, AKL-T01 would be the first prescription digital treatment for paediatric ADHD.

AKL-T01 is just one of several product candidates across Akili's pipeline that employs its patented technology platform. A number of other digital treatments are in development across neurology and psychiatry, including in major depressive disorder (MDD), multiple sclerosis (MS), autism spectrum disorders and various other conditions. By the end of 2018, Akili expects results from both a Phase 2 study in MDD and a pilot study in MS.

To support this robust pipeline of prescription digital treatment candidates, Akili announced a $55 million financing round in May, and in the August 2018 post-period, Akili announced a $13 million extension of the financing, bringing the total round to $68 million.

Gelesis has also filed its lead product candidate, Gelesis100, with the US FDA for review. Gelesis100 is a new approach to weight loss that is designed to employ multiple mechanisms of action along the gastrointestinal (GI) tract to promote satiety, induce weight loss and promote GI health. In September 2017, Gelesis reported positive topline results from a pivotal trial of Gelesis100. Additional data from this study will be presented in November 2018 at ObesityWeek, the joint annual meetings of the American Society for Metabolic & Bariatric Surgery (ASMBS) and The Obesity Society (TOS).

The Gelesis mechanobiology platform also supports additional product candidates, including Gelesis200, which is currently being evaluated in a proof-of-concept study for weight loss and glycaemic control in patients with type 2 diabetes (T2DM) and prediabetes. Results from this study are expected in 2019. Additional hydrogel compositions based on the platform are being explored in other GI-related conditions such as NAFLD, NASH and intestinal mucositis. A proof-of-concept study in NASH/NAFLD is anticipated to begin in late 2018 or early 2019.

In March 2018, Gelesis announced that it had closed a $30 million financing round to support commercial-stage manufacturing, product launch preparations, company operations and clinical advancement of this broad pipeline. The funds from this financing will be drawn down by Gelesis at its discretion.

Deconsolidated affiliate resTORbio announced the pricing of its IPO on NASDAQ in January 2018, raising gross proceeds of $97.8 million. In the July 2018 post-period, resTORbio announced positive topline results from its dose-ranging Phase 2b clinical trial in elderly patients at increased risk of morbidity and mortality associated with respiratory tract infections (RTIs). In this trial, RTB101, an oral, selective, and potent inhibitor of TORC1, demonstrated a statistically significant and clinically meaningful reduction in the percentage of patients with one or more laboratory-confirmed RTIs during the 16-week treatment period compared to placebo, the primary endpoint of the study, with the 10 mg once daily dose. Greater TORC1 inhibition with RTB101 10 mg in combination with everolimus 0.1 mg did not meet the primary endpoint, suggesting that less TORC1 inhibition with RTB101 10 mg once daily may have greater benefit in high-risk elderly patients. A pre-specified analysis of patient subgroups resulted in the following decreases in the percentage of patients with laboratory-confirmed RTIs in the RTB101 10 mg once daily cohort as compared to the placebo cohort: 68.4 percent decrease in all asthma patients (p=0.0002); 66.7 percent decrease in all patients 85 years of age and older (p=0.007); and 26.9 percent decrease in all T2DM patients (p=0.020). Additionally, a 42.0 percent decrease in all patients was observed when excluding patients with chronic obstructive pulmonary disease (COPD) (p=0.002) and a 43.9 percent decrease in all patients was observed when excluding current smokers (p=0.001). No decrease was observed in either COPD patients or current smokers. All doses were observed to be well-tolerated.

Based on these results, resTORbio plans to initiate a Phase 3 study in 2019, and additional 24-week data from the Phase 2b study will be released in the second half of 2018. The company also plans to initiate a proof-of-concept study in a second indication in late 2018 or early 2019.

Karuna has made significant progress towards the initiation of a Phase 2 study in schizophrenia with its proprietary product candidate, KarXT. The company successfully completed development of a co-formulation of xanomeline and trospium chloride and anticipates initiation of the Phase 2 study in the third quarter of 2018. To support these efforts, Karuna announced the completion of a $42 million Series A financing round, including the issuance of $22 million in shares upon conversion of debt into equity, in the August 2018 post-period. The proceeds will also be used to expand Karuna's platform into other therapeutic areas, including non-opiate-based pain management. Karuna also expects to initiate a proof-of-concept clinical study for an additional indication in 2019.

Vedanta Biosciences has rapidly advanced its pipeline of rationally-defined bacterial consortia-based product candidates and expects to report results in the second half of 2018 from a Phase 1a/1b clinical trial for VE303, its lead, orally-administered candidate for the treatment of recurrent C. *difficile* infection (rCDI). A Phase 2 study is planned for the second half of 2018. Also, in the second half of the year, Vedanta Biosciences expects the initiation of two additional clinical studies: a Phase 1a/b in inflammatory bowel disease (VE202, in collaboration with Janssen Biotech, Inc.) and a Phase 1b/2 in food allergy (VE416). Vedanta Biosciences also plans to submit an investigational new drug (IND) application for its lead immunotherapy candidate, VE800, in the first quarter of 2019.

In the July 2018 post-period, Vedanta Biosciences announced a financial award from the Crohn's & Colitis Foundation, a non-profit organisation dedicated to finding the cures for Crohn's disease and ulcerative colitis, to advance a new microbiome-derived therapeutic programme for the treatment and potential interception of IBD. This new IBD programme, which is outside of the scope of the partnership with Janssen, aims to target pathogenic bacterial strains that are particularly abundant in Crohn's disease and may lead to the onset of IBD. The programme is being advanced in collaboration with Dr Kenya Honda, MD, PhD, Professor, Keio University School of Medicine and a scientific co-founder of Vedanta Biosciences.

In April 2018, a preclinical study of Alivio's inflammation-responsive technology was published in *Nature Communications*. The study showed that an immunomodulatory drug, administered locally using the Alivio inflammation-responsive technology, substantially reduced measures of arthritis disease activity. By the last day of the study (day 14), the Alivio technology had reduced nearly all of the inflammation in the affected tissue, with a 5.7-fold improvement in the clinical score vs control, as compared to only 1.4-fold for the free drug. These findings further support Alivio's proprietary therapeutics platform and provide proof-of-concept for the potential application of the technology in inflammatory arthritis.

Additionally, the United States Patent and Trademark Office granted two key patents broadly covering the Alivio platform. The patents broadly cover compositions of matter and other aspects of the inflammation-targeting microfiber materials with embedded molecules of interest and lay a strong foundation to expand the intellectual property portfolio for this technology platform.

Sonde has advanced its vocal biomarker technology, 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 made its scaleable cross-platform mobile research app and administrator interface available to academic collaborators and study participants. Sonde generated and analysed voice data from over 3,000 subjects for the detection of depression, suicidality and Parkinson's disease. Sonde has also initiated research and development to expand its proprietary technology in Alzheimer's disease, respiratory and cardiovascular disease and other health and wellness conditions.

Follica has made good progress towards the initiation of a pivotal study in androgenetic alopecia. The completion of an optimisation study is anticipated in the first quarter of 2019 and a pivotal study is expected to begin shortly thereafter in the first half of 2019.

Internal division
PureTech Health has also been advancing internal research and development projects around lymphatics and immune cell trafficking for the past two years. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases and neuroimmune disorders. This work has reached an inflection point, generating compelling preclinical data and key intellectual property, so it has been consolidated into a separate Internal division. To date, four of the programmes within this Internal division have been announced, including two programmes that allow the administration of therapeutics directly into the lymphatic system and a programme enabling the modulation of lymphocyte trafficking and function (formerly known as Glyph, Calix, and Nybo)

In the July 2018 post-period, PureTech Health announced a multiyear collaboration with Roche to advance one of these programmes – a milk exosome-based technology designed to facilitate the oral administration of complex payloads such as nucleic acids, peptides and small molecules into the lymphatic system. Under the terms of the agreement, PureTech Health will receive up to $36 million, including upfront payments, research support and early preclinical milestones, to advance this technology for the oral administration of Roche's LNA antisense oligonucleotide platform. PureTech Health is also eligible to receive development milestone payments of over $1 billion, in addition to sales milestones and royalties.

Also in the July 2018 post-period, the foundational science that underlies the Company's internal CNS lymphatics technology was published as the cover story in the prestigious scientific journal *Nature*. The publication revealed that modulation of lymphatic function in the brain may prevent or delay diseases associated with aging, including Alzheimer's disease, Huntington's disease and age-associated cognitive decline. The approach is based on the work of PureTech Health collaborator Jonathan Kipnis, PhD, Harrison Distinguished Teaching Professor and Chair, Department of Neuroscience, and Director, Center for Brain Immunology and Glia, at the University of Virginia (UVA) School of Medicine. Exclusively licensed from the UVA Licensing & Ventures Group, the technology will be developed by PureTech Health in collaboration with Dr Kipnis to potentially address debilitating and devastating CNS disorders.

People

PureTech Health and its affiliates continue to attract top talent at all levels across the organisation and has added more than 35 full-time team members in the first half of 2018 (excludes new hires at deconsolidated affiliates, Akili and resTORbio) to support the ongoing clinical and preclinical development within the Affiliates and Internal divisions.

The Company has also grown its leadership team with the appointment of Joep Muijrers, PhD, as Chief Financial Officer. Dr Muijrers joined PureTech Health after 11 successful years as a Partner and Portfolio Manager at LSP (Life Sciences Partners), a leading trans-Atlantic investor group with exclusive focus on life sciences. Dr Muijrers brings two decades of experience in corporate and capital finance, specifically focused on public market investment, M&A, portfolio management, strategic asset allocation, financial and regulatory reporting and fundraising. In his previous role at LSP, Dr Muijrers was responsible for investing in publicly-traded life sciences companies, a strategy that generated a total return in excess of 900 percent during the past decade, more than twice the return of the Nasdaq Biotechnology Index during the same period. Prior to joining LSP, Dr Muijrers served as Director Corporate Finance and Capital Markets at Fortis Bank, currently part of ABN AMRO.

At the end of August 2018, the team bid farewell to Chief Innovation Officer, David Steinberg, who has been with PureTech Health since founding and has made important contributions to the Group. PureTech Health will not be seeking a replacement and Mr Steinberg's responsibilities across the two divisions will be covered by PureTech's Chief Scientific Officer, Joe Bolen, PhD, and PureTech's Chief of Research and Strategy, Eric Elenko, PhD. Steinberg will remain an esteemed member of the Company's collaborator network and the Company thanks him for all of his contributions.

PureTech Health affiliates have also welcomed distinguished leaders to their teams and boards, including:

- Steven Paul, MD, Karuna Chief Executive Officer and Chairman of the Board (post-period): Dr Paul spent 17 years at Eli Lilly and Company (NYSE: LLY), during which time he held several key leadership roles, including Executive Vice President for Science and Technology and President of the Lilly Research Laboratories, where he was responsible for the company's overall research and development efforts for CNS drugs such as Zyprexa® and Cymbalta®. At Lilly, Dr Paul also helped oversee the development of xanomeline where its antipsychotic and procognitive properties were initially demonstrated. Prior to Lilly, Dr Paul spent 18 years at the National Institute of Health (NIH) and served as the Scientific Director of the National Institute of Mental Health (NIMH). Dr Paul is a Co-founder and Board Member of Sage Therapeutics (NASDAQ: SAGE), a Co-founder of Voyager Therapeutics (NASDAQ: VYGR) where he served as President, Chief Executive Officer, and member of the Board of Directors and a member of the Board of Directors at Alnylam Pharmaceuticals (NASDAQ: ALNY). Dr Paul is the former Director of the Appel Alzheimer Disease Research Institute at Weill Cornell Medical College and is currently an Adjunct Professor of Psychiatry at Washington University of St Louis School of Medicine.
- Harry Leider, MD, MBA, Gelesis Chief Medical Officer: Dr Leider served as Chief Medical Officer and Group Vice President at Walgreens (the second-largest pharmacy store chain in the US) since 2013, where he provided executive leadership for all clinical programme development, quality assessment, health outcomes research, health analytics and clinical reporting activities across the enterprise. He also led a team that evaluated new healthcare technologies and services. His previous leadership positions include serving as Chief Medical Officer of Ameritox, XLHealth, and HealthNet, in addition to serving as a physician executive at Harvard Pilgrim Health Plan for six years. Dr Leider is on the editorial boards of *Physician Executive* and the *Journal of Population Health Management*. He is also a founding board member of the Disease Management Association of America (DMAA) and served on the board of the Institute of Aging at the University of Pennsylvania. Dr Leider also served for six years as an attending physician at Brigham and Women's Hospital and faculty member at Harvard Medical School. More recently, Dr Leider was a faculty member at the Johns Hopkins Carey School of Business and has been a senior advisor to PureTech Health since 2015.
- Edward J "Tad" Stewart, MBA, Commense President and Chief Executive Officer: Mr Stewart joined Commense with more than 20 years of experience in the biotechnology industry, combining a unique blend of partnership, licensing, and business development expertise. Mr Stewart previously served as Senior Vice President of Business Development and Head of Commercial Business at Merrimack Pharmaceuticals, a biopharmaceutical company based in Cambridge, Massachusetts, where he oversaw and managed commercial business development efforts. Under Mr Stewart's leadership, the company executed multiple partnership and licensing deals with a total value in excess of $1.5 billion and successfully launched ONIVYDE®, which was sold to Ipsen in a 2017 transaction valued at $1.025 billion.
- Paul Fonteyne, MBA, Gelesis Board of Directors: Mr Fonteyne brings a wealth of experience in commercial, marketing and general management functions to the Gelesis Board of Directors. Mr

Fonteyne is Chairman of Boehringer Ingelheim USA. He also most recently served as President and CEO of Boehringer Ingelheim USA and as a board member of the Pharmaceutical Research and Manufacturers of America (PhRMA) Industry Association until March 2018. From 2009 to 2011, Mr Fonteyne served as Senior Corporate Vice President, Prescription Medicines Marketing at Boehringer Ingelheim GmbH. From 2003 to 2008 he served as Executive Vice President, Head of Marketing and Sales, Prescription Medicines at Boehringer Ingelheim Pharmaceuticals Inc. Prior to his work at Boehringer Ingelheim, Mr Fonteyne served as Regional Vice President, Sales and as Vice President, Marketing at Merck & Co., Inc. and held various leadership roles with Abbott Laboratories, Inc.

- Thai Lee, MBA, Sonde Board of Directors: Ms Lee is recognised as a prominent business leader in the information technology industry and brings more than two decades of experience to Sonde's Board of Directors. Ms Lee currently serves as President and Chief Executive Officer of SHI International Corporation. Under Ms Lee's management, SHI has transformed from a $1 million software reseller to a $10 billion in annual sales global provider of information technology products and solutions with 35 offices around the world. Ms Lee serves on the Board of Dean's Advisors at Harvard Business School and is a Life Trustee at Amherst College.

Financial review

In the first half of 2018, PureTech Health continued to prudently deploy its cash reserves to advance both its affiliate and internal pipeline. The Company has progressed research and clinical activities across the pipeline in line with its forecasted expectations and continues to invest in infrastructure to support the potential launches (pending regulatory approval) of both Gelesis100 for the treatment of obesity and AKL-T01 for the treatment of paediatric ADHD.

Additionally, the Company continued to attract capital both at PureTech Health and the Affiliates division. $97.5 million (net) proceeds were raised at the PureTech Health level as part of the April Offering which will be used to advance both the Affiliates and Internal divisions. In addition to the PureTech raise, $187.0 million was attracted from third party, validating financial and strategic investors across the Group in the first half of 2018, resulting in total attracted capital for the Group of $284.5 million. This included resTORbio's Initial Public Offering (IPO), which generated $97.8 million of proceeds (including PureTech's $3.5 million investment).

	2018 (30 June) $ millions	2017 (31 December) $ millions
Cash Reserves		
Group Cash Reserves (APM)[1]	**416.9**	242.1
Consolidated Group Cash Reserves[2]	**229.2**	188.7
PureTech Health Level Cash Reserves[2]	**196.7**	126.7
	H1 2018 $ millions	H1 2017 $ millions
Results of Operations		
Revenue	**5.0**	0.7
Operating Loss	**(52.3)**	(57.0)
Adjusted Operating Expenses (APM)[3]	**(52.5)**	(49.1)
Adjusted Operating Loss (APM)[3]	**(47.5)**	(48.4)
Loss for the Period	**(16.0)**	(67.3)
Adjusted Net Finance Income[4]	**1.3**	0.5
Adjusted Loss for the Period (APM)[5]	**(46.6)**	(47.9)

1) Group Cash Reserves is an alternative performance measure (APM) which includes cash reserves held at deconsolidated affiliates of $187.7 million that are not included in the consolidated statement of financial position. Group Cash is therefore considered to be more representative of the Group's cash available to advance product candidates within the full breadth of its operations, as the cash held at deconsolidated affiliates not included in Consolidated Cash Reserves will be invested in activities that could ultimately result in value accretion for the Group.
2) Cash reserves includes cash balances, short-term investments and long-term investments, but does not include future committed tranches of previously closed financings which will be received in future periods.
3) Adjusted Operating Expenses and Operating Loss are alternative performance measures (APM) which represents the Operating loss stated before the effect of non-cash items, including a share-based payment of $3.8 million (30 June 2017: $7.1 million), depreciation of $0.9 million (30 June 2017: $0.8 million), amortisation of $0.1 million (30 June 2017: $0.2 million) and impairment of tangible assets of nil (30 June 2017: $0.5 million). Non-cash items are excluded due to the fact that the Group's businesses require the cash investment in order to operate and continue with their R&D activities. Adjusted Operating Loss is therefore considered to be an appropriate alternative performance measure, as it is more representative of the operating performance of the Group.
4) Adjusted Net Finance Income/(Cost) is an alternative performance measure (APM) which represents the Net finance income/(cost) stated before the effect of non-cash mark-to-market accounting including the Finance income/(cost) – fair value accounting income of $11.1 million (30 June 2017 – cost of $4.7 million), and Finance costs – subsidiary preferred shares of $0.1 million (30 June 2017 – $6.1 million).

5) Stated before the non-cash charges discussed in footnote 3 and 4 above, Adjusted Loss for the Period is also adjusted for the non-cash Gain on deconsolidation of subsidiary of $41.7 million (2017 – nil), the non-cash Gain on the Disposal of Assets of $4.0 million (2017 – nil), the Loss on investments held at fair value of $14.3 million (2017 – nil) and Share of net loss of associates accounted for using the equity method of $7.0 million (2017 – nil). Adjusted loss for the period is considered to be an appropriate alternative performance measure due to the exclusion of non-cash activity, as it is more representative of the operating performance of the Group.

Result of Operations

Revenue

Revenue in the first half of 2018 relates primarily to Vedanta's CARB-X grant award, Entrega's research collaboration with Eli Lilly, and deferred revenue recognition related to Entrega's collaboration with Google. Given that both the CARB-X award and Eli Lilly research collaboration were executed in the second half of 2017, they represent the majority of the increase in revenue compared to the first half of 2017. Future revenues may be earned under existing and new license and collaboration agreements (such as the Roche collaboration agreement which was executed in the second half of 2018) and may include non-refundable license fees. Management evaluates opportunities to enter new license and collaboration agreements with the aim of balancing the value of these partnerships and retaining ownership in our programmes to achieve meaningful milestones. Revenue from license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event-driven. Furthermore, grant revenues are typically associated with specific deliverables that have finite timelines. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Consolidated Group's overall revenue trend.

Operating expenses

Adjusted Operating Expenses (before the impact of the non-cash items noted in footnote 3 of the Results of Operations Schedule above) increased 7 percent on a year-over-year basis. The largest driver of the increase during the first half of 2018 related to an increase in General and Administrative spending, which is a result of the pre-launch preparations for Akili and additional costs related to Vedanta Biosciences as well as PureTech Health, which grew in line with expectations. Adjusted Research & Development Expense (APM)[1] grew by 2 percent on a year-over-year basis.

The 2017 Adjusted Operating Expenses included resTORbio, which was deconsolidated as of November 2017, and six months of expense for Akili, which was deconsolidated as of 8 May 2018. Excluding these two entities in both periods, Adjusted Operating Expenses increased by 22 percent, which included a 25 percent increase to research and development expenses an 18 percent increase to general and administration costs. Research and development expense growth excluding these two subsidiaries was mainly driven by Vedanta Biosciences and the Internal division.

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

1) Adjusted Research & Development Expenses is an alternative performance measures (APM) which represents the Research & Development Expense stated before the effect of non-cash items, including a share-based payment of $1.1 million (30 June 2017: $3.0 million), depreciation of $0.1 million (30 June 2017: $0.3 million), and impairment of tangible assets of nil (30 June 2017: $0.5 million). Non-cash items are excluded due to the fact that the Group's businesses require the cash investment in order to operate and continue with their R&D activities. Adjusted Research & Development Expense is therefore considered to be an appropriate alternative performance measure, as it is more representative of the research spending of the Group.

Net finance income/(cost)

The Consolidated Group's results of finance activities before consideration of the items noted in footnote 4 of the Results of Operations Schedule above, was a modest net finance income consistent with the prior year. The income in both periods is related to interest received on short-term investments held at PureTech Health and certain subsidiaries. The Consolidated Group, as described below, has adopted a conservative cash management policy and invested the significant cash reserves generated since the IPO in US Treasuries, which resulted in $1.4 million of income from interest earned on those securities.

On 1 January 2018 the Consolidated Group adopted IFRS 9. Under IFRS 9, the Consolidated Group reassessed certain financial instruments and whether it qualified for fair value accounting, and concluded that

it did qualify. As a result of the adoption of IFRS 9, there was a cumulative effect adjustment to equity of $12.2 million. The net finance income in the first half of 2018 was mainly attributable to fair value adjustments associated with third-party financial instruments including preferred stock, convertible notes, and warrants held at the subsidiary level. Consistent with IAS 39, when the Consolidated Group realises a change in the value of the subsidiaries that are consolidated for accounting purposes, income or expense will be recognised when there are external preferred shareholders. The Consolidated Group continues to hold certain financial instruments at amortised cost, resulting in modest costs categorized as Finance cost – subsidiary preferred shares. These costs are expected to be insignificant in future periods.

The income generated within Finance income/(costs) – fair value accounting during 2018 is a result of the reduction of the fair value liability, which is primarily attributable to a decrease in the third-party liability for Akili. The third party liability attributable to the Akili shares decreased as a result of the Series C proceeds having first order liquidation preference, decreasing the fair value of the other outstanding preferred securities. Excluding Akili, the fair value of liabilities increased by $3.7 million, attributable to the growth in the underlying value of the subsidiaries.

The balance of subsidiary preferred stock held by external parties, and therefore the related balance of the aggregate liquidation preference, decreased during the first half of 2018 due to the deconsolidation of Akili and the asset sale of The Sync Project to Bose Corporation, which was partially offset by new issuances of Growth 2 Preferred Stock by Gelesis.

Refer to notes 9, 10, and 11 in the financial statements for more information.

Deconsolidation of Akili Interactive Labs

In May 2018, Akili completed the first closing of its Series C Preferred Stock financing, which resulted in PureTech's voting ownership percentage related to Akili reduced to 44.7 percent, triggering deconsolidation. Although PureTech Health does not control Akili, PureTech Health maintains significant influence over the company's strategy and the direction of the company by virtue of its large, albeit non-majority, ownership stake and continued representation on Akili's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1, Series A-2, and Series B Preferred Stock (collectively the "Akili Preferred Stock") held in Akili, resulting in a gain of $41.7 million. The Akili Preferred Stock was classified as an Investments held at fair value upon deconsolidation. Akili did not realise additional gains related to the growth in the fair value of the stock between the deconsolidation and 30 June 2018 given the short duration between the Series C financing and the reporting date. PureTech Health does not hold common stock in Akili and therefore is not subject to equity method accounting under IAS 28.

Subsequent to the period, on 9 August 2018, Akili completed a second closing of its Series C Preferred Stock financing, which raised an additional $13.0 million. This resulted in PureTech's voting ownership decreasing to 41.9 percent. PureTech Health will continue to account for the Akili Preferred Stock as an Investments held at fair value until such a time the Akili Preferred Stock is converted to common stock.

Refer to note 3 in the financial statements for further information.

Financial Position

	2018 (30 June) $ millions	**2017 (31 December) $ millions**
Total non-current assets	**225.1**	**141.7**
Total current assets	**209.8**	**198.1**
Total assets	**434.9**	**339.8**
Non-current liabilities	**1.9**	**2.0**
Total current liabilities[(1)]	**216.0**	**273.9**
Total liabilities[(2)]	**217.8**	**275.8**

1) Included in current liabilities are $202.4 million related to non-cash liabilities associated with the fair value of financial instruments held by third parties under IFRS 9 as of 30 June 2018, and $254.9 million related to non-cash liabilities related to the derivatives, warrants and preferred shares under IAS 39 at 31 December 2017.
2) Number do not add up due to rounding

Cash and short-term investments make up a significant portion of the Consolidated Group's current assets of $209.8 million. Amounts that cannot be immediately deployed have been used to purchase US Treasuries with

durations of less than two years. The consolidated cash reserves, consisting of cash, cash equivalents and US Treasuries, which are classified as both long and short term, were $229.2 million at 30 June 2018 (31 December 2017 – $188.7 million). Of this amount, $196.7 million (31 December 2017 – $126.7 million) of cash reserves is held at the PureTech Health level to fund activities of the Group, including supporting future activities of the subsidiaries, progressing affiliate programmes toward meaningful milestone events, funding the internal pipeline, and maintaining an appropriate infrastructure.

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

- Investments held at fair value and Investments in associates increased by $52.8 million to $184.2 million primarily driven by the deconsolidation of Akili but partially offset by the fair value decrease and equity method accounting of the Series A Preferred Stock in resTORbio, which was converted to common stock at the time of resTORbio's IPO. PureTech holds 9,800,396 shares of resTORbio publicly traded on the NASDAQ.
- Non-current assets include $29.7 million of US Treasuries with a duration greater than one year, which are included in the consolidated and PureTech Health level cash reserves.
- Current liabilities decreased to $216.0 million, primarily as a result of the deconsolidation of Akili and were partially offset by the issuance of preferred stock to Gelesis and an increase in the fair value of financial instruments held by third parties.

Cash Flows

	H1 2018 $ millions	**H1 2017 $ millions**
Net cash outflow from operating activities	**(44.2)**	**(44.6)**
Net cash inflow/(outflow) from investing activities	**(43.2)**	**40.2**
Net cash inflow from financing activities	**104.8**	**11.6**

As noted above, the Consolidated Group increased spending as expected, with increases in both research and development costs as well as general and administrative costs to support launch activities and corporate activities during the first half of 2018. The Directors anticipate that the Consolidated Group's funds will be sufficient to continue to progress both the deconsolidated affiliates and Affiliates division programmes to meaningful milestone events, invest in the Internal division through 2020 and to fund infrastructure costs through 2021. The Consolidated Group's net operating cash outflow reflects the payment of operating expenses which, with the exception of the non-cash charges highlighted in footnotes 3, 4, and 5 of the Results of Operations Schedule, are cash based. Offsetting operating cash inflows were primarily driven by interest earned on US Treasuries.

The net cash outflow from investing activities during the first half of 2018 relates to investments in US Treasuries with durations of less than two years as well as the deconsolidation of Akili's cash balance as of 8 May 2018 which totalled $13.4 million. In addition, PureTech Health invested $3.5 million in resTORbio's IPO and the Consolidated Group expended $2.0 million for property and equipment.

The net cash inflow from financing activities during the first half of 2018 primarily relates to the April 2018 Offering completed by PureTech Health, generating gross proceeds of £72 million (approximately $100 million based on exchange rates at the time of the announcement of the transaction). Existing shareholder, Invesco Asset Management Limited, participated in the Offering purchasing 14,365,000 ordinary shares at the placing price of 160 pence per share. Based on the exchange rates at the time of the completion of the transaction, the gross proceeds of £72 million translated into $101.2 million. There were approximately $3.7 million of transaction costs associated with the Offering, resulting in net proceeds of $97.5 million. In addition to the PureTech Offering, Gelesis received $8.5 million as part of their Series Growth 2 Preferred financing. Offsetting the two aforementioned cash inflows was an outflow of $1.1 million related to distribution to third-party Sync preferred shareholders as a result of the asset purchase by Bose Corporation.

The Consolidated Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly-rated, short duration vehicles, primarily US Treasuries with maturities under two years. The Consolidated 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 Consolidated Group's liquidity and capital preservation objectives. At 30 June 2018, the Consolidated Group had $1.9 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 Euros to fund operations.

Principal Risks and Uncertainties

The principal risks and uncertainties surrounding the Group's business are set out in detail in the Risk Management section of the Strategic Report included in the 2017 Annual Report and Accounts. Those risks and uncertainties include, but are not limited to, the following factors:

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

Clinical Trial Risk: Clinical trials and other tests to assess the commercial viability of a product 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.

Regulatory Risk: 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.

Safety Risk: There is a risk of adverse reactions with all drugs and medical devices. If any of the Group's products are found to cause adverse reactions or unacceptable side effects, then product development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This 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.

Reimbursement and Commercial Risk: The Group may not be able to sell its products profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available 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.

Intellectual Property Risk: 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.

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

Personnel Risk: 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.

A copy of the 2017 Annual Report and Accounts is available on the Company's website at www.puretechhealth.com under "Investors - Reports & Presentations."

Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss)
For the Six Months Ended 30 June

	Notes	**2018**	2017
		Unaudited	
		$'000	$'000
Revenue from customers		**1,711**	625
Grant revenue		**3,266**	40
Total revenue		**4,977**	**665**
Operating expenses:			
General and administrative expenses		**(24,059)**	(22,294)
Research and development expenses		**(33,258)**	(35,391)
Operating loss		**(52,340)**	**(57,020)**
Other income/(expense):			
Gain on deconsolidation of subsidiary	3	**41,730**	-
Loss on investments held at fair value	3	**(14,308)**	-
Gain on sale of assets	14	**4,039**	-
Other expense		**(468)**	-
Other income		**30,993**	**-**
Finance income/(costs):			
Finance income		**1,368**	728
Finance costs – subsidiary preferred shares		**(106)**	(6,050)
Finance costs – contractual		**(115)**	(217)
Finance income/(costs) – fair value accounting		**11,147**	(4,668)
Net finance income/(costs)	7	**12,294**	**(10,207)**
Share of net loss of associates accounted for using the equity method	3	**(7,007)**	-
Loss before taxes		**(16,060)**	**(67,227)**
Loss before taxes pre IFRS 9/IAS 39 fair value accounting, finance income/(costs) – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets		**(22,344)**	(47,911)
Finance costs – subsidiary preferred shares		**(106)**	(6,050)
Finance income/(costs) – IFRS 9/IAS 39 fair value accounting		**11,147**	(4,668)
Share-based payment expense		**(3,755)**	(7,126)
Impairment of tangible assets		**-**	(454)
Depreciation of tangible assets		**(912)**	(787)
Amortisation of intangible assets		**(90)**	(231)
Loss before taxes		**(16,060)**	**(67,227)**
Taxation	8	**68**	**(113)**
Loss for the period		**(15,992)**	**(67,340)**
Other comprehensive income/(loss)			
Items that are or may be reclassified as profit or loss:			
Gain/(loss) on investments held at fair value		**(85)**	257
Foreign currency translation differences		**(127)**	227
Total other comprehensive income/(loss)		**(212)**	**484**
Total comprehensive loss, net of tax		**(16,204)**	**(66,856)**
Loss attributable to:			
Owners of the Company		**(7,999)**	(42,193)
Non-controlling interests	12	**(7,993)**	(25,147)
		(15,992)	**(67,340)**
Comprehensive loss attributable to:			
Owners of the Company		**(8,211)**	(41,709)
Non-controlling interest	12	**(7,993)**	(25,147)
		(16,204)	**(66,856)**
Loss per share:			
Basic loss per share	5	($0.03)	($0.18)
Diluted loss per share	5	($0.03)	($0.18)

See accompanying notes to the condensed consolidated interim financial statements

Condensed Consolidated Statement of Financial Position
As of the Period Ended

	Notes	30 June 2018 Unaudited $'000	31 December 2017 Audited $'000
Assets			
Non-current assets			
Long-term investments		**29,675**	-
Property and equipment, net		**7,583**	6,862
Investments held at fair value	3	**72,495**	131,351
Investment in associate	3	**111,703**	-
Intangible assets, net		**3,197**	3,309
Deferred tax assets		**347**	142
Other non-current assets		**108**	73
Total non-current assets		**225,108**	141,737
Current assets			
Trade and other receivables		**3,373**	1,797
Prepaid expenses and other current assets		**5,984**	6,638
Other financial assets		**872**	927
Short-term investments		**109,464**	116,098
Cash and cash equivalents		**90,074**	72,649
Total current assets		**209,767**	198,109
Total assets		**434,875**	339,846
Equity and liabilities			
Equity			
Share capital		**5,305**	4,679
Merger reserve		**138,506**	138,506
Share premium		**278,454**	181,588
Translation reserve		**97**	224
Other reserve		**18,790**	17,178
Accumulated deficit		**(127,821)**	(127,873)
Equity attributable to the owners of the Company		**313,331**	214,302
Non-controlling interests	12	**(96,272)**	(150,305)
Total equity		**217,059**	63,997
Non-current liabilities			
Deferred revenue		**120**	159
Other long-term liabilities		**1,740**	1,828
Total non-current liabilities		**1,860**	1,987
Current liabilities			
Deferred revenue		**73**	1,652
Trade and other payables		**12,272**	16,358
Subsidiary:			
Notes payable	10	**12,437**	7,455
Derivative liability	9	**-**	114,263
Warrant liability	9	**13,043**	13,095
Preferred shares	11	**176,917**	120,051
Other current liabilities		**1,214**	988
Total current liabilities		**215,956**	273,862
Total liabilities		**217,816**	275,849
Total equity and liabilities		**434,875**	339,846

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributed to equity holders of the parent									
	Shares	Amount $'000s	Share premium $'000s	Merger reserve $'000s	Translation reserve $'000s	Other reserve $'000s	Accumulated deficit $'000s	Total parent equity $'000s	Non-controlling interests $'000s	Total equity $'000s
Balance 1 January 2017	**232,712,542**	**4,609**	**181,658**	**138,506**	**(184)**	**13,412**	**(160,335)**	**177,666**	**(85,255)**	**92,411**
Net income/(loss)	-	-	-	-	-	-	30,869	30,869	(101,566)	(70,697)
Foreign currency exchange	-	-	-	-	408	-	-	408	-	408
Unrealised gain on investments	-	-	-	-	-	-	1,750	1,750	-	1,750
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**408**	**-**	**32,619**	**33,027**	**(101,566)**	**(68,539)**
Gain/(loss) arising from change in NCI	-	-	-	-	-	(16)	-	(16)	28,449	28,433
Issuance of shares as equity incentives	3,932,178	70	(70)	-	-	-	-	-	-	-
Subsidiary dividends	-	-	-	-	-	-	(91)	(91)	-	(91)
Buyback of shares, net of tax	(30,028)	-	-	-	-	-	(66)	(66)	-	(66)
Equity settled share-based payments	-	-	-	-	-	3,782	-	3,782	8,067	11,849
As at 31 December 2017	**236,614,692**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(127,873)**	**214,302**	**(150,305)**	**63,997**
Adjustment on initial application of IFRS 9	**-**	**-**	**-**	**-**	**-**	**-**	**7,525**	**7,525**	**4,719**	**12,244**
Adjusted balance at 1 January 2018	**236,614,692**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(120,348)**	**221,827**	**(145,586)**	**76,241**
Net loss	-	-	-	-	-	-	(7,999)	(7,999)	(7,993)	(15,992)
Foreign currency exchange	-	-	-	-	(127)	-	-	(127)	-	(127)
Unrealised loss on investments	-	-	-	-	-	-	(85)	(85)	-	(85)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(127)**	**-**	**(8,084)**	**(8,211)**	**(7,993)**	**(16,204)**
Deconsolidation of subsidiary	-	-	-	-	-	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	626	96,866	-	-	-	-	97,492	-	97,492
Issuance of shares as equity incentives	815,004	-	-	-	-	-	-	-	-	-
Subsidiary dividends to non-controlling interest	-	-	-	-	-	-	(8)	(8)	-	(8)
Equity settled share-based payments	-	-	-	-	-	1,616	-	1,616	2,139	3,755
Balance 30 June 2018 (unaudited)	**282,429,696**	**5,305**	**278,454**	**138,506**	**97**	**18,790**	**(127,821)**	**313,331**	**(96,272)**	**217,059**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Loss for the period		**(15,992)**	(67,340)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation		**1,002**	1,018
Equity settled share-based payment expense	6	**3,755**	7,126
Gain on deconsolidation of subsidiary	3	**(41,730)**	-
Impairment of fixed assets		**-**	454
Loss on investments held at fair value	3	**14,308**	-
Unrecognised gain on investment		**(102)**	-
Share of net loss of associates	3	**7,007**	-
Deferred tax asset		**(205)**	-
Unrealised gain on foreign currency transactions		**(100)**	-
Finance costs	7	**(10,814)**	11,101
Changes in operating assets and liabilities:			
Other non-current assets		**-**	(10)
Trade and other receivables		**(1,578)**	120
Prepaid expenses and other current assets		**432**	119
Deferred revenues		**(1,609)**	(643)
Trade and other payables		**1,479**	3,204
Other liabilities		**(70)**	246
Net cash used in operating activities		**(44,217)**	**(44,605)**
Cash flows from investing activities:			
Purchase of property and equipment		**(2,020)**	(1,107)
Proceeds from sale of assets	14	**50**	-
Disposal of property and equipment		**125**	-
Purchases of shares in associate		**(3,500)**	-
Cash in subsidiary eliminated upon deconsolidation	3	**(13,390)**	-
Purchases of short term investments		**(126,625)**	(79,338)
Proceeds from maturity of short term investments		**102,182**	120,656
Net cash provided by/(used in) investing activities		**(43,178)**	**40,211**
Cash flows from financing activities:			
Proceeds from issuance of convertible notes		**150**	1,884
Repayment of long-term debt		**(185)**	(163)
Proceeds from issuance of shares	4, 11	**105,949**	9,900
Subsidiary distributions to non-controlling interests		**(1,070)**	(23)
Net cash provided by financing activities		**104,844**	**11,598**
Effect of exchange rates on cash and cash equivalents		**(24)**	169
Net increase/(decrease) in cash and cash equivalents		**17,425**	7,373
Cash and cash equivalents at beginning of period		**72,649**	62,959
Cash and cash equivalents at end of period		**90,074**	**70,332**
Supplemental disclosure of Akili Deconsolidation:			
Assets less cash and cash equivalents		**1,951**	-
Liabilities		**(42,106)**	-
Equity		**26,765**	-
Total cash and cash equivalents – deconsolidated		**(13,390)**	-
Supplemental disclosure of Sync asset sale:			
Net cash received		**4,049**	-
Assets divested		**(56)**	-
Liabilities transferred		**6**	-
Gain on sale of assets		**3,999**	**-**

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. General Information

Reporting Entity

PureTech Health plc ("PureTech", "PureTech Health", the "Parent Company", or the "Company") is an advanced biopharmaceutical company developing novel medicines for dysfunctions of the Brain-Immune-Gut ("BIG") Axis. PureTech Health consists of the Parent 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 has developed deep insight into the connection between the individual components of the BIG Axis and the resulting role in many chronic diseases, which represent the majority of healthcare spend and have proven resistant to established therapeutic approaches. By harnessing this emerging field of human biology, PureTech Health is developing new categories of medicines with the potential to have great impact on people with serious diseases.

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

Basis of Preparation

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's last consolidated financial statements as of and for the year ended 31 December 2017. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information included in the annual report and accounts as of and for the year ended 31 December 2017.

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

Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the acquisition date. The group's investment in associates includes goodwill identified on acquisition.

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

The financial information presented in these half-yearly results has been prepared under the historical cost convention. The reporting currency adopted by the Company is US dollar ("$") as this is the functional currency of the majority of the entities in the group.

The Company has prepared trading and cash flow forecasts for the Group covering the period to 31 December 2020. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the half-yearly results.

The financial information contained in this half-yearly report does not constitute full statutory accounts as defined in Section 434 of the Companies Act 2006. The condensed consolidated financial statements are not audited and the results for the six months ended 30 June 2018 are not necessarily indicative of results for future operating periods.

These interim financial statements are unaudited and were approved by the Board of Directors and authorised for issue on 4 September 2018.

Use of Judgments and Estimates
In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Significant judgments and estimates in determining the Fair Value of Financial instruments by the Group are made when determining the appropriate methodology for valuing the subsidiary companies and then in deriving the estimated fair value including making certain estimates of the future earnings potential of the businesses and determining the appropriate discount rate.

Significant judgment is also applied in determining the following:

- the valuation of investments held at fair value, investments in associates, warrants, convertible notes and preferred shares;
- the classification of financial instruments (debt vs. equity);
- revenue recognition; and
- when the power to control the subsidiaries exists.

Accounting Policies
The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its consolidated financial information in its 2017 Annual Report and Accounts, with the exception of the new standards the Group adopted as of 1 January 2018, included below.

Standards issued and adopted

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

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

The accounting policy that reflects the new accounting standard for IFRS 9 is effective from 1 January 2018 and is as follows:

Financial instruments

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

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

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

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

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

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

Changes in the fair value of financial assets at FVTPL are recognised in other gain/(loss) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

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

Financial Assets
The Group reviewed the financial assets reported in its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial assets subject to this review were: Cash and cash equivalents, US Treasuries, Certificates of deposits, Other deposits, Trade and other receivables, and Investments held at fair value. Due to the nature of the financial assets held and their lack of complexity, the classification and measurement model, impairment, and interest income, the accounting impact on financial assets was not material.

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

retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate. Upon the adoption of IFRS 9, the Group recognised a cumulative adjustment of $12.2 million for all instruments which qualified, as shown in note 9.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018, and supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied, and the control of goods or services is transferred.

The majority of the Group's revenue is derived from fees related to collaboration agreements, service agreements, and government grants entered into or received by the Group's subsidiaries. During 2017, the Group completed an impact assessment of IFRS 15 and concluded that the adoption of IFRS 15 does not have a material impact on its consolidated results. The Group adopted IFRS 15 with effect from 1 January 2018 using the Modified Retrospective approach.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, PureTech Health has entered into few transactions that meet the scope of IFRS 15. Instead, most income has been generated through collaboration agreements and grants with counterparties that do not meet the definition of a customer, and therefore the contracts fall outside the scope of IFRS 15 and have been accounted for in accordance with IAS 20. For those few agreements where the counterparty meets the definition of a customer, the contracts are accounted for in accordance with IFRS 15, and revenue is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

The accounting policy that reflects the new accounting standard for IFRS 15 is effective from 1 January 2018 and is as follows:

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

- Identify the contract(s) with a customer - A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

- Identify the performance obligations in the contract - Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

- Determine the transaction price - The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determining the transaction price requires significant judgment, which is discussed by revenue category in further detail below.

- Allocate the transaction price to the performance obligations in the contract - If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. The Group determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

- Recognise revenue when (or as) the Group satisfies a performance obligation - The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

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

It was determined that the Group has contracts that meet the following criteria and revenue is recognised using the input method based on labour hours, laboratory expenses and supplies. For cases where the entity does not have an enforceable right to payment due to acceptance clauses, it was determined that costs incurred to fulfill the services are to be capitalised until acceptance is received for the milestone. This resulted in PureTech Health capitalising services related expenses as of 31 December 2017 and recognising the consideration as revenue once acceptance was received in the first half of fiscal year 2018.

IFRS 16, Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after 1 January 2019, and supersedes: IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases - Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet accounting model, which requires the lessee to recognise assets representative of the right to use the leased item, and liabilities to pay rentals for all leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The Group has set up a project team which is in the process of reviewing all of the Group's lease arrangements. The Group is currently evaluating the potential impact and has concluded that the standard will primarily affect the accounting for the Group's operating leases.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Segment Information

Basis for Segmentation
The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of three 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 US and accordingly, no geographical disclosures are provided.

During the six months ended 30 June 2018, the Company revised its definition of operating segments. The change reflects how the Company's Board of Directors review the Group's results, allocates

resources and assesses performance. This change has been adjusted in both the current period and the prior period in the tables below.

Internal

The Internal division (the "Internal division"), is advancing a pipeline fuelled by recent discoveries in lymphatics and immune cell trafficking to modulate disease in a tissue-specific manner. These programmes leverage the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases, and neuroimmune disorders. The Internal division is comprised of the technologies that will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal division will be conducted by the PureTech Health team, who will be responsible for the strategy, business development, and research and development. As of 30 June 2018, this segment included Ariya Therapeutics, Inc., Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc.

Affiliates

The Affiliate segment (the "Affiliate segment") is comprised of the programmes within PureTech's Affiliates division that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. Currently, these subsidiaries have active research and development programmes and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and networks, as well as additional funding to continue the pursued growth of the company. As of 30 June 2018, this segment included Alivio Therapeutics, Inc., Entrega, Inc., Follica, Inc., Karuna Pharmaceuticals, Inc., Gelesis Inc. and subsidiaries, Sonde Health, Inc., CommenSe, Inc., Vedanta Biosciences, Inc. and Vor Biopharma, Inc.

Deconsolidated Affiliates

The Deconsolidated Affiliates segment (the "Deconsolidated Affiliates segment") is comprised of the programmes within PureTech's Affiliates division in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the affiliate's Board of Directors. As of 30 June 2018, resTORbio, Inc. ("resTORbio") and Akili Interactive Labs, Inc. ("Akili") are Deconsolidated Affiliates. PureTech utilizes the equity method of accounting when it owns common stock in this segment. For the six months ending 30 June 2018, the spend and loss from continuing operations before taxes in the Deconsolidated Affiliates segment solely reflects Akili.

Information About Reportable Segments

	30 June 2018				
	Internal $'000	**Affiliates $'000**	**Deconsolidated Affiliates $'000**	**Parent Company & other $'000**	**Consolidated $'000**
Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss)					
Revenue	-	4,943	20	14	4,977
Loss from continuing operations, before taxes	(3,162)	(37,164)	7,050	17,216	(16,060)
Consolidated Statement of Financial Position					
Total assets	142	50,621	-	384,112	434,875
Total liabilities	5,243	253,300	-	(40,727)	217,816
Net (liabilities)/assets	**(5,101)**	**(202,679)**	**-**	**424,839**	**217,059**

	31 December 2017				
	Internal $'000	**Affiliates $'000**	**Deconsolidated Affiliates $'000**	**Parent Company & other $'000**	**Consolidated $'000**
Consolidated Statement of Financial Position					
Total assets	127	58,270	20,368	261,081	339,846
Total liabilities	2065	239,814	53,790	(19,820)	275,849
Net (liabilities)/assets	**(1,938)**	**(181,544)**	**(33,422)**	**280,901**	**63,997**

	30 June 2017				
	Internal $'000	Affiliates $'000	Deconsolidated Affiliates $'000	Parent Company & other $'000	Consolidated $'000
Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss)					
Revenue	-	665	-	-	665
Loss from continuing operations, before taxes	(345)	(41,527)	(14,755)	(10,600)	(67,227)
Consolidated Statement of Financial Position					
Total assets	198	70,084	37,985	161,196	269,463
Total liabilities	543	209,535	41,551	(14,824)	236,805
Net (liabilities)/assets	**(345)**	**(139,451)**	**(3,566)**	**176,020**	**32,658**

The Group has retrospectively restated its 2017 segment amounts to reflect the new segment designation described above.

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

3. Investments in Associates

resTORbio

As of November 2017, resTORbio was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by resTORbio through November 2017 being included in the Group's Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss). Upon the date of deconsolidation, PureTech Health recognised an investment in resTORbio related to its common shares of $17.6 million and an investment held at fair value related to its Series A Preferred Shares of $72.2 million. As a result of the deconsolidation and fair value accounting for investments held on the date of deconsolidation, PureTech Health recorded an unrealised gain of $85.0 million in the Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss).

As of 31 December 2017, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio subsequent to the date of deconsolidation. resTORbio's loss for December 2017 was greater than the initial investment recorded by PureTech Health upon deconsolidation; therefore, the share of net loss was accounted for using the equity method and will be constrained to the investment recognised upon deconsolidation. PureTech Health recognised $17.6 million as its share of loss from resTORbio through the Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss), bringing PureTech's investment to zero.

On 31 January 2018, resTORbio, Inc., closed its initial public offering of 6,516,667 shares of common stock at a public offering price of $15.00 per share, which included the exercise in full by the underwriters of their option to purchase up to 850,000 additional shares. The gross proceeds from the offering were $97.8 million, before deducting underwriting discounts and commissions and estimated offering expenses. The shares commenced trading on the Nasdaq Global Select Market on 26 January 2018 under the ticker symbol TORC.

Prior to the resTORbio IPO, PureTech Health recorded a loss of $14.3 million to adjust the investment held at fair value related to its resTORbio Series A Preferred Share investment. Upon completion of the public offering, the resTORbio Series A Preferred Shares held by PureTech Health converted to common shares. In light of PureTech's common stock holdings in resTORbio and corresponding voting rights, PureTech Health had a basis to account for its investment in resTORbio under IAS 28. The preferred stock investment held at fair value was therefore reclassified to investment in associate upon the completion of the conversion.

On 30 June 2018, the Company re-evaluated if it maintains significant influence over resTORbio. It was concluded that there have been no changes to the facts present as of 31 December 2017 and therefore, significant influence was maintained. As a result, PureTech Health continued to account for

the investment in resTORbio under IAS 28 and recognised its share of resTORbio's earnings or losses in income. PureTech Health utilises the financial statements of its associates for a period ending within three months of the Group's reporting period to calculate its share of the associates income or loss. PureTech Health utilised resTORbio's 31 March 2018 financial statements to calculate its share of net loss of associates as of 30 June 2018. PureTech Health also adjusted its share of resTORbio's earnings and basis differences as appropriate. Equity method investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. For the six months ended 30 June 2018, PureTech Health recognised $7.0 million as its share of loss from resTORbio through the Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss), bringing PureTech's investment to $111.7 million. PureTech Health reviewed the investment at year end for any indication of impairment, noting none. As of 7 September 2018, the closing share price for resTORbio stock was $11.77.

Akili

Akili was founded by PureTech Health in 2011 and raised funding through several rounds of Series A Preferred Stock financings as well as over $42.0 million in Series B Preferred Stock financing throughout 2016. As of 31 December 2017, PureTech Health maintained control of Akili and the subsidiary's financial results were fully consolidated in the Group's annual report.

On 8 May 2018, Akili completed the first close of a Series C Preferred Stock financing with Temasek, Baillie Gifford, and certain other existing investors. PureTech Health did not participate in this investment round. The financing provided for the purchase of 6,465,037 shares of Akili's Series C Preferred Stock at a purchase price of $8.5073 per share. Each investor in the Series C Preferred Stock financing is entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series C Preferred Stock held by such investor are convertible.

As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8% to 44.7%, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Akili through May 2018 being included in the Group's Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Akili, it was concluded that PureTech Health still had significant influence over Akili by virtue of its large, albeit minority, ownership stake and its continued representation on Akili's Board of Directors. PureTech Health still has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. As PureTech Health is able to demonstrate that it has significant influence over Akili, the entity will be accounted for as an associate under IAS 28.

Upon the date of deconsolidation, PureTech Health held shares of preferred stock in Akili and no common shares. As PureTech Health did not hold common shares in Akili, the voting percentage attributable to common stock is nil. Therefore, PureTech Health had no basis to account for its investment in Akili under IAS 28, Investment in Associates and Joint Ventures. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of PureTech's share in the preferred stock will be recorded through the Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9.

During the six months ended 30 June 2018, the Company recognised a $41.7 million gain on the deconsolidation of Akili, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

4. Equity

On 12 March 2018, the Company raised £72.0 million, or approximately $100.0 million based on exchange rates at the time of the announcement of the transaction, before issuance costs and other expenses, by way of a Placing of 45,000,000 Placing Shares at the Placing Price of 160 pence per share with both new and existing institutional investors. The price represented a discount of approximately 3.0% to the closing mid-market price of 165 pence per Ordinary Share at the close of business on 12 March 2018 (being the latest practicable date prior to publication of the Offering Circular).

Upon Admission, the Company's Enlarged Share Capital comprised 282,429,696 Ordinary Shares with one voting right per Ordinary Share. The Placing Shares rank pari passu in all respects with each other and with the existing Ordinary Shares. The Company does not hold any shares in treasury.

The Company incurred legal and other adviser fees of $3.7 million in connection with the Placing. Costs incurred were incremental costs directly attributable to the equity transaction and therefore were accounted for as a deduction from equity.

Other
At 30 June 2018, 282,429,696 ordinary shares were outstanding, including all vested ordinary shares issued pursuant to PureTech Health LLC Incentive Compensation arrangements detailed in note 6.

5. Loss per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2018 and 2017, respectively.

Loss attributable to ordinary shareholders

For the six months ended:	30 June 2018		30 June 2017	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Loss for the period, attributable to the owners of the Company	(7,999)	(7,999)	(42,193)	(42,193)
Loss attributable to ordinary shareholders	(7,999)	(7,999)	(42,193)	(42,193)

Weighted average number of ordinary shares

For the six months ended:	30 June 2018		30 June 2017	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares	236,897,579	236,897,579	232,712,542	232,712,542
Effect of shares issued	27,939,449	27,939,449	2,741,163	2,741,163
Weighted average ordinary shares	264,837,028	264,837,028	235,453,705	235,453,705

The following potentially dilutive securities (which are ordinary shares issued pursuant to PureTech Health LLC's Incentive Compensation arrangements prior to PureTech's IPO as detailed in note 6) have been excluded (on a weighted average basis for the period) from the computation of diluted weighted-average shares outstanding as they are subject to vesting conditions. As of 30 June 2018, all the remaining dilutive securities had vested.

	30 June 2018	30 June 2017
Weighted average unvested equity incentive shares	-	2,918,789

The loss per share for the six months ended 30 June 2018 and 2017 is as follows

	30 June 2018		30 June 2017	
	Basic	Diluted	Basic	Diluted
Loss per share	($0.03)	($0.03)	($0.18)	($0.18)

6. Share-based Payments

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

Share-based Payment Expense
The Group share-based payment expense for the six months ended 30 June 2018 and 2017, respectively, were comprised of charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary stock plans, as disclosed in the annual report and accounts.

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

	For the six months ended 30 June	
	2018	**2017**
	$'000	**$'000**
General and administrative	2,700	4,157
Research and development	1,055	2,969
Total	**3,755**	**7,126**

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

The Performance Share Plan
As of 30 June 2018, the Company had issued 15,241,371 RSUs and stock options under the Performance Share Plan ("PSP"), net of forfeitures.

RSUs
During the six months ended 30 June 2018, the Company issued 3,207,422 RSUs under the PSP plan. Each RSU entitles the holder to one ordinary share on vesting. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance conditions. The performance conditions attached to the RSUs are based on the achievement of total shareholder return ("TSR"), with 50% of the shares under the award vesting based on the achievement of absolute TSR targets, 12.5% of the shares under the award vesting based on TSR as compared to the FTSE SmallCap Index, 12.5% of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25% of the shares under the award vesting based on the achievement of strategic targets.

The Company incurred share-based payment expense for the RSUs of $1.3 million and $1.0 million for the six months ended 30 June 2018 and 2017, respectively.

Stock Options
During the six months ended 30 June 2018, the Company granted 2,566,820 stock option awards under the PSP.

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

For the six months ended:	**30 June 2018**	**30 June 2017**
Expected volatility	45.00%	28.92%
Expected term (in years)	6.07	5.84
Risk-free interest rate	2.79%	1.96%
Expected dividend yield	—%	—%
Grant date fair value	$0.97	$0.43
Share price at grant date	$2.05	$1.45

The Company incurred share-based payment expense for the stock options of $0.3 million and $0.2 million for the six months ended 30 June 2018 and 2017, respectively.

Pre-IPO Incentive Compensation
In May 2015 and August 2014, PureTech Health LLC Directors approved the issuance of shares to management, the directors and advisors of PureTech Health LLC, subject to vesting restrictions. No additional shares will be granted under this compensation arrangement. The fair value of the shares awarded was estimated as of the date of grant. The Company incurred an expense of $0.2 million and $1.1 million in share-based payment expense for the six months ended 30 June 2018 and 2017, respectively, related to PureTech Health LLC incentive compensation.

As of 30 June 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

Subsidiary Stock Plans
During the six months ended 30 June 2018, certain subsidiaries granted an aggregate of 499,978 stock option awards under the stock plans of these subsidiaries.

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

	30 June 2018		
For the six months ended:	**CommenSe**	**Karuna**	**Vedanta**
Expected volatility	87.63%	49.48%	92.28%
Expected term (in years)	6.05	5.67	6.14
Risk-free interest rate	2.80%	2.81%	2.65%
Expected dividend yield	—%	—%	—%
Grant date fair value	$0.99	$4.46	$11.25
Share price at grant date	$1.33	$9.14	$14.66

The subsidiaries incurred $2.1 million and $5.1 million in share-based payment expense for the six months ended 30 June 2018 and 2017, respectively.

7. Financial Costs

The following table provides the classification of finance income and costs:

	2018 $'000s	2017 $'000s
Finance income		
Interest income on bank deposits	1,368	728
Total finance income	**1,368**	**728**
Finance costs		
Contractual interest expense on convertible notes:		
Interest expense on other borrowings	(2)	(199)
Non-cash interest expense on convertible securities	(225)	(184)
Currency gain	112	166
Total finance costs - contractual	(115)	(217)
Accretion from subsidiary preferred shares	(106)	(6,050)
Gain from change in fair value of warrant liability	52	1,862
Loss on fair value measurement of derivative	-	(6,530)
Fair value adjustment - convertible notes	1,394	-
Fair value adjustment - preferred shares	9,701	-
Total finance income/(costs)	**10,926**	**(10,935)**
Finance income/(costs), net	**12,294**	**(10,207)**

8. Income Taxes

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

The Group's consolidated effective tax rate in respect of continuing operations was 0.4% and 0.2% for the six months ended 30 June 2018 and 2017, respectively.

9. Financial Instruments

As of 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39. IFRS 9 addresses the classification, measurement and recognition of financial liabilities. The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. The reclassification and adjustment arising from the adoption of the new accounting policy has been recognised in the opening balance sheet as of 1 January 2018.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected not to split out the embedded derivatives for certain instruments and retrospectively recorded changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments which, when looked at in the aggregate, were as follows:

Financial Liability	IAS 39 as of 31 December 2017 $'000	Cumulative Effect Adjustment to Accumulated Deficit $'000	IFRS 9 as of 1 January 2018 $'000
Notes Payable	7,455	6,435	13,890
Derivative Liability	114,263	(114,263)	-
Warrant Liability	13,095	-	13,095
Preferred Shares	120,051	95,584	215,635
	254,864	**(12,244)**	**242,620**

The following table summarised the changes in the Group's subsidiary warrant liabilities measured at fair value using significant unobservable inputs (Level 3). In addition, the Company has provided the adjustment for the embedded subsidiary derivative liabilities due to the adoption of IFRS 9 for the six months ended 30 June 2018 and the year ended 31 December 2017 is as follows:

	Subsidiary Derivative Liability - Preferred Shares $'000	Subsidiary Derivative Liability - Convertible Notes $'000	Subsidiary Warrant Liability $'000
Balance as of 31 December 2016	70,192	1,048	14,942
Value of derivatives at issuance	364	2,245	-
Change in fair value	38,678	1,736	(1,847)
Balance as of 31 December 2017	109,234	5,029	13,095
Change in fair value	-	-	(52)
Adjustment for IFRS 9 implementation	(109,234)	(5,029)	-
Balance as of 30 June 2018	-	-	13,043

The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). The majority of the approximately $13.0 million warrant liability is attributable to Gelesis.

The following weighted average assumptions were used to determine the fair value of the Gelesis warrants at 30 June 2018:

	Series A-1 Warrants	Series A-3 Warrants	Series A-4 (contingent) Warrants
Expected term	2.8 years	4.0 years	5.1 years
Expected volatility	87%	81%	71%
Expected dividend yield	—%	—%	—%
Risk free interest rate	2.60%	2.68%	2.73%
Estimated fair value of the convertible preferred stock	$13.95	$13.95	$13.95
Exercise price of warrants	$4.44	$0.04	$0.04

The fair value of these embedded derivative liabilities may differ significantly in the future from the carrying value as of 30 June 2018, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss) at that time.

10. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. As of 1 January 2018 the Group adopted IFRS 9, and as a result, where the instruments contained liability classified embedded derivatives, an election was taken to fair value the entire financial instrument through profit and loss rather than split out the embedded derivative. During the six months ended 30 June 2018 and 31 December 2017, the financial instruments for Entrega, Knode and Endra do not contain embedded derivatives and therefore these instruments continue to be held at amortised cost. The notes payable consists of the following:

	30 June 2018	31 December 2017
	$'000s	$'000s
Loans	**2,488**	2,547
Convertible notes	**9,949**	4,908
Total subsidiary notes payable	**12,437**	7,455

Convertible notes outstanding were as follows:

	Karuna	Follica	Entrega	Knode	Appeering	Sync	Total
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
1 January 2017	3,694	450	125	50	75	10	4,404
Gross principal	404	1,132	-	-	-	1,080	2,616
Discount	(71)	(1,127)	-	-	-	-	(1,198)
Accretion	262	39	-	-	-	-	301
Conversion	-	-	(125)	-	-	(1,090)	(1,215)
31 December 2017	**4,289**	**494**	-	**50**	**75**	-	**4,908**
Adjustment for fair value	(837)	(557)	-	-	-	-	(1,394)
Adjustment due to adoption of IFRS 9	1,523	4,912	-	-	-	-	6,435
30 June 2018	**4,975**	**4,849**	-	**50**	**75**	-	**9,949**

The Group adopted IFRS 9 with the effect from 1 January 2018 using the modified retrospective approach. As a result of this election, an adjustment was recorded for the adoption of IFRS 9 for Karuna and Follica in the amount of $1.5 million and $4.9 million, respectively, for the six months ended 30 June 2018. Additionally, the Group adjusted the balances for Karuna and Follica for the fair value in the amounts of $0.8 million and $0.6 million, respectively, during the six months ended 30 June 2018.

In conjunction with its December 2017 private financing, Entrega converted $0.1 million of notes payable plus accrued interest into preferred shares.

In May 2017 and September 2017, Follica, Inc. received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bear interest at an annual rate of 10%, mature 30 days after demand by the holder, are convertible into equity upon a qualifying financing event, and require payment of at least five times outstanding principal and accrued interest upon a change of control transaction.

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

11. Subsidiary Preferred Shares

On 1 January 2018, the Company adopted IFRS 9, which replaced IAS 39 for the annual period beginning on 1 January 2018. IFRS 9 addresses the classification, measurement, and recognition of financial liabilities.

As part of the transition requirement, the Company had the option upon implementation of the new standard to designate a financial liability as measured at FVTPL. The Group re-assessed its financial liabilities and elected to not split out the embedded derivatives and instead retrospectively recorded

changes in fair value of the entire financial liability instrument through the statement of profit and loss, leading to changes in the carrying value of the instruments when looked at in the aggregate.

The preferred shares are convertible into common stock of the subsidiaries at the option of the holder and mandatorily convertible into common stock upon a subsidiary listing in a public market at a price above those specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of common shares receivable on conversion will change and therefore, a variable number of shares will be issued.

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

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

The balance as of June 2018 represents the fair value of the instruments for all subsidiary preferred shares except for Tal, which represents the host instrument at amortised cost. The balance as of 31 December 2017 represents the host instrument at amortised cost. The following summarises the subsidiary preferred share balance:

	30 June 2018	**31 December 2017**
	$'000s	**$'000s**
Akili	**-**	19,935
Entrega	**2,664**	2,071
Follica	**154**	465
Gelesis	**128,592**	58,714
Karuna	**5,985**	5
The Sync Project	**109**	1,734
Tal	**11,325**	11,219
Vedanta Biosciences	**28,088**	25,908
Total subsidiary preferred share balance	**176,917**	**120,051**

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 are entitled to be paid their respective liquidation preference out of the assets of the subsidiary available for distribution to stockholders and before any payment is made to holders of common stock. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary do not own a majority of the outstanding shares of the surviving company will 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 will also be deemed a liquidation event.

The minimum liquidation preference for the six months ended 30 June 2018 reflects the FVTPL for the entire financial instrument for all subsidiary preferred shares except for Tal. The minimum liquidation preference for Tal represents the host instrument recorded at amortised cost. The minimum liquidation preference for the six months ended 30 June 2017 for the host instruments are recorded at amortised costs. The table represents the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

	30 June 2018	**31 December 2017**
	$'000s	**$'000s**
Akili	**-**	21,972
Entrega	**2,216**	2,216
Follica	**2,020**	2,020
Gelesis	**68,947**	60,490
Karuna	**413**	413
The Sync Project	**-**	1,998
Tal	**11,430**	11,430
Vedanta Biosciences	**30,295**	30,295
Total minimum liquidation preference	**115,321**	**130,834**

For the six months ended 30 June 2018 and the year ended 31 December 2017, the Group recognised the following changes in subsidiary preferred shares:

	$'000s
Balance at 31 December 2016	96,937
Issuance of new preferred shares	24,969
Value of derivatives at issuance	(364)
Increase in value of preferred shares measured at fair value	31,747
Deconsolidation of resTORbio	(42,747)
Accretion	9,509
Balance at 31 December 2017	120,051
Adjustment to preferred shares due to adoption of IFRS 9	95,584
Issuance of new preferred shares	8,457
Decrease in value of preferred shares measured at fair value	(9,701)
Sale of Sync	(1,062)
Deconsolidation of Akili	(36,517)
Accretion	105
Balance at 30 June 2018	**176,917**

2018

On 1 January 2018, the Group adopted IFRS 9 and as part of the new standard's implementation it designated the preferred shares as a financial liability, which is measured at FVTPL. Upon the adoption of IFRS 9, the Group had a cumulative catch up adjustment of $95.6 million. Additionally, the Group recorded an increase of $9.7 million in the value of its preferred share liability for the six months ended 30 June 2018.

On 28 February 2018, Gelesis received $8.5 million from outside investors through the issuance of its Series 2 Growth Preferred Stock. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares.

In May 2018, Akili issued Series C Preferred Stock for aggregate proceeds of $55.0 million; PureTech Health did not participate in this investment. Upon closing of Akili's Series C financing, the subsidiary was deconsolidated from PureTech Health (see note 3).

2017

In January 2017, Vedanta Biosciences closed the second tranche of its Series B Preferred Share financing for gross proceeds of $24.9 million, with $9.9 million from outside investors.

Between January 2017 and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes, which is included as proceeds from the issuance of convertible notes in the Condensed Consolidated Statements of Cash Flows. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

Between September 2017 and December 2017, Sync received an additional $0.8 million through the issuance of Series A-2 Preferred Stock, of which PureTech Health purchased $0.3 million.

In December 2017, Entrega closed a Series A-2 Preferred Stock financing in which Eli Lilly invested $2.0 million. In conjunction its investment in the financing, Eli Lilly entered into a Research Collaboration Agreement with Entrega, pursuant to which Eli Lilly agreed to contribute a total of $3.0 million to Entrega through 2020.

In March 2017, resTORbio executed a licensing agreement with Novartis pursuant to which resTORbio obtained rights to intellectual property in exchange for Series A preferred shares which were valued at $5.0 million. Between March and October 2017, resTORbio issued additional Series A Preferred Stock for aggregate proceeds of $25.0 million, of which PureTech Health invested $19.0 million. Upon closing of resTORbio's Series B financing, the subsidiary was deconsolidated from PureTech Health (see note 3).

12. Non-Controlling Interest

The following summarises the changes in the equity classified non-controlling ownership interest in subsidiaries by reportable segment during the six months ended 30 June 2018:

	Internal $'000	Affiliates $'000	Deconsolidated Affiliate $'000	Parent Company & Other $'000	Consolidated $'000
Non-controlling interest as of 31 December 2017	**(1,484)**	**(87,601)**	**(61,824)**	**604**	**(150,305)**
Share of comprehensive loss	(2,130)	(12,915)	7,052	-	(7,993)
Deconsolidation of Akili	-	-	55,168	-	55,168
IFRS 9 implementation impact	-	5,487	(768)	-	4,719
Equity-settled share-based payment	-	1,757	372	10	2,139
Non-controlling interest as of 30 June 2018	**(3,614)**	**(93,272)**	**-**	**614**	**(96,272)**

13. Related Party Transactions

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

	30 June 2018 $'000	30 June 2017 $'000
Short-term employee benefits	1,458	2,003
Share-based payments	2,085	1,200
Total	**3,543**	**3,203**

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

Convertible Debt Issued to Directors, Key Management Personnel, and Key Personnel of the Businesses
Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of 30 June 2018 and 31 December 2017, the outstanding related party notes payable totalled approximately $0.1 million in each period. Interest expense charged on the related party notes was immaterial for the six months ended 30 June 2018 and 2017, respectively.

The notes issued to related parties bear interest, and include maturity dates, discounts and other contractual terms that are the same as those issued to outside investors during the same issuances, as described in note 10.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the operating companies and sourcing companies as at 30 June 2018 as set forth below. These represent legacy holdings from before the Company's IPO.

Directors:	Business Name (Share Class)	Number of Shares Held as of 30 June 2018	Number of Options Held as of 30 June 2018	Ownership Interest
Mr. Joichi Ito	Akili (Series A-2 Preferred)	26,627	-	0.10%
Ms. Daphne Zohar [2]	Gelesis (Common)	59,443	765,915	5.40%
Dame Marjorie Scardino	-	-	-	-
Dr. Bennett Shapiro	Akili (Series A-2 Preferred) [3]	33,088	-	0.20%
	Gelesis (Common)	24,010	10,841	0.20%
	Gelesis (Series A-1 Preferred)	23,419	-	0.20%
	Tal (Series A-2 Preferred) [3]	14,451	-	0.10%
	Vedanta Biosciences (Common)	-	25,000	0.40%
	Vedanta Biosciences (Series B Preferred)	11,202	-	0.20%
Dr. Robert Langer	Entrega (Common)	-	302,500	6.20%
	Alivio (Common)	-	1,575,000	6.50%
Dr. Raju Kucherlapati	Enlight (Class B Common)	30,000	-	3.00%
Dr. John LaMattina [4]	Akili (Series A-2 Preferred)	37,372	-	0.20%
	Gelesis (Common) [4]	54,120	63,050	0.80%
	Gelesis (Series A-1 Preferred) [4]	49,524	-	0.30%
	Tal (Series A-2 Preferred)	114,411	-	1.10%
	Vedanta Biosciences (Common)	-	25,000	0.40%
Mr. Christopher Viehbacher	-	-	-	-
Mr. Stephen Muniz	-	-	-	-
Senior Managers [5]:				
Dr. Eric Elenko	-	-	-	-
Mr. David Steinberg	-	-	-	-
Dr. Joep Muijrers	-	-	-	-
Dr. Bharatt Chowrira	-	-	-	-
Dr. Joseph Bolen	-	-	-	-

Notes:

(1) Ownership interests are as at 30 June 2018 and are calculated on a diluted basis, including issued and outstanding shares, warrants and options to purchase shares (and written commitments to issue options), but excluding unallocated shares authorised to be issued pursuant to equity incentive plans, and any shares of common stock issuable upon conversion of outstanding convertible promissory notes.

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

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

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

(5) Directors and senior managers of the Company hold 33.6 million ordinary shares of the Company, options to purchase 2.9 million ordinary shares of the Company and Restricted Stock Units representing 9.6 million ordinary shares of the Company. The outstanding ordinary shares of the Company held by such directors and senior managers represent 11.9% of the voting power of the Company's outstanding ordinary shares.

Transactions with Other Related Parties
In March 2018, existing shareholder Invesco Asset Management Limited ("Invesco") participated in the Company's equity offering purchasing 14,365,000 ordinary shares at the placing price of 160 pence per share.

In addition, in March 2018, the Company announced that Gelesis, a subsidiary of the Company, closed a $30.0 million financing round (the "Gelesis Financing"). The funds from this financing will be drawn down by Gelesis at its discretion. Pursuant to the Gelesis Financing, Invesco committed $18.0 million of funding through its subscription for equity in Gelesis and, assuming Gelesis draws down the full $30.0 million in financing, Invesco will hold approximately 24.2% of the total issued share capital of Gelesis (on an undiluted basis).

14. Sale of Assets

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

PureTech Health derecognised certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain on sale of assets" on the accompanying Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss) for the six months ended 30 June 2018.

As part of the derecognition, the Company and certain preferred shareholders received a cash distribution.

15. Subsequent Events

The Company has evaluated subsequent events through 6 September 2018, the date of issuance of the Condensed Consolidated Financial Statements, and except for the following events, which have a material financial impact on the Company's consolidated financial statements, no other subsequent events have been identified that required adjustment or disclosure in the Condensed Consolidated Financial Statements.

On 19 July 2018, the Company entered into a multiyear collaboration with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. ("Roche"), to advance PureTech's milk-derived exosome platform technology for the oral administration of Roche's antisense oligonucleotide platform. Under the terms of the agreement, the Company will receive up to $36.0 million, including upfront payments, research support, and early preclinical milestones. The Company is also eligible to potentially receive development milestone payments of over $1.0 billion and additional sales milestones and royalties for an undisclosed number of products.

On 25 July 2018, resTORbio announced positive topline results from its dose-ranging Phase 2b clinical trial that enrolled 652 elderly patients at increased risk of morbidity and mortality associated with respiratory tract infections (RTIs). In this trial, RTB101, an oral, selective, and potent inhibitor of target of rapamycin complex 1 (TORC1), demonstrated a statistically significant and clinically meaningful reduction in the percentage of patients with one or more laboratory-confirmed RTIs during the 16-week treatment period compared to placebo, the primary endpoint of the study, with the 10 mg once daily dose. Greater TORC1 inhibition with RTB101 10 mg in combination with everolimus 0.1 mg did not meet the primary endpoint, suggesting that less TORC1 inhibition with RTB101 10 mg once daily may have greater benefit in high-risk elderly patients.

On 18 July 2018, Calix, Glyph, and Nybo merged with Ariya. In connection with these mergers, Ariya has begun to focus on the transport and biodistribution of various immune system components for the targeted treatment of diseases with major unmet needs, including cancers, autoimmune diseases and neuroimmune disorders.

On 2 August 2018, Karuna Pharmaceuticals announced the completion of a $42.0 million Series A financing round, including the issuance of $22.0 million in shares upon conversion of debt into equity.

Karuna plans to use the proceeds from the financing to advance its lead product candidate, KarXT (Karuna-xanomeline-trospium chloride), including the initiation of a Phase 2 trial in patients with schizophrenia in the third quarter of 2018 and the expansion into other therapeutic areas, including a non-opiate pain indication.

On 8 August 2018, Akili raised $13.0 million in new funding as an extension of its recent Series C financing. The Series C extension brings the total equity financing it has raised this year to $68.0 million. Participating investors included CLSA, Omidyar Technology Ventures, Digital Garage Group, and Fearless Ventures. Akili's initial Series C financing round was led by Temasek and included additional investors Baillie Gifford, Amgen Ventures, M Ventures (the CVC fund of Merck KGaA, Darmstadt, Germany), JAZZ Venture Partners, Canepa Advanced Healthcare Fund, and Brooklands Capital Strategies. It will use the funds from this financing to further advance development and deployment of its pipeline of prescription digital treatment candidates, including its lead product candidate, AKL-T01, through key regulatory milestones and commercial preparations. Akili also plans to use the funds to advance a number of other digital treatments in development, including Major Depressive Disorder (“MDD”), multiple sclerosis (“MS”), and various other inflammatory diseases.

On 15 August 2018, PureTech Health announced the appointment of Steven Paul, MD, as Chief Executive Officer of Karuna Pharmaceuticals. Co-founder of Karuna and former PureTech Health Vice President, Andrew Miller, PhD, will assume the role of Chief Operating Officer at Karuna.