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This document has been prepared by, and is the sole responsibility of, the directors of the Company in connection with the proposed offer (“Offer”) of ordinary shares in the Company (“Ordinary Shares”) and the proposed admission of the Ordinary Shares to the premium listing segment of the Official List maintained by the Financial Conduct Authority and to trading on the main market of the London Stock Exchange plc.

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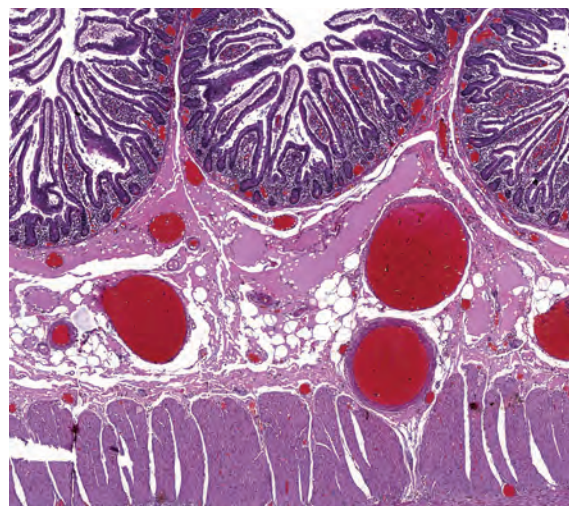
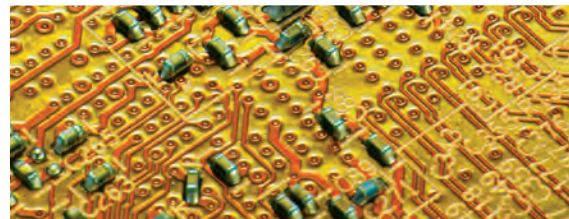
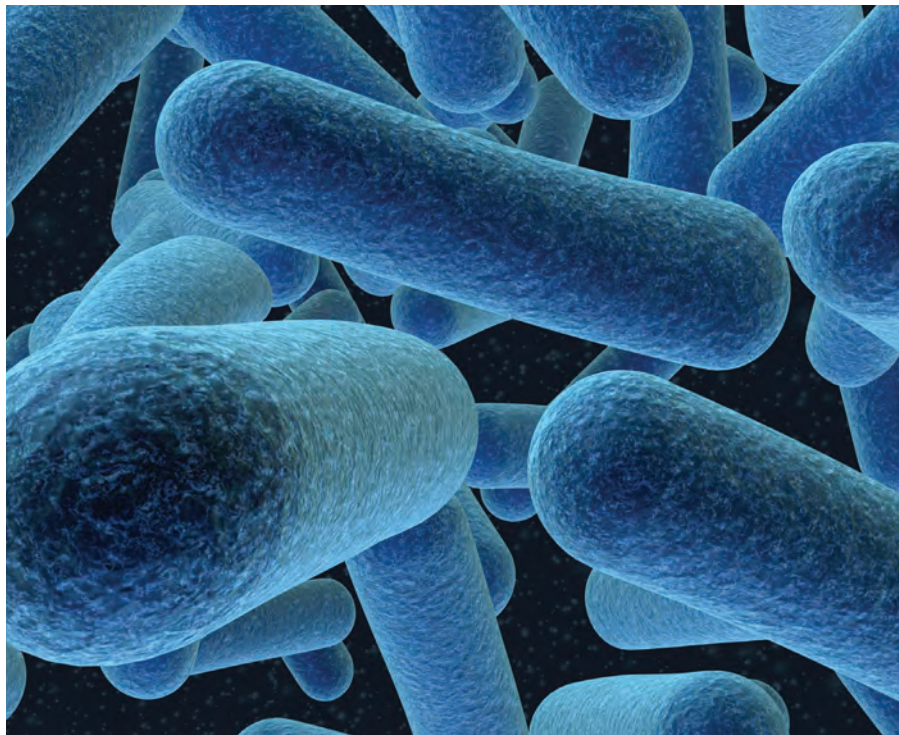


PURETECH
Giving Life to Science™



PROSPECTUS — 19 JUNE 2015

Giving Life to Science



This document comprises a prospectus (the “Prospectus”) relating to PureTech Health plc (the “Company” or “PureTech”) prepared in accordance with the prospectus rules (the “Prospectus Rules”) of the Financial Conduct Authority (“FCA”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (“FSMA”). This document has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

The Company and the Directors, whose names appear at paragraph 1 (*Directors*) of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the FCA for all of the issued and to be issued ordinary shares of the Company (the “Ordinary Shares”), to be admitted to the premium listing segment of the Official List maintained by the FCA (the “Official List”) and to trading on the main market for listed securities of the stock exchange based in the City of London operated by London Stock Exchange plc (“London Stock Exchange”) (together, “Admission”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. 67,599,621 Ordinary Shares are being offered by the Company to certain institutional and professional investors as described in Part XIV (*Details of the Offer*) of this document (the “Offer”). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 19 June 2015. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m. (London time) on 24 June 2015. All dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings in the Ordinary Shares before the commencement of unconditional dealings will be on a “when issued” basis and of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.**

Prospective investors should read the whole of this document. In particular, your attention is drawn to Part II (*Risk Factors*) of this document for a description of certain important factors, risks and uncertainties that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this document occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.



PureTech Health plc

(Incorporated under the Companies Act 2006 with registered number 9582467)

Offer of 67,599,621 Ordinary Shares at an offer price of 160 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange

Global Co-ordinator and Sponsor

Jefferies

Joint Bookrunners

Jefferies

Peel Hunt

Issued and fully paid share capital immediately following Admission of 227,248,008 Ordinary Shares

This document does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, Japan, South Africa or the United States of America (the “US”). The Ordinary Shares have not been and will not be registered under the US Securities Act 1933 (as amended) (the “Securities Act”) or with any securities regulatory authority in any state of the US. The Ordinary Shares are being offered and sold outside of the US in off-shore transactions as defined in, and in compliance with, Regulation S under the Securities Act (“Regulation S”). The Offer Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US unless the offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Offer comprises an offer of Ordinary Shares to be issued by the Company as described in Part XIV (*Details of the Offer*) of this document (“Offer Shares”). The issued share capital following Admission as set out above assumes all the Offer Shares are successfully applied for and issued. All the Offer Shares will, on Admission, rank *pari passu* in all respects with the other Ordinary Shares and will carry the right to receive all dividends and other distributions declared, made or paid on or in respect of the issued Ordinary Shares after Admission. The Offer Shares will, immediately following Admission, be freely transferable under the articles of association of PureTech to be adopted upon Admission (the “Articles”).

Jefferies International Limited (“Jefferies” or the “Sponsor”) has been appointed as sponsor, global co-ordinator and joint bookrunner in connection with the Offer. Peel Hunt LLP (“Peel Hunt” and, together with Jefferies, the “Joint Bookrunners” or the “Underwriters”) has been appointed as joint bookrunner in connection with the Offer.

The Joint Bookrunners, which are each authorised and regulated in the United Kingdom (“UK”) by the FCA, are acting exclusively for the Company and no one else in connection with the Offer, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offer or any transaction, arrangement or other matter referred to in this document.

The Joint Bookrunners and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees. The Joint Bookrunners and any of their respective affiliates may provide such services to the Company and its affiliates in the future.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Bookrunners by FSMA or the regulatory regime established thereunder, the Joint Bookrunners do not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, its consolidated subsidiaries and its operating companies from time to time (together with the Company, the “Group”), the Offer or Admission. The Joint Bookrunners accordingly disclaim to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this document or any such statement.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this document and the offer, sale and/or issue of Ordinary Shares in jurisdictions other than the UK may be restricted by law. No action has been or will be taken by the Company, the Directors or the Joint Bookrunners to permit a public offer of Ordinary Shares or possession or distribution of this document (or any other offering or publicity material or application form relating to the Ordinary Shares) in any jurisdiction, other than in the UK. Persons into whose possession this document comes are required by the Company, the Directors and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

The date of this document is 19 June 2015.

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PART I—SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. The Elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of these types of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

| Section A—Introduction and warnings | | |
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| A.1 | Introduction and warnings | This summary should be read as an introduction to this document only. Any decision to invest in the Ordinary Shares should be based on consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member state of the European Union (“Member State”), have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the Ordinary Shares. |
| A.2 | Subsequent resale of securities or final placement of securities through financial intermediaries | Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to the use of this document for subsequent resale or final placement of securities by financial intermediaries. |

| Section B—Issuer | | |
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| B.1 | Legal and commercial name | The Company’s legal and commercial name is PureTech Health plc. |
| B.2 | Domicile and legal form, applicable legislation and country of incorporation | The Company was incorporated on 8 May 2015 as a public company limited by shares in the UK with its registered office situated at 5th Floor, 6 St Andrew Street, London, EC4A 3AE, United Kingdom. The Company operates under the Companies Act 2006 (the “Companies Act”). |
| B.3 | Current operations, principal activities and markets | <p>PureTech is a science-driven healthcare company, seeking to solve some of today’s toughest health challenges in disruptive ways. Based in Boston, Massachusetts, PureTech has an advisory network of more than 50 experts across multiple disciplines—from entrepreneurs to world-renowned scientists—giving PureTech access to potentially groundbreaking science and technological innovations. PureTech is problem-focused and solution-agnostic, looking beyond traditional disciplines and approaching healthcare problems from different perspectives. Focusing on perceived areas of significant unmet medical need, PureTech evaluates and reviews, on average, 650 technologies per year and aims to select only the most scientifically and commercially promising concepts to advance.</p> <p>In addition to its advisory network, PureTech has a highly qualified and experienced team of 61 employees (as at 17 June 2015, being the latest practicable date prior to publication of this document) comprising scientists, engineers and entrepreneurs. The Directors believe that PureTech’s advisory network and innovative business model will enable the Company to continue to identify and develop promising and unexpected technologies targeting perceived major unmet healthcare needs.</p> |

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| | | <p>PureTech considers the strength of its technologies and associated intellectual property to be critical factors in protecting its competitive position. PureTech and its operating companies have a portfolio of over 110 patents and patent applications across a broad range of technologies.</p> <p>Since its inception, PureTech has invested significant capital and resources in laboratory-based scientific research and development. PureTech began engaging in initial sourcing activities during the period between 2004 and 2006. PureTech currently has 12 operating companies which are actively developing technologies designed to address significant markets in healthcare. Seven of these companies are “growth stage” operating companies that have achieved external validation in the form of outside partnerships and funding, proof-of-concept and/or substantial peer review.</p> <p>PureTech’s growth stage operating companies and their scientific research and product development activities are summarised below:</p> <p>1. <i>Vedanta Biosciences, Inc.</i> (“Vedanta Biosciences”)</p> <p>Vedanta Biosciences is developing an innovative class of drugs based on research into the human microbiome (the population of micro-organisms that inhabit the human body). The company is developing a microbiome-derived therapeutic for the treatment of inflammatory bowel disease (or IBD) and other autoimmune disorders and has out-licensed the rights to its lead product candidate, VE202, to Janssen Biotech, Inc. (“Janssen”), a subsidiary of Johnson & Johnson, for an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens. Vedanta Biosciences is currently advancing VE202 along with Janssen. Using its proprietary microbiome technology platform, Vedanta Biosciences is also refining a pipeline of additional drug candidates, namely VE303, VE404 and VE505, which are being developed to treat infectious disease, autoimmune disease and inflammatory disease of the gastrointestinal (or GI) tract, respectively.</p> <p>Vedanta Biosciences’ product candidates have the potential to address a segment of the market for IBD treatments as well as other autoimmune disorders and some infectious diseases. IBD affects over one million people in the US and four million people worldwide, with annual direct healthcare costs of treating Crohn’s disease (or CD) and ulcerative colitis (or UC) (variants of IBD) estimated at \$3.6 billion and \$2.7 billion in the US, respectively. The Directors believe that Vedanta Biosciences’ product candidate VE202 has the potential to be recognised as a safer and potentially more efficacious alternative to current IBD drugs such as corticosteroids, anti-tumour necrosis factors, purine analogs and antibiotics. In addition, the Directors believe that Vedanta Biosciences’ platform has the capability to identify additional product candidates to regulate the microbiome. Together with its existing pipeline drug candidates, the Directors believe that Vedanta Biosciences’ therapies and drugs could potentially treat a range of infectious and immune-mediated diseases. These diseases affect over 20 million patients in the US and therapeutics associated with their treatment generate substantial revenue.</p> |
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| | <p>2. <i>Gelesis, Inc.</i> (“Gelesis”)</p> <p>Gelesis is a clinical stage biotechnology company focused on the development of innovative products to induce weight loss and potentially improve glycaemic control in overweight and obese patients, including those which are pre-diabetic and those which have type 2 diabetes. Its lead product candidate is Gelesis100, which is based on Gelesis’ proprietary hydrogel technology that works mechanically (rather than chemically) and exclusively in the GI tract. Gelesis has completed a three month proof-of-concept study of Gelesis100 which demonstrated statistically significant weight loss in overweight and obese patients, including pre-diabetic patients. Gelesis is currently running a six month study to repeat and expand on the results of its proof-of-concept study in a broader population. Meanwhile, Gelesis is also developing a second product candidate, Gelesis200, which hydrates more rapidly and creates a higher volume elastic response and viscosity but occupies a smaller volume in the stomach than Gelesis100. The Directors believe that these properties could potentially make Gelesis200 more suitable as a glycaemic control product for pre-diabetics and type 2 diabetics, who may or may not require weight loss.</p> <p>Gelesis100 has the potential to address a segment of the healthcare market for the treatment of obesity and its associated comorbidities, which are estimated to cost the US healthcare system approximately \$190 billion annually.</p> <p>3. <i>Akili Interactive Labs, Inc.</i> (“Akili”)</p> <p>Akili is a clinical stage company developing a video game platform for diagnosing and treating cognitive disorders. The company’s lead product is designed to track and improve the brain’s executive function which is impacted in a number of diseases and disorders such as attention deficit hyperactivity disorder (or ADHD), autism, Alzheimer’s disease and traumatic brain injury. The company has undertaken ten clinical trials as well as smaller-scale feasibility testing.</p> <p>Akili is working with the pharmaceutical industry through a collaboration and license agreement with Pfizer, Inc. (“Pfizer”) and has received an investment from Shire plc (“Shire Pharmaceuticals”). Akili is also collaborating with Autism Speaks, Inc. (“Autism Speaks”), a leading autism science and advocacy organisation, to run a clinical study in paediatric autism. The company is also testing its products in trials funded by the US National Institute of Mental Health (“NIMH”) in conjunction with academic collaborators.</p> <p>The Directors believe that Akili’s product candidate could potentially treat a number of conditions where the brain’s executive function is impaired including ADHD, autism, Alzheimer’s disease, mild cognitive impairment, depression and traumatic brain injury. These represent significant addressable markets. By way of example, Akili is seeking to address a segment of the market for ADHD drugs which was projected to be approximately \$10 billion by 2020.</p> <p>4. <i>Tal Medical, Inc.</i> (“Tal”)</p> <p>Tal is a clinical stage medical device company developing an innovative, noninvasive treatment for depression and other psychiatric disorders based on a proprietary low field magnetic stimulation (or LFMS) technology, delivered through a small table-top device. LFMS utilises a rapidly-oscillating magnetic field, which the Directors believe has the ability to affect brain neurocircuitry that plays a role in depression. In two randomised controlled studies, a single 20-minute LFMS treatment has demonstrated rapid onset of action in depression patients, without any observed major side effects. An on-going, multi-site study funded by NIMH is testing for treatment durability.</p> |
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| | <p>Tal's initial focus is on major depressive disorder (or MDD) and bipolar disorder. MDD, which currently affects approximately 6.7 per cent of the US adult population, is one of the leading causes of disability worldwide and at its worst can lead to suicide. In spite of multiple drugs on the market with expected \$13-\$17 billion worldwide sales in 2017, the Directors believe that there are no safe, rapid-acting treatment options for depression currently available on the market. Tal's goal is to fill this gap and introduce the first safe, rapid-acting treatments for depression.</p> <p>5. <i>Karuna Pharmaceuticals, Inc.</i> ("Karuna")</p> <p>Karuna is a clinical stage company developing a potentially innovative therapy for the treatment of schizophrenia. The company's product candidate is a proprietary combination of xanomeline, an in-licensed small molecule drug, and a muscarinic antagonist (trospium chloride) that does not cross the blood-brain barrier. Xanomeline has already demonstrated human efficacy proof-of-concept. The Directors believe that combining xanomeline with a muscarinic antagonist may reduce the side effects typically seen with xanomeline. Going forward, Karuna will be conducting two clinical studies to validate the xanomeline/muscarinic antagonist combination. The first study is expected to commence in the first half of 2016 and the second study is expected to commence by the first quarter of 2017.</p> <p>The Directors believe that Karuna's product candidate could potentially become a safe alternative to existing antipsychotic drugs used to treat schizophrenia. Despite the significant limitation of current treatment, the antipsychotics market is valued in the multiples of billions, with market leader Abilify reaching \$6.3 billion in sales in 2013.</p> <p>6. <i>Entrega, Inc.</i> ("Entrega")</p> <p>Entrega is developing a platform technology for the oral delivery of biologics, vaccines and other forms of medication that are not efficient in reaching the bloodstream when taken. To underpin its product candidate, Entrega has generated proof-of-concept data demonstrating that Entrega's system can deliver therapeutic peptides, including insulin, into the bloodstream of healthy rats. Entrega has initiated a series of large-animal experiments designed to refine and validate this initial model.</p> <p>Entrega has also partnered with Google X, as part of an initiative to develop an oral delivery platform for diagnostic nanoparticles.</p> <p>An effective oral delivery platform would potentially: (1) transform emergency healthcare delivery by enabling rapid and cost-effective deployment of drugs and vaccines; (2) enhance current standard of care by allowing the expansion of use of injected drugs to those unwilling or unable to self-administer injections; and (3) maximise the impact of drug development by making recently developed biologic modalities such as peptide drugs viable for new indications where injections should not be used for certain treatments. Biopharmaceutical drugs, of which the majority are available only by injection, are a multi-billion dollar market. Currently, the US market for peptides and small proteins alone exceeds \$14 billion. Entrega is seeking to address a segment of the multi-billion dollar market.</p> <p>7. <i>Follica, Incorporated</i> ("Follica")</p> <p>Follica is a clinical stage company seeking to develop a treatment for hair loss which utilises its regenerative biology technology. This technology employs a technique called targeted cutaneous perturbation (or TCP) to stimulate the growth of new follicles and hair, followed by treatment with drugs and chemicals to develop those hair follicles and enhance the effect on new hair. Follica has performed and funded preclinical work in rodents that, together with research from the University of Pennsylvania ("Penn"), serve as the foundational observations on which the technology is based. In addition, Follica has undertaken three human clinical studies of patients with androgenetic alopecia to demonstrate hair growth and new hair follicle formation following application of its TCP technique.</p> |
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| | | <p>The Directors believe that Follica’s innovative technology could potentially result in a product candidate that could potentially address a segment of the hair restoration market. The hair restoration market was valued at approximately \$2 billion worldwide in 2012.</p> <p>In addition, PureTech has a further five operating companies that are “project phase” operating companies, which are at an earlier stage in PureTech’s commercialisation process and are expected to form the basis of future growth stage operating companies.</p> <p>PureTech also has ten “concept-phase” initiatives, built around specific healthcare themes, which have the potential to develop into the Group’s future operating companies.</p> |
| B.4a | Significant recent trends affecting the Group and the industry in which it operates | <p>The global annual public and industry expenditure on the study of health and disease increased from \$209 billion in 2004 to \$265 billion in 2011, growing at a rate of 3.5 per cent annually (Source: <i>Journal of American Medical Association</i>, January 2015. Includes research and development expenditures from 36 major world countries across four continents). The US National Institutes of Health (“NIH”) alone invests nearly \$30 billion annually on research within the US. The Directors believe that PureTech has assembled the infrastructure, knowledge, personnel and approach to commercialise promising technologies from this international pool of scientific research. The Directors also believe that PureTech’s cross disciplinary approach is particularly suited to addressing a healthcare environment where convergence of previously unrelated disciplines is becoming especially prominent, as is demonstrated by technology and other traditionally non-healthcare companies (such as Apple, Google, Nestlé, Qualcomm and Samsung) having become participants in the healthcare market in recent years.</p> <p>The Group’s operating companies and initiatives seek to address a number of significant markets in healthcare, which include, among others, psychiatric and cognitive disorders, obesity and metabolic disorders, autoimmune and inflammatory diseases, oncology, dermatological conditions such as baldness, and a range of early childhood and age-related disorders.</p> <p>The Directors believe that PureTech’s proactive, theme-driven approach is highly specialised and particularly suited to combining approaches from disparate fields, which the Directors believe offers PureTech a competitive advantage as the healthcare landscape rapidly changes as a result of the convergence of new technologies and participation by non-healthcare corporate entities. There are a number of entrepreneurs, companies, incubators and accelerators, academic affiliated seed funds, venture capital funds, technology transfer offices of certain universities and other organisations focused on the commercialisation of intellectual property in a range of science and technology disciplines, including healthcare. The Directors believe that PureTech is an important member of the healthcare sector and that the Company benefits from collaboration with other individuals and groups operating in this space.</p> |
| B.5 | Description of the Company’s group and the Company’s position therein | <p>Following the Reorganisation (as defined in paragraph 4 (<i>The Reorganisation</i>) of Part XVI (<i>Additional Information</i>), PureTech is the parent company of PureTech Health LLC (“PureTech LLC”). All of PureTech’s operating companies are currently majority-owned by PureTech LLC, save in respect of Gelesis in which PureTech LLC holds approximately 23 per cent of the company on a diluted basis. As of 31 December 2014, these 12 operating companies were fully consolidated in the financial statements of the Group. PureTech operates its businesses principally through these 12 operating companies.</p> |

B.6

Shareholders

The interests of the Directors and the Senior Managers in the share capital of the Company (all of which, unless otherwise stated, are beneficial or are interests of a person connected with the Director or Senior Manager) as at 17 June 2015, the latest practicable date prior to publication of this document, were as follows (assuming no exercise of the option granted to Jefferies (the “Stabilising Manager”) by the Company to subscribe for, or procure subscribers for, up to 15 per cent of the total number of Offer Shares comprised in the Offer further detailed in paragraph 4 (*Over-allotment and Stabilisation*) of Part XIV (*Details of the Offer*) of this document (the “Over-allotment Option”):

| | Number of issued Ordinary Shares immediately prior to Admission | Percentage of issued ordinary share capital immediately prior to Admission | Number of issued Ordinary Shares immediately following Admission | Percentage of issued ordinary share capital immediately following Admission |
|---|---|--|--|---|
| Directors | | | | |
| Mr. Joichi Ito | 1,388,929 | 0.87% | 1,388,929 | 0.61% |
| Ms. Daphne Zohar ⁽¹⁾ | 11,890,157 | 7.45% | 11,890,157 | 5.23% |
| Dame Marjorie Scardino | 732,603 | 0.46% | 732,603 | 0.32% |
| Dr. Bennett Shapiro | 2,629,974 | 1.65% | 2,629,974 | 1.16% |
| Dr. Robert Langer | 2,932,634 | 1.84% | 2,932,634 | 1.29% |
| Dr. Raju Kucherlapati ⁽²⁾ | 2,459,831 | 1.54% | 2,459,831 | 1.08% |
| Dr. John LaMattina | 1,408,332 | 0.88% | 1,408,332 | 0.62% |
| Mr. Christopher Viehbacher ⁽³⁾ | 1,025,646 | 0.64% | 1,025,646 | 0.45% |
| Mr. Stephen Muniz | 2,786,170 | 1.75% | 2,786,170 | 1.23% |
| Senior Managers | | | | |
| Dr. Eric Elenko | 2,786,170 | 1.75% | 2,786,170 | 1.23% |
| Mr. David Steinberg | 2,825,770 | 1.77% | 2,825,770 | 1.24% |

Notes:

(1)

Ms. Zohar’s shareholding in the Company is indirect. Ms. Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC which in turn owns 5.23 per cent of the share capital of the Company immediately following Admission.

(2)

Dr. Kucherlapati’s shareholding in the Company is held in part through his trust, Raju Kucherlapati Grantor Retained Annuity Trust dated May 1, 2015, which holds 1,206,570 Ordinary Shares immediately following Admission.

(3)

Mr. Viehbacher’s shareholding in the Company is through his trust, Viehbacher 2015 GRAT u/a/d May 22, 2015.

(4)

The shareholding interests in this table include Ordinary Shares that are subject to vesting terms and restrictions as contained in share restriction agreements entered into between the Company and the holders in connection with equity incentive plans described in paragraph 8.1 (*PureTech LLC Incentive Compensation*) of Part XVI (*Additional Information*).

As at 17 June 2015, the latest practicable date prior to the publication of this document, the Directors were aware of the following persons who, in addition to the Directors and Senior Managers set out above, directly or indirectly, were interested in three per cent or more of the Company’s share capital or voting rights (assuming no exercise of the Over-allotment Option):

| | Number of issued Ordinary Shares immediately prior to Admission | Percentage of issued ordinary share capital immediately prior to Admission | Number of issued Ordinary Shares immediately following Admission | Percentage of issued ordinary share capital immediately following Admission |
|-----------------------------|---|--|--|---|
| Shareholders | | | | |
| Invesco | 58,039,660 | 36.35% | 76,039,660 | 33.46% |
| Recordati SA | 9,554,140 | 5.98% | 9,554,140 | 4.20% |
| Keffi Group V LLC | 6,369,420 | 3.99% | 6,369,420 | 2.80% |
| Milton Academy | 5,268,700 | 3.30% | 5,268,700 | 2.32% |

The Ordinary Shares owned by the Company’s major shareholders rank *pari passu* with other Ordinary Shares in all respects.

| | | <p>On 18 June 2015, the Company entered into the agreement with Invesco Asset Management Limited (“Invesco” or the “Controlling Shareholder”) described in paragraph 10 (<i>Relationship with Controlling Shareholder</i>) of Part XVI (<i>Additional Information</i>) of this document (the “Relationship Agreement”) which will enter into force on Admission.</p> <p>The board of Directors of the Company (the “Board”) believes that the terms of the Relationship Agreement will permit the Company to carry on its business independently from Invesco and its affiliates and ensure that all transactions and relationships between the Company and Invesco are and will be, at arm’s length and on a normal commercial basis.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|-----------------|---|--|--|--|-------------|-------------|-------------|--|---------------|---------------|---------------|------------------------------|--|--|--|-------------------|-------|-------|-------|---------------------|--|--|--|---|---------|---------|----------|---|---------|---------|---------|--|---------|-------|---|---------------------------------|----------------|----------------|-----------------|--------------------------|----|-----|-----|-------------------------------------|-------|-------|---------|--|-------|------|----------|------------------------------------|----------------|--------------|-----------------|--|---|---------|---|--|----------|---------|----------|--|-------|------|----------|------------------------------------|-----------------|----------------|-----------------|------------------------|-------|-------|-----|---|-----------------|----------------|-----------------|---|-------|-----|---|------------------------------------|-----------------|----------------|-----------------|---|--|--|--|---|--|--|--|--|----|------|---|--|------|-----|----|--|------------|-----------|-----------|-----------------|---|---|---|---|-----|----|----|--|-----------------|----------------|-----------------|--------------------------------------|--|--|--|---------------------------------|----------|---------|----------|------------------------------------|---------|-------|----------|--|-----------------|----------------|-----------------|---|--|--|--|---------------------------------|----------|---------|----------|-------------------------------------|---------|-------|----------|--|-----------------|----------------|-----------------|----------------------------------|--|--|--|---|--------|--------|--------|---|--------|--------|--------|---|--|--|--|---|--------|--------|--------|---|--------|--------|--------|
| B.7 | Selected key historical financial information | <p>The selected financial information set out below has been extracted without material adjustment from the audited accounts of the Group for the financial periods ended 31 December 2012, 31 December 2013 and 31 December 2014:</p> <p>Consolidated Statement of Comprehensive Income</p> <table><tr><th></th><th colspan="3">For the year ended 31 December</th></tr><tr><th></th><th>2012</th><th>2013</th><th>2014</th></tr><tr><th></th><th>\$’000</th><th>\$’000</th><th>\$’000</th></tr><tr><td>Continuing operations</td><td></td><td></td><td></td></tr><tr><td>Revenue</td><td>8,018</td><td>8,503</td><td>2,222</td></tr><tr><td>Operating expenses:</td><td></td><td></td><td></td></tr><tr><td>General and administrative expenses</td><td>(8,460)</td><td>(7,169)</td><td>(14,397)</td></tr><tr><td>Research and development expenses</td><td>(5,602)</td><td>(4,419)</td><td>(5,270)</td></tr><tr><td>Other expenses—impairment of investments</td><td>(3,341)</td><td>(646)</td><td>—</td></tr><tr><td>Operating loss</td><td>(9,385)</td><td>(3,731)</td><td>(17,445)</td></tr><tr><td>Finance income</td><td>49</td><td>270</td><td>189</td></tr><tr><td>Finance costs—contractual</td><td>(944)</td><td>(367)</td><td>(2,594)</td></tr><tr><td>Finance costs—IAS 39 Fair value accounting</td><td>(499)</td><td>(83)</td><td>(56,371)</td></tr><tr><td>Net finance costs</td><td>(1,394)</td><td>(180)</td><td>(58,776)</td></tr><tr><td>Loss on purchase of subsidiary</td><td>—</td><td>(1,399)</td><td>—</td></tr><tr><td>Loss before taxes pre IAS 39 Fair value accounting</td><td>(10,280)</td><td>(5,227)</td><td>(19,850)</td></tr><tr><td>Finance costs—IAS 39 Fair value accounting</td><td>(499)</td><td>(83)</td><td>(56,371)</td></tr><tr><td>Loss before taxes</td><td>(10,779)</td><td>(5,310)</td><td>(76,221)</td></tr><tr><td>Income taxes</td><td>(535)</td><td>(274)</td><td>278</td></tr><tr><td>Loss for the year from continuing operations</td><td>(11,314)</td><td>(5,584)</td><td>(75,943)</td></tr><tr><td>Gain/(loss) for the year from discontinued operations</td><td>(933)</td><td>425</td><td>—</td></tr><tr><td>Loss for the year</td><td>(12,247)</td><td>(5,159)</td><td>(75,943)</td></tr><tr><td>Items that may be reclassified as profit or loss</td><td></td><td></td><td></td></tr><tr><td>Other comprehensive income (loss):</td><td></td><td></td><td></td></tr><tr><td>Unrealised gain/(loss) on available-for-sale investments</td><td>69</td><td>(48)</td><td>—</td></tr><tr><td>Foreign currency translation differences</td><td>(75)</td><td>141</td><td>58</td></tr><tr><td>Total other comprehensive income (loss)</td><td>(6)</td><td>93</td><td>58</td></tr><tr><td>Taxes</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Other comprehensive income (loss), net of tax</td><td>(6)</td><td>93</td><td>58</td></tr><tr><td>Total Comprehensive Loss for the Year</td><td>(12,253)</td><td>(5,066)</td><td>(75,885)</td></tr><tr><td>Income (loss) attributable to</td><td></td><td></td><td></td></tr><tr><td>Owners of the company</td><td>(11,054)</td><td>(4,303)</td><td>(41,643)</td></tr><tr><td>Non-controlling interest</td><td>(1,193)</td><td>(856)</td><td>(34,300)</td></tr><tr><td></td><td>(12,247)</td><td>(5,159)</td><td>(75,943)</td></tr><tr><td>Comprehensive income (loss) attributable to:</td><td></td><td></td><td></td></tr><tr><td>Owners of the Company</td><td>(11,060)</td><td>(4,210)</td><td>(41,585)</td></tr><tr><td>Non-controlling interests</td><td>(1,193)</td><td>(856)</td><td>(34,300)</td></tr><tr><td></td><td>(12,253)</td><td>(5,066)</td><td>(75,885)</td></tr><tr><td>Earnings (loss) per share</td><td></td><td></td><td></td></tr><tr><td>Basic earnings (loss) per share</td><td>(0.17)</td><td>(0.07)</td><td>(0.51)</td></tr><tr><td>Diluted earnings (loss) per share</td><td>(0.17)</td><td>(0.07)</td><td>(0.51)</td></tr><tr><td>Earnings (loss) per share—continuing</td><td></td><td></td><td></td></tr><tr><td>Basic earnings (loss) per share</td><td>(0.16)</td><td>(0.08)</td><td>(0.51)</td></tr><tr><td>Diluted earnings (loss) per share</td><td>(0.16)</td><td>(0.08)</td><td>(0.51)</td></tr></table> | | For the year ended 31 December | | | | 2012 | 2013 | 2014 | | \$’000 | \$’000 | \$’000 | Continuing operations | | | | Revenue | 8,018 | 8,503 | 2,222 | Operating expenses: | | | | General and administrative expenses | (8,460) | (7,169) | (14,397) | Research and development expenses | (5,602) | (4,419) | (5,270) | Other expenses—impairment of investments | (3,341) | (646) | — | Operating loss | (9,385) | (3,731) | (17,445) | Finance income | 49 | 270 | 189 | Finance costs—contractual | (944) | (367) | (2,594) | Finance costs—IAS 39 Fair value accounting | (499) | (83) | (56,371) | Net finance costs | (1,394) | (180) | (58,776) | Loss on purchase of subsidiary | — | (1,399) | — | Loss before taxes pre IAS 39 Fair value accounting | (10,280) | (5,227) | (19,850) | Finance costs—IAS 39 Fair value accounting | (499) | (83) | (56,371) | Loss before taxes | (10,779) | (5,310) | (76,221) | Income taxes | (535) | (274) | 278 | Loss for the year from continuing operations | (11,314) | (5,584) | (75,943) | Gain/(loss) for the year from discontinued operations | (933) | 425 | — | Loss for the year | (12,247) | (5,159) | (75,943) | Items that may be reclassified as profit or loss | | | | Other comprehensive income (loss): | | | | Unrealised gain/(loss) on available-for-sale investments | 69 | (48) | — | Foreign currency translation differences | (75) | 141 | 58 | Total other comprehensive income (loss) | (6) | 93 | 58 | Taxes | — | — | — | Other comprehensive income (loss), net of tax | (6) | 93 | 58 | Total Comprehensive Loss for the Year | (12,253) | (5,066) | (75,885) | Income (loss) attributable to | | | | Owners of the company | (11,054) | (4,303) | (41,643) | Non-controlling interest | (1,193) | (856) | (34,300) | | (12,247) | (5,159) | (75,943) | Comprehensive income (loss) attributable to: | | | | Owners of the Company | (11,060) | (4,210) | (41,585) | Non-controlling interests | (1,193) | (856) | (34,300) | | (12,253) | (5,066) | (75,885) | Earnings (loss) per share | | | | Basic earnings (loss) per share | (0.17) | (0.07) | (0.51) | Diluted earnings (loss) per share | (0.17) | (0.07) | (0.51) | Earnings (loss) per share—continuing | | | | Basic earnings (loss) per share | (0.16) | (0.08) | (0.51) | Diluted earnings (loss) per share | (0.16) | (0.08) | (0.51) |
| | For the year ended 31 December | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2012 | 2013 | 2014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$’000 | \$’000 | \$’000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Continuing operations | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenue | 8,018 | 8,503 | 2,222 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating expenses: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General and administrative expenses | (8,460) | (7,169) | (14,397) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Research and development expenses | (5,602) | (4,419) | (5,270) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other expenses—impairment of investments | (3,341) | (646) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating loss | (9,385) | (3,731) | (17,445) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance income | 49 | 270 | 189 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance costs—contractual | (944) | (367) | (2,594) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance costs—IAS 39 Fair value accounting | (499) | (83) | (56,371) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net finance costs | (1,394) | (180) | (58,776) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss on purchase of subsidiary | — | (1,399) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss before taxes pre IAS 39 Fair value accounting | (10,280) | (5,227) | (19,850) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance costs—IAS 39 Fair value accounting | (499) | (83) | (56,371) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss before taxes | (10,779) | (5,310) | (76,221) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income taxes | (535) | (274) | 278 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss for the year from continuing operations | (11,314) | (5,584) | (75,943) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gain/(loss) for the year from discontinued operations | (933) | 425 | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss for the year | (12,247) | (5,159) | (75,943) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Items that may be reclassified as profit or loss | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other comprehensive income (loss): | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unrealised gain/(loss) on available-for-sale investments | 69 | (48) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Foreign currency translation differences | (75) | 141 | 58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total other comprehensive income (loss) | (6) | 93 | 58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Taxes | — | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other comprehensive income (loss), net of tax | (6) | 93 | 58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Comprehensive Loss for the Year | (12,253) | (5,066) | (75,885) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income (loss) attributable to | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Owners of the company | (11,054) | (4,303) | (41,643) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-controlling interest | (1,193) | (856) | (34,300) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (12,247) | (5,159) | (75,943) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Comprehensive income (loss) attributable to: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Owners of the Company | (11,060) | (4,210) | (41,585) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-controlling interests | (1,193) | (856) | (34,300) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (12,253) | (5,066) | (75,885) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Earnings (loss) per share | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Basic earnings (loss) per share | (0.17) | (0.07) | (0.51) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diluted earnings (loss) per share | (0.17) | (0.07) | (0.51) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Earnings (loss) per share—continuing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Basic earnings (loss) per share | (0.16) | (0.08) | (0.51) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diluted earnings (loss) per share | (0.16) | (0.08) | (0.51) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Consolidated Statement of Financial Position | | | |
|---|--------------------------|----------------|-----------------|
| | As of 31 December | | |
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Assets | | | |
| Non-current assets | | | |
| Property and equipment, net | 1,076 | 1,213 | 1,227 |
| Available for sale investments | 1,216 | 251 | 78 |
| Intangible assets, net | 3,344 | 3,162 | 2,999 |
| Other non-current assets | 9 | 3 | 5 |
| Total non-current assets | 5,645 | 4,629 | 4,309 |
| Current assets | | | |
| Trade and other receivables | 575 | 2,670 | 1,750 |
| Prepaid expenses and other current assets . . | 934 | 465 | 1,836 |
| Other financial assets | 121 | 122 | 472 |
| Short-term investments | 1,055 | 1,709 | 701 |
| Cash and cash equivalents | 10,855 | 7,171 | 61,960 |
| Total current assets | 13,540 | 12,137 | 66,719 |
| Total assets | 19,185 | 16,766 | 71,028 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 1,272 | 1,273 | 2,362 |
| Merger reserve | 31,199 | 31,238 | 86,755 |
| Translation reserve | (30) | 111 | 169 |
| Other reserves | 1,550 | 1,558 | 3,139 |
| Accumulated deficit | (30,897) | (35,064) | (70,421) |
| Parent equity | 3,094 | (884) | 22,004 |
| Non-controlling interests | (6,448) | (7,143) | (45,317) |
| Total equity | (3,354) | (8,027) | (23,313) |
| Non-current liabilities | | | |
| Deferred revenue | 1,061 | 1,532 | 561 |
| Other long-term liabilities | 48 | 501 | 107 |
| Total non-current liabilities | 1,109 | 2,033 | 668 |
| Current liabilities | | | |
| Notes payable | 1,459 | 4,259 | 6,948 |
| Deferred revenue | 6,246 | 1,307 | 3,293 |
| Trade and other payables | 2,732 | 1,918 | 4,731 |
| Subsidiary derivative liability | 2,199 | 2,579 | 52,794 |
| Subsidiary warrant liability | 928 | 2,548 | 14,125 |
| Subsidiary preferred shares | 7,699 | 9,711 | 11,494 |
| Other current liabilities | 167 | 438 | 288 |
| Total current liabilities | 21,430 | 22,760 | 93,673 |
| Total liabilities | 22,539 | 24,793 | 94,341 |
| Total equity and liabilities | 19,185 | 16,766 | 71,028 |

| Consolidated Statement of Cash Flow | | | |
|--|---|----------------|-----------------|
| | For the year ended 31 December | | |
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Cash flow from operating activities | | | |
| Net operating loss | (12,247) | (5,159) | (75,943) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | | |
| Non-cash items: | | | |
| Depreciation and amortisation | 500 | 453 | 455 |
| Equity-settled share-based payment expense | 408 | 290 | 2,811 |
| Gain on sale of discontinued operation | — | (742) | — |
| Loss on reconsolidation of subsidiary | — | 1,399 | — |
| Unrealised (gain) loss on foreign currency transactions | (94) | 58 | 233 |
| Issuance of shares for services | 100 | 40 | 265 |
| Impairment of investments | 3,341 | 646 | — |
| Finance costs | 1,394 | 180 | 58,776 |
| Other adjustments | 16 | 26 | (10) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable, net | 1,040 | (2,327) | 794 |
| Other financial assets | (10) | (1) | (349) |
| Prepaid expenses and other current assets | (802) | 784 | (636) |
| Deferred revenues | 3,811 | (4,315) | 1,083 |
| Other long-term liabilities | 48 | 453 | (393) |
| Accounts payable and accrued expenses | 1,043 | (559) | 2,371 |
| Net cash used in operating activities | (1,452) | (8,774) | (10,543) |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (836) | (558) | (367) |
| Purchases of intangible assets | (617) | (30) | (53) |
| Reconsolidation of subsidiaries net of cash acquired | — | 79 | — |
| Proceeds from sale of property and equipment | — | 57 | — |
| Proceeds from sale of available-for-sale investments | 23 | 282 | 186 |
| Purchases of short-term investments | (2,520) | (3,488) | (2,219) |
| Proceeds from maturity of short-term investments | 3,750 | 2,800 | 3,200 |
| Net cash provided by/(used in) investing activities | (200) | (858) | 747 |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of convertible notes | 1,838 | 1,800 | 7,615 |
| Proceeds from notes payable | — | 50 | 1,461 |
| Repayments of long-term debt | (3,884) | (18) | (20) |
| Proceeds from the issuance of shares, net of issuance costs | 698 | — | 55,841 |
| Proceeds from issuance of share capital and warrants in subsidiaries | 3,292 | 4,102 | — |
| Interest paid | (552) | — | — |
| Dividends paid | (136) | (2) | (96) |
| Other financing activities | — | 7 | (78) |
| Net cash provided by financing activities | 1,256 | 5,939 | 64,723 |
| Effect of exchange rates on cash and cash equivalents | (7) | (9) | (138) |
| Net increase/(decrease) in cash and cash equivalents | (403) | (3,684) | 54,789 |
| Cash and cash equivalents at beginning of year | 11,258 | 10,855 | 7,171 |
| Cash and cash equivalents at end of year | 10,855 | 7,171 | 61,960 |
| Supplemental disclosure of non-cash investment and financing activities: | | | |
| Conversion of notes payable and accrued interest into preferred stock | 1,411 | — | 5,523 |
| Gain (loss) on NCI | 6,618 | 2,429 | 3,808 |
| Fair value of warrants issued in exchange for intangible assets | 708 | — | — |

| | | |
|-----|-------------------------------------|---|
| | | <p>Certain significant changes to the Group's financial condition and operating results occurred during the financial years ended 31 December 2012, 2013 and 2014.</p> <p>In 2012, Gelesis entered into a collaboration agreement with a pharmaceutical company, which was a source of non-dilutive revenue for Gelesis. That agreement was terminated in 2013.</p> <p>In 2013, PureTech received an investment in Akili from Shire Pharmaceuticals and in Vedanta Biosciences from Johnson & Johnson Innovation – JJDC, Inc. ("JJDC"), a subsidiary of Johnson & Johnson.</p> <p>Also in 2013, Entrega entered into a collaboration with an affiliate of Google, as part of an initiative to develop a platform on which to orally deliver diagnostic nanoparticles.</p> <p>During 2014, several of PureTech's growth stage operating companies achieved significant milestones:</p> <ul style="list-style-type: none"> • Akili announced a partnership with Pfizer to test the ability of Akili's mobile video game platform, Project: EVO, to detect cognitive differences in healthy elderly people at risk of developing Alzheimer's disease. • Tal announced funding from NIMH for its 90-patient proof-of-concept trial for its LFMS treatment for depression. • Gelesis announced the successful results of a 12-week, 128-patient first loss of weight (or FLOW) study showing statistically significant weight loss in overweight and obese subjects, with dramatic weight loss in pre-diabetic patients. <p>PureTech raised \$56.7 million in equity financing in August 2014. During 2014, PureTech reported an increase in fair value of warrant, convertible note and preferred stock derivatives of \$56.4 million, driven primarily by the increase in the value of shares underlying the warrants, convertible notes and preferred stock derivatives.</p> <p>Save as described above, there has been no significant change in the Group's financial condition or operating results or trading position of the Group during the years ended 31 December 2012, 2013 and 2014.</p> <p>In the first quarter of 2015, PureTech raised \$52.4 million with a post-money valuation of \$352.4 million.</p> <p>In January 2015, Vedanta Biosciences signed a licensing agreement with Janssen with an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens.</p> <p>In March 2015, Tal and Gelesis closed financing rounds of \$14.5 million and \$22.3 million (each including the conversion of promissory notes), respectively.</p> <p>There has been no other significant change in the financial condition or operating results or trading position of the Group since 31 December 2014, the date to which the last audited consolidated financial information of the Group was prepared.</p> |
| B.8 | Key pro forma financial information | <p>The pro forma financial information has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of the Group on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 December 2015.</p> |

| | | <p>The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group’s actual financial position.</p> <p>Unaudited Pro Forma Statement of Net Assets</p> <table><tr><th></th><th>Consolidated net assets of the Group at 31 December 2014</th><th>Adjustment for application of proceeds of the Offer</th><th>Pro forma</th></tr><tr><th></th><th>\$’000</th><th>\$’000</th><th>\$’000</th></tr><tr><th></th><th>Note 2</th><th>Note 3</th><th></th></tr><tr><td>Assets</td><td></td><td></td><td></td></tr><tr><td>Non-current assets</td><td>4,309</td><td>—</td><td>4,309</td></tr><tr><td>Current assets</td><td>66,719</td><td>157,000</td><td>223,719</td></tr><tr><td>Total assets</td><td>71,028</td><td>157,000</td><td>228,028</td></tr><tr><td>Equity and liabilities</td><td></td><td></td><td></td></tr><tr><td>Total equity</td><td>(23,313)</td><td>157,000</td><td>133,687</td></tr><tr><td>Non-current liabilities</td><td>668</td><td>—</td><td>668</td></tr><tr><td>Current liabilities</td><td>93,673</td><td>—</td><td>93,673</td></tr><tr><td>Total liabilities</td><td>94,341</td><td>—</td><td>94,341</td></tr><tr><td>Total equity and liabilities . . .</td><td>71,028</td><td>157,000</td><td>228,028</td></tr></table> <p>Notes:</p> <p>(1) The net assets of the Group as at 31 December 2014 have been extracted without material adjustment from the historical financial information set out in Part XII (<i>Historical Financial Information</i>) of this document.</p> <p>(2) The adjustment represents the effect of the receipt of the gross proceeds of the Offer of £108.2 million (\$171 million) less estimated fees and expenses of £8.9 million (\$14 million).</p> <p>(3) No adjustment has been made to reflect the trading results of the Group since 31 December 2014 or any other change in its financial position in this period. The Directors believe that, had the Offer completed at the beginning of the last financial period, the earnings of the Group would have been affected. Assuming that the net proceeds of the Offer were not invested in existing business or new opportunities, the impact would have been to increase finance income with a corresponding increase in earnings.</p> | | Consolidated net assets of the Group at 31 December 2014 | Adjustment for application of proceeds of the Offer | Pro forma | | \$’000 | \$’000 | \$’000 | | Note 2 | Note 3 | | Assets | | | | Non-current assets | 4,309 | — | 4,309 | Current assets | 66,719 | 157,000 | 223,719 | Total assets | 71,028 | 157,000 | 228,028 | Equity and liabilities | | | | Total equity | (23,313) | 157,000 | 133,687 | Non-current liabilities | 668 | — | 668 | Current liabilities | 93,673 | — | 93,673 | Total liabilities | 94,341 | — | 94,341 | Total equity and liabilities . . . | 71,028 | 157,000 | 228,028 |
|---|---|---|------------------|---|--|------------------|--|---------------|---------------|---------------|--|---------------|---------------|--|---------------|--|--|--|------------------------------|-------|---|-------|--------------------------|--------|---------|---------|-------------------------------|---------------|----------------|----------------|-------------------------------|--|--|--|-------------------------------|----------|---------|---------|-----------------------------------|-----|---|-----|-------------------------------|--------|---|--------|------------------------------------|---------------|----------|---------------|---|---------------|----------------|----------------|
| | Consolidated net assets of the Group at 31 December 2014 | Adjustment for application of proceeds of the Offer | Pro forma | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$’000 | \$’000 | \$’000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Note 2 | Note 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-current assets | 4,309 | — | 4,309 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current assets | 66,719 | 157,000 | 223,719 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 71,028 | 157,000 | 228,028 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity and liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total equity | (23,313) | 157,000 | 133,687 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-current liabilities | 668 | — | 668 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liabilities | 93,673 | — | 93,673 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities | 94,341 | — | 94,341 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total equity and liabilities . . . | 71,028 | 157,000 | 228,028 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B.9 | Profit forecast/estimate | Not applicable. No profit forecasts or estimates are included within this document. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B.10 | Audit report—qualifications | Not applicable. The report from KPMG LLP (“KPMG”) on the historical financial information included in this document does not contain any qualifications. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B.11 | Explanation in respect of insufficient working capital | Not applicable. The Company is of the opinion that the working capital available to it is sufficient for the present requirements of the Group, that is, for at least 12 months from the date of this document. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Section C—Securities | | |
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| C.1 | Type and class of the securities being offered and admitted to trading, including the security identification number | <p>The Company is proposing to issue up to 67,599,621 Ordinary Shares pursuant to the Offer for an aggregate amount of approximately £99.3 million (\$157 million), net of aggregate underwriting commissions, taxes and other estimated fees and expenses of approximately £8.9 million (\$14 million), representing approximately 29.7 per cent of the issued share capital of the Company immediately following Admission (before any exercise of the Over-allotment Option).</p> <p>In addition, Ordinary Shares representing up to 15 per cent of the total number of the Offer Shares (the “Over-allotment Shares”) will be made available by the Company by issue of the Offer Shares pursuant to the Over-allotment Option.</p> <p>The Offer is being made to certain institutional and professional investors in the UK and in other jurisdictions outside the US in compliance with Regulation S.</p> <p>When admitted to trading, the Ordinary Shares will be registered with International Securities Identification Number (“ISIN”) number GB00BY2Z0H74 and the Stock Exchange Daily Official List (“SEDOL”) number BY2Z0H7.</p> |
| C.2 | Currency of the securities issue | UK pounds sterling. |
| C.3 | Shares issued/value per share | On Admission, the nominal value of the issued share capital of the Company will be £2,272,480 divided into 227,248,008 Ordinary Shares of one pence each (assuming no exercise of the Over-allotment Option), all of which will be fully paid. |
| C.4 | Rights attached to the securities | <p>The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.</p> <p>Subject to any rights and restrictions attached to any shares, on a show of hands every holder of Ordinary Shares in the Company (“Shareholder”) who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Ordinary Share.</p> <p>Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p> |
| C.5 | Restrictions on the free transferability of the securities | <p>The Board may decline to register any transfer of certificated Ordinary Shares if it is not fully paid up (provided that the refusal does not prevent dealings in the Company’s shares from taking place on an open and proper basis).</p> <p>There are no other restrictions on the free transferability of the Ordinary Shares, save that: (i) the Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority in any state of the US, and may not otherwise be offered or sold in breach of the securities laws of other jurisdictions. The Ordinary Shares are being offered and sold outside the US in compliance with Regulation S. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US unless the offer or sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act, and (ii) other laws may limit or restrict the free transferability of the Ordinary Shares in certain circumstances (i.e. the issue of the Ordinary Shares has not been and will not be, registered under the applicable securities laws of Australia, Canada, Japan, or the Republic of South Africa and, subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly within these jurisdictions or to, or for the account or benefit of, any persons within these jurisdictions).</p> |

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| | | This document does not constitute an offer of, or the solicitation of an offer to subscribe for, Ordinary Shares to any person in any jurisdiction to whom, or in which jurisdiction, such offer or solicitation is unlawful. |
| C.6 | Admission/regulated markets where the securities are traded | Application has been made to the FCA for all of the Ordinary Shares, issued and to be issued, to be admitted to the Official List of the FCA and to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange. Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange's main market for listed securities in the Offer will commence, at 8.00 a.m. on 24 June 2015. |
| C.7 | Dividends and dividend policy | The Company has never declared nor paid any cash dividends. The Directors' current intention is to retain the Group's earnings in the foreseeable future to finance growth and expansion across the Group. However, the Directors may consider the payment of dividends in the future when, in their view, the Company has sufficient distributable profits after taking into account the working capital position of the Group. |

| Section D—Risks | | |
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| D.1 | Key information on the key risks specific to the Company or its industry | <p>Clinical studies are typically expensive, complex and time-consuming and generally have a high rate of failure. Conditions in which clinical studies 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. Failure can occur at any stage of the testing and the Group may experience numerous unforeseen events during, or as a result of, the clinical study process that could delay or prevent commercialisation of its operating companies' product candidates. All of the growth stage operating companies are subject to such risks, including those with near-term clinical trial data read-outs (e.g. Akili, Gelesis and Tāl) from trials designed to validate their product candidates' safety and efficacy. To date, the Group has not obtained FDA or other regulatory approval for any of its products. There is therefore a risk that the Group's development plans and clinical results may not satisfy applicable regulatory requirements.</p> <p>The Group currently has 12 operating companies and constantly seeks new opportunities to identify and develop promising technologies. There is no guarantee that the Group can maintain its historical operating company growth rate, select promising technologies for its themed initiatives which are capable of achieving accelerated development, or continue to manage future growth through new themes.</p> <p>The industries in which the Group operates are specialised and the Group therefore requires highly qualified management, clinical and scientific personnel. The Group's management team includes leading scientific experts and executives with extensive experience in healthcare. The Group's business is also supported by its external international advisory network of more than 50 experts across multiple disciplines, from entrepreneurs to world-renowned scientists. The success of the Group's core business model depends on these individuals identifying, sourcing and developing promising technologies. The Group does not have any formal relationship or partnership agreements with universities or other research institutions and is reliant upon individual connections. There is a risk that the Group's employees and members of its advisory network could be approached and solicited by competitors of the Group or other scientific and technology based companies or organisations, or decide to leave the Group for other reasons. Some of the Group's employees' service agreements are terminable on notice of 30 days. The service agreements of some of the Group's management are terminable on short notice. In addition, the consultants and advisors, including scientific and clinical advisors, upon whom the Group relies to assist it in formulating research development and commercialisation strategy, may be employed by employers other than the Group and may have commitments under consulting or advisory contracts with other entities that may limit their availability to the Group or their ability to refer promising technologies to the Group.</p> |

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| | | <p>The Group has competitors in the UK, the US and internationally, both in relation to identifying and developing early stage technologies as well as in the discovery and development of product candidates. The Company's competitors include universities and other research institutions as well as established pharmaceutical companies and biotechnology companies. The degree of competition in the market sectors where the Group is seeking to develop its products could materially adversely affect the Group's operating companies, prospects, financial condition and results of operations.</p> <p>A large proportion of the overall value of the Group may at any time reside in a small proportion of the Group's various businesses. Accordingly, there is a risk that if one or more of the intellectual property rights relevant to a valuable business were impaired this would have a material adverse impact on the overall value of the Group. Furthermore, a large proportion of the overall revenue generated by the Group may at any time be the subject of one, or a small number of, licensed technologies. Should the relevant licences be terminated or expire this would be likely to have a material adverse effect on the revenue received by the Group.</p> <p>If serious adverse side effects are identified for any of the Group's operating companies' product candidates, the Group may need to abandon or limit its development of that product candidate, which may delay or prevent marketing approval, or, if approval is already received for the product candidate, require them to be taken off the market, require them to include safety warnings or otherwise limit or prevent their sales.</p> <p>The Group cannot commercialise a product candidate whose sale requires regulatory approval until the appropriate regulatory authorities have reviewed and approved it and its marketing. Even if the product candidate meets endpoints in the clinical studies by, <i>inter alia</i>, demonstrating safety and efficacy, such regulatory agencies may not complete their review processes in a timely manner, or the Group may not be able to obtain regulatory approval.</p> |
| D.3 | Key information on the key risks specific to the Ordinary Shares | <p>Intellectual property commercialisation is a relatively new business sector and consequently there is a relatively small number of companies with comparable business models. Accordingly, any event which detrimentally affects the companies in this comparator group may adversely affect the value of the Group and the value of the Ordinary Shares.</p> <p>The Directors will have considerable discretion in the application of the net proceeds of the Offer and Shareholders must rely on the judgment of the Directors regarding the application of such proceeds. The Directors' allocation of the net proceeds is based on current plans and business conditions. The amounts and timing of any expenditure will vary depending on the amount of cash generated by the Group's operations and competitive and market developments, among other factors. The net proceeds may be placed in investments that fail to produce income or capital growth or that lose value.</p> <p>Upon Admission, Invesco will in aggregate hold 76,039,660 Ordinary Shares, representing 33.5 per cent of the issued Ordinary Shares upon Admission (assuming no exercise of the Over-allotment Option). The Ordinary Shares held by Invesco immediately prior to Admission will be subject to lock-up arrangements. Sales of substantial numbers of Ordinary Shares following any relaxation of the lock-up restrictions or time expiration of the lock-up periods or sales by other Shareholders could adversely affect the prevailing market price of the Ordinary Shares.</p> |

| Section E—Offer | | |
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| E.1 | Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors | <p>The Company intends to raise gross proceeds of up to approximately £108.2 million (\$171 million) through the Offer, assuming the maximum number of Offer Shares are issued pursuant to the Offer and before any exercise of the Over-allotment Option.</p> <p>The aggregate estimated expenses of the Offer, including underwriting commissions and other fees, taxes and expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Company are estimated to be approximately £8.9 million (\$14 million) (inclusive of amounts in respect of value added tax (“VAT”)), which the Company intends to pay out of the gross proceeds of the Offer. No expenses will be charged by the Company to any investor who subscribes for Ordinary Shares pursuant to the Offer.</p> |
| E.2a | Reasons for the offer, use of proceeds and estimated net amount of proceeds | <p>The Directors believe that the Offer will provide diversification of funding sources to bring the Group’s principal product candidates to market and support the Group’s long-term growth. The Directors expect Admission to enhance the Group’s public profile and status with existing and potential partners and support the retention of key management and employees.</p> <p>As at 31 May 2015, the Group had existing consolidated cash balances of \$132.2 million. The Company expects to receive net proceeds from the Offer of £99.3 million (\$157 million). The Directors intend the net proceeds to be applied, together with a proportion of the Company’s existing cash resources, towards the development of its operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through partnerships and/or commercial sales, as set out below.</p> <p>The Company’s business model necessitates flexibility in the planned use of proceeds which are contingent upon the successful achievement of certain validating research and development milestones. Based on the Directors’ assessment of the operating companies and their progress in respect of such milestones, as well as an assessment of the relative potential of operating companies at that point in time, the level of capital committed towards further specific development and commercialisation activities may be less than, or may exceed, the current planned level of investment. The Company’s majority ownership interest in its operating companies (except for Gelesis) enables it to retain significant control over both the timing and allocation of its expenditure in a disciplined and efficient manner and provides it with the ability to increase or accelerate investment in pursuit of product commercialisation where there is a compelling case to do so. Accordingly, the Directors anticipate that, from time to time, the Company’s use of proceeds will be subject to revision as a result of on-going research and development activities.</p> <p>Based on the Directors’ present assessment, the Company currently intends to use the net proceeds it will receive from the Offer, together with its existing cash resources, as required, as follows:</p> <p>1. Invest in existing growth stage operating companies.</p> <p>The Directors currently anticipate allocating the net proceeds of \$157 million towards developing the growth stage operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through commercial sales and/or partnerships, for example through upfront and potential, subsequent milestone payments, as follows:</p> <p>Vedanta Biosciences: Seeking to continue to develop and optimise its pipeline products, VE303, VE404 and VE505, targeting infectious disease, autoimmune disease and inflammatory disease of the GI tract, respectively. Vedanta Biosciences anticipates entering into multiple revenue-generating partnerships, and to scale up its drug discovery platform which it will leverage to generate additional LBP candidates. Proceeds allocated—approximately \$41 million;</p> |

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| | <p>Vedanta Biosciences has entered into a partnership with Janssen, a subsidiary of Johnson & Johnson, under the terms of which Janssen assumes responsibility for funding and the development of its first product candidate, VE202;</p> <p>Akili: Seeking to further develop its cognitive platform technology and achieve independent commercial sales for its first product candidate, Project: EVO, for the screening, diagnosis and treatment of neurological disorders. Proceeds allocated–approximately \$34 million;</p> <p>Tal: Seeking to further develop and achieve regulatory clearance to allow for commercial sales of its LFMS device for the noninvasive neurostimulation treatment of psychiatric disorders. Proceeds allocated–approximately \$35 million;</p> <p>Karuna: Seeking to further develop its combination drug treatment for schizophrenia and enter into a revenue-generating partnership to commercialise the product candidate. Proceeds allocated–approximately \$19 million;</p> <p>Entrega: Seeking to further develop its drug delivery platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads and enter into revenue-generating partnerships. Proceeds allocated–approximately \$16 million;</p> <p>Follica: Seeking to further develop its hair loss therapy and achieve commercial sales of its treatment procedure and devices. Proceeds allocated–approximately \$12 million.</p> <p>The Directors do not currently intend to allocate any of the net proceeds of the Offer to Gelesis. The Directors consider that Gelesis has sufficient funding from its existing cash resources to complete its on-going clinical trial and other activities.</p> <p>2. Invest in the development of new high-impact product candidates.</p> <p>In parallel with developing its growth stage companies, PureTech intends to advance its five project phase companies which are at an earlier stage in PureTech’s process and are expected to form the basis of future growth stage operating companies. PureTech currently has ten concept-phase initiatives with the potential to become the Group’s future operating companies.</p> <p>The Directors intend to continue to build and advance PureTech’s project phase operating companies and concept-phase initiatives following Admission. Accordingly, the Directors currently anticipate allocating approximately \$10 million annually to invest in the development of new high-impact product candidates at operating company and concept-phase initiative level.</p> <p>3. Continue to operate the Group’s efficient corporate platform.</p> <p>PureTech’s business model maintains central support functions at the parent level, thereby enabling its operating companies to focus on research and development activities whilst obtaining operational and financial support from PureTech. Whilst the Board seeks to maintain a strict focus on capital discipline, further expansion of the Group’s operational and administrative infrastructure is likely to be required in the future as the Group grows in size and as the operating companies mature.</p> <p>The Directors currently anticipate the cost of operating the Group’s corporate platform in an efficient manner to increase to approximately \$8 million per annum. The Directors believe that this expenditure will maximise the value of the Group’s operating companies and concept-phase initiatives.</p> |
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| | | <p>4. Retain flexibility to respond to other funding requirements as they arise.</p> <p>The balance of PureTech’s cash resources will remain unallocated until such time as it is required. The nature of PureTech’s business is such that the Directors believe that further opportunities will arise and this unallocated cash balance will enable the Group to respond to such opportunities. For example, the Directors anticipate that PureTech may allocate further funding from PureTech’s existing cash resources to Gelesis to support further growth of the company.</p> |
| E.3 | Terms and conditions of the offer | <p>The Offer comprises an offer of 67,599,621 Ordinary Shares to be issued by the Company.</p> <p>Under the Offer, all Offer Shares will be sold at 160 pence, being the price at which an Offer Share is to be issued or sold under the Offer (the “Offer Price”), which has been determined by the Company in consultation with the Joint Bookrunners. A number of factors have been considered in deciding the Offer Price and the basis of allocation under the Offer, including the level and nature of demand for Offer Shares and the objective of encouraging the development of an orderly and liquid after-market in the Ordinary Shares.</p> <p>The Offer comprises an offer to certain institutional and professional investors in the UK and in other jurisdictions outside the US in compliance with Regulation S.</p> <p>It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange on 24 June 2015. Settlement of dealings from that date will be on a two-day rolling basis. Prior to Admission, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 19 June 2015. The earliest date for settlement of such dealings will be 24 June 2015. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a “when issued basis”, will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.</p> <p>The Offer is subject to the satisfaction of conditions contained in the sponsor and underwriting agreement entered into between the Company, the Directors, PureTech LLC, Zohar LLC (the “Lending Shareholder”) and the Underwriters described in paragraph 12.1.1 (<i>Sponsor and Underwriting Agreement</i>) of Part XVI (<i>Additional Information</i>) of this document (the “Sponsor and Underwriting Agreement”) which are customary for transactions of this type, including Admission becoming effective by no later than 8.00 a.m. (London time) on 24 June 2015 or such later time and/or date as may be determined in accordance with the terms of the Sponsor and Underwriting Agreement and on the Sponsor and Underwriting Agreement not having been terminated prior to Admission.</p> <p><i>Inter alia</i>, the Company and the Joint Bookrunners have agreed in the Sponsor and Underwriting Agreement that they will ensure, as a condition to Admission and the Offer, that immediately upon Admission the proportion of Ordinary Shares beneficially owned by US residents will be 50 per cent or less. The Company and the Joint Bookrunners have agreed that they will not proceed with Admission unless this condition is satisfied.</p> |

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| | | <p>None of the Offer Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered and this document and any other offering material in relation to the Offer Shares may not be circulated, in any jurisdiction (including, without limitation, the US) where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p> |
| E.4 | Interests material to the issue/offer, including conflicting interests | <p>Other than as disclosed in Section B.6 above, there are no interests, including conflicting interests, that are material to the Offer.</p> |
| E.5 | Name of the offeror/ Lock-up agreements | <p>The Ordinary Shares are being offered by the Company pursuant to the Sponsor and Underwriting Agreement.</p> <p>Pursuant to the Sponsor and Underwriting Agreement, the Company has agreed to be subject to a 365 day lock-up period following Admission, during which time, subject to certain exceptions, it may not, <i>inter alia</i>, issue or dispose of any Ordinary Shares without the consent of the Global Co-ordinator.</p> <p>The Lending Shareholder, the Directors (including Shareholders related to the Directors), certain Senior Managers and advisers to the Board and other employees holding Ordinary Shares have entered into lock-up arrangements pursuant to which they have agreed to be subject to a 365 day lock-up period following Admission, during which time, subject to certain exceptions, it may not <i>inter alia</i>, issue or dispose of any Ordinary Shares without the consent of the Global Co-ordinator.</p> <p>Invesco and certain other Shareholders each holding Ordinary Shares representing one per cent or more of the share capital of the Company immediately prior to Admission, amounting in aggregate to 96,256,690 issued Ordinary Shares (approximately 42.4 per cent of the issued Ordinary Shares immediately following Admission assuming no exercise of the Over-allotment Option), have entered into lock-up arrangements for a 180 day period following Admission during which time, subject to certain exceptions, they may not, <i>inter alia</i>, dispose of any interest in Ordinary Shares held by them without the consent of the Global Co-ordinator.</p> <p>Certain Shareholders each holding Ordinary Shares representing 0.2 per cent or more (but less than one per cent) of the share capital of the Company immediately prior to Admission, amounting in aggregate to 12,620,660 issued Ordinary Shares (approximately 5.6 per cent of the issued Ordinary Shares immediately following Admission assuming no exercise of the Overallotment Option), have entered into lock-up arrangements for a 90 day period following Admission during which time, subject to certain exceptions, they may not, <i>inter alia</i>, dispose of any interest in Ordinary Shares held by them without the consent of the Global Co-ordinator.</p> |
| E.6 | Dilution | <p>Shareholdings immediately prior to Admission will be diluted by 29.7 per cent as a result of 67,599,621 Ordinary Shares issued pursuant to the Offer. These new Ordinary Shares will represent 29.7 per cent of the total issued Ordinary Shares immediately following Admission (before exercise of the Over-allotment Option).</p> |
| E.7 | Estimated expenses charged to investors by the Company | <p>Not applicable; no expenses will be charged to investors by the Company in respect of the Offer.</p> |

PART II—RISK FACTORS

Any investment in the Ordinary Shares would be subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and operating results. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

Prospective investors should note that the risks relating to the Company, its industry and the Ordinary Shares summarised in Part I (Summary) of this document are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) of this document but also, inter alia, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares.

RISKS RELATED TO THE GROUP

Failure or delay in completing clinical studies for any of the Group's operating companies' product candidates may prevent it from obtaining regulatory approval on a timely basis, or at all, which would require the Group to incur additional costs and would delay or prevent receipt of any product revenue, or prevent commercialisation of product candidates

Clinical studies are typically expensive, complex and time-consuming and generally have a high rate of failure. It is therefore expected that clinical studies will have uncertain outcomes. Conditions in which clinical studies 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. Failure can occur at any stage of the testing and the Group may experience numerous unforeseen events during, or as a result of, the clinical study process that could delay or prevent commercialisation of its operating companies' product candidates. All of the growth stage operating companies are subject to such risks, including those with near-term clinical trial data read-outs (e.g. Akili, Gelesis and Tal) from trials designed to validate their product candidates' safety and efficacy. Several factors could result in the failure or delay in completion of a clinical study, including but not limited to:

- inability or delays in securing clinical investigators, qualified subjects or clinical study sites;
- inability or delays in obtaining institutional review board or other regulatory approvals to commence a clinical study;
- inability to monitor subjects adequately during or after treatment;
- inability to replicate in large studies, safety and efficacy data obtained from a more limited number of subjects in controlled earlier clinical studies;
- inability or unwillingness of medical investigators or subjects to follow agreed clinical protocols;
- unexpected adverse effects or other safety issues; and
- lack of efficacy of the product.

The Group relies on third parties to enrol qualified subjects and conduct, supervise and monitor its clinical studies. Its reliance on these third parties for clinical development activities reduces its control over these activities. Its reliance on these parties, however, does not relieve the Group of its regulatory responsibilities, including ensuring that its clinical studies are conducted in accordance with relevant regulations.

Clinical studies for some of the operating companies' product candidates also involve preclinical models. Failure of such tests or issues and concerns associated with such testing could give rise to failure or delay to the clinical studies. In addition, clinical studies based on preclinical models may not be predictive of human response to a product candidate.

The US Food and Drug Administration (“FDA”), Health Canada and other relevant regulatory authorities or institutional review boards may suspend, impose restrictions on or terminate clinical studies of product candidates at any time if the subjects participating in such clinical studies are being exposed to health risks deemed unacceptable or for other reasons. The Group has not to date obtained FDA or other regulatory approval for any of its products. There is therefore a risk that its development plans and clinical results may not satisfy applicable regulatory requirements.

The Group’s current plans for the commercialisation of its operating companies’ product candidates depend on it meeting current estimates for the timing of completing clinical studies and obtaining regulatory approvals. Failure or delay in clinical studies and any failure or delay to receive or maintain, approval or clearance of the operating companies’ product candidates could have a material adverse effect on the Group’s business, results of operations or financial conditions.

The Group currently has 12 operating companies and constantly seeks new opportunities to identify and develop promising technologies. There is no guarantee that the Group can maintain its historical operating company growth rate, select promising technologies for its themed initiatives which are capable of achieving accelerated development, or continue to manage future growth through new themes

The growth of the Group’s business is based on its ability to identify themed initiatives that yield technologies with high impact potential, clear differentiation and defined anticipated milestones to drive value inflection. The Group reviews, on average, 650 technologies annually, with the technologies PureTech advances often being identified directly through relationships with leading scientists at major academic institutions. The Company may be unable to identify additional themed initiatives or source promising technologies, either at its current rate or at all and it may be unable to continue or further develop its processes for securing talent for its scientific advisory boards or to form new operating companies. Due to the early-stage nature of the technologies targeted by PureTech, an inability to source appropriate expertise to support the formation and development of its initiatives could seriously limit the range of opportunities that the Group could pursue.

In addition, the creation of additional operating companies may place significant demands on the Group’s combined management, operational and financial infrastructure. Significant management time, industry experience and scientific expertise are required to effectively manage the Group’s disciplined milestone driven processes. Any failure to scale the Group’s team could result in the Group not being able to effectively manage its proactive, theme-driven company creation model going forward.

The realisation of any of the risks described above could materially and adversely affect the Group’s business, prospects, financial condition and results of operations.

The Group may fail to identify or accurately evaluate some of the most promising new technologies, or may acquire new technologies that are either less promising than other competing new technologies or the development of which is blocked by intellectual property to which the Group does not have access

The Group’s business model is critically dependent on its ability to identify and evaluate potentially promising new technologies and to develop products based on such early-stage technologies that it believes are neither currently marketed nor in development to potentially treat perceived unmet healthcare needs. The Group may fail to identify some of the most promising new technologies available in these areas for any number of reasons, including because of a lack of innovation in the area, or because the Group does not have visibility into all laboratories throughout the world. Although the Group maintains broad relationships with many key experts and institutions, there will inevitably be key experts and institutions with which it does not have a relationship. In such cases, promising new technologies developed by those key experts and institutions may not come to the Group’s immediate attention. In addition, the Group may be unaware of products which are already in existence or are in development that would treat the healthcare need pursued by the Group, such products having the potential to undermine the commercial basis for the themed initiative.

Even where the Group is successful in identifying new technologies or developing them “in-house”, it may fail to assess accurately the technical feasibility or commercial prospects of the new technology. Although the Group has a multi-stage evaluation process designed to filter out efficiently those new technologies that do not demonstrate the greatest promise, there is no guarantee that this evaluation process will not mistakenly identify as promising technologies those that in fact cannot be satisfactorily developed into commercially viable products. The new technologies pursued by the Group may be less technically feasible or less commercially attractive than competing technologies of which the Group is unaware or which the Group mistakenly views as less attractive.

When the Group identifies a new technology that its multi-stage evaluation process has evaluated as attractive and worth pursuing further, the Group attempts to secure rights to commercially develop the new technology by entering into negotiations to acquire ownership or co-ownership of, or a licence to exploit, the relevant intellectual property. The evaluation of new technologies is reliant upon research performed by universities and other bodies, but this may be required to be funded by the Group in the event that such university research is not available. Funding research could incur significant costs for the Company. Although the Directors believe that the Group has an advantage in some areas over potential competition through its relationship with leading scientists at major institutions, there can be no guarantee that further competition will not develop in the future and that such competitors will not be able to offer more attractive terms than the Group. See also *Risk Factors*–“*The Group faces competition, including from organisations with access to greater capital than the Group*” on page 22 of this document. In addition, the universities and research institutions with which the Group negotiates are not subject to the same commercial pressures as a business enterprise would be. As such, the negotiation process in respect of any particular piece of intellectual property may be arduous and its outcome may be difficult to predict. The Group may not be able to secure the rights it seeks or where it does, it may be compelled to agree to potentially onerous terms and conditions in order to secure the relevant intellectual property, including the payment of significant licence fees, royalties and milestones.

Any failure by the Group to identify promising new technologies, accurately evaluate their technical or commercial prospects or acquire intellectual property rights to such technologies could have a material adverse effect on the business, results of operations or financial condition of the Group. In addition, the commercial arrangements relating to intellectual property rights over the technologies may lead to a significant portion of the value of the Group’s commercial development of a new technology being payable to others, which could also have a material adverse effect on the business, results of operations or financial condition of the Group.

The Group depends on its advisory network and highly qualified management, clinical and scientific personnel and any failure to hire, retain, manage and motivate such advisors and personnel could have a material adverse effect on the Group

The industries in which the Group operates are specialised and the Group therefore requires highly qualified management, clinical and scientific personnel. The Group’s management team includes leading scientific experts and executives with extensive experience in healthcare. The Group’s business is also supported by its external international advisory network of more than 50 experts across multiple disciplines, from entrepreneurs to world-renowned scientists. The Group is reliant upon these individuals and the strength of their ability to identify and source promising technologies. The Group does not have any formal relationship or partnership agreements with universities or other research institutions and is reliant upon individual connections. Whilst the Group’s relationship with the individuals in its advisory network is typically recorded in written agreements, this is not always the case and the agreements may not contain exclusive commitments from the individuals and/or may not be contractually binding. Some of the agreements are terminable on short notice and in some cases have formally expired, although in most cases the advisors are continuing on the same terms. Any deterioration in the Group’s advisory network could impact its ability to identify promising technologies and this could have a material impact on the Group’s future prospects.

There is a risk that the Group’s employees and members of its advisory network could be approached and solicited by competitors of the Group or other scientific and technology-based companies or organisations, or decide to leave the Group for other reasons. Some of the Group’s employees’ service agreements are terminable on notice of 30 days. The service agreements of some of the Group’s management are terminable on short notice. In addition, the consultants and advisors, including scientific and clinical advisors, upon whom the Group relies to assist it in formulating research development and commercialisation strategy, may be employed by employers other than the Group and may have commitments under consulting or advisory contracts with other entities that may limit their availability to the Group or their ability to refer promising technologies to the Group. In addition, the consultants and advisors may not be exclusively contracted to the Group.

The Group’s advisors are high calibre individuals primarily drawn from leading academic institutions and industry. In many cases, such advisors are staff members at academic institutions and may be subject to the institutions’ policies concerning consulting and conflicts of interest. These policies may restrict the advisors’ ability to conduct research (including that sponsored by a third party) or from undertaking any activity that may conflict with the performance of advisors’ duties at their academic institutions or from

referring technologies to third parties for development. Furthermore, any event that negatively impacts the Group's reputation would seriously undermine its ability to attract and retain such key advisors.

The Group will also need to hire additional personnel as the operating companies expand their clinical development and commercial activities. As the Group sources intellectual property investment opportunities through long-term relationships with its Directors and management, any failure to attract, retain, manage and motivate the highly-trained, very experienced personnel that are integral to its business model may limit the Group's ability to commercialise technology and generate revenue.

Competition for such qualified personnel in the biotechnology, pharmaceutical and medical device field is intense and the Group faces competition for the hiring of scientific and clinical personnel from other biotechnology, pharmaceutical and medical device companies, as well as universities and research institutions. The Group may not be able to attract and retain quality personnel on acceptable terms, if at all. In particular, the Group may not have the financial resources to compete with the salary and other incentivisation packages offered by its competitors or other scientific and technology-based companies or organisations which will affect the ability to run the current operating companies successfully and could limit the flow of suitable opportunities to the Group.

The Group is subject to risks associated with developments in the healthcare sector

The healthcare sector is characterised by rapid technological changes, frequent new product introductions and enhancements and evolving industry standards. The Group's operating companies may encounter unforeseen operational, technical and other challenges as their products and services are deployed and tested, some of which may cause significant delays, trigger contractual penalties or result in unanticipated expenses and/or damage to the Group's reputation. The Group may also be liable for product warranty claims as a result of defects or failures of such new products and services, which may prove costly in terms of litigation or settlement costs, reputational damage, loss of business to competitors, damage to relationships with suppliers and time devoted to remediation of any such defects or failures. The occurrence of any of these events may have a material adverse effect on the Group's operating companies, financial condition, future trading performance and prospects.

The Group faces competition, including from organisations with greater access to capital than the Group

The Group has competitors in the UK, the US and internationally, both in relation to identifying and developing early-stage technologies as well as in the discovery and development of product candidates. The Company's competitors include universities and other research institutions as well as established pharmaceutical companies and biotechnology companies. The degree of competition in the market sectors where the Group is seeking to develop its products could materially adversely affect the Group's prospects, financial condition and results of operations.

Universities, research institutions and companies may create intellectual property that competes, directly or indirectly, with that generated and/or licensed by the Group's operating companies. There are a number of other companies and other organisations seeking to provide commercialisation services to universities and research intensive institutions in the US. These companies and organisations operate through a variety of business models and include venture capital and private equity funds, the technology transfer offices of certain universities, accelerators, incubators, strategic funds, business angels and other boutique investors. Certain universities and other research intensive institutions may also in the future become increasingly proactive at seeking to raise private sector funding to support their "in-house" technology commercialisation activities. As a result, the Group faces significant competition including competition from organisations which have much greater capital resources than the Group. Such companies and organisations may also have more experience in identifying, acquiring and commercialising technologies and have greater financial and management resources, brand name recognition or industry contacts. Increased competition in the identification and commercialisation of promising new technologies invented by universities and research institutions could have a material adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

Established pharmaceutical and biotechnology companies may invest heavily to accelerate the discovery and development of product candidates that could make the Group's product candidates less competitive. The Group's competitors may succeed in developing, acquiring or licensing, on an exclusive basis, pharmaceutical product candidates that are more effective or less costly than any product candidate which the Group is currently developing or which it may develop. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and/or safety in order to overcome price competition and to be commercially successful. Accordingly, the

Group's competitors may succeed in obtaining patent protection, receiving approval from the FDA, the European Medicines Agency ("EMA") or other regulatory authorities or discovering, developing and commercialising pharmaceutical products before the Group does, which would have a material adverse impact on the Group's business.

The Directors believe that many of its competitors have substantially greater financial, technical and other resources, such as larger research and development teams and experienced marketing and manufacturing organisations and well-established sales forces. The availability and price of the Group's competitors' products could limit the demand and the price the Group is able to charge for any of its product candidates, if approved. The Group will not achieve its business plan if sales are inhibited by price competition or the reluctance of physicians to switch from existing pharmaceutical products to the Group's products or if physicians switch to other new pharmaceutical products or choose to reserve the Group's products for use in limited circumstances. Competition from lower-cost generic pharmaceuticals may also result in significant reductions in sales volumes or sales prices for the Group's products, which could materially adversely affect its business, prospects, financial condition and results of operations.

Closure of technology transfer offices and/or spin-out equity management offices at universities and other research intensive institutions may make it difficult for the Group to license opportunities

PureTech may seek to negotiate a licensing arrangement with an advisor's university or research institution through its technology transfer office. One or more of such institutions may choose to close its technology transfer office and/ or spin-out equity management offices. The closure of such an office may make it more difficult for the Group to license opportunities emanating from that university or research institution.

The Group's ability to realise value from its operating companies may be impacted if the Group reduces its ownership to a minority interest or otherwise cedes control to other investors through contractual agreements

It is the Group's policy generally to maintain a majority voting interest (i.e. an interest of more than 50 per cent) through at least the early stages of development of its operating companies. With the exception of one operating company, the Company currently generally maintains control over the timing and other terms upon which an operating company might generate revenue for the Group. However, as each operating company develops and requires more capital it is possible that the Group may decide to introduce further third party investors to the operating company, or the Group may agree to contractual arrangements for the funding of further developments by one or more of its operating companies and, as a result, in the longer term it may not have majority control of such operating company or may not be able to exercise control over the affairs of such operating company including that company's governance arrangements and access to management and financial information. In the event the Group enters into arrangements which cede or share control of an operating company, the Group might be required to become subject to provisions which could force the Group to exit from that operating company at a time and/or price determined by other investor(s) (for example, by the exercise of drag-along rights). If the Group was forced to exit out of an operating company, this could have a material adverse effect on the Group's business, financial condition or results of operations and prospects. In addition, if the affairs of one or more operating companies in which the Company holds a minority stake were to be conducted in a manner detrimental to the interests or intentions of the Company, the Group's business, reputation and prospects may be adversely affected.

There may also be restrictions on the issue or the transfer of shares (e.g. pre-emptive rights or drag-along or tag-along rights) which could mean that the Group will not be able freely to transfer its interest in an operating company or procure the sale of the entire issued share capital of one of the operating companies. In addition, many operating companies have employee share plans which further dilute the Group's interest in such business. For further details, see paragraph 8 (*Equity Incentive Plans*) of Part XVI (*Additional Information*) of this document. If the affairs of one or more operating companies were to be conducted in a manner detrimental to the interests or intentions of the Group or if the Group was unable to realise its interest in an operating company or suffered dilution of its shareholding, this could have a material adverse effect on the Group's business, financial condition or results of operation and prospects.

If the Group was to cease to qualify as a “foreign private issuer” under the US Exchange Act, it could be required to register its Ordinary Shares and become a reporting company under the US Exchange Act, which would be time-consuming, expensive and would subject the Group to conflicting requirements

At Admission, the Company will qualify as a “foreign private issuer” for the purposes of the US Exchange Act (as less than 50 per cent of its Ordinary Shares will be beneficially owned by US residents (the “Shareholder Test”). Such qualification as a “foreign private issuer” is a condition to Admission and the Offer. The Company and the Joint Bookrunners have agreed that they will not proceed with Admission unless this condition is satisfied.

If the proportion of the Ordinary Shares beneficially owned by US residents was to exceed 50 per cent at the end of the Company’s second fiscal quarter of the current or any subsequent fiscal year, the Company would cease to qualify as a “foreign private issuer” and would be treated as a US domestic issuer for purposes of US securities laws. As a US domestic issuer, the Company would face certain requirements different to those applicable to foreign private issuers. In particular, if, at the last day of the relevant fiscal year, the Company’s assets and number of shareholders were to exceed the levels specified in section 12(g)(1) of the US Exchange Act, the Company would lose its current exemption from the registration and reporting requirements of the US Exchange Act and would be required to register its Ordinary Shares with the US Securities and Exchange Commission (the “SEC”) no later than 120 days following the end of such fiscal year.

US Exchange Act registration would subject the Group to reporting requirements, some of which would be additional to the requirements applicable to a UK public listed company, including, *inter alia*, the requirement to prepare annual and periodic financial statements using US generally accepted accounting principles, as opposed to the International Financial Reporting Standards, as adopted by the European Union (“IFRS”), the requirement to file annual, quarterly and periodic reports with the SEC in accordance with a set of regulations which differs from those of the UK, different rules on corporate governance, the reporting of shareholder ownership and changes therein and mandatory rules governing the solicitation of proxies for meetings of shareholders. This would require the Company to undertake significant additional work, devote management time and incur additional expenses in order to both initially register its Ordinary Shares with the SEC and continue to comply with the on-going reporting requirements applicable to reporting US domestic issuers under US securities laws.

In addition, as a US domestic issuer, the Company would face certain challenges relating to raising additional funds by offering securities outside the US, as such offerings would either require the registration of shares with the SEC or reliance on a limited set of available exemptions from such registration (e.g. relying on a Category 3 offering exemption under Regulation S).

Although the Company will monitor its shareholder base and, in particular, intends to monitor the proportion of its shareholder base which is made up of US residents, it may not be able to identify accurately all US persons on its share register due to shareholdings being held through nominees or investment managers. Furthermore, there are not currently, and it may not be possible to implement in the future any, mechanisms in place that would permit the Group’s management to reduce the relevant percentage to below 50 per cent at any relevant testing date or that would otherwise allow the Company to avoid the loss of foreign private issuer status. In view of the above, if the Company were to lose its foreign private issuer status, it might be required to register its Ordinary Shares and become a reporting company under the US Exchange Act, which could have significant disruptive effects on the Group’s management and business.

If the Group is deemed to be an “investment company” subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for the Group to continue its business as contemplated and could have a material adverse effect on its business

The US Investment Company Act of 1940, as amended (the “Investment Company Act”) regulates companies which are, or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Even if a company is not so primarily engaged, any company which engages in investing, reinvesting, owning, holding or trading in securities may be deemed to be an investment company under the Investment Company Act if it owns investment securities with a value exceeding 40 per cent of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis, unless an exemption or safe harbour applies. This test is referred to as the “40 per cent Test”. Securities issued by companies other than consolidated partner companies are generally considered “investment securities” for purposes of the Investment Company Act, unless other

circumstances exist which actively involve the company holding such interests in the management of the underlying company.

The Company seeks to build value by forming majority-owned operating companies. The Company is not, and does not hold itself out as being, engaged primarily in the business of investing, reinvesting or trading in securities and, it is not engaged in the business of investing, reinvesting, owning, holding or trading in securities and does not own, or propose to acquire, investment securities exceeding 40 per cent of the value of its total assets (exclusive of US government securities and cash items). Consequently, the Company does not believe it is, nor does it expect to become, an investment company under the Investment Company Act. Currently the Company holds more than 50 per cent in the share capital of a majority of its operating companies and currently intends to continue to seek to structure its new businesses in such a way as to hold majority holdings in its operating companies at the outset. The Company's strategy does, however, contemplate the realisation of value from the businesses conducted through its operating companies, including by way of the issuance or sale of equity stakes in these operating companies. The Company's interest in any such operating company may be reduced or diluted as a result of any such issuance or sale. To the extent that the Company's interest in its current and/or future operating companies were to be reduced or diluted down to below 50 per cent, the remaining shares in the operating companies held by the Company could be deemed to be "investment securities" for purposes of the 40 per cent Test which may cause the Company to exceed the 40 per cent limit on holding investment securities. For example, the potential initial public offering of Gelesis could (depending on the market valuation of the shares of Gelesis) result in the Company approaching the 40 per cent limit. The Company may alternatively in the course of structuring and operating its business elect to rely upon an exemption under the Investment Company Act that does not apply the 40 per cent Test. If the Company were to fail the 40 per cent Test or be unable to otherwise rely upon an exemption under the Investment Company Act, then it would be required to register as an investment company under the Investment Company Act.

As a non-US entity, there can be no assurance that the Company would be able to register as an investment company under the Investment Company Act. If the Company is able to so register under the Investment Company Act, the Company may not be able to continue to operate its business as currently contemplated and still comply with the requirements of the Investment Company Act applicable to registered investment companies. If the Company is required to, but is unable to, so register, the Company may be required to reorganise its business or alter its position in one or more of its operating companies either to ensure it is able to satisfy the 40 per cent Test or rely upon another exemption from such registration.

The Investment Company Act and the rules thereunder contain detailed parameters for the organisation and operation of investment companies. *Inter alia*, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. If anything were to happen which would cause the Company to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on capital structure, ability to transact business with operating companies and ability to compensate key employees, could make it impractical for it to continue its business as currently conducted, impair the agreements and arrangements between and among the Group and materially adversely affect the business, financial condition and results of operations. Although the Company will monitor its operations and will seek to conduct its business activities in such a way so as to satisfy the 40 per cent Test or the requirements of another applicable exemption at all times, it may fail to do so. Additionally, measures taken to comply either with the 40 per cent Test or another applicable exemption could materially restrict the Company's ability to manage and grow its businesses.

The Company and the Group could be deemed to be under foreign ownership, control or influence for the purposes of regulations set by the Committee on Foreign Investment in the United States ("CFIUS") which reviews transactions that impact on the national security of the United States

CFIUS is a US Executive Branch inter-agency committee authorised to review transactions that could result in control of a US business by a foreign person ("covered transactions"), in order to determine the effect of such transactions on the national security of the United States. The Reorganisation and Admission each amount to a "covered transaction". If the transfer of technology or assets to the Company is, at any time, viewed as threatening the national security or infrastructure interests of the United States, the Company could be required to take actions to protect these interests, such as changes in Board of Directors' governance procedures or the termination of certain contracts with external partners, and in the

most severe instances, the transactions could be unwound. The Directors believe that it is very unlikely that the Reorganisation and Admission would become the subject of review by CFIUS and, even if this were the case, it is unlikely that the arrangements would be viewed as threatening the national security or infrastructure interests of the United States, and, even if this were the case, it is likely that the Company could protect these interests without a requirement to unwind the transactions. The Directors note that such action by the US government in this context would be unprecedented.

Upon Admission, the Company's shares will be listed on the Official List and admitted to trading on the London Stock Exchange. The Ordinary Shares will be freely transferable and could be acquired by persons that are actively hostile to the US government. In particular, the Company could be the subject of a public takeover under the Takeover Code and/or could become wholly-owned or significantly controlled by another entity from a country outside the US. For more details on the Takeover Code, please see paragraph 18 (*Mandatory Bids, Squeeze Out and Sell Out Rules Relating to the Ordinary Shares*) of Part XVI (*Additional Information*) of this document. Such acquisition could be a "covered transaction" for the purposes of CFIUS. Such changes or notifications in relation to the Company's CFIUS status could prompt the US federal government to intervene and utilise the wide ranging powers it has available under the regulation of CFIUS, if it considers the changes in ownership of the Company to be against the US national interest. If such change in ownership of the Company is, at any time, viewed as threatening the national security or infrastructure interests of the US, the Company could be required to take actions to protect these interests, such as changes in Board of Directors' governance procedures or the termination of certain contracts, and in the most severe instances, the transaction could be unwound. This could potentially have a material adverse effect on the Group's business and prospects.

The value of the Group may be dominated by a single or limited number of operating companies or licensing agreements

A large proportion of the overall value of the Group may at any time reside in a small proportion of the Group's various businesses. Accordingly, there is a risk that if one or more of the intellectual property rights relevant to a valuable business were impaired this would have a material adverse impact on the overall value of the Group. Furthermore, a large proportion of the overall revenue generated by the Group may at any time be the subject of one, or a small number of, licensed technologies. Should the relevant licences be terminated or expire this would be likely to have a material adverse effect on the revenue received by the Group. Any material adverse impact on the value of the business of an operating company could, in the situations described above, or otherwise, have a material adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

The Group's operating companies are difficult to value accurately given that all of their product candidates are in the development stage

Investments in early-stage companies are inherently difficult to value since sales, cash flow and tangible asset values are very limited, which makes the valuation highly dependent on expectations of future development, and any future significant revenues would only arise in the medium to longer terms and are uncertain. Equally, investments in companies just commencing the commercial stage are also difficult to value since sales, cash flow and tangible assets are limited, they have only commenced initial receipts of revenues and valuations are still dependent on expectations of future development. As a means of promoting transparency, the Directors also present, as supplementary information, ownership adjusted valuations of each of the Group's growth stage operating companies by value. This supplementary valuation disclosure has been prepared on the basis of the American Institute of Certified Public Accountants' Valuation of Privately-Held-Company Equity Securities Issued as Compensation ("AICPA Guidelines"). The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The operating company valuations are not presented as alternative measures to and should be read in conjunction with, PureTech's consolidated financial information prepared in accordance with IFRS as set out in Part XII (*Historical Financial Information*) of this document. There can be no guarantee that the valuation of the Group will be considered to be correct in light of the future performance of the Group's operating companies, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its operating companies. In addition, the Group could become susceptible to expensive litigation in the event it sells an operating company below or not substantially above its perceived fair value.

The Group generates limited revenue, has not been profitable in the past and may never become profitable in the future

Whilst the Group has an established model for identifying and evaluating scientific innovations and technologies, protecting intellectual property, hiring skilled personnel, negotiating and concluding licence deals, forming new operating companies, raising external funding and entering strategic partnerships with third parties, to date its revenues have been limited and it has not generated significant revenue through the sale of products, services or royalties. The ability of the Group to generate revenue depends on a number of factors, including the market's appetite for investments in scientific and technology companies with a limited or no trading history, as well as valuations in the market sectors in which its businesses participate. As such, there can be no guarantee that the expenditure made to date by the Group and the expenditure the Group expects to make going forward will produce revenue. Revenue that is lower than expected, or non-existent, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group has reported a consolidated loss under IFRS in each of the past three years and has not been profitable in any period since its inception. There is no guarantee that the Group will ever become profitable and, even if it does so, it may be unable to sustain profitability. The Group expects to continue to incur substantial expenditure in further research and development activities of its businesses. The Group's failure to become and remain profitable could depress the value of the Ordinary Shares and could impair its ability to raise further capital, expand its businesses, maintain its research and development efforts or diversify its product offerings.

The Group's operating companies may fail to commercialise their product candidates, lose value or fail to generate the anticipated level of returns

Due to the early-stage nature of the Group's activities, any of the Group's operating companies, even those that are in the more advanced stages of development or in which the Group has invested significant capital, may fail to commercialise their product candidates or not succeed as anticipated, resulting in an impairment on the Group's value and/or profitability. Where a project has failed to deliver sufficient additional proof points and no longer supports on-going development and commercialisation activity, the Group will look to terminate the investment. In addition, certain Group operating companies may not perform as expected, requiring the Group to assess on-going development and commercialisation activity and take action to address the underperforming business. Action to address underperforming businesses can include restructuring of management, termination of services agreements of employees or termination of consultancy arrangements. PureTech has shut down five companies founded since 2004, spending less than \$500,000 per company on average, excluding PureTech personnel costs, prior to shutting them down. The Group plans to allocate significantly higher amounts to its operating companies, particularly its growth stage operating companies, going forward. For example, in March 2015 it allocated \$5 million to Tal. These higher allocations may result in future losses per operating company being significantly higher than the aforementioned \$500,000 average cost.

Failure of any Group operating company, including any of its existing businesses in which it has invested significant capital or any new businesses, may have an adverse effect on the financial performance of the Group and otherwise impact the Group's business, results of operations or financial condition. In addition, failure of the Group to promptly identify and address underperforming businesses or to successfully redirect the business or the Group's capital to an alternative commercial path or to terminate the business at a sufficiently early-stage, may each have an adverse effect on the financial performance of the Group and otherwise impact the Group's business, results of operations or financial condition. Underperforming businesses particularly those where the Group has already invested significant capital may make it more difficult for other Group operating companies to raise additional capital given the impact such failure(s) may have on the reputation of, and therefore investor confidence in, the Group, its management team and/or its businesses.

Equity realisations and payments under licences may vary from year to year

As equity realisations from operating companies are expected to be achieved through liquidity events, including trade sales and initial public offerings, the total income receivable by the Group from these sources may vary substantially from year to year. In addition, payments under licences are often subject to milestones which may not be achieved, meaning the total income receivable by the Group from these

sources may also vary substantially from year to year. These variations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group may require additional financing in the longer term and there is no guarantee that it will be able to obtain such funding on commercially acceptable terms or at all

Whilst the Directors currently anticipate allocating the net proceeds of \$157 million towards developing the growth stage operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through partnerships and/or commercial sales, some or all of the Group's operating companies may have significant funding requirements in the longer term in connection with funding further research, expansion activity and business development of new or additional product candidates or there may be further funding activity, in addition to that currently anticipated in order to bring the principal product candidates to a stage where they can generate significant revenues, for the purpose of further developing such businesses. The Group may seek to meet these funding requirements through arrangements with third party investors, including through equity realisations from the Group's operating companies or from new equity or debt sources, at either the Group or operating company level. The success of these businesses and the availability of third party funding, may be influenced by the market's appetite for investment in early-stage companies which may be insufficient in relation to the funding demands of the Group's operating companies. As a result, it may take longer than anticipated to develop the business or it may not be able to develop the business at all. It may take longer for the Group to realise value from equity holdings in operating companies which have significant funding requirements and the consideration received by the Group may include shares and/or deferred cash consideration, the value of which may depend upon the future performance of an operating company. Alternatively, the Group may not realise value from such holdings at all. If the Group fails to obtain sufficient capital on acceptable terms, it may be forced to curtail or abandon its planned expansion activity and to forego further investment in developing its current business. Any such occurrence may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, additional equity financing through shares issued by the Company could dilute the number of shares in issue and therefore the value of the Ordinary Shares for Shareholders (see *Risk Factors*—“*Further issuances of Ordinary Shares may be dilutive*” on page 43 of this document), while additional equity financing at the operating company level would dilute the interests of the Group (and thus of its Shareholders) in the future results of the business conducted through the relevant operating company. In addition, any future debt financing could restrict the Group's ability to make capital expenditures or incur additional indebtedness, all of which could impede returns.

The Group has in the past and proposes to continue following Admission to raise funding for any particular operating company by way of an issue of shares in that company to third parties, either separately or co-investing with the Group. Following Admission, there may be restrictions on the participation of certain co-investors with the Group on such fundraising rounds. In the past the Group has co-invested together with some of its institutional shareholders in certain of the Group's operating companies. Such arrangements may be restricted following Admission due to restrictions under the listing rules of the FCA made under section 74(4) of FSMA (“Listing Rules”) and the disclosure rules and transparency rules of the FCA made under section 73A(3) and 73A(6) of FSMA (“Disclosure and Transparency Rules”), particularly the rules governing related party transactions. The Company may be limited in its ability to enter into transactions with its significant shareholders through the Listing Rules governing transactions with related parties, or the Company may require approval of its other shareholders by resolution passed at a general meeting of the Company before it can enter into such arrangements. Any of these developments could result in a reduction of funding available to the Group's operating companies and could thereby reduce the Group's revenues, increase its losses and adversely affect its business, financial condition or results of operations and prospects.

Changes in legislation and policy may impact the resources and technology available to the Group

There may be unforeseen changes in US federal or state laws, or changes to regulation or policy (including taxation legislation), or other changes in the terms upon which public monies are made available to universities and research institutions. There may also be changes in English law which impact the operation of the Group. A change in legislation or policy may: (i) adversely affect the monies and resources available to the Group's operating companies; (ii) affect their entitlement to enter into funding agreements under which the Group would have a role in exploiting the intellectual property; or (iii) affect the right of the universities and research institutions to transfer intellectual property to, or to share

revenues with, the Group. If the universities or research institutions experience a pronounced reduction in their research funding, this may have an adverse effect on the quantity and quality of the output from the research and development conducted at these institutions, thereby reducing the quantity and value of the intellectual property made available to the Group. This could result in universities and research institutions no longer being able, or for it to become commercially unattractive for them, to own, exploit or protect intellectual property. This may have a material adverse effect on the financial position or performance of the Group.

Changes in government policy or legislation (including changes to tax legislation) or other terms upon which the academics are incentivised could make it commercially unattractive for research academics to participate in the commercialisation of intellectual property which they create. This would represent a fundamental risk to the viability of the Group's business and prospects.

The general global economic climate and trading conditions may adversely affect the Group's revenues

The performance of the Group is influenced by global economic and financial conditions. Weak economic growth may have an adverse effect on trading conditions and the Group may find it increasingly difficult to raise new capital and/or exit existing Group operating companies in order to realise capital to invest in its existing or new businesses. This could adversely affect the business, financial condition, results of operations and prospects of the Group.

In addition, restrictions on public or private spending resulting from adverse global economic and financial conditions could lead to a reduction in the income and/or growth which the Group hopes to derive from the commercialisation of intellectual property rights. For example, prospective licensees of the Group's intellectual property rights may seek to reduce the costs incurred in securing rights over intellectual property, through lower upfront licence fees, while existing licensees and Group operating companies may find it more difficult to sell products to generate income and growth and may seek to revise the terms of their current licence agreements. Any reduction in the revenue that the Group derives from the commercialisation of intellectual property rights may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group's shares will trade in pounds sterling whilst the operating currency for the Group is US dollars and the Group also has income and expenditure in other currencies

Foreign exchange risk is an exposure for the Group as it will derive a large proportion of any licensing and royalty payments in US dollars and the Group's operating companies borrow, account in and are valued in, US dollars but its shares will trade amounts denominated in pounds sterling. In addition, the Group intends to allocate the majority of the proceeds of the Offer, which will be denominated in sterling, to its businesses, which operate in the US and whose functional currency is US dollars. Furthermore, the Euro is relevant to the income and operational expenditure of the Group in relation to Gelesis' operations in Europe. The Group does not currently actively hedge against currency exposures although this policy is kept under review. Accordingly, the Group may experience adverse fluctuations in the sterling-denominated valuation and trading price of its shares, as well as any dividends paid on its shares, because of fluctuations in currency exchange rates.

The Controlling Shareholder will continue to have substantial influence over the Group

Invesco will hold approximately 33.5 per cent of the Group's Ordinary Shares immediately after Admission. In addition, Invesco holds equity interests in Gelesis (approximately 9.6 per cent on a diluted basis) and Tal (approximately 14.2 per cent on a diluted basis) and also has the right to nominate a director to Tal's board of directors. Accordingly, Invesco may, as a practical matter, be able to influence certain matters requiring approval by shareholders, including approval of significant corporate transactions in certain circumstances. Such concentration of ownership may also have the effect of delaying or preventing any future proposed change in control of the Group. The trading price of the Ordinary Shares could be adversely affected if potential new investors are disinclined to invest in the Group because they perceive disadvantages to a large shareholding being concentrated in the hands of a single shareholder. The interests of Invesco and the Shareholders that acquire Ordinary Shares in the Offer may not be aligned. Invesco may make acquisitions of, or investments in, other businesses in the same sectors as the Group. These businesses may be, or may become, competitors of the Group. In addition, funds or other entities managed or advised by Invesco may be in direct competition with the Group on potential acquisitions of, or investments in, certain businesses.

RISKS RELATING TO THE GROUP'S EXISTING OPERATING COMPANIES

If serious adverse side effects are identified for any of the Group's operating companies' product candidates, the Group may need to abandon or limit its development of that product candidate, which may delay or prevent marketing approval, or, if approval is already received for the product candidate, require them to be taken off the market, require them to include safety warnings or otherwise limit or prevent their sales

Not all adverse effects of drugs or medical devices can be predicted or anticipated. Serious unforeseen side effects from any of the Group's operating companies' product candidates could arise either during clinical development or, if approved by regulatory authorities, after the approved product has been marketed. All of the Group's product candidates are still in clinical or preclinical development or research. While the Group's clinical studies for its operating companies' product candidates to date have demonstrated acceptable safety profiles, the results from future trials may not support this conclusion. Undesirable or unacceptable side effects could interrupt, delay or halt clinical studies and result in the delay of, or failure to obtain, marketing approval from the FDA, the EMA and other regulatory authorities, or result in marketing approval from the FDA, the EMA and other regulatory authorities with restrictive label warnings or potential product liability claims.

As larger numbers of subjects are enrolled in advanced clinical studies for the Group's operating companies' product candidates, the risk that uncommon or low frequency but significant side effects are identified may increase.

Any of these events could prevent the Group from achieving or maintaining market acceptance of the affected product or could substantially increase commercialisation costs and expenses, which in turn could delay or prevent the Group from generating significant revenue from the sale of its products. In particular, criminal or civil proceedings might be filed against the Group by study subjects, patients, the regulatory authorities, pharmaceutical companies and any other third parties using or marketing its product candidates. These actions could include claims resulting from acts by its partners, licensees and subcontractors, over which the Group has little or no control. Product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product candidate, negligence, strict liability and a breach of warranties. These product liability claims could subject the Group to associated adverse publicity and if the Group cannot successfully defend itself against such claims, it may incur substantial liabilities or be required to limit commercialisation of its product candidates, even if approved. Even a successful defence could require significant financial and management resources.

Even if the Group completes the necessary preclinical and clinical studies, it cannot predict when or if it will obtain regulatory approval to commercialise any of its product candidates or if the approval process may be more complex than the Group expects

The Group cannot commercialise its product candidates whose sale requires regulatory approval until the appropriate regulatory authorities have reviewed and approved it and its marketing. Even if the product candidates meet endpoints in the clinical studies by, *inter alia*, demonstrating safety and efficacy, such regulatory agencies may not complete their review processes in a timely manner, or the Group may not be able to obtain regulatory approval. For example, regulatory authorities in certain jurisdictions, such as the US and Europe, have differing endpoints and requirements for completion of their reviews. Additional delays may result in or from regulatory authorities recommending additional studies, non-approval or restrictions on approval. In addition, the Group may experience delays or rejections based upon government regulation from future legislation or administrative action, or changes in regulatory agency policy during the period of product development, clinical studies and the review process. Regulatory agencies may approve a product for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labelling claims that the Group deems necessary or desirable for the successful commercialisation of the Group's product candidates. If the Group does not obtain regulatory approval to commercialise a product candidate, or if such approval is delayed, the Group's business, results of operations and/or financial condition could be adversely affected.

If the Group obtains regulatory approval for a product candidate, the product will remain subject to on-going regulatory obligations

If the Group obtains regulatory approval in a particular jurisdiction, regulatory authorities in that jurisdiction may still impose significant restrictions on the indicated uses or marketing of the product, or

impose on-going requirements for potentially costly post-approval studies or post-market surveillance. In addition, advertising and promotional materials must comply with applicable rules and are subject to review. Failure to comply with any on-going regulatory obligation may result in suspension of approval to manufacture or distribute the relevant product, as well as fines or imprisonment for violations.

In addition, product manufacturers and their facilities are subject to payment of user fees, compliance with regulation and periodic inspections by regulatory authorities for compliance with good manufacturing practices. If the Group or a regulatory agency discovers previously unknown problems with a product such as adverse effects of unanticipated severity or frequency, or problems with the facility where the product is manufactured, restrictions relative to that product or the manufacturing facility may be imposed, including being required to:

- take an approved product off the market;
- add labelling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- change the way the product is administered, conduct additional clinical studies or change the labelling of the product; and
- comply with limitations on how the Group may promote the product.

As a result, sales of the product may decrease, the Group may be subject to litigation or product liability claims and the Group's reputation may suffer.

If the Group fails to comply with applicable regulatory requirements following approval of any of the products, a regulatory agency may:

- issue a warning letter asserting that the Group is in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any on-going clinical studies;
- seize the product; or
- refuse to allow the Group to enter into supply contracts, including government contracts.

Any government investigation of alleged violations of law could require the Group to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may delay commercialisation of the Group's products, increase costs and materially adversely affect the Group operating company, results of operations or financial condition.

Even if the Group eventually gains approval for one or more of its operating companies' product candidates, it may be unable to commercialise them

The Group does not have a sales or marketing infrastructure and none of its operating companies' product candidates have reached a commercial stage of development. To achieve commercial success for any approved product, the Group must develop or acquire a sales and marketing organisation, outsource these functions to third parties or enter into partnerships. The Group may establish its own sales and marketing capabilities for certain of its operating companies' products if and when the products are approved. There are risks involved with establishing the Group's own sales and marketing capabilities and entering into arrangements with third parties to perform these services. Even if the Group establishes sales and marketing capabilities, it may fail to launch its products effectively or to market its products effectively given its limited experience in the sales and marketing of pharmaceutical products. In addition, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. In the event that any such launch is delayed or does not occur for any reason, the Group would have prematurely or unnecessarily incurred these commercialisation expenses and the Group's investment would be lost if it cannot retain or reposition its sales and marketing personnel.

Factors that may inhibit the Group's efforts to commercialise its products on its own include:

- the Group's potential inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;

- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe any future products; and
- unanticipated or unforeseen costs and expenses associated with creating and maintaining an independent sales and marketing organisation.

If the Group enters into arrangements with third parties to perform sales and marketing services, the Group's product revenues or the profitability of these product revenues to the Group could be lower than if the Group was to market and sell any products that it develops itself. In addition, the Group may not be successful in entering into arrangements with third parties to sell and market its products or may be unable to do so on terms that are favourable to the Group. Third parties may fail to devote the necessary resources and attention to sell and market the Group's products effectively. If the Group does not establish sales and marketing capabilities successfully, either on its own or in collaboration with third parties, it will not be successful in commercialising its products, which in turn could have a material adverse effect on its business, prospects, financial condition and operations.

Health insurance coverage and reimbursement may be limited, unavailable or may be reduced over time in certain market segments for the Group's products, which could make it difficult for the Group to sell its products profitably

Government authorities and third party payers, such as private health insurers, decide which pharmaceutical products they will cover and the amount of reimbursement. Reimbursement by a third party payer may depend upon a number of factors, including the third party payer's determination that use of a product is: (i) a covered benefit under its health plan; (ii) safe, effective and medically necessary; (iii) appropriate for the specific patient; and (iv) cost-effective.

Obtaining coverage for and reimbursement approval for a product from a government or other third party payer is a time-consuming and costly process that could require the Group to provide to the payer supporting scientific, clinical and cost-effectiveness data for the use of its products. The Group may not be able to provide data sufficient to secure coverage and reimbursement. If reimbursement of the Group's future products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, the product may be unprofitable and the Group may experience an adverse effect on its business.

The Group may seek approval to market its products in the EU, Canada, the US and other selected foreign jurisdictions. In the EU, the pricing of prescription pharmaceuticals is subject to governmental control and pricing negotiations with governmental authorities can, in some circumstances, take a significant time after obtaining marketing approval for a product. Recently, many European countries have come under significant political pressure to reduce their overall spending (including spending on healthcare), which in turn is generating pressure on pharmaceutical companies to reduce the prices they charge national healthcare systems. Market acceptance and sales of the Group's products will depend significantly on the availability of adequate coverage and reimbursement from third party payers and may be affected by existing and future healthcare reform measures.

There have been and may continue to be, legislative and regulatory proposals directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. For example, in 2010 in the US, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act collectively, the "Affordable Care Act", was enacted. The Affordable Care Act: (i) increases the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Programme and extends the rebate programme to individuals enrolled in Medicaid managed care organisations; (ii) establishes annual fees that manufacturers of certain branded prescription drugs can charge and requires manufacturers to participate in a discount programme for certain outpatient drugs under Medicare Part D; (iii) dramatically increase the number of providers that are eligible to participate in the 340B drug discount programme (pursuant to which manufacturers are required to sell outpatient drugs at a substantially reduced price); and (iv) includes new programme integrity and enforcement provisions which increase the US government's ability to recoup funds from providers, suppliers and manufacturers. An expansion in the US government's role in the US healthcare industry may further lower rates of reimbursement for pharmaceutical products in the US which may affect the Group's products.

The Group cannot predict the initiatives in the EU, the US or elsewhere that may be adopted in the future. The continuing efforts of governments, insurance companies, managed care organisations and other payers of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect the Group's ability to set prices for its products, generate revenues and achieve or maintain profitability. Any reduction in reimbursement government programmes may result in a similar reduction in

payments from private payers, which may adversely affect the Group's business, prospects, financial condition and results of operations.

The Group may depend on establishing collaborations or partnerships in the future and its ability to do so may affect its development and commercialisation plans

For some of the operating companies' product candidates, the Group expects to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialisation of those product candidates. The Group may face significant competition as well as risks in seeking and maintaining appropriate collaborators. Whether the Group reaches a definitive agreement for a collaboration will depend upon, *inter alia*, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical studies, the likelihood of approval by regulatory authorities, the potential market for the product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing product candidates, the existence of uncertainty with respect to the Group's ownership of technology which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with the Group for its product candidate. Furthermore, collaborators may elect to terminate an existing arrangement which could result in significant revenue decline.

Any collaboration agreement into which the Group may enter may call for licensing or cross-licensing of potentially blocking patents, know-how or other intellectual property. Due to the sharing of data, know-how and intellectual property rights, there can be no assurance that one of the Group's collaborators could not, in the future, assert ownership of its right to use, license or distribute such data, know-how or other intellectual property rights and this may potentially lead to disputes, liability or termination of the collaboration. In addition, the Group may also be restricted under future licence agreements from entering into agreements on certain terms with potential collaborators.

Should the Group seek to enter into collaboration agreements, but not be able to negotiate the terms of such agreements on a timely basis, on acceptable terms, or at all, it may have to curtail the development of a product candidate or reduce or delay its development programme or one or more of its other development programmes. This would delay its potential commercialisation or reduce the scope of any sales or marketing activities, increase its expenditures to develop and commercialise its product candidates and could materially adversely affect its business, prospects, financial condition and results of operations.

The Group may be vulnerable to disruption, damage and financial obligation as a result of computer system failures

Despite the implementation of security measures, any of the internal computer systems belonging to the Group or its third party service providers are vulnerable to damage from computer viruses, unauthorised access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in the Group's own or in third party service providers' operations could result in a material disruption of its product development programmes. For example, the loss of clinical study data from completed or future clinical studies could result in delays in its regulatory approval efforts and significantly increase its costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to its data or applications, or inappropriate disclosure of confidential or proprietary information, the Group may incur liability as a result, its product development and sales and marketing programmes (if applicable) and competitive position may be adversely affected and the further development of its product candidates and commercialisation of its products may be delayed. Furthermore, the Group may incur additional costs to remedy the damage caused by these disruptions or security breaches.

RISKS RELATING TO INTELLECTUAL PROPERTY

The Group is dependent upon intellectual property to protect the exclusivity of markets for its products

The Group develops innovative technologies and, where the Directors believe it is practicable, seeks to benefit from intellectual property protection for such technology, some of which is licensed to the Group. The Group's objective is to create value from commercialising the intellectual property relating to technologies developed by personnel within the Group or licensed to the Group from universities or other organisations.

Where the Directors consider it practicable, patent protection or sometimes other intellectual property protection or confidentiality obligations or other contractual restrictions are sought to protect the intellectual property licensed to the Group, or generated by the Group. However, these rights and other arrangements do not apply equally to all technologies or intellectual property used by the Group and, where they do apply, they may be challenged, invalidated, rendered unenforceable, circumvented, infringed, or misappropriated. For example, patent applications and even issued patents covering the Group's technologies may be invalidated, or narrowed in scope, if it is determined that the patents or patent applications are based on claims that are excessively broad and such patents may therefore not be effective to prevent others from utilising inventions or technology which is substantially similar to the intellectual property to which these rights relate (and which has become publicly disclosed by applying for patent protection). This could result in loss of market exclusivity for products, which could have an adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

In addition, third parties may already independently own, or may in the future develop, similar or superior technologies which are outside the scope of the intellectual property owned, licensed to, or used by, the Group. It is also possible that a patent owned by or licensed to a member of the Group may expire or remain in force for only a short period following commercialisation, thereby reducing the temporal benefit of the protection. The limitations on the rights and arrangements relating to intellectual property rights for the technologies used by an operating company, the absence of such rights and arrangements for certain technologies and/or the early expiration of patents or patent applications owned by or licensed to an operating company could have an adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

The value of the intellectual property owned by or licensed to an operating company depends, in part, on how successfully it can be enforced against third party infringers, including through litigation. Litigation of this type may be defended on a number of grounds, including where third parties can show prior use or ownership of similar technologies or that a patent licensed to, held by or applied for by an operating company is invalid. In addition, confidentiality and non-disclosure agreements protecting intellectual property may be breached in circumstances in which the Group may not be able to obtain adequate redress for the breach. Despite best efforts by an operating company to protect key technologies by holding and, if necessary, enforcing intellectual property rights relating to them, unauthorised parties may use aspects of such technologies, or may obtain and use without restriction technological or other commercially sensitive information which an operating company needs to develop or commercialise its products.

It is very difficult for the Group to monitor and identify all instances of use by others of technology which may be infringing intellectual property rights of an operating company. There can be no assurance that the unauthorised use, disclosure or reverse-engineering of such technology will not take place. Any successful defence against an attempt by an operating company to enforce its intellectual property or other rights and any unauthorised use, disclosure or reverse-engineering of the technology to which its intellectual property relates could have an adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

Prior to its acquisition of intellectual property rights or the receipt of an intellectual property licence, the Group conducts its own investigations into the strength and scope of the intellectual property rights and of the rights of the licensor to use or license the technologies to which such rights relate. The Group also conducts an assessment of patentability of potentially competitive technologies. The Group cannot establish, however, the absolute validity or enforceability of licensed intellectual property, nor identify with certainty all patents or other intellectual property rights that may be infringed by the operating company products and technologies. The Group does not commission freedom to operate legal opinions by external advisors but instead relies upon its own in-house expertise in making such assessment. There is no certainty that a patent, if sought, will be granted or that, if issued, it will be valid or enforceable. As a result of the considerations described above, there is no certainty that intellectual property used or owned by an operating company will be valid or enforceable or that third parties do not own dominating intellectual property rights in relation to technology used by an operating company which would entitle them to prevent or restrict the use of technologies by the operating companies which are important to its business or prospects.

In addition, parties that have licensed intellectual property or patent applications to the Group have generally given no, or limited, representations as to their ownership or as to the validity, scope or enforceability, of the licensed patents or other intellectual property, or the licensors' right to grant licences. The Group has generally sought to mitigate these risks by checking that its licensors are the registered

holders of any licensed patent application or patent and no material deficiencies in ownership of record have been encountered as a result of those searches. However, these searches are not definitive and, as the intellectual property rights licensed to the Group are generally licensed on an “as-is” basis without warranties, the Group bears the risk of defects in the ownership, validity, scope or enforceability of the licensed patents or other intellectual property.

The Group may be unable to obtain or maintain protection for intellectual property relating to technologies it uses. There can be no assurance that adequate, or any, protection will be sought or granted or that, if challenged, intellectual property rights will not be found to be invalid or unenforceable. The scope of protection afforded may also be less than required to prevent third party competitors of the Group’s operating companies developing or selling similar and competing technologies and products which are based on them. Moreover, third party intellectual property or other rights could prevent or restrict the development or commercialisation of the intellectual property available to the Group.

In addition, some of the Group’s intellectual property is subject to exclusions or carve outs that may reduce the efficacy or worth of the intellectual property. By way of example, pursuant to an amended and restated master agreement, Gelesis has granted One S.r.l., the original owner of Gelesis’ core patent rights, a license of the patent rights for non-commercial, research purposes, and Gelesis has also agreed under certain circumstances to grant limited commercial rights as well. Although the Directors believe that the rights granted by Gelesis are reasonably limited, there can be no guarantee that the third party’s activities will not in any way overlap or interfere with the development or commercialisation of Gelesis100 or Gelesis’ other product candidates, if approved. Additionally, there is always the possibility that Gelesis and/or other operating companies may become dependent on obtaining access to third party intellectual property in the future. See paragraph 12.3.1 (*Amended and Restated Master Agreement*) of Part XVI (*Additional Information*) of this document for further details.

Intellectual property controlled by the Group may become, or be found to be, invalid, obsolete or uneconomical, for instance, if there are any advances in science or technology or if the Group’s competitors succeed in developing alternative approaches to the same technology. The Group’s success depends on its ability to stay ahead of any such scientific and technological advances and there is no assurance that the Group’s competitors will not develop products and/or create intellectual property that are more efficient or effective, or bring products to the market earlier, rendering the Group’s products and/or intellectual property economically unviable or unattractive. There is therefore no guarantee that the Group will in the future be able to compete successfully in such a marketplace. Such competition and any failure to compete successfully may have a material adverse effect upon the Group’s business and prospects.

Further, additional technology protected by intellectual property belonging to third parties may be or may become necessary for the successful commercialisation of technologies which the Group is currently entitled to commercialise and this additional technology may not be available to an operating company, either at all or on acceptable terms. Additionally, intellectual property which the Group is entitled to use may be or become subject to third party rights which adversely affect the Group’s ability to commercialise such intellectual property successfully, or as successfully as it otherwise might be able to. There can also be no guarantee that any university, research institution or other originator of technology which is material to the Group, or any of their staff who develop the intellectual property, will provide on-going assistance required for its successful commercialisation. Any such lack of assistance required for successful commercialisation could have a material adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

The Group may not be able to obtain, maintain, defend or enforce the intellectual property rights covering its operating companies’ product candidates, which could adversely affect its ability to compete

The Group’s commercial success depends, in large part, on its ability to obtain, maintain, defend or enforce its patents and other intellectual property rights covering its product candidates and to operate without having third parties circumvent such rights which it owns, has licensed or have been licensed to it. To date, the Group has had certain patents granted to it in a number of jurisdictions it considers to be important to its business. However, the Group cannot predict:

- the degree and range of protection any patents will afford against competitors and competing technologies, including whether third parties will find ways to invalidate or otherwise circumvent the patents by producing a competitive product that falls outside its scope;

- if, when and where additional patents will be granted;
- even if patents are granted, that they will not be contested, invalidated or found unenforceable;
- whether or not others will obtain patents claiming aspects similar to or dominating those covered by the Group's patent and patents applications;
- whether the Group will need to initiate litigation or administrative proceedings, or whether such litigation or proceedings will be initiated by third parties against the Group, which may be costly and time-consuming, regardless of whether the Group wins or loses; and
- whether third parties will claim that the Group's technology infringes upon their rights.

The Group cannot guarantee the degree of future protection that it will have in respect of its product candidates and technology. Patent protection is deemed by the Group to be essential to its competitive position in its planned product lines and a failure to obtain or retain adequate protection could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

If the Group is not able to prevent disclosure of its trade secrets, know-how or other proprietary information or if its practice of entering into invention assignment agreements with employees and consultants is not effective, the value of its technology and product candidates could be significantly diminished

The Group currently has in place a policy of requiring its consultants, advisors and third party partners to enter into confidentiality agreements and its employees to enter into assignment of invention, non-disclosure and non-compete agreements. However, historically, on a small number of occasions, the Group may not have entered into such agreements with all parties that have had access to its confidential information. There is also no assurance that such agreements will provide for a meaningful protection of confidential information in the event of any unauthorised use or disclosure of information. Furthermore, the Group cannot provide assurance that any of its employees, consultants, contract personnel or third party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing confidential information to its competitors. It is also possible that confidential information could be obtained by third parties as a result of breaches of the Group's computer systems or its physical or electronic security systems. Any disclosure of confidential data into the public domain or to third parties could allow the Group's competitors to learn confidential information and use it in competition against the Group. In addition, others may independently discover the Group's confidential information. Any action to enforce the Group's rights against any misappropriation or unauthorised use and/or disclosure of confidential information and intellectual property is likely to be time-consuming and expensive and may ultimately be unsuccessful, or may result in a remedy that is not commercially adequate.

The Group's product candidates could infringe patents and other intellectual property rights of others, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialise its product candidates

The Group's commercial success depends upon its ability and the ability of any third party with which it may partner, to develop, manufacture, market and sell its product candidates and use its patent-protected technologies without infringing the patents of third parties. There is considerable patent litigation in the biotechnology, pharmaceutical and medical device industries. The Group faces a risk that there may be patents issued to third parties that relate to or otherwise constrain the Group relative to its product candidates and technology, of which the Group is not aware or that it must challenge to continue its operations as currently contemplated.

The Group's product candidates may infringe or may be alleged to infringe existing patents or patents that may be granted in the future. Due to the fact that some patent applications may be maintained in secrecy until the patents are issued and that patent applications in Europe, the US and a number of foreign jurisdictions are typically not published until 18 months after filing and publications in the scientific literature often lag behind actual discoveries, the Group cannot be certain that others have not filed patents that may dominate its technologies, its product candidates or the use of its product candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could infringe upon the Group's technologies, its product candidates or the use of its product candidates. As a result, the Group may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its product candidates and technology.

If the Group is sued for patent infringement, the Group would need to demonstrate that its product candidates or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid and the Group may not be able to do this. If the Group is found to infringe a third party's patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its product candidates and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or even at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or product candidate and may also need to pay fines and damages in connection with such infringement.

A finding of infringement could prevent the Group from commercialising its product candidates, result in the Group incurring significant financial liabilities or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties (including claims that the Group or its employees or advisors have inadvertently or otherwise used or disclosed confidential information of its employees' former employers or other third parties) could have a similarly negative impact on its business and reputation. Any such claims are likely to be expensive to defend and some of its competitors may be able to sustain the costs of complex patent litigation more effectively than the Group can due to substantially greater resources. Moreover, even if the Group is successful in defending any infringement proceedings, it may incur substantial costs and divert management's time and attention in doing so, which could adversely affect the Group's business, results of operations or financial condition.

If the Group fails to comply with its obligations under the agreements pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, the Group could lose the rights to intellectual property that is important to its business

The Group is a party to certain licence agreements under which it is granted rights to intellectual property that are important to the operating companies and the Group expects that it will enter into additional licence agreements in the future as it develops new operating companies. The licensor may have the right to terminate the licence agreement if the Group fails to comply with its obligations under these agreements or certain other events, including in the event of a change of control of the operating company. In addition, if the licensor fails to enforce its intellectual property, the licensed rights may not be adequately maintained. The termination of any licence agreements or failure to adequately protect such licence agreements could prevent the Group from commercialising product candidates covered by the licensed intellectual property.

In addition, some of the licensing agreements require a member of the Group which is the licensee to meet certain development milestones. These licensing agreements are terminable on short notice at the option of the licensor, or terminate automatically, in some cases, if the licensee fails to meet these milestones or if there is a material breach of the licensing agreements. These milestones are performance-based and often require the licensee to achieve certain commercialisation or research and development targets (e.g. developing a prototype or starting the process for obtaining FDA approval).

Achieving the milestones stipulated in some of the Group's licensing agreements requires performance both on the part of a member of the Group and also depends on the successful work of suppliers, contractors and sub-licensees over whom the Group does not have control and/or the securing of funding at particular stages. The Group has in the past missed certain milestones but so far has been able to renegotiate the terms of such milestones. While the Group has not had a licence terminated to date for failure to meet such milestones, the Group cannot give assurances that there will be scientific, operational, or other progress that will enable it to achieve the milestones to which it has agreed. The Group also cannot guarantee that it will be able successfully to re-negotiate milestones, including, but not limited to, extending deadlines or modifying terms related thereto, with licensors in the event that the Group desires or needs to do so.

If the Group fails to successfully renegotiate milestones in these circumstances, or if a licensee fails to meet all applicable milestones, a licensor may institute a claim for breach of contract and/or terminate a licence to the intellectual property upon which the operating company relies, which would significantly decrease the prospects of successful development of that business. Alternatively, a licensor may impose additional

goals or requirements (including increased or additional fees) on the Group as a condition of agreeing to extend the time for performance of the Group's milestone obligations. Any failure to achieve milestones or any termination of any licence agreement may have an adverse effect on an operating company's ability to exploit the licensed technology and may result in a loss of value to the business concerned and/or to the Group itself. For the reasons described above, any failure to meet milestones in an operating company licence may have a material adverse effect on the business, financial condition, trading performance and prospects of the Group.

The Group may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties

The Group employs individuals who were previously employed at other biotechnology or pharmaceutical companies. The Group may be subject to claims that it or its employees, advisors, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of its employees' former employers or other third parties. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims and if the Group does not prevail, the Group could be required to pay substantial damages and could lose rights to important intellectual property. Even if the Group is successful, litigation could result in substantial cost and be a distraction to its management and other employees.

The Group does not have ownership rights for all intellectual property and could ultimately lose certain rights under particular circumstances

A portion of the Group's intellectual property rights relate to technology which originated in the course of research conducted in and initially funded by universities and other non-profit research institutions. Although the Group has been granted certain exclusive rights (subject to certain exceptions) relating to this intellectual property, there are certain limitations inherent in these, for example, where required by the US Patent and Trademark Act 1980 (commonly known as the "Bayh-Dole Act"). There is also usually an exception to exclusivity whereby the university or research institution retains the right to use the intellectual property for research purposes (i.e. typically non-commercial use) and may occasionally be subject to exclusions for commercial use or limits as to the scope of commercial use and/or a requirement to sub-licence in certain circumstances and/or a requirement to license the intellectual property to a third party for research purposes and/or a requirement to manufacture products in the US when they are to be sold in the US. In addition, the US government may have certain rights to intellectual property relating to current or future products pursuant to the Bayh-Dole Act. The rights to use intellectual property generated by other research institutions can be wider, as the requirements of the Bayh-Dole Act only apply in relation to universities. The US government also has rights in certain inventions developed under government-funded programmes which include a non-exclusive, non-transferable, irrevocable worldwide licence to the US government to use inventions for any governmental purpose.

While in more than three decades since the enactment of the Bayh-Dole Act, no US government agency has ever exercised its so called "march-in" rights, it nevertheless has the right to require the Group to grant licences to any of these inventions to a third party if it determines that: (i) adequate steps have not been taken to commercialise the invention; (ii) government action is necessary to meet public health or safety needs; or (iii) government action is necessary to meet requirements for public use under federal regulations.

Similarly, the Japanese government has certain rights to particular inventions covered by patents and or patent applications licensed by the Group which were developed under government-funded programmes. These retained rights to government funded technologies are compulsory in Japan, and reserve for the government the right to compel the company to provide licenses under the patents to designated entities. Vedanta Biosciences has obtained certain intellectual property licensing rights pursuant to an exclusive (subject to certain rights granted to the Japanese government under Japanese law and rights reserved by UTokyo) patent license agreement with UTokyo and Todai TLO, Ltd. (see paragraph 12.2.1 (*UTokyo License Agreement*) of Part XVI (*Additional Information*) of this document for further details) which relates to technologies that are subject to such rights of the Japanese government. To date, there have been no reported instances where the Japanese government has exercised such rights.

Claims alleging infringement of a third party's intellectual property could result in significant losses and expenses to the Group and the loss of material rights

Litigation of intellectual property rights is an occurrence in many technology businesses and competitors as well as other third parties may seek to assert the right to restrict the Group's use of technologies which are important to its business. Intellectual property litigation can be expensive, complex and lengthy and its outcome is frequently difficult to predict. If an operating company were to receive an infringement claim, the claim could consume significant time, financial and other resources, irrespective of its merits and this might result in key technical and management personnel diverting attention and focus away from their normal duties and operations. If an operating company was unsuccessful in defending an intellectual property infringement claim, it may have to pay substantial damages and/or legal costs to the successful third party and/or may have to cease the development, manufacture, use or sale of infringing technologies, products or process and/or expend significant resources to develop or acquire the right to use non-infringing technology (including by way of licence). This may materially affect the Group's ability to exploit intellectual property and may result in a loss of value to the business concerned and/or to the Group. Accordingly, any such event could have a material adverse effect on the business, financial condition, trading performance and/or prospects of the Group.

There are limitations and requirements of licensing agreements which may constrain the Group from enforcing rights to the intellectual property

The Group currently owns approximately half of the patents, patent applications and other intellectual property which it is seeking to commercialise. Where it does not, the Group has usually been licensed to use, commercialise and benefit from the protection of certain patents and/or patent applications and know-how by universities, research institutions and other intellectual property owners and therefore may enforce only the rights it received under licensing agreements between the Group and such intellectual property owners. In some of its licence agreements, the Group requires the licensor's consent to enforce the licensed patents to which it has a licence. If such consent is not obtained, the Group may be unable to enforce the full scope of its intellectual property rights against third party infringers, including competitors and such inability could significantly lessen the value the Group might be able to realise from such intellectual property. Furthermore, in certain of the Group's agreements with universities and research institutions, the Group and the university or the research institution have joint rights of enforcement against third party infringers even within the limited field of exclusivity licensed to the Group. As a result, the Group may be unable to control the enforcement or defence of material intellectual property rights. Its inability to do so could significantly lessen the value the Group might be able to realise from the technology to which such intellectual property relates.

In respect of licensed patents, the Group's rights do not always include the right to control the preparation, filing, prosecution or maintenance of patent applications or patents, although in practice the Group often works closely with the licensors in such matters.

Furthermore, licensors of patent applications and other intellectual property to the Group generally do not provide any representation, warranty or other assurance that the technology they license pursuant to such agreements is patentable or that the use of the technology disclosed in the patent applications will not infringe intellectual property owned by third parties. The licence may also be limited to a specified field of use and/or territory which may limit the scope of application of the intellectual property. The majority of the patent applications licensed under the Group's licensing agreements have not yet resulted in definitive patent grants and the Group cannot guarantee that patent protection will be ultimately obtained for any or all of the material technologies which the Group seeks to commercialise.

The Group's licensing agreements typically expire concurrently with the expiration of statutory patent protection or the abandonment of patent applications concerning the relevant inventions. Any failure by the licensor to obtain or maintain statutory patent protection, or by the Group and/or the intellectual property owners to successfully bring and/or defend any infringement claim, would impair the Group's ability to exploit its rights under the relevant licensing agreement and could have a material adverse effect on the Group's business, financial condition, future trading performance and prospects.

RISKS RELATING TO THE ORDINARY SHARES

Impact of events affecting companies with comparable business models on the value of the Ordinary Shares

Intellectual property commercialisation is a relatively new business sector and consequently there is a relatively small number of companies with comparable business models. Accordingly, any event which detrimentally affects the companies in this comparator group may adversely affect the value of the Group and the value of the Ordinary Shares. Similarly, the value of the Group and the value of the Ordinary Shares may be impacted by any event which detrimentally affects other companies engaged in early-stage scientific research and development activities.

The Directors may apply the proceeds of the Offer to uses that Shareholders may not agree with and may make investments or incur expenditure that fail to produce income or capital growth or that lose value

The Directors will have considerable discretion in the application of the net proceeds of the Offers and Shareholders must rely on the judgment of the Directors regarding the application of such proceeds. The Directors' allocation of the net proceeds is based on current plans and business conditions. The amounts and timing of any expenditure will vary depending on the amount of cash generated by the Group's operations and competitive and market developments, among other factors. The net proceeds may be placed in investments that fail to produce income or capital growth or that lose value.

Pre-emptive rights may not be available to US or other Shareholders

Under English law, existing Shareholders have statutory pre-emptive rights to participate on the basis of their existing share ownership in the issuance of any new shares for cash consideration, unless those rights are disapplied by a resolution of the Shareholders at a general meeting. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue carried out on a pre-emptive basis in a rights offer. The Company is not a registrant under US securities laws and is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction in respect of any such rights or shares.

Shareholders in the US as well as certain other jurisdictions may not be able to receive, trade or exercise their pre-emptive rights to participate in a rights offer unless the Company decides to comply with local requirements, and in the case of the US, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. In such cases, Shareholders resident in such other jurisdictions may experience dilution of their holding, possibly without such dilution being offset by any compensation or economic benefit received in exchange for rights. No assurances can be given that local requirements will be complied with or that any registration statement would be filed in the US so as to enable the exercise of such holders' rights or participation in any rights offer.

There has been no prior trading market in the Ordinary Shares

Prior to the Offer, there has been no public trading market for the Ordinary Shares and a market for the Ordinary Shares may not develop even after Admission. The Offer Price may not be indicative of the market price for the Ordinary Shares following Admission. Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this section, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Ordinary Shares, regardless of the Company's actual performance or conditions in its key markets.

If securities or industry analysts do not publish research or reports about the Group's business, or if they downgrade their recommendations, the market price of the Ordinary Shares and/or their trading volume could decline

The trading market for the Ordinary Shares will be influenced by the research and reports that industry or securities analysts publish about the Group or its businesses. If any of the analysts that cover the Group or its businesses downgrade it or them, the market price of the Ordinary Shares would likely decline. If analysts cease coverage of the Group or fail to regularly publish reports on it, the Group could lose visibility in the financial markets, which in turn could cause the market price of the Ordinary Shares and their trading volume to decline.

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which may be out of the Company's control

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile and fluctuate significantly in response to a number of factors, some of which are beyond the Company's control, including: variations in operating results in the Company's reporting periods; changes in financial estimates by securities analysts; poor stock market conditions affecting companies engaged in intellectual property commercialisation or engaged in early-stage scientific and technological research activities; announcements by the Company of a significant investment in an operating company, strategic alliances, joint ventures or other capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the market price of the Ordinary Shares.

Substantial future sales of Ordinary Shares could impact the market price of Ordinary Shares

Upon Admission, Invesco will in aggregate hold 76,039,660 Ordinary Shares, representing 33.5 per cent of the issued Ordinary Shares upon Admission (assuming no exercise of the Over-allotment Option). The Ordinary Shares held by it immediately prior to Admission will be subject to lock-up arrangements. The Directors will in aggregate hold 27,254,276 Ordinary Shares, representing 12 per cent of the issued Ordinary Shares immediately following Admission (assuming no exercise of the Over-allotment Option). These Ordinary Shares will be subject to lock-up arrangements. Certain Senior Managers, employees and other Shareholders representing, in aggregate, 27.7 per cent of the issued Ordinary Shares immediately following Admission (assuming no exercise of the Over-allotment Option) have also entered into lock-up arrangements. The lock-up arrangements are described in further detail in paragraph 7 (*Lock-up Arrangements*) of Part XIV (*Details of the Offer*) of this document. Sales of substantial numbers of Ordinary Shares following any relaxation of the lock-up arrangements or time expiration of the lock-up periods or sales by other Shareholders could adversely affect the prevailing market price of the Ordinary Shares.

The Company is treated as a US domestic corporation for US federal income tax purposes, despite being incorporated under the laws of England and Wales

Because the Company is incorporated under the laws of England and Wales, it would generally be classified as a foreign corporation for US federal income tax purposes. Section 7874 of the US Internal Revenue Code of 1986, as amended (the "Code") provides an exception pursuant to which a foreign incorporated entity may, in certain circumstances, be treated as a US domestic corporation for US federal income tax purposes. As more fully discussed in paragraph 2.1 (*Treatment of the Company as a US Domestic Corporation for US Federal Income Tax Purposes*) of Part XV (*Taxation*) of this document, because of PureTech LLC's acquisition by the Company on 18 June 2015 pursuant to the Reorganisation (as defined in paragraph 4.7 of Part XVI (*Additional Information*) of this document) and the application of section 7874 of the Code, the Company will be treated as a US domestic corporation for all purposes of the Code. As a result, the Company is subject to US federal income tax on its worldwide income. Also, as a consequence of the Reorganisation, the Company will not have the full benefit of the net operating losses with regard to its US federal tax position which are currently available to PureTech LLC. In addition, non-US investors are generally subject to 30 per cent, or such lower rate as may be provided in an applicable income tax treaty, US federal withholding tax on any distributions on the Ordinary Shares. Each shareholder or prospective shareholder should consult its own tax advisor regarding the US federal income tax position of the Company and the tax consequences of holding Ordinary Shares.

Withholding under the US Foreign Account Tax Compliance Act may apply on distributions with respect to and on gross proceeds from the disposition of Ordinary Shares

Because the Company is treated as a US corporation for US federal income tax purposes, withholding under sections 1471-1474 of the Code and associated US Treasury regulations (i.e. the Foreign Account Tax Compliance Act ("FATCA")) may be imposed in certain circumstances on distributions with respect to the Ordinary Shares and, beginning on 1 January 2017, on gross proceeds from the disposition thereof. Additionally, as a UK resident company, the Company may constitute a "Reporting United Kingdom Financial Institution" under the intergovernmental agreement between the US and the UK to Improve International Tax Compliance and to Implement FATCA dated 12 September 2012 and associated UK regulations, with reporting and in certain cases withholding responsibilities. The Directors believe,

however, that the Company is not a “Reporting United Kingdom Financial Institution”. Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to an investment in Ordinary Shares.

The proposed financial transactions tax (the “FTT”) could, if introduced, apply to certain dealings in the Ordinary Shares or rights to acquire the Ordinary Shares (including secondary market transactions) in certain circumstances

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transaction tax in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the “participating Member States”). The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Ordinary Shares or rights to acquire the Ordinary Shares (including secondary market transactions) in certain circumstances. Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to financial transactions where at least one party is a financial institution, and (a) one party is established in a participating Member State or (b) the financial instrument which is subject to the transaction is issued in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including by merely transacting with a person established in a participating Member State.

In relation to many secondary market transactions in bonds and shares, the FTT would be charged at a minimum rate of 0.1 per cent on each financial institution which is party to the transaction. The issuance of and subscription for the Ordinary Shares should, however, be exempt. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be in excess of 0.1 per cent. A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not available. Therefore it is not known to what extent the elements of the Commission’s Proposal outlined in the preceding paragraphs will be followed in relation to the taxation of shares.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional Member States may decide to participate. Prospective holders of the Ordinary Shares are strongly advised to seek their own professional advice in relation to the FTT.

The Ordinary Shares may not be suitable as an investment for some investors

The Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, Shareholders and other prospective investors are advised to consult an appropriate independent financial advisor authorised under the FSMA if such Shareholder or other prospective investor is resident in the UK or, if not, from another appropriately authorised independent financial advisor who specialises in advising on acquisitions of shares and other securities.

The value of the Ordinary Shares and the income received from them, can go down as well as up and Shareholders may receive less than their original investment.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company’s assets being sufficient to meet the prior entitlements of creditors.

The Company’s ability to pay dividends in the future is not certain

The payment of dividends by the Company to Shareholders is highly dependent upon any dividends and profits that it receives from its operating companies. The Company has not in the past had, and cannot guarantee that in the future it will have, sufficient cash resources to pay dividends.

Further issuances of Ordinary Shares may be dilutive

The Company may decide to offer additional shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to take such an offer will find their proportionate ownership and voting interests in the Company to be reduced. An additional offering could also have a material adverse effect on the market price of the Ordinary Shares as a whole.

PART III—IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this document to inform themselves of and to observe, all applicable laws and regulations of any relevant jurisdiction.

FORWARD-LOOKING STATEMENTS

This document contains statements that are or may be forward-looking statements. All statements other than statements of historical facts included in this document may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies.

Forward-looking statements are identified by their use of terms and phrases such as “believe”, “targets”, “expects”, “aim”, “anticipate”, “projects”, “would”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements in this document are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those described in the risk factors. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such entity and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward-looking statement speaks only as at the date of this document. Except as required by law, regulatory requirement, the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

The information contained within this document will be updated as required by the Prospectus Rules. You are advised to read this document and, in particular, Part I (*Summary*), Part II (*Risk Factors*), Part VII (*Information on the Company and the Group*), Part VIII (*Information on the Group's Operating Companies and Product Candidates*) and Part X (*Operating and Financial Review*) of this document for a further discussion of the factors that could affect the Company's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may or may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document.

NOTICE TO PROSPECTIVE INVESTORS

This document does not constitute or form part of any offer to sell or issue, or any invitation or solicitation of any offer to invest in, any securities of the Company other than the Ordinary Shares. Prospective investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this document and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information is correct as of any time subsequent to the date of this document.

Prior to making any decision as to whether to invest in the Shares, prospective investors should read this document in its entirety. In making an investment decision, each prospective investor must rely on his, her, or its own examination, analysis and enquiry of the Company, the Ordinary Shares and the terms of the Offer, including the merits and risks associated with such investment. Prospective investors also

acknowledge that: (i) they have not relied on any of the Joint Bookrunners or any person affiliated to the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this document; (iii) no person has been authorised to give any information or to make any representation concerning the Company or its operating companies or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Bookrunners; and (iv) no person accepts any liability or responsibility for any statement or representation except as set out in this document.

None of the Company, the Directors, the Joint Bookrunners or any of their respective affiliates, officers, employees, or representatives makes or will make any representation to any prospective investor in the Shares regarding the legality or tax implications of an investment in the Ordinary Shares by any such prospective investor under the laws applicable to any such prospective investor. The contents of this document should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax advisor for legal, financial or tax advice in relation to an investment in the Ordinary Shares.

In addition, the Ordinary Shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Prospective investors should be aware that they may be required to bear the financial risk of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to the restrictions on the distribution of this document and the offering, sale and transfer and resale of the Ordinary Shares is set out at paragraph 8 (*Selling Restrictions*) of Part XIV (*Details of the Offer*) of this document. Each subscriber for Ordinary Shares will be deemed to have made the relevant representations made therein.

In connection with the Offer, the Joint Bookrunners and any of their affiliates, acting as investors for their own accounts, may subscribe for or purchase Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for their own accounts in the Ordinary Shares. Accordingly, any reference in this document to the Ordinary Shares being issued, offered, subscribed, sold, or purchased or otherwise dealt with should be read as including any issue, offer or sale to, or subscription, purchase or dealing by the Joint Bookrunners and any of their affiliates acting as an investor for its own account. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

PRESENTATION OF FINANCIAL INFORMATION

The Company publishes its financial statements in US dollars. The abbreviation “£m” represents millions of pounds sterling and references to “pence” and “p” represent pence in the UK. References to “dollars”, “USD” or “\$” are to the lawful currency of the US. Sterling amounts stated in US dollars have been converted at an exchange rate of £1: \$1.5810 unless otherwise stated.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Company are prepared in accordance with IFRS as endorsed and adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board as endorsed and adopted by the European Union.

DISTRIBUTION OF THIS DOCUMENT

General

This document does not constitute and may not be used for the purposes of, an offer to sell or issue or the solicitation of an offer to buy or subscribe for any Ordinary Shares to or from any person in any jurisdiction

in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this document and the offer and sale of Shares in certain jurisdictions may be restricted by law and regulation. Other than in the UK, no action has been taken or will be taken by the Company or the Joint Bookrunners that would permit a public offering of the Ordinary Shares, or possession or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors must inform themselves as to:

- the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for information only and nothing in this document is intended to endorse or recommend a particular course of action. Prospective investors must rely upon their own professional advisors, including their own legal advisors and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to change.

Notice to investors in the European Economic Area

In relation to each Member State, an offer to the public of any Ordinary Shares may not be made in that Member State, except that an offer to the public in that Member State of any Ordinary Shares may be made at any time under the following exemptions under Directive 2003/71/EC, as amended (the “Prospectus Directive”), if they have been implemented in that Member State:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- to fewer than 100, or, if the Member State has implemented the relevant provisions of the Directive 2010/73/EC (the “2010 PD Amending Directive”), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of the Joint Bookrunners; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have

represented, acknowledged and agreed to and with the Joint Bookrunners and the Company that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and the Joint Bookrunners has been obtained to each such proposed offer or resale.

Certain non-UK recipients

This document is not for distribution into the Australia, Canada, Japan, the Republic of South Africa or the US. The issue of the Ordinary Shares has not been and will not be, registered under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa or the US and, subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly within Australia, Canada, Japan, the Republic of South Africa or the US or to, or for the account or benefit of, any persons within Australia, Canada, Japan, the Republic of South Africa or the US.

No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence.

No document in relation to the issue of the Ordinary Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission.

No registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the issue of the Ordinary Shares.

No document in relation to the issue of Ordinary Shares has been, or will be, lodged with, or registered by, the Securities Regulation Panel of the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority in any state of the US. The Ordinary Shares are being offered and sold outside the US in off-shore transactions, as defined in Regulation S. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US unless the offer or sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

The Ordinary Shares have not been approved or disapproved by the SEC, any US state securities commission or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the US.

SCIENTIFIC AND INDUSTRY DATA

This document includes industry and scientific data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data.

THIRD PARTY INFORMATION

All sources referenced in this document are publicly available and are not expert reports for the purposes of the Prospectus Rules. The Company has not independently verified any of the data from third party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to the Group's market position, which are not attributed to independent sources, are based on market data or internal information currently available to the Company. The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published from third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Estimates extrapolated from this data involve risks and uncertainties and are subject to change based on various factors, including those discussed in Part II (*Risk Factors*) of this document.

PART IV—EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|--|---------------------|
| Publication of this document | 19 June 2015 |
| Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange | 8 a.m. 19 June 2015 |
| Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange | 8 a.m. 24 June 2015 |
| CREST accounts credited with uncertificated shares | 8 a.m. 24 June 2015 |
| Despatch of definitive share certificates (where applicable) | By 8 July 2015 |

Notes:

- (1) If Admission does not occur, all conditional dealings will be of no effect any such dealings will be at the sole risk of the parties concerned.
- (2) The times and dates in the table above except the date of publication of this document, are indicative only and are subject to change without further notice. All times are London times.
- (3) No temporary documents of title will be issued.

PART V—OFFER STATISTICS

| | |
|--|----------------|
| Offer Price per Ordinary Share | 160 pence |
| Number of Offer Shares | 67,599,621 |
| Maximum number of Ordinary Shares subject to the Over-allotment Option ⁽¹⁾ | 10,139,943 |
| Number of Ordinary Shares in issue immediately following Admission ⁽²⁾ | 227,248,008 |
| Percentage of the Company's issued share capital immediately following Admission being issued or sold pursuant to the Offer ⁽³⁾ | 29.7% |
| Estimated net proceeds of the Offer receivable by the Company ⁽²⁾⁽³⁾ | £99.3 million |
| Expected market capitalisation of the Company at the Offer Price following Admission ⁽²⁾⁽⁴⁾ | £363.6 million |
| Ticker symbol | PRTC |
| SEDOL Code | BY2Z0H7 |

Notes:

- (1) The maximum number of Ordinary Shares subject to the Over-allotment Option granted by the Company will be 15 per cent of the total number of the Offer Shares.
- (2) This assumes no exercise of the Over-allotment Option.
- (3) Net proceeds receivable by the Company are stated after deduction of underwriting commissions and other estimated expenses (including VAT) of approximately £8.9 million (\$14 million).
- (4) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.

PART VI—DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISORS

| | |
|---|--|
| Directors | Mr. Joichi Ito (Non-Executive Chairman) Ms. Daphne Zohar (Chief Executive Officer) Dame Marjorie Scardino (Senior Independent Director) Dr. Bennett Shapiro (Non-Executive Director) Dr. Robert Langer (Non-Executive Director) Dr. Raju Kucherlapati (Independent Non-Executive Director) Dr. John LaMattina (Independent Non-Executive Director) Mr. Christopher Viehbach (Independent Non-Executive Director) Mr. Stephen Muniz (Executive Vice President, Legal, Finance and Operations) |
| Company secretary | Mr. Stephen Muniz |
| Registered office and business address | 5th Floor 6 St Andrew Street London EC4A 3AE United Kingdom |
| Global Co-ordinator, Sponsor and Joint Bookrunner | Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ United Kingdom |
| Joint Bookrunner | Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET United Kingdom |
| Legal advisors to the Company as to English law | DLA Piper UK LLP 3 Noble Street London EC2V 7EE United Kingdom |
| Legal advisors to the Company as to US law | DLA Piper LLP (US) 33 Arch Street, 26th Floor Boston Massachusetts, 02110 United States of America |
| Legal advisors to the Joint Bookrunners as to English law and US law | Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF United Kingdom |
| Auditor and Reporting Accountants . . | KPMG LLP 15 Canada Square London E14 5GL United Kingdom |
| Registrar | Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE United Kingdom |

PART VII—INFORMATION ON THE COMPANY AND THE GROUP

Investors should read this Part VII (Information on the Group's Operating Companies and Product Candidates) in conjunction with the more detailed information contained in this document, including the information on the Group's operating companies and product candidates in Part VIII (Information on the Group's Operating Companies and Product Candidates) and the operating and financial review in Part X (Operating and Financial Review) of this document.

1. OVERVIEW

PureTech is a science-driven healthcare company seeking to solve some of today's toughest health challenges in disruptive ways. Based in Boston, Massachusetts, PureTech has an advisory network of more than 50 experts across multiple disciplines—from entrepreneurs to world-renowned scientists—giving PureTech access to potentially groundbreaking science and technological innovations. PureTech is problem-focused and solution-agnostic, looking beyond traditional disciplines and approaching healthcare problems from different perspectives. Focusing on perceived areas of significant unmet medical need, PureTech evaluates and reviews, on average, 650 technologies per year and aims to select only the most scientifically and commercially promising concepts to advance.

In addition to its advisory network, PureTech has a highly qualified and experienced team of 61 employees (as at 17 June 2015, being the latest practicable date prior to publication of this document) comprising scientists, engineers and entrepreneurs. The Directors believe that PureTech's advisory network and innovative business model will enable the Company to continue to identify and develop promising and unexpected technologies targeting perceived major unmet healthcare needs.

PureTech currently has 12 operating companies which are actively developing technologies that typically seek to address significant healthcare markets. Seven of these companies are “growth stage” operating companies that have advanced through the process described in paragraph 4 (*Business Model and Approach*) of this Part VII (*Information on the Company and the Group*) below and have achieved external validation in the form of outside partnerships, proof-of-concept and/or substantial peer review. Five of these seven growth stage operating companies have developed product candidates that have demonstrated proof-of-concept in human clinical trials. In addition to its seven growth stage operating companies, PureTech has five “project phase” operating companies, which are at an earlier stage in PureTech's process and are expected to form the basis of future growth stage operating companies.

PureTech's operating companies have entered into partnerships with industry leading health and technology companies and institutions (or their affiliates), including Johnson & Johnson, Pfizer, Autism Speaks (a leading advocacy and awareness group for autism spectrum disorders), NIMH and Google. Additionally, a number of the operating companies' technologies have been featured in prestigious scientific publications such as *Science* and *Nature*.

PureTech also has ten “concept-phase” initiatives, built around specific healthcare themes, which have the potential to develop into the Group's future operating companies. PureTech maintains active relationships with a diverse group of forward-thinking strategic partners, both in industry and in academia, to assist in the identification of concept-phase initiatives.

PureTech, directly and indirectly through its operating companies, has raised over \$250 million, largely from direct equity funding, and also from debt and other non-dilutive funding from external parties. As at 17 June 2015, being the latest practicable date prior to publication of this document, PureTech has raised approximately \$142 million in equity financing at the Group level. These funds have been and will be directed primarily toward creating additional promising new companies, supporting project phase operating companies and concept-phase initiatives and maintaining central support functions.

2. MARKET OVERVIEW AND OPPORTUNITY

The global annual public and industry expenditure on the study of health and disease increased from \$209 billion in 2004 to \$265 billion in 2011, growing at a rate of 3.5 per cent annually⁽¹⁾. NIH alone invests nearly \$30 billion annually on research within the US. Of over 300,000 life science patents granted by the US Patent and Trademark Office between 1980 and 2012, approximately 85 per cent cite research related to NIH grants. Despite this proliferation of scientific innovation, only a relatively small number of patents

(1) Source: *Journal of American Medical Association*, January 2015. Includes research and development expenditures from 36 major world countries across four continents.

each year (from a base number of thousands) progress to the next stage of development and even fewer are ultimately translated into FDA-approved drugs. The Directors believe that this gap stems from not only the exploratory nature of scientific research, but also from a significant shortfall in talent, funding and infrastructure dedicated to translating and advancing the commercialisation of scientific discoveries. The Directors believe that PureTech has assembled the scientific knowledge, commercial experience, personnel and processes to identify, validate and commercialise promising technologies from this international pool of scientific research.

PureTech's strategy is based on a proactive, focused approach; it aims to extract the most promising technologies from a pool of scientific research in a systematic way to enable it to create potentially high impact companies. PureTech's objective is to identify unmet healthcare needs then seek to fully understand the landscape of technologies that have been applied to solving that problem. PureTech then seeks to review a broad landscape of technology solutions in that specific area from academic and other sources and also conceptualise unexpected approaches that the Directors believe have yet to be invented. This process is further described below in paragraph 4 (*Business Model and Approach*) of this Part VII (*Information on the Company and the Group*) below. Assembling and working with some of the world's leading experts in a given field provides PureTech with access to promising technologies, often prior to their publication.

PureTech's theme-driven approach applies a cross-disciplinary perspective that brings knowledge and insight from seemingly disparate fields to create potential solutions to perceived unmet healthcare needs. Part of the rationale behind this approach is that problems that may seem impossible to solve in one industry may have already been solved in another. PureTech's cross-disciplinary approach is particularly suited to addressing a healthcare environment where convergence of previously unrelated disciplines is accelerating. Convergence refers to healthcare, pharmaceutical and medical equipment, technology and consumer product development and manufacturing companies seeking to apply new technology to addressing healthcare needs. Leading companies including Apple, Google, Nestlé, Qualcomm and Samsung have recently become participants in the healthcare market. An example of this is the joint investment vehicle set up between Novartis and Qualcomm to pursue digital medicine. In another example, Google and Johnson & Johnson's Ethicon are also collaborating to help develop more advanced robotic surgical tools. Furthermore, opportunities for innovation in healthcare remain dynamic as new technologies enter the market. The emergence of technologies such as wearable biometric sensors coupled with a large amount of temporal and longitudinal data (data generated by individuals over time when wearing or using a form of measuring device) and support from products such as Apple's ResearchKit, is creating the opportunity and potential to address previously unsolvable problems in healthcare. For example, Apple recently announced its ResearchKit programme which will allow physicians and researchers to conduct clinical trials and gather data remotely, potentially allowing for more information to be gathered outside of the site of the clinical trial.

Akili, one of PureTech's growth stage operating companies, demonstrates one example of this cross-disciplinary convergence. The company is translating proprietary neuroscience into a remotely deployable software-based treatment which is designed to look and feel like a video game. Akili has entered into a partnership with Pfizer to develop this technology for use in the treatment of Alzheimer's disease and received an investment from Shire, a leading ADHD pharmaceutical company. Another example of PureTech's cross-disciplinary approach is Gelesis, which is using two food-grade building blocks to form a new chemical entity that expands in the GI tract to induce weight loss and potentially improve glycaemic control. Gelesis' product candidates could potentially be regulated as medical devices because of their mechanistic action, yet have the potential advantage of being administered and marketed as a drug. The Directors believe that some of PureTech's other existing operating companies also demonstrate this type of cross-disciplinary approach and anticipate that PureTech will continue to pursue opportunities which bring together commercial, strategic and technical insights from different disciplines.

The Group's operating companies typically seek to address significant healthcare markets, which include, *inter alia*, psychiatric and cognitive disorders, obesity and metabolic disorders, autoimmune and inflammatory diseases, oncology, dermatological conditions such as baldness and a range of early childhood and age-related disorders. Further details of the specific markets in which the Group's operating companies operate and the product candidates that the Group seeks to develop are set out in Part VIII (*Information on the Group's Operating Companies and Product Candidates*) of this document.

3. STRATEGY

PureTech's proactive, theme-driven approach begins with identifying an area of significant unmet need in healthcare. PureTech then seeks to source and evaluate a broad range of technologies (from a range of international sources) and/or conceive new ideas in the selected theme with the objective of accessing some of the most promising technologies in that theme. PureTech's international advisory network includes experts in particular subject matters who have extensive connections with leading academic institutions and industry, which supports PureTech in this sourcing and evaluation process.

The Directors believe that the healthcare industry is highly specialised and requires a strong understanding of the science, market opportunity, regulatory and reimbursement considerations for any given technology. PureTech's theme-driven approach allows it to build knowledge, talent and relationships and rely on advisory support within a specific field of interest, creating a capability to identify, evaluate, license and develop technologies within such fields. In some circumstances it also provides PureTech with the insight and perspective to create and file its own intellectual property with a view towards commercialisation within a field of interest. PureTech has consistently employed this strategy since 2004 and the Directors believe that the strength of PureTech's current operating companies is a result of this strategy.

Early scientific validation of its initiatives is a critical element of PureTech's strategy. PureTech aims to design and execute experiments to de-risk promising technologies prior to taking them forward. This also contributes to the initial selection of technologies, de-emphasising technologies that require significant expenditure prior to validation. PureTech designs initial experiments, often costing less than \$1 million, to validate a technology's efficacy. Alongside this process, PureTech also evaluates the clinical and commercial potential and associated rights of the technology. The results from these validation exercises inform PureTech's approach to securing intellectual property protection over the relevant technology. Wherever possible PureTech seeks to pursue opportunities that can be developed in a disciplined and staged manner, requiring the achievement of early value-adding milestones prior to material financial investment.

Along with scientific validation, PureTech seeks independent third party validation of its concept-phase initiatives and operating companies, typically through industry partnerships or obtaining third party funding (e.g. grants). For example, Tal, a growth stage operating company, has an on-going 90-patient clinical trial for its device that is funded by NIMH, which the Directors believe helps to validate both the market need and the technology itself. Similarly, Vedanta Biosciences, another growth stage operating company, secured a partnership with Janssen, a subsidiary of Johnson & Johnson, which the Directors believe helps to validate both the inherent value of the specific technology and more generally, Vedanta Biosciences' platform for the development of microbiome-derived immunotherapies.

Use of partnerships and grants helps to enable the Company to preserve its equity ownership and control of its operating companies for a longer time, with PureTech's current shareholding of its operating companies being a 76 per cent average shareholding on a diluted basis including issued and outstanding shares and issued and outstanding warrants and outstanding and contractually committed options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of convertible promissory notes. In projects where PureTech has a lower equity interest due to significant outside funding (for example, Gelesis, which has raised over \$50 million in equity funding and grants), the Company may achieve additional upside, for example, in the form of royalties.

In addition to royalties, PureTech looks to generate revenue through its commercialisation efforts by entering into licensing deals, launching stand-alone products, public offerings of equity of its operating companies and the sale of assets.

4. BUSINESS MODEL AND APPROACH

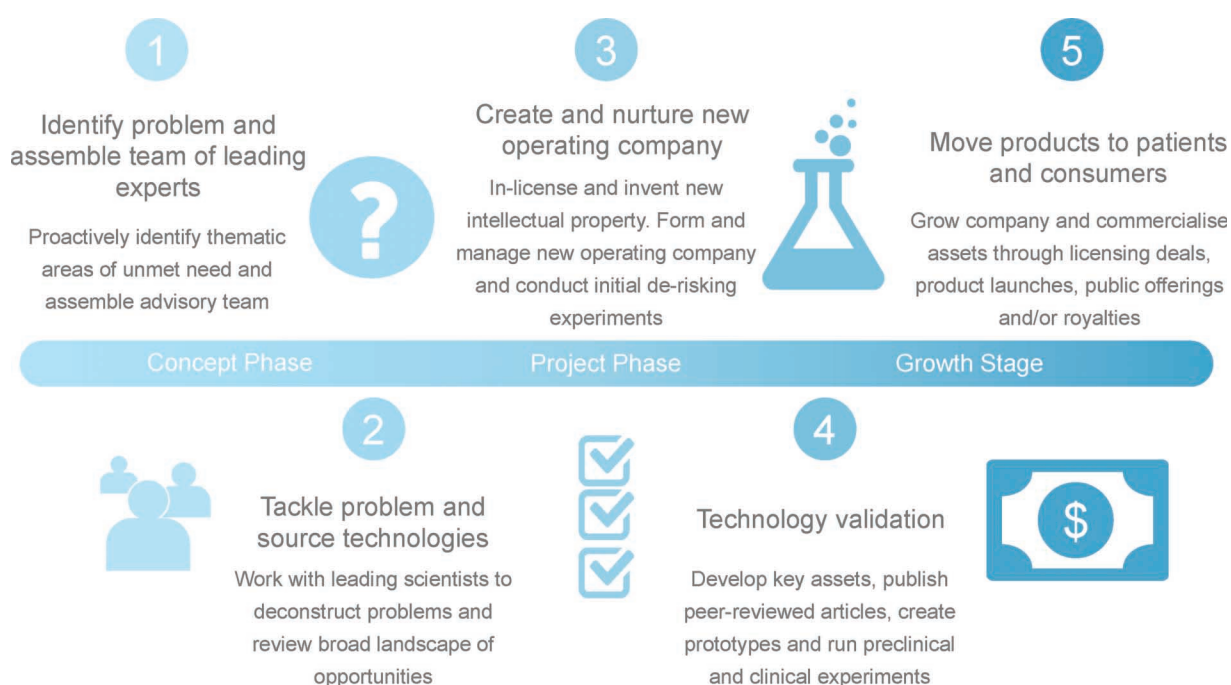
PureTech's theme-driven company creation process

PureTech's operating companies and product candidates originate from its systematic, theme-driven company creation process. PureTech begins by internally selecting a theme (a perceived area of significant unmet need in healthcare or an emerging area of scientific research) where PureTech sees the opportunity to translate academic innovations into impactful healthcare products with significant commercial potential. PureTech then identifies and seeks to recruit leading scientists and experts in that particular area to form a theme-specific scientific advisory board addressing that particular subject matter. PureTech then works with that scientific advisory board to cultivate new ideas and evaluate technologies that have the potential

to address the defined need. PureTech conducts a rigorous process to ensure that it prioritises and pursues only those technologies that are believed to have a strong scientific basis and to show commercial and clinical potential. The Directors believe that the combined expertise of PureTech’s internal team, Board and its international advisory network is critical to this process. Upon selecting and in-licensing the relevant technologies, PureTech then usually seeks to obtain further intellectual property protection, conduct further experiments to validate the technologies and drive product candidates towards commercialisation and manage the new project phase operating company’s business while building a growth leadership team and providing additional capital to fund the company’s development.

Throughout all the formative stages of company creation, PureTech undertakes systematic due diligence which results in the selection of what the Directors believe to be clinically and commercially compelling technologies around which to build companies. This diligence commences at stage one (*Identify problem (theme) and assemble experts*) and continues through to incorporation of an operating company and beyond. PureTech adopts an efficient, staged approach to due diligence, seeking clear scientific validation and strong indications of commercial potential before engaging in “deep dive” due diligence. PureTech maintains a critical “kill early” philosophy whereby PureTech seeks to answer key scientific questions at the earlier stages of its process so that programmes that PureTech believes do not carry sufficient clinical or commercial promise can be discontinued. PureTech has shut down five operating companies founded since 2004, spending less than \$500,000 (on average) per company, excluding PureTech personnel costs, prior to shutting them down.

PureTech’s theme-driven company creation process is summarised in the diagram below.



Stage 1—Identify problem (theme) and assemble team of leading experts

PureTech generates new concept-phase initiatives by first proactively identifying a thematic area to pursue. Ideas for new themes are generated internally within PureTech as part of regular discussions around perceived areas of unmet healthcare needs. PureTech’s ability to select themes is enabled by the scientific and medical expertise of its Directors and employees. The factors taken into consideration when selecting a theme include: (i) the perceived potential commercial opportunities; (ii) the knowledge that there are multiple relevant technologies being explored in academia; (iii) the “time is now” test (as described below); and (iv) the commitment of other leading scientists in the given therapeutic area or scientific discipline to pursue this theme. The Board then resolves whether to pursue the theme based on initial interactions with scientists and identification of promising scientific research activities.

The “time is now” test is a key factor considered by PureTech in determining which concept-phase initiatives to pursue in which PureTech asks “why is today the right time to pursue this area as compared to two years hence or two years ago?” Typically this involves evaluating the trajectory of scientific output and consumer and industry sentiment in the field to identify areas that have the potential to achieve significant

clinical and/or commercial progress. By way of example, PureTech initiated its consideration of the microbiome before the science became a major area of focus in the scientific community. This enabled PureTech to review over 100 technologies in the field at an early-stage and resulted in the formation of Vedanta Biosciences.

At this stage, PureTech seeks to identify and recruit the leading subject matter experts in the identified field to join the relevant initiative's scientific advisory board. This board complements PureTech's own scientific and commercial expertise. These experts are invited to participate in the formation of the business, often acquiring equity interests in the newly formed operating company. The Directors believe that PureTech benefits from such experts holding equity in the operating companies and being interested in the commercial success of the business. These experts do not typically become employees of PureTech, but enter into an advisor agreement with PureTech or the new operating company being formed that provides for compensation and in most cases the protection of PureTech's intellectual property.

Stage 2—Tackle problem and source technologies

Following the formation of the scientific advisory board for each concept-phase initiative, PureTech evaluates possible solutions to the perceived unmet needs and opportunities identified, reviewing past and current solutions developed in academia and industry, including in-depth discussion about why past approaches may have failed. Through this process PureTech seeks to identify potential technologies that it believes to be neither marketed nor yet in development.

While advisors are initially selected for core expertise in a specific themed initiative, a number of advisors now participate in other initiatives within PureTech to provide the cross-disciplinary perspective and the ability to evaluate and examine any potential insufficiencies and possible solutions in relation to clinical paths. PureTech uses its diverse scientific and corporate networks to source and screen an extensive range of technologies internationally, driven by where it is considered the most interesting scientific research is occurring, typically reviewing over 100 technologies for any given theme. PureTech is not limited to engaging with any particular institution and therefore has the freedom to pursue what it considers to be some of the most promising ideas internationally.

Historically, PureTech has sourced technologies for its concept-phase initiatives from one or more of the following: (i) the laboratories of the scientists who are part of a scientific advisory board; (ii) laboratories of other leading scientific researchers known to PureTech; (iii) licenses from companies with which PureTech has a strong relationship; and (iv) inventions by PureTech team members. Academia represents the source of nearly all of the technology licensed to date with licensing from other companies representing a minority of technologies. PureTech does not invest in existing companies undertaking a round of funding, though those outside opportunities are often presented to the PureTech team. The Directors believe that PureTech has developed a disciplined, reproducible system which enables it to obtain sourcing leads for promising technologies and direct access to inventors. The Directors also believe that this approach enables PureTech to take advantage of the breadth of its international advisory network and adopt a proactive, focused approach to developing technologies that may not be readily apparent to other organisations in the technology commercialisation and seed-stage funding markets. For example, PureTech identified the core technology for Akili over one year prior to its publication on the cover of the prestigious journal *Nature* and Vedanta Biosciences' technology was identified approximately one year prior to its publication in *Science*.

Stage 3—Create and nurture new operating company

Once the foundational technology or technologies arising from a concept-phase initiative have been identified, PureTech incorporates a new operating company and then aims to in-license and/or file for intellectual property rights over the relevant technology. Such newly formed companies are classified as project phase operating companies.

PureTech's team proactively seeks patents on technologies invented internally. With respect to technology sourced from external sources, PureTech usually obtains an exclusive option to the relevant technology in order to give PureTech exclusive access to the technology (subject to certain customary exceptions) prior to making a definitive decision to in-license it. The initial operating team for a project phase operating company may consist of one or more senior executives at PureTech, one or more of the Directors and supporting members from within PureTech.

As the company progresses, PureTech uses its international advisory network to form a management team for each operating company that combines scientific expertise, industry experience and commercial focus to drive the technology towards commercialisation.

Stage 4—Technology validation

PureTech actively seeks to validate the in-licensed technology and strengthen its intellectual property portfolio. The project phase operating company formulates and conducts experiments to validate the technology and to address key identified risks. These experiments often cost less than \$1 million to conduct and, if successful, can begin to demonstrate the commercial or clinical potential of the technology as well as its value accretion potential. As part of this process, the PureTech team works to strengthen the technology's intellectual property portfolio with data from these experiments.

PureTech emphasises early attrition both in the sourcing process and through due diligence and experimental milestones. PureTech actively manages the technology development process and experiments “in-house” as well as through the use of sponsored academic and other contract research. PureTech's management team takes an active role in developing key experiments, designing trials and overseeing aspects of product development. PureTech collaborates with some of the world's top clinicians and strategic partners who have extensive experience in gaining regulatory approval to design rigorous clinical trials with the objective of both withstanding regulatory scrutiny and meeting marketing needs.

PureTech may discontinue a theme or operating company in which it considers the case for commercialisation no longer compelling, but not without aiming to remedy any identified issue. This can occur at any stage of development. For example, at the early-stage of scientific review, PureTech may abandon a concept-phase initiative if the science does not prove to be sufficiently novel or protectable. PureTech may also choose not to continue an initiative if the economic terms of a potential license are not sufficiently attractive or if the intellectual property is too narrow to protect a potential product. PureTech also de-prioritises programmes if initial proof-of-concept experiments or later clinical trials do not show suitable commercial promise.

When PureTech decides to continue a project phase operating company after completing a thorough diligence process, the company will enter the growth stage. As part of the validation process of the growth stage, PureTech seeks to develop key assets, publish impactful scientific articles in prominent peer-reviewed journals and/or create prototype products. PureTech may also seek to conduct early human proof-of-concept trials and seek strategic partners to accelerate development.

During this growth stage, PureTech begins to build the infrastructure of the operating company through recruiting dedicated management and staff to advance clinical development and scale the business. PureTech continues to support the operating company with its infrastructure and guidance on its development and commercialisation approach.

Stage 5—Move products to patients and consumers

PureTech is focused on pursuing programmes capable of bringing commercially viable products to significant identifiable markets. Accordingly, the Board evaluates on an on-going basis the progress and potential of each of the operating companies and takes strategy and funding decisions based on the achievement of key milestones, including external validation.

PureTech's ultimate objective is to advance each of its operating companies towards commercialisation of its product candidates. As a PureTech operating company moves towards commercialisation it adopts a plan that reflects the company's commercialisation strategy, including recruiting additional members of management with the relevant commercialisation expertise. While the launching of products independently is one path to commercialisation, in pursuing this objective the Board expects that the achievement of key milestones will provide PureTech's operating companies with flexibility to explore a range of alternative opportunities for generating income, including licensing arrangements, royalties, joint ventures, public offerings and trade sales (in whole or in part).

As PureTech's growth stage operating companies develop, PureTech is particularly focused on pursuing development paths that enable those companies to partner directly with industry leaders at the right stage and minimise dilutive sources of capital while retaining control over the strategic direction of the business. PureTech has therefore placed particular emphasis on cultivating strong relationships with strategic partners, in addition to developing collaborative research plans, to accelerate the development of PureTech's technologies and maximise value appreciation.

5. KEY STRENGTHS

PureTech possesses a number of strengths within its business model which the Directors believe are particularly attractive in combination. These strengths are set out below.

Innovative theme-driven approach to solving fundamental healthcare problems

PureTech's proactive, theme-driven company creation model begins with identifying an area of perceived significant unmet need in healthcare. PureTech engages and collaborates with leading scientists across disciplines to source and evaluate a broad range of technologies in the selected theme to identify, validate and develop high impact technologies. This established model enables PureTech to take a broad, solution-agnostic and international view of a significant number of technologies in a particular theme, allowing PureTech's evaluation to be driven by a strong science and technology rigour.

PureTech's theme-driven company creation process is particularly suited to combining approaches from disparate fields, which the Directors believe offers PureTech a competitive advantage as the healthcare landscape rapidly changes as a result of the convergence of new technologies and participation by non-healthcare corporate entities.

Industry-leading, cross-disciplinary team

PureTech's directors and employees have collectively been involved in the development of drugs, medical devices and technologies which have been credited with an impact on billions of people. Most of PureTech's directors have been involved in the launch of multi-billion dollar companies and products. Additionally, PureTech has selected its experienced team of employees for their creativity and entrepreneurial skills from a pool of candidates from top institutions. In addition to extensive healthcare expertise, PureTech's internal team also comprises cross-disciplinary specialists with expertise in life, computer and physical sciences as well as chemical and biomedical engineering.

Industry-leading international advisory network

Alongside PureTech's internal team, the Company has established an international advisory network comprising more than 50 experts across multiple disciplines, from entrepreneurs to world-renowned scientists. The advisors contribute individual expertise and also function as part of a broader, collaborative network. The Directors believe that this network as a whole provides PureTech with access to some of the most promising technologies within a theme, at the stage where they are first being explored in the laboratories of their origin. For example, these leading scientists sometimes introduce PureTech to up-and-coming scientists and researchers who are potentially making breakthroughs in a particular field. This network enhances PureTech's ability to evaluate and validate those technologies that it believes show strong commercial and clinical potential and ultimately focus on a select few of some of the most promising within the selected theme. PureTech's advisory network has international reach which complements PureTech's extensive relationships within Boston's healthcare community.

Diverse range of operating companies with significant market potential and validation

PureTech has 12 operating companies which target a diverse range of significant healthcare markets. Five of PureTech's operating companies have demonstrated human proof-of-concept. Several of PureTech's operating companies have attracted significant external financing and validation through partnerships with major healthcare and technology companies or their affiliates, including Johnson & Johnson, Pfizer, Google and Shire Pharmaceuticals. The work of a number of operating companies has been validated through publication in prestigious, peer-reviewed scientific journals (e.g. *Nature* and *Science*). PureTech seeks to hold high ownership levels in its operating companies. PureTech currently has a 76 per cent average shareholding in its operating companies on a diluted basis, including issued and outstanding shares and issued and outstanding warrants and outstanding and contractually committed options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of convertible promissory notes. The Directors believe that the growth stage operating companies have promising trajectories, each with multiple potential near-term milestones.

Robust science base protected by strong intellectual property position

PureTech has reviewed over 7,000 technologies and through testing, developing and prioritising has selected what it believes to be the most promising approaches within given themes. PureTech considers the

strength of its technologies and associated intellectual property to be critical factors in protecting its competitive position. PureTech and its operating companies have a portfolio of over 110 patents and patent applications across a broad range of technologies. The Directors believe that assessing whether an innovation or technology can be protected through intellectual property is an important part of the theme-driven company creation process. PureTech takes a proactive, focused approach to sourcing, inventing, licensing, developing and protecting its intellectual property.

Established theme-driven company creation process to deliver growth

PureTech's existing operating companies have all been generated by the Company's established sourcing and company creation model. While developing its operating companies, PureTech's platform, infrastructure and international advisory network helps to enable the Company to continue to explore new thematic areas. PureTech also currently has ten concept-phase initiatives with the potential to become the Group's future operating companies. The Directors believe PureTech's disciplined approach to development and capital allocation will ensure that PureTech continues to explore a wide range of high-impact technologies in a cost-efficient manner. PureTech has shut down five operating companies founded since 2004, spending less than \$500,000 (on average) per operating company, excluding PureTech personnel costs, prior to shutting them down.

In addition, PureTech's employees have built up extensive knowledge in areas that are critical to forming a new operating company including deep scientific knowledge, commercialisation assessments, patent application drafting and experience in negotiating licenses with academic institutions. The Directors believe this combination of established working relationships and broad expertise across the team enables PureTech to create and manage its operating companies with efficiency and reduced execution risk, and ultimately provides PureTech with a reproducible model to enable it to grow its business.

6. HISTORY AND DEVELOPMENT OF THE COMPANY

PureTech began engaging in initial sourcing activities, including thematic focuses on obesity and aesthetic medicine, during the period between 2004 and 2006, raising its first financing round greater than \$5 million in 2004. Following this financing round, PureTech founded two of its current operating companies, Gelesis and Follica, out of its thematic areas of interest and led their initial development. PureTech also formed two operating companies in the central nervous system (or CNS) area that were discontinued after experiments and a clinical trial failed to deliver scientific validation.

In 2007 and 2008, PureTech raised approximately \$14 million and began to accelerate its company creation process. Five of PureTech's seven growth stage operating companies were founded in the three years following this financing round. Since those operating companies' formation, PureTech has focused on developing their product candidates, while also developing additional technologies that today comprise PureTech's five project phase operating companies and ten concept-phase initiatives. PureTech also holds minor shareholdings in other companies.

The Group currently has 12 operating companies. The operating companies have received an aggregate amount of over \$130 million from PureTech and third parties largely from direct equity funding, and also from debt and other non-dilutive external funding. Several of PureTech's operating companies have recently achieved significant milestones in the research, development and testing of their product candidates, including:

- In 2013, Akili received an investment from Shire Pharmaceuticals, which helped support the ADHD study;
- Vedanta and Akili both had validating data around their technologies published in *Nature*, a prestigious scientific journal, in 2013, with the academic prototype of Akili's technology featured on the cover;
- Entrega entered into a collaboration with Google in 2013 as part of an initiative to develop a platform on which to orally deliver diagnostic nanoparticles;
- Akili announced in January 2014 a partnership with Pfizer to test the ability of Akili's mobile video game platform, Project: EVO, to detect cognitive differences in healthy elderly people at risk of developing Alzheimer's disease as well as an investment from Shire Pharmaceuticals;

- Tal announced in January 2014 that NIMH would be funding a 90-patient proof-of-concept trial of its LFMS treatment for depression;
- Gelesis announced in June 2014 the successful results of a 12-week, 128-patient First Loss of Weight (or FLOW) study showing statistically significant weight loss in overweight and obese subjects, with particularly dramatic weight loss in pre-diabetic patients and improvement in glycaemic parameters in a post-hoc analysis; and
- Gelesis initiated its 168 patient Gelesis Loss of Weight (GLOW) study in November 2014.

Additionally, both the Sync Project, Inc. (“Sync Project”) and CommenSe, Inc. (“CommenSe”), two of PureTech’s project phase operating companies, were incorporated in 2014. Full details of the Group’s track record of operations in research and development across its operating companies and product candidates are set out in Part VIII (*Information on the Group’s Operating Companies and Product Candidates*) of this document.

In August 2014, PureTech raised \$56.7 million and in the first quarter of 2015 PureTech raised \$52.4 million with a post-money valuation of \$352.4 million, with Invesco as the lead investor in both financings.

Since the Group’s initial closing of its last financing round, Vedanta Biosciences has licensed its lead product candidate to Janssen for an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens, and Tal and Gelesis have closed financing rounds of \$14.5 million and \$22.3 million, respectively, (each including the conversion of convertible promissory notes). Akili entered into a collaboration with Autism Speaks, a leading autism advocacy group, to run a clinical study in autism. The Group also incorporated Sonde Health, Inc. (“Sonde Health”), one of PureTech’s five current project phase operating companies.

In April 2015, Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock on the NASDAQ Global Market. Gelesis decided to delay the initial public offering and is considering the ideal time to price it given its strong cash position and strategic and commercialisation considerations, such as discussions with potential strategic partners regarding the timing of the read-out of the GLOW study. Gelesis will consider general market conditions at the time if the Company decides to proceed with the initial public offering.

Karuna is currently in advanced negotiations with an investor on a potential financing expected to be in the amount of \$3.8 million and involving the issuance of a convertible note. It is anticipated that this transaction would provide Karuna with strategic, independent third party validation of its product candidate.

PureTech LLC was acquired by the Company on 18 June 2015 pursuant to the Reorganisation (as defined in paragraph 4.7 of Part XVI (*Additional Information*) of this document) for the purposes of Admission. PureTech LLC is now a wholly-owned subsidiary of the Company. For further details of the Reorganisation, see paragraph 4 (*The Reorganisation*) of Part XVI (*Additional Information*) of this document.

7. MANAGEMENT TEAM AND BOARD

PureTech has an experienced management team and Board with strong scientific credentials and industry experience. PureTech’s directors have between them been involved in the development of drugs, medical devices and technologies which have been credited with an impact on billions of people, held senior leadership positions at major pharmaceutical companies and co-founded several multi-billion dollar healthcare companies. The Directors and Board observer include academics who are some of the leading thinkers in their respective fields and include recipients of the Nobel Prize, the National Medal of Science and Technological Innovation, the Queen Elizabeth Prize for Engineering, the Kyoto Prize and the Breakthrough Prize. The Directors believe that these individuals are well-placed to provide PureTech with incisive input on its theme-driven initiative creation model and the development of its operating businesses.

7.1 Executive Management

PureTech’s executive management team combines significant experience in entrepreneurship and programme creation in healthcare (full biographies of the executive management team are at paragraph 3

(*Directors and Senior Managers*) of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document). This team includes:

- Ms. Daphne Zohar (Chief Executive Officer)–PureTech co-founder and entrepreneur who built the team and organisation. Recognised as a leader and innovator in healthcare by *Scientific American*, the Massachusetts Institute of Technology’s (“MIT”) *Technology Review*, *Bioworld* and the *Boston Globe*, among others.
- Mr. Stephen Muniz (Executive Vice President, Legal, Finance and Operations)–Mr. Muniz is responsible for overseeing all legal and financial matters related to PureTech and its operating companies, as well as the day-to-day operations of PureTech. Formerly, Mr. Muniz was a partner at Locke Lord LLP, responsible for transactions worth, in aggregate, billions of dollars.
- Dr. Eric Elenko (Executive Vice President, Science and Technology)–Dr. Elenko is responsible, along with Mr. Steinberg, for overseeing all aspects of the new company creation process from the concept-phase initiative stage through to the growth stage operating company stage. Formerly, Dr. Elenko was a consultant with McKinsey and Company. While a graduate student, Dr. Elenko started the Technology Evaluation Group, a consulting company providing diligence to investors and consulting services to new businesses.
- Mr. David Steinberg (Executive Vice President, Company Creation)–Mr. Steinberg is responsible, along with Dr. Elenko, for overseeing all aspects of the new company creation process from the concept-phase initiative stage through to the growth stage operating company stage. Formerly, Mr. Steinberg was a consultant with Boston Consulting Group.

7.2 Non-Executive Directors and Board Advisor

A number of PureTech’s non-executive Directors (“Non-Executive Directors”) and Board Advisor are also involved in PureTech’s proactive theme-driven company creation, together with PureTech’s operating team and are critical in the recruitment of leading scientists prior to company formation. A number of Non-Executive Directors are also members of the boards of certain of PureTech’s operating companies.

- Mr. Joichi Ito (Non-Executive Chairman)–MIT Media Lab Director and board member of Sony Corporation, the MacArthur Foundation, the New York Times Company, the Knight Foundation and Mozilla.
- Dame Marjorie Scardino (Senior Independent Director)–Former Chief Executive of The Economist and Chief Executive of Pearson plc. Currently the Chairman of The MacArthur Foundation and member of non-profit boards of Oxfam, The Royal College of Art, and The Carter Center, and for-profit boards of Twitter and International Airlines Group.
- Dr. Bennett Shapiro (Non-Executive Director)–Former Executive Vice President of Worldwide Basic, Preclinical, and External Research at Merck Research Laboratories (of Merck & Co.), responsible for overseeing the discovery and/or development of numerous drugs and vaccines, including multi-billion dollar drugs such as Januvia and Zetia.
- Dr. Robert Langer (Non-Executive Director)–PureTech co-founder, David H. Koch Institute Professor at MIT and prolific inventor, recipient of over 220 prizes and co-founder of over 20 companies, including multi-billion dollar companies Momenta Pharmaceuticals and Moderna Therapeutics.
- Dr. Raju Kucherlapati (Independent Non-Executive Director)–Paul C. Cabot Professor of Genetics and Professor of Medicine at Harvard Medical School and co-founder of Abgenix, Inc. (sold to Amgen Inc. for \$2.2 billion) and Millennium Pharmaceuticals Inc., subsequently acquired by Takeda Pharmaceutical Company Ltd for \$8.8 billion.
- Dr. John LaMattina (Independent Non-Executive Director)–Former President Global Research and Development at Pfizer under whose leadership numerous drugs were discovered and/or developed including multi-billion drugs Tarceva and Lyrica.
- Mr. Christopher Viehbacher (Independent Non-Executive Director)–Former Chief Executive Officer and board member of Sanofi S.A. and former board member at GlaxoSmithKline plc. During his tenure, Sanofi completed acquisitions worth approximately \$30 billion in aggregate.

- Dr. Robert Horvitz (Board Advisor and Chair of the Company's scientific advisory board) – David H. Koch Professor at MIT, Investigator of the Howard Hughes Medical Institute (“HHMI”) and Nobel laureate. Co-founder of Epizyme, Inc. (with market capitalisation of approximately \$770 million as of 1 June 2015), and other biotechnology companies. Dr. Horvitz does not hold the position of Director and does not vote on decisions by the Board. He is present in an advisory capacity only.

The Directors believe that the significant experience of the management team and its active participation in PureTech's theme-driven company creation, validation and commercialisation processes provide a strong foundation for high quality and objective, strategic decision-making regarding the future direction of the Group's operating companies and concept-phase initiatives.

Biographies for each of the Directors and Senior Managers are set out in Part IX (*Directors, Senior Managers and Corporate Governance*) of this document.

8. PURETECH'S INTERNATIONAL ADVISORY NETWORK

The Directors believe that PureTech's ability to identify and develop themed initiatives is enhanced by its international advisory network. This network comprises more than 50 experts across multiple disciplines from entrepreneurs to world-renowned scientists.

These advisors help cultivate ideas and evaluate technologies that have the potential to address perceived unmet healthcare needs. These experts do not become employees of PureTech, but enter into an advisor agreement with PureTech or a specific operating company that provides for compensation and, in most cases, the protection of PureTech's intellectual property. Scientific advisory board members are incentivised with cash consideration and/or equity options at the operating company level to align their interests with those of PureTech. Many of these advisors have since remained within the PureTech international advisory network to participate in subsequent initiatives that overlap with their broad scientific expertise.

As part of these arrangements, PureTech aims to require, to the extent legally possible, the scientific advisory board members to agree to assign intellectual property generated as a direct result of their work for PureTech within the themed initiative either to a new operating company or to PureTech itself. PureTech does not ask the advisors to assign or license any of their core research-related intellectual property to PureTech or to the new operating company. However, the Directors believe that advisors are typically motivated to assist PureTech in exploring commercialisation opportunities relating to the research undertaken by them. Furthermore, PureTech may seek to negotiate a licensing arrangement with the advisor's institution through its technology transfer office. The Directors believe that PureTech benefits from this process as it sometimes is able to discover, and has the opportunity to secure intellectual property rights over, promising concepts at an early-stage before academic research is published.

In addition, PureTech's approach to externally validating its operating companies and their product candidates is complemented and supported by its existing international advisory network. The Directors believe that this established international advisory network brings significant industry and academic knowledge to PureTech's business and provides a variety of backgrounds that complement PureTech's cross-disciplinary approach. Collectively, these scientific advisors have generated thousands of academic publications, including many in prestigious journals such as *Nature*, *Science* and *Cell*, have contributed to the award of thousands of patents and the development of innovative healthcare products and have mentored post-doctoral fellows that have or are expected to become prominent in their fields.

9. REASONS FOR ADMISSION AND THE OFFER

The Directors believe that the Offer will provide diversification of funding sources to bring the Group's principal product candidates to market and support the Group's long-term growth. The Directors expect Admission to enhance the Group's public profile and status with existing and potential partners and support retention of key management and employees.

As at 31 May 2015, the Group had existing consolidated cash balances of \$132.2 million. The Company expects to receive net proceeds from the Offer of £99.3 million (\$157 million). The Directors intend the net proceeds to be applied, together with a proportion of the Company's existing cash resources, towards the development of its growth stage operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through partnerships and/or commercial sales, as set out in paragraph 9.1 (*Invest in Existing Growth Stage Operating Companies*) of this Part VII (*Information on the Company and the Group*) below.

The Company's business model necessitates flexibility in its planned use of proceeds which will be contingent upon the successful achievement of certain validating research and development milestones. Based on the Directors' assessment of the Group's operating companies and their progress in respect of such milestones as well as an assessment of the relative potential of companies at that point in time, the level of capital committed by the Company or sought from third party investors towards further specific development and commercialisation activities may be less than, or may exceed, the planned level of investment. The Company's majority ownership interest in its operating companies (except for Gelesis) enables it to retain significant control over both the timing and allocation of its expenditure in a disciplined and efficient manner and provides it with the ability to increase or accelerate investment in pursuit of product commercialisation where there is a compelling case to do so. Accordingly, the Directors anticipate that, from time to time, the Company's use of proceeds will be subject to revision as a result of on-going research and development activities.

Based on the Directors' present assessment, the Company currently intends to use the net proceeds it will receive from the Offer, together with its existing cash resources, as required, as follows:

9.1 Invest in existing growth stage operating companies

The Directors currently anticipate allocating the net proceeds of \$157 million towards developing the growth stage operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through commercial sales and/or partnerships, for example through upfront and potential, subsequent milestone payments, as follows:

Vedanta Biosciences: Seeking to continue to develop and optimise its pipeline products, VE303, VE404 and VE505, targeting infectious disease, autoimmune disease and inflammatory disease of the GI tract, respectively. Vedanta Biosciences anticipates entering into multiple revenue-generating partnerships, and to scale up its discovery platform which it will leverage to generate additional LBP candidates. Proceeds allocated—approximately \$41 million.

Vedanta Biosciences has entered into a partnership with Janssen, a subsidiary of Johnson & Johnson, under the terms of which Janssen assumes responsibility of the funding and the development of its first product candidate, VE202;

Akili: Seeking to further develop its cognitive platform technology and achieve independent commercial sales for its first product candidate, Project: EVO, for the screening and treatment of neurological disorders such as ADHD. Proceeds allocated—approximately \$34 million;

Tal: Seeking to further develop and achieve regulatory clearance to allow for commercial sales of its noninvasive neurostimulation LFMS device for the treatment of psychiatric disorders. Proceeds allocated—approximately \$35 million;

Karuna: Seeking to further develop its combination drug treatment for schizophrenia and enter into a revenue-generating partnership to commercialise the product candidate. Proceeds allocated—approximately \$19 million;

Entrega: Seeking to further develop its drug delivery platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads and enter into revenue-generating partnerships. Proceeds allocated—approximately \$16 million; and

Follica: Seeking to further develop its hair loss therapy and achieve commercial sales of its treatment procedure and devices. Proceeds allocated—approximately \$12 million.

The Directors do not currently intend to allocate any of the net proceeds of the Offer to Gelesis. The Directors consider that Gelesis has sufficient funding from its existing cash resources to complete its on-going clinical trial.

Further details of the Group's planned research, product development and commercialisation activities are set out in Part VIII (*Information on the Group's Operating Companies and Product Candidates*) of this document.

9.2 Invest in the development of new, high-impact product candidates

In parallel with developing its growth stage operating companies, PureTech intends to advance its five project phase operating companies which are at an earlier stage in PureTech's process and are expected to

form the basis of future growth stage operating companies. PureTech also currently has ten concept-phase initiatives with the potential to become the Group's future operating companies.

The Directors intend to continue to build and advance PureTech's project phase operating companies and concept-phase initiatives following Admission. Accordingly, the Directors currently anticipate allocating approximately \$10 million annually to invest in the development of new high-impact product candidates at the project phase operating company and concept-phase initiative level.

9.3 Continue to operate the Group's efficient corporate platform

PureTech's business model maintains central support functions at Group level, thereby enabling its operating companies to focus on research and development activity whilst obtaining operational and financial support. Whilst the Board seeks to maintain a strict focus on capital discipline, further future expansion of the Group's operational and administrative infrastructure is likely to be required as the Group grows in size and as operating companies mature.

The Directors currently anticipate the cost of operating its corporate platform in an efficient manner to increase to approximately \$8 million per annum. The Directors believe that this expenditure will assist in the maximisation of the value of its operating companies and concept-phase initiatives.

9.4 Retain flexibility to respond to other funding requirements as they arise

The balance of PureTech's cash resources will remain unallocated until such time as it is required. The nature of PureTech's business is such that the Directors believe that further opportunities will arise and this unallocated cash balance will enable the Group to be able to respond to such opportunities. For example, the Directors anticipate that PureTech may allocate further funding from PureTech's existing cash resources to Gelesis to support further growth of the company.

10. VALUATION OF THE GROUP'S GROWTH STAGE OPERATING COMPANIES

10.1 Valuation of PureTech's growth stage operating companies

All of PureTech's operating companies are currently majority-owned, save with respect to Gelesis in which PureTech holds approximately 23 per cent of the company on a diluted basis, and are fully consolidated in PureTech's consolidated financial statements prepared in accordance with IFRS. As a result, the consolidated statements of financial position incorporated within PureTech's consolidated financial statements do not include current valuations of PureTech's operating companies. As a means of promoting transparency, the Directors also present, as supplementary information, ownership adjusted valuations of each of the Group's growth stage operating companies by value. This valuation disclosure has been prepared on the basis of the AICPA Guidelines. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The growth stage operating company valuations are not presented as alternative measures to, and should be read in conjunction with, PureTech's consolidated financial information prepared in accordance with IFRS and as set out in Part XII (*Historical Financial Information*) of this document.

There can be no guarantee that the aforementioned valuation of the Group's growth stage operating companies will be considered to be correct in light of the future performance of the Group's operating companies, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its growth stage operating companies.

At the close of each annual financial period, the Directors plan to estimate and formally approve, the value of the Group's growth stage operating companies which is used to derive the Aggregate Value of Growth Stage Operating Company Holdings ("Aggregate Holdings"). The Aggregate Holdings was \$222.4 million (£140.7 million) as at 31 December 2014 or, in the case of Gelesis and Tal, as at the date of initial closing of

any financing rounds that occurred after 31 December 2014, as set out in the table below, which has been extracted without material adjustment from Part XII (*Historical Financial Information*) of this document.

| Growth stage operating company⁽¹⁾ | Value of PureTech's holdings in growth stage operating companies⁽⁴⁾ |
|--|---|
| Vedanta Biosciences | \$ 67.0 |
| Gelesis | \$ 44.9 |
| Akili | \$ 26.7 |
| Tal | \$ 27.3 |
| Karuna | \$ 24.9 |
| Entrega | \$ 13.4 |
| Follica | \$ 18.2 |
| Aggregate Holdings⁽²⁾⁽³⁾ | \$222.4 |

Notes:

- (1) The values as of 31 December 2014 are based on events that were known or capable of being known as of that date, which includes the Vedanta Biosciences licensing agreement signed with Janssen, a subsidiary of Johnson & Johnson, in January 2015.
- (2) The Aggregate Holdings includes ownership-adjusted cash balances amounting to \$22.8 million. Cash balances are as at 31 December 2014, with the exception of Gelesis, Tal and Vedanta Biosciences. In the case of Gelesis and Tal, the cash balances are as immediately following their March 2015 financing rounds, while the cash balance for Vedanta Biosciences includes the upfront payment from Janssen, received in January 2015.
- (3) The Aggregate Holdings has been calculated on the basis of PureTech's percentage ownership interest as of 31 December 2014 or in the case of Gelesis and Tal, as at the date of initial closing of the financing rounds that occurred after 31 December 2014. The relevant ownership interests were: Vedanta Biosciences (87.2%); Gelesis (22.7%); Akili (59.8%); Tal (57.8%); Karuna (80.7%); Entrega (69.2%); and Follica (60.5%). The relevant ownership interests were calculated on a diluted basis, including issued and outstanding shares and outstanding warrants, written commitments to issue options, options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes. For ownership interests as at 17 June 2015 (being the latest practicable date prior to the publication of this document), see Part VIII (*Information on the Group's Operating Companies and Product Candidates*) of this document.
- (4) The value of PureTech's growth stage operating company holdings represents PureTech's interest in the equity value of each growth stage operating company, calculated as follows:

$$(\text{Business Enterprise Value} - \text{Debt} + \text{Cash}) \times \text{PureTech's percentage ownership}$$

plus the present value of PureTech's expected future royalty stream associated with a particular business, plus the value of debt provided by PureTech LLC to that operating company. The values attributed to royalty streams include royalties in respect of Gelesis (\$9.7 million), Karuna (\$7.5 million) and Follica (\$6.9 million). PureTech commits post-seed funding to certain of its operating companies in the form of loans.

The Aggregate Holdings above excludes cash balances held by PureTech LLC at the parent company level. As at 31 May 2015, PureTech LLC held cash balances of \$89.5 million.

10.2 Valuation methodology

Each operating company is evaluated when requesting further investment from PureTech based on a range of inputs, including, amongst others, company performance; market and competitor analyses.

The Value of Growth Stage Operating Company Holdings represents the sum-of-the-parts of risk-adjusted net present value from discounted cash flow valuations (for Vedanta Biosciences, Akili, Entrega, Karuna and Follica) and valuations based on recent third party investments at the operating company level (Gelesis and Tal).

Further details of the methodology applied by the Directors in determining the Value of Growth Stage Operating Company Holdings is set out in note 8 to the historical financial information set out in Part XII (*Historical Financial Information*) of this document.

10.3 PureTech's project phase operating companies, concept-phase initiatives and growth platform

The Directors believe that PureTech is adopting a conservative approach in providing valuation disclosure in respect of its growth stage operating companies only. The Directors believe that PureTech's project phase operating companies, concept-phase initiatives, established international advisory network and

theme-driven company creation process provide significant opportunities to create and realise further value for Shareholders.

In addition to its seven growth stage operating companies, PureTech has five project phase operating companies which are at an earlier stage in PureTech's process and are expected to form the basis of future growth stage operating companies, but which are not being formally valued given their stage of development.

PureTech's existing growth stage operating companies have all emerged from its established model. PureTech's platform, infrastructure and international advisory network enable the Company to explore new themes on an on-going basis. PureTech currently has ten concept-phase initiatives with the potential to become the foundation for the Group's future operating companies.

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

11. DEVELOPMENT AND PROTECTION OF INTELLECTUAL PROPERTY

PureTech considers its intellectual property portfolio to be a strategic advantage in protecting its competitive position. PureTech and its operating companies have a portfolio of over 110 patents and patent applications across a broad range of technologies and jurisdictions. PureTech takes a proactive, focused approach to sourcing, inventing, licensing, developing and protecting its intellectual property. PureTech's internal experts conduct this work in collaboration with external patent counsel. Because the patent landscape is so diffuse and highly specialised, bringing in subject matter expertise is a critical part of the process.

11.1 Sourcing

PureTech conducts rigorous due diligence on all of its technology development prospects. Because PureTech typically in-licenses novel inventions at an early-stage a thorough analysis is required. Typically this due diligence involves two critical components:

- **Patentability:** PureTech conducts an in-house analysis of how likely the patent applications are to be issued. This involves reviewing prior patents, plus scientific and other literature with the aim of confirming that the invention claimed is novel, useful and has an inventive step. This process often requires extensive research, including the review of numerous patent documents and publications but does not include obtaining legal opinions for freedom to operate.
- **Third party patents:** PureTech carries out an in-house evaluation of the patent landscape to assess the commercial path of the contemplated product vis-à-vis relevant existing patents in the same field. This process does not involve freedom to operate legal opinions, rather it is based upon PureTech's in-house assessment. This process often requires time spent researching, screening and reviewing a selection of those patent documents.

11.2 Licensing

The technology licensing process involves working with university technology transfer offices or other intellectual property holders to negotiate terms around intellectual property rights. PureTech usually seeks a worldwide, exclusive license (subject to certain exceptions) to the technology and in exchange typically agrees to a combination of milestone, royalty and sub-licensing payments and patent prosecution costs. Prior to executing a technology license, PureTech often seeks an option, under which it is granted a defined period to conduct due diligence and negotiate licensing terms without the risk of a third party obtaining the benefit of a license to the technologies. In addition, PureTech often seeks to in-license complementary technologies around the core technology to provide additional protection and to expand the technology's commercial footprint.

11.3 Developing

In addition to licensing intellectual property, PureTech may proactively prepare and file its own patent applications. The process involves scoping out the commercial and intellectual property landscape within a field of interest (including undertaking the patentability analyses as described above) and typically works closely with external counsel to secure patent protection. PureTech-originated patents can form the entire basis for a themed initiative, or can bolster and complement other foundational intellectual property. PureTech will sometimes receive a royalty for patents it licenses to the operating company.

11.4 On-going management

PureTech views intellectual property as a strategic tool in building a competitive advantage. Operating companies take a proactive approach in expanding their intellectual property footprints and supporting existing intellectual property across significant geographic territories. PureTech works closely with external counsel to manage this process.

Some technologies developed within PureTech's operating companies (whether as on-going technology or to complement or enhance licensed or acquired technologies) may be invented by employees or consultants to PureTech. It is the practice of PureTech and its operating companies to aim to require an assignment of inventions and non-disclosure agreement from each employee and most consultants that perform services for PureTech. While there may be limited instances where such agreements have not been obtained, the Directors believe that no technology or intellectual property which is material to the Group's present or future commercial plans, or financial position or prospects, is the subject of legal interests belonging to such third parties and which are likely to restrict materially PureTech's freedom to use such technology or intellectual property to its advantage.

12. COMPETITIVE ENVIRONMENT

The Directors believe that PureTech's proactive, theme-driven approach is highly specialised and helps protect the Company from direct competition. There are a number of entrepreneurs, companies, incubators and accelerators, academic affiliated seed funds, venture capital funds, technology transfer offices of certain universities and other organisations focused on the commercialisation of intellectual property in a range of science and technology disciplines, including healthcare. The Directors believe that PureTech is an important member of the healthcare sector and that PureTech benefits from collaboration with other individuals and groups operating in this space.

PureTech starts companies and identifies technologies based on healthcare challenges and proactive sourcing and generation of potential solutions through collaboration with scientific advisors who are academic and industry thought leaders. In essence, PureTech seeks solutions for large healthcare challenges, from wherever those solutions may be geographically, rather than searching for applications of specific technologies from a limited number of institutions. The Directors believe this approach enables the Group to focus on those healthcare challenges with the greatest commercial and clinical potential, whilst providing access to a broader universe of potential technologies to address the identified, unmet need. Further, PureTech's business model aims to prioritise proactive sourcing of technologies at an early developmental stage to solve pre-defined problems rather than competing to license limited numbers of existing technology opportunities. The Directors believe this strategy limits PureTech's exposure to competitive risk from the majority of companies operating in this field.

Details of the competitive environments experienced by the Group's operating companies are set out in Part VIII (*Information on the Group's Operating Companies and Product Candidates*) of this document.

13. CURRENT TRADING AND PROSPECTS

The Board is encouraged by the performance of PureTech's businesses since the beginning of 2015. PureTech has continued to proactively engage in discussions with experts in its thematic areas of interest and has obtained options to a number of promising technologies. PureTech expects that on-going sourcing initiatives could potentially lead to the creation of a number of new operating companies during 2015 and 2016.

Several of PureTech's existing operating companies continue to progress towards commercialisation. PureTech has received expressions of interest in products, as well as interest from third parties seeking to partner with, or invest in, certain of the Group's operating companies. In January 2015, PureTech closed a financing round led by Invesco (investing \$50 million) for \$52.4 million. Following the initial closing of that

financing round, Vedanta Biosciences licensed its lead product candidate to Janssen for an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens. Tal and Gelesis have also both closed financing rounds of \$14.5 million and \$22.3 million, respectively (each including the conversion of promissory notes). Akili entered into a collaboration with Autism Speaks, a leading autism advocacy group, to run a clinical study in autism. The Group also incorporated Sonde Health, one of PureTech's five current project phase operating companies. Additionally, a number of PureTech's operating companies have continued to progress in their research and product development programmes, including Tal and Gelesis, who are both on target to have read-outs of their 90 and 168 patient studies, respectively, in 2016.

In April 2015, Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock on the NASDAQ Global Market. Gelesis decided to delay the initial public offering and is considering the ideal time to price it given its strong cash position and strategic and commercialisation considerations, such as discussions with potential strategic partners regarding the timing of the read-out of the GLOW study. Gelesis will consider general market conditions at the time if the company decides to proceed with the initial public offering.

Karuna is currently in advanced negotiations with an investor on a potential financing expected to be in the amount of \$3.8 million and involving the issuance of a convertible note. It is anticipated that this transaction would provide Karuna with strategic, independent third party validation of its product candidate.

The Directors continue to be encouraged by these and other developments across the Group, including the prospect of allocating the net proceeds of \$157 million towards developing the growth stage operating companies and bringing their principal product candidates to a stage where they can generate significant revenues through commercial sales and/or partnerships as set out in paragraph 9.1 (*Invest in Existing Growth Stage Operating Companies*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) above and continued positive engagement with potential industrial and financial partners to fund and/or to develop existing or new technologies.

14. INCENTIVISING MANAGEMENT AND EMPLOYEES

PureTech's success depends in part on the talent of its management and employees. PureTech has a highly skilled workforce, with significant expertise across a range of science and technology disciplines as well as a highly experienced management team. PureTech seeks to ensure that its management team and its employees and advisors working within the Group's operating companies are fairly and appropriately rewarded and incentivised. PureTech seeks to achieve this through a combination of competitive levels of remuneration that are appropriate to the level of responsibility and performance of the employee or advisor concerned and incentives tied directly to increasing value for shareholders.

The Directors believe that it is important that remuneration is weighted toward rewarding entrepreneurial achievement and the creation of shareholder value over time as its employees work toward the commercialisation of scientific and technological innovations. Accordingly, PureTech has historically issued its employees, directors and other service providers common shares in PureTech LLC which have been subject to vesting, transfer, forfeiture and other restrictions. Such incentive shares in PureTech LLC have been exchanged for Ordinary Shares. For details of the existing awards held by Directors and Senior Managers see paragraph 8.1 (*PureTech LLC Incentive Compensation*) of Part XVI (*Additional Information*) of this document. For further details of the existing PureTech share incentive arrangements and the new Performance Share Plan adopted with effect from Admission, see paragraph 8.2 (*The Performance Share Plan*) of Part XVI (*Additional Information*) of this document.

Various operating companies have adopted equity incentive plans. For further details see paragraph 8 (*Equity Incentive Plans*) of Part XVI (*Additional Information*) of this document. These equity incentive plans are implemented with the intention of incentivising employees, directors and other service providers of the applicable operating company in respect of the performance of that particular operating company rather than the Group as a whole. As a matter of corporate policy, the Executive Directors and Senior Managers do not participate in the share incentive arrangements of the operating companies.

The Directors believe that the success of PureTech depends in large part on its ability to attract and retain superior talent and further believe that competitive remuneration, including share incentive arrangements at both the operating company level and at the Group level, is an important factor in the promotion of shareholder value.

15. CONTROLLING SHAREHOLDER

Following completion of the Offer, Invesco is expected to own 33.5 per cent of the Company's issued share capital. In addition, Invesco holds equity interests in Gelesis (approximately 9.6 per cent on a diluted basis) and Tal (approximately 14.2 per cent on a diluted basis) and also has the right to nominate a director to Tal's board of directors. On 18 June 2015, PureTech entered into the Relationship Agreement, which will come into force on Admission.

The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Invesco and that transactions and relationships with Invesco and its associates are at arm's length and on market terms (subject to the rules on related party transactions in the Listing Rules). The key terms of the Relationship Agreement are summarised in paragraph 10 (*Relationship with Controlling Shareholder*) of Part XVI (*Additional Information*) of this document.

16. DIVIDEND POLICY

The Company has never declared nor paid any cash dividends. The Directors' current intention is to retain the Group's earnings for the foreseeable future to finance growth and expansion across the Group. However, the Directors may consider the payment of dividends in the future when, in their view, the Company has sufficient distributable profits after taking into account the working capital position of the Group.

**PART VIII—INFORMATION ON THE GROUP'S OPERATING COMPANIES
AND PRODUCT CANDIDATES**

PureTech currently has 12 operating companies at varying stages of maturity in the healthcare sector. These operating companies are conducting research and development towards commercialising a diverse range of scientific innovations including medical devices, diagnostics, biologics, digital health and pharmaceutical compounds.

| Growth stage operating company | Current ownership interest (direct and indirect)⁽¹⁾ | Overview |
|--|---|--|
| Vedanta Biosciences . | 86.9% | A preclinical stage company developing a microbiome immune system drug-discovery platform and drug candidates for the treatment of immune-mediated diseases. |
| Gelesis ⁽³⁾ | 22.6% | A clinical stage company developing products that seek to induce weight loss and potentially improve glycaemic control through an orally administered capsule that expands in the GI tract as it absorbs water. |
| Akili | 59.8% | A clinical stage company developing technology and products for the screening, diagnosis and treatment of neurological disorders such as ADHD, autism and depression through computer software. |
| Tal | 55.7% | A clinical stage medical device company developing an innovative, noninvasive neurostimulation treatment for psychiatric disorders including depression and bipolar disorder. |
| Karuna ⁽³⁾ | 81.5% | A clinical stage company developing an innovative combination therapy for the treatment of schizophrenia. |
| Entrega ⁽²⁾ | 68.6% | A preclinical stage company developing a drug delivery platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads, including magnetic nanoparticles. |
| Follica ⁽³⁾ | 59.3% | A clinical stage company developing products to generate new human hair follicles and hair. |
| Project phase operating company | Ownership interest (direct and indirect)⁽¹⁾ | Overview |
| The Sync Project . . . | 98.2% | Developing a platform and products that seek to explore and leverage the health potential of music by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components (e.g. beat and rhythm). |
| Sonde Health | 96.4% | Developing voice-based tools for the passive assessment and tracking of patient health. |
| CommenSe | 100.0% | Developing commensal organism-based products for the improvement of human health in, for example, early childhood. |
| Knode ⁽²⁾ | 82.0% | Developing a technology platform to identify experts in healthcare and other research-based disciplines based on the content they have produced. |
| PeerIn | 100.0% | Identifying healthcare expert networks and reviewing their conversations and content on social media. |

Notes:

- (1) Ownership interests are as at 17 June 2015 (being the latest practicable date prior to the publication of this document) and were calculated on a diluted basis, including issued and outstanding shares and outstanding warrants, written commitments to issue options, options to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes. Save as otherwise stated below, the

ownership interests in the operating companies are held through PureTech LLC directly, and not through a sourcing company. Unallocated shares authorised to be issued pursuant to equity incentive plans are further discussed in paragraph 8.3 (*The operating companies equity incentive plans*) of Part XVI (*Additional Information*) of this document.

- (2) PureTech has in the past entered into partnerships with pharmaceutical companies in connection with certain sourcing activities and has structured such collaborations through dedicated sourcing companies. PureTech LLC owns 86 per cent of Enlight Biosciences, Inc. (“Enlight”), one such sourcing company, which in turn owns 79.8 per cent of Entrega and owns 95.4 per cent of Knode Inc. (“Knode”).
- (3) PureTech is entitled to receive royalty payments and sub-license income from Follica, Gelesis and Karuna.

Each growth stage operating company has an equity incentive plan in place which has the potential to dilute PureTech’s ownership. Further details of these plans are set out in paragraph 8.3 (*The operating companies equity incentive plans*) of Part XVI (*Additional Information*) of this document. The equity incentive plans are for the benefit of employees, directors and other advisors and service providers of the relevant operating company.

In addition, there are certain other rights to shares in the operating companies issued through convertible notes, as described in note 19.2 to the historical financial information as set out in Part XII (*Historical Financial Information*) of this document. The table above does not include the potential dilution upon exercise of such convertible notes as the terms of the convertible notes depend upon the outstanding principal and accrued interest of the notes and valuation of the shares of the relevant operating company at the time the notes are converted (as described in further detail in note 19.2 to the historical financial information as set out in Part XII (*Historical Financial Information*) of this document). Based on current valuations, the Directors believe that the dilutive effect upon conversion of the convertible notes issued to date would be minimal. The dilutive impact on the ownership interest percentages will vary with time.

Growth stage operating companies

1. Vedanta Biosciences

1.1 Overview and background

Vedanta Biosciences is developing an innovative class of drugs based on research into the human microbiome (the population of micro-organisms that inhabit the human body). These drugs will be targeted at modulating critical interactions between the microbiome and the human immune system with the objective of treating disease and improving health. A body of research that has emerged since the launch of the Human Microbiome Project by the NIH in 2008 has shown that the human microbiome plays important roles in a wide range of human functions such as development of the immune system, digestion of nutrients and resistance to pathogens. The field has been gaining recognition and was named a top emerging technology for 2014 by the World Economic Forum and *Fortune Magazine* predicted that “2015 will be the year of the microbiome”. The importance of the microbiome in human health has been the subject of over 11,000 scientific papers in the last three years and has been prominently featured in leading publications such as the *New York Times* and the *Wall Street Journal*.

The company’s first drug, VE202, is currently being developed to treat autoimmune and inflammatory diseases. The Directors believe that VE202 is on track to enter human clinical testing in the second half of 2016 and could potentially demonstrate clinical effectiveness in treating human subjects by 2017. Using its proprietary microbiome technology platform, Vedanta Biosciences is also refining a pipeline of additional drug candidates, namely VE303, VE404 and VE505, which are being developed to treat infectious disease, autoimmune disease and inflammatory disease of the GI tract, respectively. The Directors believe that the first of these is on track to enter human clinical testing in 2017.

Vedanta Biosciences was founded by PureTech in December 2010 with an expert group of academic researchers in the microbiome field. Vedanta Biosciences conducts laboratory research at LabCentral in Cambridge, Massachusetts, a commercial laboratory that rents space to life science businesses, and in collaboration with one of the founding scientists, Dr. Kenya Honda, currently at Rikagaku Kenkyusho (“RIKEN”), and previously at the University of Tokyo (“UTokyo”). The work underlying Vedanta Biosciences’ lead product was published in the journal *Science* (2011) and has subsequently generated two additional papers in the journal *Nature* (2013). In January 2015, the company entered into an arrangement with Janssen, a subsidiary of Johnson & Johnson, whereby the company granted Janssen an exclusive license (subject to certain customary exceptions) to develop VE202. The consideration to the company pursuant to this agreement includes an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens.

For further detail, see paragraph 12.2.2 (*Janssen Collaboration Agreement*) of Part XVI (*Additional Information*) of this document.

1.2 Sourcing and company formation

In 2010, PureTech, together with individuals who would subsequently form the Vedanta Biosciences scientific advisory board, co-founded the company to seek new therapies for the treatment of autoimmune diseases (e.g. IBD) which affect millions of people. PureTech began to focus on microbiome science which it considered to be a promising area for new autoimmune disease therapies. In comparison with today, there was limited research in the pharmaceutical industry in relation to microbiome technology when PureTech first selected the field as a concept-phase initiative.

The scientific advisory board and PureTech reviewed over 100 technologies in the human microbiome field. One of the researchers the scientific advisory board introduced to PureTech was Dr. Honda who was working on modulating the immune system and autoimmune disease through altering the microbiome. At that time, Dr. Honda had recently started his new laboratory at UTokyo. The Directors believe that no scientific articles on Dr. Honda's work in relation to Clostridia had been published at that time and no patent applications in respect of intellectual property had been filed. Having reviewed over 100 technologies in the human microbiome field, PureTech and the scientific advisory board considered Dr. Honda's work to be some of the most promising. The work had a combination of attributes the Directors believe were uncommon in other technologies, including: (i) being supported by a high impact new biological discovery (as evidenced by several publications in prominent scientific journals); (ii) having the potential for obtaining broad intellectual property protection; and (iii) having a realistic path to a product candidate that could be tested in humans. PureTech subsequently secured an exclusive option to license Dr. Honda's work several months prior to publication of the findings. PureTech proceeded to work with UTokyo to draft broad patent applications and following further diligence on the technology, PureTech negotiated an exclusive worldwide license (subject to customary research rights reserved by UTokyo and rights granted by operation of law to the Japanese government) to Dr. Honda's existing microbiome work.

1.3 Core technology and product overview

The Directors believe that it is becoming increasingly apparent that IBD is caused by a disruption of processes within the human body relating to the proper functioning of the immune system. Scientific research has shown that dysfunction of regulatory T cells (or Tregs) in the immune system has a critical impact on these processes and therefore the Directors believe that an approach to restore long-term immune regulation through modulation of Tregs is critical for drug development within the IBD field.

Furthermore, recent discoveries have suggested that the gut microbiome influences important processes within the gut relating to the proper functioning of the immune system and that changes in the gut microbiome significantly contribute to IBD. Numerous studies have shown that patients with IBD often suffer from a severe depletion of beneficial bacteria in their digestive tract, in particular, species from Clostridia clusters IV and XIVa that are a key component of Vedanta Biosciences' VE202 product. The Directors believe that restoration of these clusters in patients that have a reduced number of these bacteria clusters may aid in the management of IBD symptoms. The ability of "good" Clostridia to produce compounds that maintain immunoregulation in the gut provides a biological basis for their use in treating patients with IBD.

Scientific research has also demonstrated that manipulating the gut microbiome can be effective in treating IBD and other diseases of the GI tract. For example, alteration of the gut microbiome in humans through faecal transplants, which involve placing faecal matter from a healthy donor in the colon of a diseased patient, has been effective in a large number of case studies of refractory Clostridium difficile infection. Although faecal transplants have provided evidence for the therapeutic potential of the human microbiome, the Directors do not believe development of commercial products based on faecal transplants to be practical for a number of reasons including concerns relating to the manufacturing process, product quality assurance and intellectual property protection.

The Directors believe that Vedanta Biosciences' approach is distinct from that traditionally adopted by the food industry with respect to probiotics (live bacteria and yeasts often promoted as having various health benefits). The selection of probiotics by the food industry has sometimes been driven by manufacturing-related properties not tied to human biology, including ease of culture, tolerance to the acidic environment of fermented milks and yogurts and resiliency to forces encountered during food manufacture. As such,

probiotics tend not to be strong colonisers of the human gut and have, therefore, typically not shown significant clinical effect.

In contrast to many past approaches by the food industry, Vedanta Biosciences has: (i) developed VE202 following an approach which involves screening bacterial strains based on targeted effects directly relevant to human disease; (ii) selected proprietary bacterial strains that are among the most abundant colonisers in a healthy human gut; and (iii) selected commensal bacterial strains the lack of which has been strongly associated with CD and UC, variants of IBD, by a number of independent research groups. For these reasons, the Directors believe that there is a significantly stronger clinical rationale for testing VE202 than there was for previously tested commercial probiotics.

VE202 contains a selected group of the beneficial bacteria shown to be relevant to the treatment of IBD and is designed to be administered orally in pill form. VE202 is designed to restore, in a targeted manner, beneficial bacteria often abnormally low in number in IBD patients. The Directors believe that these beneficial bacteria may enhance the immune system's ability to fight IBD. In contrast to a faecal transplant, VE202 consists of a mixture of well-characterised bacterial strains, which will be produced following manufacturing practice standards equivalent to those of biologic drugs.

The Directors believe that VE202 has a robust safety profile. The key clusters of bacteria making up Vedanta Biosciences' VE202 are among the most abundant populations of bacteria in the intestine of healthy humans (based on data from patients throughout Europe, Japan and North America) and do not include any of the known *Clostridium* pathogens that are believed to be harmful. VE202 is constituted entirely of naturally occurring beneficial bacteria that are common in the healthy human gut and which have not been genetically manipulated. Oral dosing of VE202 to mouse and rat models has not resulted in any observed adverse effects to date. In addition, through genomic and functional analysis conducted so far, Vedanta Biosciences has shown that each of the bacterial strains in VE202 lacks virulence factors and toxins and any unusual antibiotic resistance patterns.

In addition to its lead product VE202, Vedanta Biosciences is also developing a technology platform based on research relating to cellular screens and bacterial culture collections to systematically discover new drugs to regulate the human microbiome. Vedanta Biosciences currently has additional pipeline drug candidates in preclinical development that it is evaluating and refining (VE303, VE404 and VE505) that target infectious disease, autoimmune disease and inflammatory disease of the GI tract.

The research relating to cellular screens generated by Vedanta Biosciences' co-founders indicates the existence of molecular communication systems between the human host and the microbiome which the Directors believe are largely unexplored to date. These include the detection of microbial metabolites (products discharged by bacteria when they metabolise food) by certain families of human host receptors that recognise small molecules. The Directors believe that a subset of these receptors which are expressed with high concentration in cell types that play important roles in microbial communication in the gut are promising candidates for further study. Vedanta Biosciences has been exploring these host-microbial communication systems in two ways: (i) developing screening technology to identify the effects that microbial compositions have on human cells and their immune responses; and (ii) developing screening technology to confirm which molecular receptor in human cells is directly sensing microbial-produced molecules.

The bacterial culture collection utilised for this cellular screening process consists of culture isolates of beneficial bacteria present in human hosts which are being isolated and characterised by the Vedanta Biosciences team.

Vedanta Biosciences' ability to develop new drug candidates based on this platform is demonstrated by four recent prominent publications by Vedanta Biosciences' co-founders demonstrating identification of innovative drug candidates and targets that modulate the microbiome, as well as the completion of a licensing deal with Janssen, a subsidiary of Johnson & Johnson, for its lead product, VE202. For further detail, see paragraph 12.2.2 (*Janssen Collaboration Agreement*) of Part XVI (*Additional Information*) of this document.

1.4 Expertise and experience of key technical personnel and management

Vedanta Biosciences has assembled an advisory and operating team with expertise in immunology and microbiology to develop and commercialise its product candidates.

Dr. Ruslan Medzhitov, Dr. Brett Finlay, Dr. Kenya Honda, Dr. Dan Littman, and Dr. Alexander Rudensky are each co-founders of Vedanta Biosciences and together form the scientific advisory board of the company.

- Dr. Medzhitov is Chairman of the scientific advisory board. Dr. Medzhitov is an HHMI Investigator and David W. Wallace Professor of Immunobiology at Yale University (“Yale”) School of Medicine. He has pioneered the current understanding of the innate immune system. Dr. Medzhitov has received numerous awards including the prestigious Rosenstiel Award for Distinguished Work in Basic Medical Research, the Shaw Prize in Life Science and Medicine and the Emil von Behring Award. Dr. Medzhitov is a member of the US National Academy of Sciences (“NAS”).
- Dr. Finlay is an HHMI Investigator and Professor at the University of British Columbia. Dr. Finlay’s research interests are focused on host-pathogen interactions at the molecular level, which is the study of the molecules that pathogens create, to ascertain which receptors and cells in the human host sense them and trigger an immune response. He has made several fundamental discoveries in this field, is recognised internationally for his work and has been named a Fellow of the Royal Society of Canada and of the Canadian Academy of Health Sciences, an Officer of Canada and was awarded the Order of British Columbia. He is the Director of the SARS Accelerated Vaccine Initiative of the Michael Smith Foundation for Health Research.
- The inventor of Vedanta Biosciences’ lead programme, Dr. Honda, is an expert in innate immune signalling and mucosal immunology whose work has been published in prestigious scientific journals including *Nature*, *Science* and *Cell*. He is a Professor at Keio University in Japan and a Team Leader of the Laboratory for Intestinal Homeostasis at RIKEN Integrative Medical Sciences in Yokohama, Japan. Dr. Honda is a recipient of the Incitement Award of the Japanese Society for Immunology. He received his MD from Kobe University School of Medicine and his PhD from Kyoto University School of Medicine in Japan.
- Dr. Littman is an HHMI Investigator and the Helen L. and Martin S. Kimmel Professor of Molecular Immunology and Professor of Pathology and Microbiology at New York University School of Medicine. He has made numerous seminal discoveries in the field of virology and immunology, including the identification and isolation of receptors required for entry of the human immunodeficient virus into human cells, molecular mechanisms of immune cells that mediate autoimmunity and the role of specific members of the gut microbiome in T cell differentiation. Dr. Littman is a Fellow of the American Academy of Arts and Sciences and is a member of NAS. He was awarded the 2004 New York City Mayor’s Award for Excellence in Science and Technology.
- Dr. Rudensky is an HHMI Investigator, Chairman of the Immunology Programme at the Memorial Sloan Kettering Cancer Center (“Sloan Institute”), Director of the Ludwig Center for Cancer Immunotherapy and tri-institutional Professor at the Sloan Institute, the Rockefeller University and Cornell University. Dr. Rudensky is an internationally recognised leader in the field of immune regulation, where he has made numerous important discoveries including the identification of the lineage factor of regulatory T cell (or Treg) differentiation. Dr. Rudensky has been a member of NAS since 2012.

The day-to-day operations of Vedanta Biosciences are run by Mr. David Steinberg, acting Chief Executive Officer of the company and a Senior Manager at PureTech, Dr. Bernat Olle, Chief Operating Officer of the company and Venture Partner at PureTech and a team of microbiologists and immunologists under Dr. Olle’s direction. See paragraph 3.3.2 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for Mr. Steinberg’s full biography.

- Dr. Olle was named Innovator of the Year in *MIT Technology Review* in 2013, received Spain’s Innovators Under 35 award in 2013 and was awarded the la Caixa fellowship by the King of Spain when undertaking his graduate work. Dr. Olle graduated from Universitat Rovira i Virgili in Spain and obtained his MS and PhD in Chemical Engineering Practice from MIT and his MBA from MIT Sloan School of Management. Dr. Olle has authored research articles and reviews in the microbiome field and his work has been published in *Nature* and *Nature Biotechnology*. He has spoken and has been cited as a subject matter expert on *National Public Radio*, in *The Huffington Post*, *Fast Company* and *The Scientist*, *inter alia*.

In addition to Mr. Steinberg and Dr. Olle, Vedanta Biosciences’ board includes Non-Executive Directors Dr. Shapiro, Dr. LaMattina and Mr. Viehbacher (see paragraphs 3.2.3, 3.2.6 and 3.2.7 of Part IX

(Directors, Senior Managers and Corporate Governance) of this document for the biographies of Dr. Shapiro, Dr. LaMattina and Mr. Viehbach, respectively).

1.5 Scientific research and development activity to date

The Directors believe that Vedanta Biosciences is one of the first companies to rationally characterise and develop a therapeutic candidate to modulate the human microbiome.

In 2010, Dr. Honda established the foundational observation on which Vedanta Biosciences' VE202 programme is based, showing that a group of microbes (generally referred to as Clostridia clusters IV and XIVa), which had been derived from mice, had a direct effect on restraining inflammation in mice. Vedanta Biosciences obtained a license over the technology in November 2011.

Vedanta Biosciences then worked with Dr. Honda to demonstrate that humans harbour similar microbes which have equally potent effects on the immune system. Dr. Honda identified bacteria derived from humans that had potent effects on the immune system of mice, thus establishing an important link to human biology and the potential clinical viability of the therapeutic approach.

Vedanta Biosciences continued to work with Dr. Honda and other researchers to optimise the immunomodulatory effects of a Clostridia strain composition which resulted in a 17-strain mixture that became VE202. The team also demonstrated statistically significant efficacy of the human strain composition in multiple animal models of IBD. VE202 has also shown efficacy in models of autoimmune and inflammatory disease not restricted to the intestine, including allergy models. In parallel, work led by Dr. Honda and independently validated by findings by other Vedanta Biosciences co-founders contributed to identifying the molecular mechanism of action of VE202. VE202 strains produce bioactives including, *inter alia*, short chain fatty acids and antigens that induce tolerance and promote gut barrier function by acting on multiple cell types including immune cells and intestinal epithelial cells.

Vedanta Biosciences has obtained a worldwide exclusive license (subject to certain rights granted to the Japanese government under Japanese law and rights reserved by UTokyo) from UTokyo to a family of broad patent filings with priorities dating back to 3 June 2010. The earliest filings cover compositions containing Treg-inducing strains of Clostridia clusters IV and XIVa, their methods of use in prevention and treatment of a range of autoimmune, inflammatory and infectious diseases and methods of isolation and production of products for human (e.g. drugs, supplements and food) and animal use (depending on the strain composition). The earliest patent filing has been granted in Japan, and is currently pending in the US, EU, Canada and China. Later filings with priority date to 1 December 2010 cover strain compositions containing one or more of a subset of highly potent immunomodulatory strains of Clostridia clusters IV and XIVa derived from a human source and their methods of use, and are currently pending in Japan, US, EU, Canada and China.

It is anticipated that all of Vedanta Biosciences' product candidates will be considered biologics by the FDA and therefore be eligible for a Biologics License Application exclusivity period of 12 years in addition to Vedanta Biosciences' patent protection.

Details of Vedanta Biosciences' full patent portfolio are set out below:

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|--|--|---------------------------|---------------|----------------------------------|
| Composition for inducing proliferation or accumulation of Tregs | One granted in Japan Five pending in Canada, China, Europe, Japan, US | UTokyo | 2010 | Exclusive license ⁽¹⁾ |
| Human-derived bacteria that induce proliferation or accumulation of Tregs | Five pending in Canada, China, Japan, Patent Cooperation Treaty level (not yet reached national phase), US | UTokyo | 2011 | Exclusive license ⁽¹⁾ |
| Compositions containing combinations of bioactive molecules derived from the microbiome for treatment of disease | One pending at Patent Cooperation Treaty level (not yet reached national phase) | Vedanta Biosciences/RIKEN | 2014 | Co-inventor ⁽²⁾ |

Notes:

- (1) Exclusive license subject to customary research rights reserved by UTokyo and rights granted by operation of law to the Japanese government. For further detail, see paragraph 12.2.1 (*UTokyo License Agreement*) of Part XVI (*Additional Information*) of this document.
- (2) All of the inventors listed on the patent have assigned their rights to their respective employers. Accordingly, each assignee, including Vedanta Biosciences, holds rights to the entire patent, but these rights are shared equally by all assignees.

1.6 Market opportunity and competitive landscape

Vedanta Biosciences' lead product candidate, VE202, seeks to restore normal immune balance through a set of mechanisms that are relevant to a broad range of autoimmune and inflammatory diseases, as has been demonstrated in animal models of those diseases. The initial focus is IBD, to be followed shortly by an infectious disease indication, with planned further expansion into other autoimmune conditions.

As noted above, the initial indication where VE202 seeks to be applied is IBD, which consists of two pathologically distinct diseases, CD and UC. IBD is estimated to affect over one million people in the US and four million worldwide, with annual direct healthcare costs of CD and UC estimated at \$3.6 billion and \$2.7 billion in the US, respectively. Current drugs that seek to treat IBD include corticosteroids, salicylic acid derivatives, purine analogs, anti-tumour necrosis factor biologics, methotrexate and antibiotics. The Directors believe that many of these interventions are limited by toxicities and systemic immune suppression.

Although some healthcare companies seek to produce drugs that limit these side effects, the Directors believe that a majority of existing drugs ultimately have limited efficacy and do not wholly address the underlying cause of IBD, with approximately two-thirds of CD patients being considered for surgery and 25-33 per cent of UC patients eventually requiring surgery.

Additionally, the Directors believe the Vedanta Biosciences platform has the capability to identify additional therapies and drugs to regulate the microbiome. Vedanta Biosciences is currently refining multiple additional pipeline drug candidates (VE303, VE404 and VE505), which, along with VE202, may show efficacy in restoring immune regulation and resistance to pathogens in a variety of other immune and infectious disorders. In addition to IBD, other autoimmune diseases in which an individual's immune system mistakenly attacks its own healthy cells represent a perceived significant area of unmet medical need. These diseases affect over 20 million patients in the US and therapeutics associated with their treatment generate substantial revenue. Examples of autoimmune diseases that may benefit from regulation of the human immune system through modifying or controlling the microbiome include celiac disease (in which the small intestine becomes damaged in response to the ingestion of gluten, a disease that occurs in one in 133 (or approximately 1 per cent of the population) in the US) and type 1 diabetes

mellitus (in which an individual's immune system attacks and destroys its own insulin-producing β -cells, a disease that affects over one million patients in the US). The Directors believe there is no commercially available cure for either celiac disease or Type 1 diabetes mellitus. Other immune-mediated diseases that may potentially be addressable by therapies identified from Vedanta Biosciences' innovative platform include asthma, which affects 25 million patients in the US and food allergies, which affect 15 million patients in the US. The Directors believe that neither asthma nor food allergies have a medically validated, commercially available cure.

1.7 Regulatory pathway

Live biotherapeutic products that contain live microorganisms such as bacteria and are used in the prevention or treatment of human disease are regulated by the Center for Biologics Evaluation and Research, a division of the FDA. The Directors believe that all of Vedanta's current pipeline of drug candidates will be regulated as LBPs. The key regulatory considerations regarding chemistry, manufacturing and controls relate to properly characterising the identity, purity, potency and stability of a LBP substance, as well as establishing a method of manufacture that yields a LBP substance that meets established specifications. Currently, biologic products such as monoclonal antibodies follow a similar path to approval, with the notable difference that the most involved collection of steps in biologics manufacturing, namely downstream processing (activities related to the purification of biologics such as centrifugation, affinity, resin and chromatographic separation and crystallisation), are largely unnecessary for manufacturing LBPs.

1.8 Business plan and commercialisation strategy

Vedanta Biosciences' business strategy is to discover host-microbiome interactions in order to develop and commercialise pharmaceutical products. During 2015 and 2016 Vedanta Biosciences aims to expand its existing culture collection with the addition and characterisation of new bacterial strains as well as to design and scale up innovative *in vitro* and *in vivo* screens to test properties of such strains relevant to human health. Vedanta Biosciences plans to use its allocated proceeds to: (i) continue refining and optimising its pipeline products which will target infectious disease and autoimmune disease indications; (ii) scale up its discovery platform and leverage this discovery platform to generate additional LBP candidates. Vedanta Biosciences anticipates entering into multiple revenue-generating partnerships, and to scale up its discovery platform which it will leverage to generate additional LBP candidates.

VE202 is a first example of Vedanta Biosciences' platform's ability to generate promising drug candidates. In 2013, JJDC, a subsidiary of Johnson & Johnson, made an investment by way of a convertible promissory note in Vedanta Biosciences. JJDC received an observer seat on the board of directors of Vedanta Biosciences, but no voting rights, in consideration of the investment. In January 2015, the company entered into an arrangement with Janssen whereby the company granted Janssen an exclusive license (subject to certain exceptions) to develop VE202. The consideration to the company pursuant to this agreement includes an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens. For further detail, see paragraph 12.2.2 (*Janssen Collaboration Agreement*) of Part XVI (*Additional Information*) of this document. Johnson & Johnson will be responsible for advancing VE202 to human clinical trials for IBD, which is expected to commence in the second half of 2016 and will be responsible for clinical development and commercialisation of VE202.

Results of the VE202 phase Ib study are expected to read-out in 2017. If successful, initiation of the phase II study could commence later in 2017. The Directors believe that VE202 could launch in 2023 with the launch of additional products to follow.

Through Janssen, Vedanta Biosciences plans to conduct a double-blind randomised first-in-man pilot study with VE202 in patients with IBD. Manufacturing processes for Clostridial strains have been well-established and the FDA has issued guidance on the clinical development of LBPs which set forth key development considerations for VE202.

Beyond VE202, Vedanta Biosciences' intellectual property encompasses certain compositions comprising Clostridia clusters IV and XIVa and methods of using these clusters to treat disease. Internal and external research with these strains shows evidence that some may have efficacy in treating other diseases such as gastrointestinal infections, celiac disease, asthma, allergies (including food allergies) and graft versus host disease. Vedanta Biosciences has initiated a screening programme to explore these indications further.

Vedanta Biosciences plans to use its allocated proceeds to refine further its pipeline of LBP candidates (VE303, VE404 and VE505) potentially for the treatment of infectious, autoimmune and inflammatory diseases. The allocated proceeds are planned to be used to generate preclinical proof-of-concept in multiple indications, with sufficient funding to produce human data for several candidates including phase Ib data for one candidate. Such development will include:

- optimisation of the candidate LBPs' efficacy in *in vitro* and *in vivo* screens (e.g., animal models);
- establishment of relationships between the dose level of the candidates and their effects;
- development of scale up processes to carry out manufacturing under good manufacturing practice conditions;
- completion of toxicology and safety studies; and
- human testing including phase I trials.

Vedanta Biosciences' partnership with Janssen helps to validate the value of microbiome-derived LBPs. The Directors believe that the proceeds of the Offer will allow VE303, VE404 and VE505 to be developed to a more advanced product stage than VE202 was when Vedanta Biosciences entered into the partnership with Janssen, including the advancement of two of the compounds into clinical development stages. Therefore, Vedanta Biosciences anticipates being able to enter revenue-generating partnerships with other candidates with the anticipated use of proceeds. In addition, Vedanta Biosciences and a group of academic collaborators have received a grant from the Juvenile Diabetes Research Foundation to explore the development of potential microbiome-derived products for the treatment of type 1 diabetes.

2. Gelesis

2.1 Overview and background

Gelesis is a biotechnology company focused on the development of innovative products to induce weight loss and potentially improve glycaemic control in overweight and obese patients, including those with pre-diabetes and type 2 diabetes. Gelesis' product candidates are based on Gelesis' proprietary hydrogel technology that works mechanically, rather than chemically, and exclusively in the GI tract, rather than systemically or through surgical intervention. The Directors believe that Gelesis' product candidates, if approved, have the potential to address the obesity and diabetes epidemics by providing safe and effective treatments that can help large patient populations, including those not served by existing treatments.

Gelesis' lead product candidate, Gelesis100, is an orally administered capsule that contains small hydrogel particles designed to employ multiple mechanisms of action along the GI tract to induce weight loss and potentially improve glycaemic control. Gelesis also has a second product candidate, Gelesis200 which is in preclinical development.

Gelesis was founded in 2006 and is currently headquartered in Boston, Massachusetts. It has a manufacturing plant in Calimera, Italy, in close proximity to the inventors at the University of Salento.

In April 2015, Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock on the NASDAQ Global Market. Gelesis decided to delay the initial public offering and is considering the ideal time to price it given its strong cash position and strategic and commercialisation considerations, such as discussions with potential strategic partners regarding the timing of the read-out of the GLOW study. Gelesis will consider general market conditions at the time if the company decides to proceed with the initial public offering.

2.2 Sourcing and company foundation

PureTech gathered key obesity experts to identify the characteristics of an ideal anti-obesity product. The key characteristics identified through discussion with these experts comprise a product that would include: (i) the ability to act mechanically in the GI tract to induce multiple mechanisms of satiety; (ii) being non-systemic acting and not absorbed into the bloodstream; (iii) being safe, particularly when measured against the efficacy of the product; and (iv) oral administration. With these characteristics in mind, PureTech undertook an extensive, international search and identified two potential technologies that could serve as the starting point to satisfy the characteristics of the envisioned product. Gelesis in-licensed two technologies and, based on empirical testing, went forward with one of them that formed the basis of Gelesis100, the company's lead product candidate.

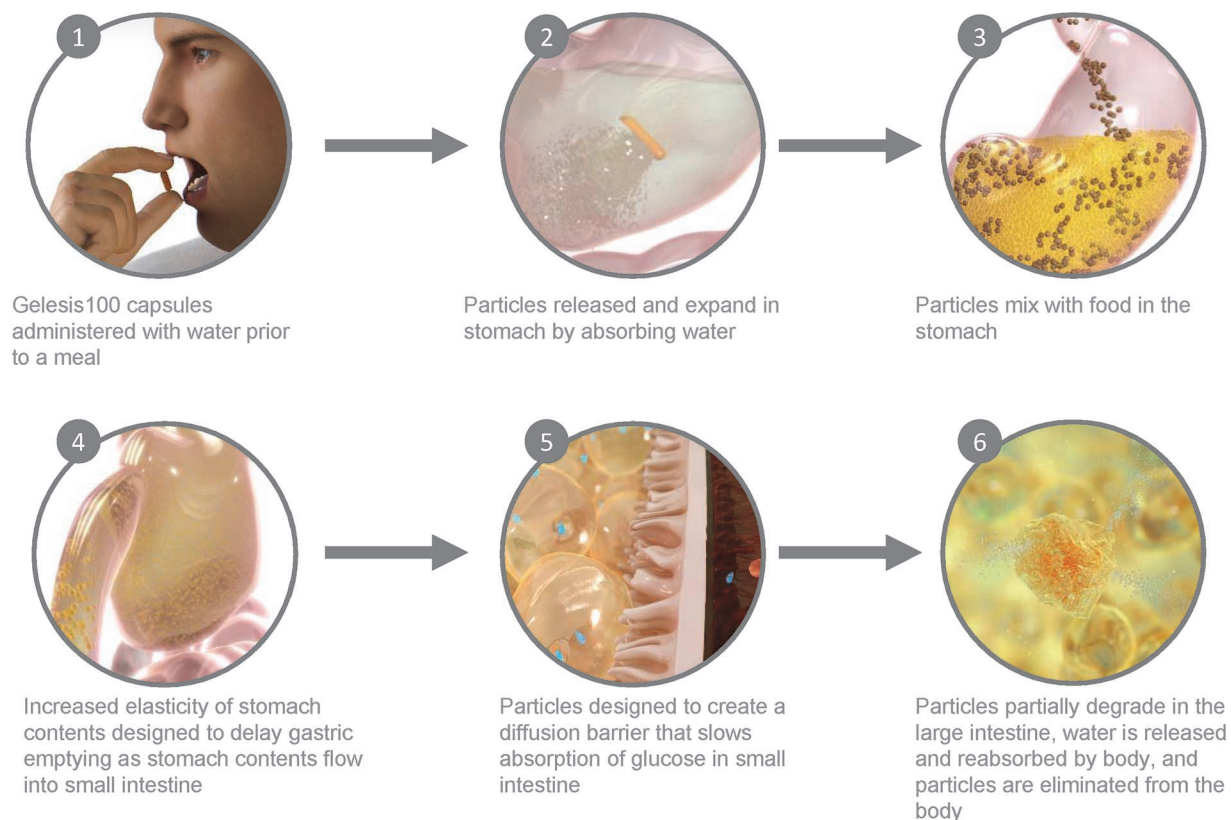
The Directors believe that Gelesis100 is a breakthrough in materials science and that it is the first superabsorbent hydrogel that is constructed from building blocks used in foods and specifically engineered to achieve its medical purpose.

2.3 Core technology and product overview

Gelesis100 is an innovative hydrogel engineered to rapidly absorb and release water at specific locations in the GI tract. The hydrogel particles are synthesised through Gelesis' multi-step, proprietary process using a specific form of modified cellulose and citric acid, both of which are "generally recognised as safe" by the FDA and are commonly used in the food industry, such as in ice cream and jams. In this process, the modified cellulose is cross-linked with citric acid to form a three dimensional matrix, resulting in the desired properties of Gelesis100.

Gelesis100 is designed to act mechanically throughout the GI tract, with multiple, potentially synergistic mechanisms of action at play that aim to impact hunger, satiety and appetite. Based on preclinical *in vitro* and *in vivo* studies, it is hypothesised that the following mechanisms are present:

- increased volume of stomach contents caused by Gelesis' non-caloric hydrogel (a single dose of 2.25g Gelesis100, when hydrated, will occupy approximately 20 per cent of the average adult stomach volume);
- delayed gastric emptying of the stomach due to increased elasticity of the stomach contents; and
- increased viscosity of small intestine contents resulting in slowed absorption of glucose into the bloodstream.



The numbered paragraphs below describe Gelesis' current hypothesis for how Gelesis100 flows through the GI tract and the corresponding mechanisms of action.

- (1) 20 to 30 minutes before a meal, Gelesis100 capsules are taken with two glasses of water, which are consumed over five to ten minutes.
- (2) The capsules dissolve in the water, releasing thousands of individual Gelesis100 particles.
- (3) The particles absorb water, increase in volume by approximately 100 times and mix homogeneously with ingested food, resulting in increased satiety.

- (4) As the food is gradually digested and liquefied in the stomach, the hydrogel particles are not digested and induce and maintain an elevated elastic response of the stomach's contents, which may result in slower gastric emptying that, in turn, prolongs post-meal satiety. The Gelesis100 particles are designed to partially shrink in size as the pH of the stomach contents naturally decreases.
- (5) Upon transition to the small intestine, the particles fully hydrate again to approximately 100 times their original size as a result of the higher pH level of the small intestine, increasing the viscosity of the small intestine's contents. The increased viscosity may delay the absorption of glucose into the blood stream, which could thereby improve glycaemic control.
- (6) Upon transition into the large intestine, the Gelesis100 particles are degraded by digestive enzymes naturally present in the human GI tract, resulting in the release of most of the absorbed water, which is then absorbed by the body. The particles return to approximately their original size and are excreted in a similar manner to digested food.

The Directors believe that the hydrogel travels safely through the body during the process because of the following characteristics currently understood to exist:

- no additional volume is created in the stomach beyond the volume of liquid present, reducing bloating and improving tolerability;
- particles do not cluster or stick together and, when hydrated in the stomach, have similar dimensions as ingested solid food, reducing the risk of obstruction in any part of the GI tract;
- rheological properties (e.g. elastic response and viscosity) are similar to ingested solid food without adding caloric value, minimising irritation and allowing normal flow in the GI tract; and
- particles partially degrade in the large intestine, releasing most of the water that is reabsorbed by the body, reducing the risk of dehydration or diarrhoea.

In addition to efficacy, safety is a key property in weight loss products valued by physicians and patients. The Directors believe that Gelesis100 will provide the following safety advantages over existing drug-based and surgical therapies:

- it acts mechanically in the GI tract and is not absorbed into the blood stream, avoiding acute and chronic side effects caused by systemically acting therapies;
- it passes with food through the GI tract; no procedure is required for introduction or removal;
- it has a natural cycling effect similar to food, preventing the habituation, adaptation and irritation of the GI tract associated with some therapies; and
- it is engineered using components that have received “generally recognised as safe” categorisation by the FDA and that are widely used in the food industry.

Gelesis' second product candidate, Gelesis200, is also a novel hydrogel developed from the same proprietary hydrogel technology platform as Gelesis100. Gelesis200 was engineered to have different physical properties than Gelesis100 that the Directors believe could provide additional benefits for specific subpopulations and indications. When compared to Gelesis100, Gelesis200 hydrates more rapidly and creates a higher elastic response and viscosity but occupies a smaller volume in the stomach. The Directors believe that these properties could make Gelesis200 more suitable as a glycaemic control product for pre-diabetics and type 2 diabetics, who may or may not require weight loss.

2.4 Expertise and experience of key technical personnel and management

Gelesis has assembled advisory and operating teams that reflect the need for expertise in obesity research and materials science to develop and commercialise its product candidates.

Gelesis' scientific advisory board includes the following clinical advisors that are some of the leading experts in obesity and nutrition.

- Dr. Caroline Apovian is Professor of Medicine and Paediatrics at Boston University School of Medicine and Director of the Center for Nutrition and Weight Management at Boston Medical Center. Dr. Apovian is internationally recognised and has 25 years of experience in the field of obesity and nutrition. Her current research interests are in weight loss and its effects on endothelial cell function, adipose cell metabolism and inflammation, research in the bariatric surgery population and innovative pharmacotherapeutic anti-obesity agents.

- Dr. Louis J. Aronne is a Fellow of the American College of Physicians and is the Sanford I. Weill Professor of Metabolic Research at Weill-Cornell Medical College where he directs the Comprehensive Weight Control Center. He has an adjunct appointment as Associate Professor of Clinical Medicine at Columbia University. Dr. Aronne is founder and Chief Executive Officer of BMIQ, a cloud-based weight management system that is delivered by health care providers to their patients during office visits. He is a former President of the Obesity Society and Vice Chairman of the American Board of Obesity Medicine and a member of the Alpha Omega Alpha medical honour society. Dr. Aronne is a graduate of Johns Hopkins University School of Medicine and graduated Phi Beta Kappa from Trinity College in Hartford, Connecticut. He completed his internship and residency at Albert Einstein College of Medicine followed by a Kaiser Foundation Fellowship at Weill-Cornell.
- Dr. Arne Astrup is Head of Department of Nutrition, Exercise and Sports at the University of Copenhagen and the former President of the International Association for the Study of Obesity. Dr. Astrup is a leader in nutrition and obesity research. His research group undertakes basic, physiological and clinical research in appetite and energy metabolism, with an aim to improving the prevention and treatment of obesity and related diseases.
- Dr. Ken Fujioka is Director of the Nutrition and Metabolic Research Center and the Center for Weight Management at the Scripps Clinic in La Jolla, California. His time is divided equally between clinical research and clinical practice. His research includes diets, medications, bariatric surgery, medical devices, web-based weight loss programmes and outcomes in obesity treatment. Dr. Fujioka has also worked for the medical board for the state of California as an expert witness. He received his MD from John A. Burns School of Medicine at the University of Hawaii.
- Dr. Allan Geliebter is the former Senior Attending Psychologist at St. Luke's-Roosevelt Hospital, Professor of Psychology at Touro College, Member of the New York Obesity Nutrition Research Center at St Luke's-Roosevelt Hospital, as well as Senior Research Scientist in the Department of Psychiatry at Columbia University. Dr. Geliebter's research interests include biological and psychological aspects of binge eating disorder and night eating syndrome in overweight and obese patients, brain imaging and binge eating, brain imaging pre- and post-obesity surgery, brain imaging and stress induced eating, genetics of obesity and neuroimaging and environmental approaches for obesity intervention, including price discounts on healthy foods. Dr. Geliebter received his PhD from Columbia University.
- Dr. James Hill is Professor of Paediatrics and Medicine at the University of Colorado School of Medicine, Executive Director of the Anschutz Health and Wellness Centre and Director of the Colorado Nutrition Obesity Research Centre. He served as Chair of the first World Health Organisation Consultation on Obesity in 1997 and is a former President of the Obesity Society. He is the recipient of the 2007 Take Off Pounds Sensibly award from the Obesity Society and the Centrum Centre and McCollum awards from the American Society for Nutrition.
- Dr. Lee M. Kaplan is the Director of the Obesity, Metabolism and Nutrition Institute, founding director of the Weight Center at Massachusetts General Hospital and Associate Professor of Medicine at Harvard Medical School. Dr. Kaplan serves as Chair of the Nutrition and Obesity Section of the American Gastroenterological Association, Chair-elect of the Bariatric Surgery section of the Obesity Society, director of the Blackburn Obesity Course at Harvard Medical School and Co-Chair of the Dartmouth Device Development Conference in Obesity and Metabolism. He is a member of NIH Clinical Obesity Research Panel, was Chair of the recent FDA workshop on Device Development for Obesity and Metabolic Diseases and is a member of the Obesity Medicine Certification Steering Committee. Dr. Kaplan graduated from Harvard University and received his MD and PhD in molecular biology from the Albert Einstein College of Medicine. He completed an internship and residency in internal medicine and a fellowship in gastroenterology at Massachusetts General Hospital and Harvard Medical School and a fellowship in genetics at Brigham and Women's Hospital.
- Dr. Bennett Shapiro, a Non-Executive Director (see paragraph 3.2.3 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for Dr. Shapiro's full biography).
- Dr. Angelo Tremblay is a professor in the Department of Kinesiology at Laval University, Quebec City. He is holder of the Canada Research Chair in Environment and Energy Balance. His investigations are largely oriented toward the study of factors influencing energy balance in humans with the intent to improve obesity management. Recently, his research has been focused on the study of non-traditional determinants of obesity such as short sleep duration, low calcium/dairy intake,

insufficient vitamin intake, sub-optimal feeding behaviours, demanding cognitive effort and persistent organic pollutants. He received the Distinguished Lecturer Award from the Canadian Obesity Network in 2011. Dr. Tremblay received his PhD in Physiology from Laval University, Quebec City.

Gelesis is led by Yishai Zohar, Gelesis' founder who has served as Chief Executive Officer and as a member of Gelesis' board of directors since 2006. Mr. Zohar is supported by an experienced executive management team, including Dr. Robert Armstrong as Chief Business Officer, Dr. Eyal S. Ron as Chief Technology Officer, Dr. Hassan Heshmati as Chief Medical Officer and Dr. Alessandro Sannino as Chief Project Scientist.

- Mr. Yishai Zohar is the CEO, Executive Director and co-founder of Gelesis. Mr. Zohar is an experienced entrepreneur. He was a co-founder of PureTech LLC, where he led the obesity project which became Gelesis. Prior to PureTech LLC, Mr. Zohar co-founded and was the Chief Executive Officer of Zeta Ltd. a food manufacturing and distribution company. Mr. Zohar served on the board of directors of Endra, Inc. from 2009 to 2013 and has served as a member of the board of directors of several other companies.
- Dr. Robert Armstrong is Gelesis' Chief Business Officer. Prior to joining Gelesis, Dr. Armstrong served at Eli Lilly and Company ("Eli Lilly") where he held a number of management positions such as Vice President of Global Research and Development and Chorus Early Development Groups from 2005 to 2011 and as Vice President of Discovery Chemistry Research and Technologies from 1999 to 2006. Prior to that, Dr. Armstrong was a faculty member in the Department of Chemistry and Biochemistry at the University of California, Los Angeles from 1986 to 1995. Dr. Armstrong received a B.S. in Chemistry and Biochemistry from the University of California, San Diego and a PhD in Chemistry from Colorado State University.
- Dr. Hassan Heshmati has served as Gelesis' Chief Medical Officer since 2009. From 2006 to 2008, Dr. Heshmati served as Vice President, Clinical Development at Essentialis, Inc., a biotechnology company focused on the treatment of metabolic diseases. From 2008 to 2009, Dr. Heshmati served as Consultant to Gelesis. Dr. Heshmati has over 38 years of experience in clinical research both at pharmaceutical companies and in academia. From 1980 to 1994 he was involved in clinical practice, clinical research and teaching in endocrinology, in university-affiliated hospitals in Paris. From 1994 to 1997 he was Research Associate at the Mayo Foundation in Rochester, Minnesota. From 1997 to 2006 he was Associate Director and then Director of Clinical Development in Internal Medicine and in Metabolism at Sanofi S.A. His research has been related to pituitary tumours, gonadal function, dyslipidaemia, hyperthyroidism, thyroid cancer, osteoporosis, obesity and diabetes. Dr. Heshmati received his MD from the University of Paris VI and is board-certified in endocrinology by the University of Paris V.
- Dr. Eyal S. Ron is Gelesis' Chief Technology Officer. Dr. Ron has over 28 years of experience in the development of medical devices, biomaterials, drugs and drug delivery systems. Dr. Ron has served on the board of directors of Pharmedica Ltd since April 2008 and the board of directors of AcuityBio, Corp. since June 2014. Dr. Ron founded Sensei Biomaterials, GelMed Sciences and Madash, LLC, a consulting company for pharmaceutical and biotechnology companies. Dr. Ron holds a PhD in Chemistry from Brandeis University and completed a post-doctoral fellowship at MIT in Dr. Langer's laboratory. He is currently a research affiliate member at the Harvard-MIT Division of Health, Sciences and Technology.
- Dr. Alessandro Sannino is one of the inventors of Gelesis100 and has been Gelesis' Chief Project Scientist since 2008. He is a Professor at the Department of Engineering for Innovation at the University of Salento and an adjunct faculty member at MIT. Dr. Sannino also helped form the Life Science Division of the Puglia District of Technology in 2012 and has been an advisor to the National Institute of Health of the Italian Ministry of Health since 2011. Dr. Sannino's research is focused on macromolecular hydrogels, polymer microstructure modifications, tissue engineering constructs and interactions between cells and materials. He received his PhD in Polymer Technology from the University of Naples in Italy and the University of Washington and completed a post-doctoral fellowship at MIT.

The Gelesis board of directors is chaired by Director Dr. LaMattina, the former President of Pfizer research and development and a Non-Executive Director (see paragraph 3.2.6 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biography of Dr. LaMattina). As mentioned above, Mr. Zohar is a member of Gelesis' board of directors, as are Elon Boms (Managing Director of

LaunchCapital), Meghan Fitzgerald (Executive Vice President of Strategy, Mergers and Acquisitions and Health Policy at Cardinal Health) and Robert Forrester (Chief Executive Officer at Verastem).

2.5 Scientific research and development activity to date

Gelesis has completed a three month proof-of-concept study, which was a 128-patient, randomised, double-blind, placebo-controlled, parallel-group study of Gelesis100 in overweight and obese patients, including pre-diabetic patients. This study was designed to demonstrate Gelesis100's ability to induce weight loss in the target population. The study achieved statistically significant weight loss of 6.1 per cent (2 per cent placebo-adjusted) at three months with a 2.25g dose of Gelesis100 administered twice daily. Placebo-adjusted weight loss refers to weight lost by patients taking Gelesis100 after taking into account the weight lost by patients taking placebo. Patients in the Gelesis100 3.75g arm (the group of patients being dosed with 3.75g of Gelesis100 in the trial) had a total body weight loss of 4.5 per cent (0.4 per cent placebo-adjusted). In the Gelesis100 2.25g arm, 43 per cent of patients lost 5 or more per cent of their body weight and 26 per cent lost ten or more per cent over a three month period. In the Gelesis100 3.75g arm, 46 per cent of patients lost five or more per cent of their body weight. In a post-hoc analysis, the subset of pre-diabetic patients, defined as patients with a fasting blood glucose level 100 or more mg/dL and less than 126 mg/dL, showed the most dramatic weight loss of 10.9 per cent (5.3 per cent placebo-adjusted) in the 2.25g arm. Patients in the Gelesis100 3.75g arm had 4.2 per cent total body weight loss, which was less total body weight loss than observed with the placebo. Gelesis100 exhibited a safety profile that was similar to placebo with no serious adverse events observed.

The Directors believe that the lower observed efficacy in the Gelesis100 3.75g arm compared with the Gelesis100 2.25g arm can be explained by two factors: lower tolerability to the higher dose and insufficient water intake by those patients. Patients in the Gelesis100 3.75g arm reported gastrointestinal adverse events (e.g. bloating, flatulence, abdominal pain and diarrhoea) at a higher rate (76 per cent) than patients in the Gelesis100 2.25g arm (60 per cent). When looking specifically at the non-responders (patients who did not respond to treatment) in each arm, Gelesis observed a statistically significant increase in serum albumin (a surrogate marker for hemoconcentration (the decrease of the fluid content of the blood)) of 1.8g per litre ($p=0.01$) in the Gelesis100 3.75g arm compared with a decrease of 0.3g per litre in the placebo arm and a decrease of 0.7g per litre in the Gelesis100 2.25g arm. An increase in serum albumin is a marker that the patients had not taken enough fluids and could explain the lower observed efficacy. To maintain a blinded study, the same volume of water was required at capsule administration for all arms in the trial. It was assumed that the volume of water administered with the capsules, in addition to gastric fluids and liquids consumed during the meal, would be sufficient to hydrate both the Gelesis100 2.25g dose and the Gelesis100 3.75g dose. Based on the hemoconcentration observed in the non-responders in the Gelesis100 3.75g arm, the Directors believe that these patients did not drink enough liquids during the meal, resulting in the overall lower efficacy in this arm.

In addition to weight loss, Gelesis observed statistically significant and clinically relevant improvement in glycaemic control parameters. In a post-hoc analysis, Gelesis observed conversion from pre-diabetes status at baseline to normal glucose status at the end of treatment, as measured by fasting blood glucose levels, in 56 per cent of the pre-diabetic patients in the Gelesis100 2.25g group and 78 per cent of the pre-diabetic patients in the Gelesis100 3.75g group compared to 27 per cent in the placebo group. This improvement, which was observed in both individuals who lost weight, or weight responders, and individuals who did not lose weight, or weight non-responders, suggests that both weight-dependent and weight-independent mechanisms may be involved in glycaemic control. Patients in the Gelesis100 groups also showed improvement in insulin levels and insulin resistance as compared to those patients in the placebo group.

Gelesis held a pre-submission meeting with the FDA to review the results of its FLOW study and to discuss the requirements for potential regulatory approval. In this meeting, the FDA set out the following milestones for approval for a weight loss indication: (i) three per cent placebo-adjusted weight loss with super superiority (demonstrating both statistical significance and clinical relevance); and (ii) five per cent weight loss in at least 35 per cent of patients on Gelesis100, regardless of the results in placebo-treated patients. These milestones take into account the safety profile demonstrated in the FLOW study and an assumption that a similar safety profile would be observed in the pivotal study.

Gelesis initiated a 6-month study in November 2014. This Gelesis Loss of Weight (or GLOW) study is a randomised, double-blind, placebo-controlled, parallel-group study being conducted in four European countries, to assess the effect of repeated administration of Gelesis100 on body weight and glycaemic control in 168 overweight and obese patients, including those with pre-diabetes and mild type 2 diabetes.

Gelesis expects to report data from this study in the first half of 2016 and it could, subject to the outcome of Gelesis' discussions with the European notified bodies, be the pivotal study for obtaining a CE mark for a weight loss indication.

Gelesis recently held a second pre-submission meeting with the FDA in March 2015 to discuss the statistical analysis plan for the GLOW study. During this meeting, Gelesis discussed the GLOW study protocol and, as a result of these discussions, is requesting a formal risk determination for non-significant risk (or NSR) designation for the GLOW study. If granted, this designation would allow Gelesis to expand the GLOW trial to include trial sites in the US, in addition to the currently planned trial sites in Europe. If NSR designation is not achieved, Gelesis intends to complete the GLOW study in the European trial sites with no change in the scheduled data read-out described above. Whether NSR designation is achieved or not, once the GLOW study has completed, Gelesis intends to file for an Investigational Device Exemption for the FDA pivotal trial so that it can include a broader patient population in the trial, including those treated with medications for comorbidities. Gelesis expects to potentially initiate the FDA pivotal trial in the second half of 2016 and may submit data to the FDA in the first half of 2018, which the Directors believe would potentially allow Gelesis100 to launch in the US in the first half of 2019.

Gelesis holds five families of patents and patent applications, both issued and pending, covering composition of matter, methods of use and methods of production for its product candidates, including Gelesis100. Patents covering use of Gelesis' technology for treating obesity and reducing calorie consumption have been granted or allowed in the US, Europe, Australia, China, Japan, Mexico and Russia providing protection until at least 2027 and potentially longer based on regulatory extensions, if applicable, or pending patent applications, should they be granted. In addition, Gelesis also relies on know-how, trade secrets and continuing technological innovation to develop and maintain its proprietary position.

Details of Gelesis' full patent portfolio are set out below:

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|--|--|---------------|---------------|------------------------------|
| Polymer hydrogels and methods of preparation thereof | Six pending in Australia, Canada, India, Japan, Russia, US | Gelesis | 2006 | Sole inventor ⁽¹⁾ |
| | Three allowed in Europe, Hong Kong, Mexico | | | |
| | Seven granted in US, Australia, China, Europe (× 2), Japan, Russia | | | |
| Methods and compositions for weight management and for improving glycaemic control | 12 pending in Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, Mexico, Russia, South Korea, US Two granted in Australia, Russia | Gelesis | 2008 | Sole inventor ⁽¹⁾ |
| Method for producing hydrogels | 11 pending in Australia, Brazil, Canada, China, Europe, India, Japan, Mexico, Russia, South Korea, US | Gelesis | 2011 | Sole inventor ⁽¹⁾ |
| Method for treating overweight or obese patients | One pending in US | Gelesis | 2014 | Sole inventor ⁽¹⁾ |
| Method for producing hydrogel having high elastic modulus | One pending in US | Gelesis | 2015 | Sole inventor ⁽¹⁾ |

Note:

(1) Patent is solely owned by Gelesis.

2.6 Market opportunity and competitive landscape

Obesity and obesity-related metabolic diseases represent a global health challenge for which the Directors believe there are few safe and effective drug-based or surgical treatments. Obesity is often associated with additional disorders such as type 2 diabetes, hypertension and heart disease. In 2012, based on a report from the US Centers for Disease Control and Prevention 35 per cent of the US adult population 20 years of age and older was obese and an additional 34 per cent was overweight. A number of overweight individuals may cross the threshold into obesity in the near future. The treatment of obesity and its associated comorbidities is estimated to cost the US healthcare system approximately \$190 billion, or 21 per cent of medical spending annually. Globally, there were more than 1.9 billion adults 18 years of age and older who were overweight or obese in 2014.

One of the most prevalent disorders in overweight and obese individuals is type 2 diabetes. In 2011 approximately 26 million Americans had diabetes. In the period 1999 to 2002, approximately 85 per cent of diabetic patients were overweight or obese. Furthermore, there were an additional 86 million American adults 20 years of age and older that were considered pre-diabetic (having abnormally high blood sugar levels but not having all the symptoms required to be categorised as being diabetic) in 2012, with approximately 1.7 million new cases of type 2 diabetes diagnosed that year.

The Directors believe that there are limited available safe and effective treatments that could be broadly prescribed to overweight and obese patients. Available therapies include healthy dieting, exercise, pharmaceutical and surgical interventions, including device implantation. Some of these drug-based and surgical approaches are associated with safety concerns that limit their use. There are multiple pharmaceutical products approved for weight loss in overweight and obese patients. However, the Directors believe that these approved products act through mechanisms that require the product to be absorbed into the patient's bloodstream. As a result, these products could carry the risk of systemic side effects, such as adverse gastrointestinal, cardiovascular and CNS effects, some of which can be serious or life threatening. Each approval obtained for these products has also been accompanied by requirements for post-marketing safety studies to assess the safety of long-term treatment, with an emphasis on potential adverse cardiovascular side effects.

In addition, restrictions are imposed on how many repeat prescriptions a patient can receive when on a course of a drug which is a controlled substance. Some of these drugs are designated as Schedule IV controlled substances. The Directors believe that Schedule IV drugs may lead to limited physical or psychological dependence and may only be refilled up to five times in a six month period.

The Directors believe that Gelesis' product candidates, if approved, could potentially be used to safely induce weight loss and potentially improve glycaemic control in overweight and obese populations including those with pre-diabetes and type 2 diabetes.

2.7 Regulatory pathway

Gelesis100 capsules are administered orally like a drug but the Directors expect that Gelesis100 will be regulated as a medical device because it does not achieve its primary intended purpose through chemical interaction within or on the body and is not dependent upon being metabolised for the achievement of its primary intended purposes. Additionally, Gelesis has engaged in discussions with the Center for Devices and Radiological Health ("CDRH"), a division of the FDA, which has indicated that Gelesis100 will be regulated as a medical device. However, the Directors expect Gelesis100 to be marketed and prescribed through the same channels as currently available, orally-administered weight loss pharmaceuticals.

The regulatory approval process for medical devices in the US and in other jurisdictions is less time-consuming and costly than for a drug. It is typically beneficial where a product candidate is regulated as a medical device as this can accelerate development and commercialisation.

2.8 Business plan and commercialisation strategy

For its lead product, Gelesis100, Gelesis expects to initiate the FDA pivotal trial in the second half of 2016 and may submit data to the FDA in the first half of 2018, which would allow Gelesis to potentially launch Gelesis100 in the US in the first half of 2019. Gelesis currently retains worldwide sales and marketing rights for its product candidates. If approved by regulatory authorities, Gelesis intends to launch its product candidates by establishing internal sales and marketing teams or collaborating with strategic partners. Gelesis is also currently in the advanced testing and process engineering stage of a new manufacturing line to produce commercial-scale quantities of Gelesis100. Gelesis plans to initiate the construction of this commercial-scale manufacturing line in North America in 2016, following successful

completion of the GLOW study. Further, assuming successful completion of the GLOW study, Gelesis also intends to file for a CE mark for Gelesis100 in Europe. Upon receipt of a CE mark, Gelesis intends to launch Gelesis100 in certain European countries potentially as early as 2018 through strategic collaborations with established sales and marketing partners.

Gelesis' second product candidate, Gelesis200, is in preclinical development and Gelesis anticipates initiating clinical studies, including a three month proof-of-concept study, in the second half of 2015. Gelesis expects to report data for these clinical studies in the second half of 2016.

In April 2015, Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock on the NASDAQ Global Market. Gelesis decided to delay the initial public offering and is considering the ideal time to price given its strong cash position and strategic and commercialisation considerations, such as discussions with potential strategic partners regarding the timing of the read-out of the GLOW study. Gelesis will consider general market conditions at the time if the company decides to proceed with the initial public offering.

3. Akili

3.1 Overview and background

Akili is developing a video-game platform for diagnosing and treating cognitive disorders. The company's lead product is designed to track and improve the brain's executive function which is a key part of cognition encompassing attention, memory and the ability to plan. Executive function is impacted in a number of diseases and disorders such as ADHD, autism, Alzheimer's disease, depression and traumatic brain injury.

The results of the first clinical study using an academic prototype of Akili's technology was the cover story of the prestigious journal *Nature* under the headline "*Game Changer*" in September 2013. The company has partnered with Pfizer and attracted investment from Shire Pharmaceuticals and prominent technology, healthcare and finance executives. Akili has collaborations with Autism Speaks, a leading autism advocacy group, to run a clinical study in autism, as well as collaborations for pilot assessment and efficacy studies with a number of academic institutions including University of California San Francisco ("UCSF"), University of California Davis and Landmark College. Three of Akili's trials have read out and have demonstrated ease and fluidity of gameplay in the populations studied and the ability of Project: EVO to distinguish neurotypical populations and disease populations. Preliminary analysis indicates improvement of symptoms in children with ADHD.

Akili was incorporated in December 2011 and was co-founded with a number of neuroscientists. Akili is the exclusive licensee (subject to certain customary rights reserved by UCSF and granted to the US government) of intellectual property rights arising out of Dr. Adam Gazzaley's work from UCSF and has filed additional patent applications relating to the company's adaptive algorithm technology and biomarkers of disease arising out of pilot studies. For further detail, see paragraph 12.4.1 (*UCSF License Agreement*) of Part XVI (*Additional Information*) of this document. Akili is headquartered in Boston, Massachusetts and has a game design and programming team based in the San Francisco Bay Area, California.

3.2 Sourcing and company formation

PureTech and the scientific advisory board initiated a worldwide search for noninvasive technologies for the assessment or therapy of neural function and with the potential to be patient friendly. Along with the scientific advisory board, PureTech subsequently identified software-based research coming from the laboratory of Dr. Gazzaley, founding director of the Neuroscience Imaging Center at UCSF where he is Professor of Neurology, Physiology and Psychiatry. Akili acquired an exclusive option to Dr. Gazzaley's technology in 2011 and subsequently acquired a license from UCSF.

3.3 Core technology and product overview

Dr. Gazzaley undertakes research on "*cognitive interference*" which refers to the processing of two conflicting streams of information (e.g. trying to read while there are distractions, such as other people talking or background noise). In the work that was published in *Nature*, Dr. Gazzaley demonstrated that the ability to process cognitive interference declined in a steady manner with each decade of life in adults (e.g. people in their thirties processed interference poorer than those in their twenties). The worst performers were those in their sixties and seventies. The sensitive detection of deficits between decades of life indicates that the ability to process interference is a sensitive measure of the executive function. When

those in their sixties and seventies trained on Dr. Gazzaley's prototype software for 12 hours over the course of a month they were able to process cognitive interference at the same level as those in their twenties (based on the software's measures). The software consists of doing two different tasks at the same time in a specific manner. Most importantly, Dr. Gazzaley's findings also indicated that the participants improved in measurements of working memory and attention even though the prototype did not directly train these aspects of executive function. These changes were accompanied by certain changes in brain waves as measured by electroencephalography, further demonstrating the neurophysiological effect of Project: EVO. Project: EVO is a mobile, interactive software that seeks to measure and improve executive function which has been designed to look like a "consumer-style" video game.

3.4 Expertise and experience of key technical personnel and management

Akili has assembled a cross-disciplinary advisory and operating team that has expertise in neuroscience, clinical trials in related disorders, video game design, data science and consumer engagement to develop and commercialise the product candidate.

Akili's scientific advisory board includes the following experts in neuroscience.

- Dr. Adam Gazzaley is the Principal Investigator of a cognitive neuroscience laboratory at UCSF which studies neural mechanisms of perception, attention and memory, with an emphasis on the impact of distraction and multitasking on these abilities. A major accomplishment of his research has been to expand the understanding of alterations in the aging brain that lead to cognitive decline. Dr. Gazzaley is a pre-eminent expert on the use of interactive environments (including video games) to achieve cognitive enhancement. He has authored over 70 scientific articles, delivered over 250 invited presentations around the world and his research and perspectives have been consistently profiled in high-impact media, such as the *New York Times* and *Wall Street Journal*. Dr. Gazzaley, is Akili's Chief Science Advisor, co-founder and is a member of the board of directors. He participates heavily in clinical planning and product development.
- Dr. Daphne Bavelier is a key expert on the cognitive effects of action video games and is Professor of Brain and Cognitive Sciences at the University of Rochester. She has published her work on the cognitive effects of video games in prestigious journals such as *Nature*. Dr. Bavelier has been invited to give talks at prestigious conferences and locations such as TED, a global set of conferences run by the Sapling Foundation, the White House and the World Economic Forum in Davos, Switzerland.
- Dr. Stephen Faraone is a key expert in ADHD therapy and a Distinguished Professor of Psychiatry and of Neuroscience and Psychology at the State University of New York Upstate Medical University. He has contributed to over 700 journal articles, editorials, chapters and books and is one of the most cited researchers in psychiatry. He is an editor for a number of psychiatry journals and sits on the Editorial Boards for *Biological Psychiatry* and the *Journal of Child Psychology and Psychiatry*.
- Dr. Robert Schultz is a key expert in autism therapies targeting cognition and is Professor and Director of the Center for Autism Research at the University of Pennsylvania. His work has focused on aspects of cognition and autism using a variety of imaging and behavioural measures.

The executive management team includes the following three individuals:

- Dr. Eddie Martucci serves as Akili's Chief Operating Officer. Dr. Martucci is a co-founder of Akili and has co-founded two other healthcare-focused start-ups at PureTech and helped launch PureTech's digital health initiative. Dr. Martucci is a Vice President at PureTech LLC. He was previously a Kauffman Entrepreneur Fellow, a programme sponsored by the Kauffman Foundation of Kansas City, Missouri which is focused on healthcare entrepreneurship. He received a PhD in Molecular Biophysics and Biochemistry from Yale.
- Mr. Matthew Omernick, Executive Creative Director, leads the company's product development team. Mr. Omernick has 20 years' experience in the video gaming industry, working with industry-leading companies. Prior to joining Akili, Mr. Omernick was most recently Executive Art Director at LucasArts, the video game division of Lucasfilm, where he oversaw studio-wide art teams on multiple projects.
- Mr. Scott Kellogg is Vice President of Operations and oversees regulatory and clinical activities. Mr. Kellogg has over 25 years of experience in developing and registering medical devices. He has brought devices through research and development phases and FDA registration, including surgical modalities, transdermal analyte detection devices, point-of-care diagnostic devices, transdermal drug delivery devices, neuro-stimulation devices and therapeutic drug/device combinations. Mr. Kellogg

was the lead inventor and research and development head for the innovative medical device, the Harmonic Scalpel, which was acquired by Johnson & Johnson and which generates sales of more than \$1 billion per year.

In addition to Dr. Gazzaley, Akili's board includes Director Ms. Zohar, Non-Executive Directors Mr. Ito and Dr. Shapiro and Senior Manager Dr. Elenko (see paragraphs 3.1.1, 3.2.1, 3.2.3 and 3.3.1 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biographies of Ms. Zohar, Mr. Ito, Dr. Shapiro and Dr. Elenko, respectively), as well as James Gates, a partner at TPG Capital, a global private equity firm.

Mr. Gates focuses on TPG Special Situations and TPG Capital's capital formation and strategic initiatives. Mr. Gates is also a member of TPG Capital's Management Committee. Prior to joining TPG Capital in 1995, Mr. Gates was a partner and Executive Vice President of Starwood Capital Group, LP, a real estate investment firm. Mr. Gates previously worked in the Investment Banking Division of Goldman Sachs and served as an executive director in its London office.

3.5 Scientific research and development activity to date

Through Akili's internal research, sponsored research and academic research partnerships, the company has undertaken ten clinical trials as well as smaller-scale feasibility testing. The trials cover ADHD, autism, depression, Alzheimer's disease and traumatic brain injury. The goals of these trials have included demonstrating gameplay feasibility and demonstrating compliance, showing the ability of Project: EVO to distinguish neurotypical populations and disease populations and demonstrating that Project: EVO can improve executive function using standard cognitive assessments. Three of the trials have read-out and, combined with the feasibility testing data, the results indicate the ability of a number of populations to understand and play the game (e.g., children with ADHD), the capacity of Project: EVO to distinguish potential patient populations and neurotypical (i.e. not registering on the autism spectrum) populations, and preliminary analysis indicates improvement in children with ADHD. The Directors believe that these trials have the potential to demonstrate Project: EVO's potential as a mainstream medical product.

Akili has obtained an investment from Shire Pharmaceuticals. In addition, Akili entered into a collaboration and license agreement with Pfizer. As part of that agreement, Pfizer agreed to fund all costs in a study testing the ability of Project: EVO to serve as a biomarker and cognitive enhancer in patients presenting early-stage symptoms of Alzheimer's disease (for further detail, see paragraph 12.4.2 (*Pfizer Collaboration and License Agreement*) of Part XVI (*Additional Information*) of this document). Akili also completed a research, development and commercialisation agreement with Delivering Scientific Innovation for Autism LLC ("DELSIA"), the venture philanthropy arm of Autism Speaks. The collaboration will fund a randomised, controlled efficacy study of Project: EVO in children and adolescents affected by autism and co-morbid attention deficits. Akili is also testing its products in trials funded by NIMH in conjunction with academic collaborators.

Akili has rights to three existing patent estates: one exclusively licensed (subject to certain customary exceptions) from UCSF that covers the company's cognitive methods; and two owned and filed by Akili that cover the company's adaptive algorithm methods and methods of measuring cognitive function.

| <u>Patent family</u> | <u>Status of filings</u> | <u>Patent holder</u> | <u>Priority date</u> | <u>Patent status</u> |
|---|---|----------------------|----------------------|----------------------------------|
| Enhancing cognition in the presence of distraction and/or interruption | Six pending in Australia, Canada (x 2), Europe, Japan, US | UCSF | 2010 | Exclusive licence ⁽¹⁾ |
| Personalised difficulty and reward structure for efficient cognitive measurement and training in interactive environments | One pending in US | Akili | 2014 | Sole inventor ⁽²⁾ |
| Measuring cognitive function | One pending in US | Akili | 2015 | Sole inventor ⁽²⁾ |

Notes:

- (1) Exclusive license subject to certain customary research rights reserved by UCSF and rights granted by operation of law to the US government. For further detail, see paragraph 12.4.1 (*UCSF License Agreement*) of Part XVI (*Additional Information*) of this document.
- (2) Patent is solely owned by Akili.

3.6 Market opportunity and competitive landscape

There are a number of conditions where the brain's executive function is impacted including ADHD, autism, Alzheimer's disease, depression and traumatic brain injury. In some cases (e.g. ADHD), drug therapies exist, but concerns remain regarding the side effects of the drugs. In other cases (e.g. Alzheimer's disease) drug therapies have an appreciable efficacy but are restricted to treating specific stages of a disease and can cause side effects. In some cases (e.g. autism and traumatic brain injury), the Directors believe that there is no widely accepted therapy that currently exists that can help alleviate the cognitive impairment symptoms of the disorder. The market for ADHD therapeutics is projected to be approximately \$10 billion by 2020. In addition to ADHD, the Directors believe that all of the potential markets for which Project: EVO is relevant represent significant opportunities with few viable options currently available for patients. The Directors believe that a safe, engaging therapeutic approach could address portions of each of the aforementioned therapeutic markets.

Akili is also focused on delivering products that can serve as better tools for measuring cognition (e.g. clinic-based screening tools). These markets are currently developing but the Directors believe that they could become significant. For instance, existing tools that aid in the early diagnosis of Alzheimer's disease include expensive position emission tomography (or PET) imaging agents to detect amyloid plaques. The Directors believe that an engaging test that could be used on a repeated basis at home to either screen patients for a clinical trial or to monitor patients in a trial or under a physician's care could result in cost-efficiencies. Multiple disorders could be amenable to "at-home" tracking and screening (e.g. ADHD and other childhood disorders). Akili's early partnership with Pfizer and recent FDA guidance on the ability to register drugs on cognitive outcomes alone help to demonstrate the potential need for such products and the potential market opportunity in, for example, Alzheimer's disease.

There are a number of companies that have produced consumer "brain fitness" products (i.e. software aimed at improving a user's cognition through the practising of computer-based tasks). However, those approaches have largely been targeted towards general consumer wellness and generally have not been focused on products that are delivered through healthcare channels. There are also a number of companies that sell computerised cognitive assessment software. The software deploys simple cognitive tests which serve diagnostic purposes and do not utilise either the innovative technologies developed at UCSF or the video game mechanics that are core to Akili's product candidate. In certain disorders where drug therapies exist (e.g. ADHD), drugs may be viewed as sufficiently controlling symptoms in some patients and therefore be considered a competitor to Project: EVO. However, Project: EVO could potentially be used in conjunction with pharmacological therapy given that there is no anticipated additional safety risk associated with combining the software-based therapy with a drug, or chosen as an alternative to drug therapy if efficacy is comparable. The Directors believe that the engaging nature of its products, along with positive clinical assessment data, will enable its cognitive tests to be taken remotely and repeatedly at a patient's home throughout the course of a clinical study or treatment, enabling a new method of high-resolution cognitive tracking and treatment that is not currently enabled by existing software.

3.7 Regulatory pathway

The company's current plans include applying for FDA clearance through the CDRH for its therapeutic product and it will consider pursuing regulatory approval in other jurisdictions outside the US. Akili plans to accomplish the product development and regulatory process on its own, without partnership. Akili's assessment products may be applied in a wide variety of circumstances. Akili may or may not register these products as medical devices, depending on the exact utility and related claims desired for each specific product.

3.8 Business plan and commercialisation strategy

Akili's vision is that "electronic medicine" could become part of mainstream medical practice. Akili uses the trademarked term "electronic medicine" to refer to software applications that are clinically validated and recommended to a patient by a healthcare professional.

Akili is currently engaged in product and clinical development and has not yet entered the market for either assessment or therapeutic products. Akili sees the market landscape as providing opportunities both for products designed for assessment and diagnosis, and for products designed for therapy. Akili is developing products for both markets, which may have distinct customer bases. The Directors believe that the market for therapeutic products will be larger than the market for assessment products and that it will have greater upside potential.

For Akili's therapeutic products, the company anticipates pursuing direct commercialisation after it obtains FDA clearance for Project: EVO. In addition, Akili may also seek to explore partnerships with third parties if a commercially viable opportunity arises. Akili intends to begin pivotal studies in ADHD and autism before the end of 2015 and the first therapeutic product could potentially launch before the end of 2017, subject to FDA clearance and obtaining a CE mark. The Directors believe that the commercial potential of the therapeutic products is significantly greater than that of the assessment products. The proceeds allocated to Akili are expected to be sufficient to support the development of its cognitive platform technology through FDA clearance and fund pre-launch sales and marketing expenses through product launch of Project: EVO for the screening and treatment of neurological disorders.

For Akili's assessment products, direct commercialisation is intended after a sufficient dataset on the Project: EVO assessment, monitor reliability and normative database is established. It is expected that customers are likely to be groups interested in conducting clinical trials where it is important to monitor cognition, including pharmaceutical companies. Akili is anticipating that the dataset could be completed by early 2016 and the assessment and monitoring product may launch before the end of 2016.

Prior to market launch, Akili anticipates that it will be heavily focused on clinical development of the existing Project: EVO platform, in both pivotal market-enabling studies for existing indications and exploratory studies in expanded indications. Additionally, the company is seeking to focus on expanding its management, sales and marketing infrastructure to support future commercialisation, as well as building out the company's pipeline by sourcing, licensing and developing clinical video game products apart from Project: EVO.

4. Tal

4.1 *Overview and background*

Tal is a research and development-stage medical device company, developing an innovative, noninvasive treatment for psychiatric disorders based on a proprietary LFMS technology. The discovery of the treatment effect of LFMS was made by researchers at McLean Hospital who were using a form of echo-planar spectroscopic magnetic resonance imaging (or MRI) to investigate potential brain chemistry changes in patients suffering from bipolar disorder (or BPD). The majority of patients subjected to the diagnostic imaging scan reported immediate mood improvement. Such rapid onset of action would be an improvement over existing therapies that seek to treat major depressive disorder (or MDD) and BPD by utilising drugs which typically require between four and ten weeks to take effect and leave many patients at continued risk of suicide or disability. Two randomised, sham-controlled clinical trials with 117 subjects carried out by McLean Hospital, have tested LFMS in MDD and BPD patients to date and demonstrated rapid onset of action (within minutes after completion of a single 20 minute LFMS session), a significant effect size, and strong safety profile. An NIMH-funded trial is currently testing the treatment durability for Tal's LFMS technology; its read-out is expected in the first half of 2016 and could serve as a significant milestone for Tal and pave the way for a registration trial, a trial undertaken for the purposes of obtaining FDA (or another regulator's) approval. If the results from these studies are favourable, the company could potentially launch its product candidate by 2018 or 2019.

Tal was founded in 2010 and is headquartered in Boston, Massachusetts.

4.2 *Sourcing and company foundation*

PureTech has engaged in a number of CNS-related initiatives and the Board felt that existing drug approaches: (i) often required many years of preclinical work on imperfect models which have historically often yielded disappointing clinical results; and (ii) were not ideally set up to modulate the electrical circuitry of the brain. The Board and several of the internal team members focused on the potential of neuromodulation to modify brain circuitry and the use of noninvasive neuromodulation to treat CNS disorders that have an origin in dysfunctional circuitry of the brain. Depression was identified as a strong indication, due to the perceived unmet need and significant market potential.

PureTech formed a scientific advisory board with a number of leading experts in depression and neuromodulation. PureTech, through consultations with the scientific advisory board, considered a number of technologies and ultimately selected the work that was being undertaken on LFMS at the McLean Hospital, a leading psychiatric research facility affiliated with Harvard University.

PureTech initiated discussions with the technology transfer office at McLean Hospital and initially secured an exclusive option to license the LFMS technology. Following extensive diligence, PureTech negotiated an exclusive license (subject to certain customary exceptions) for the technology.

4.3 Core technology and product overview

Tal's goal is to develop and introduce a noninvasive, safe, rapid-acting treatment option for MDD and BPD. Tal's LFMS device utilises an innovative neurostimulation technology that applies a proprietary, low strength magnetic field to the brain using a coil external to the body (i.e. it is not implanted). The LFMS device is a table-top device derived from echo-planar spectroscopic MRI equipment, utilising only its *x*-axis gradient field coil. In two randomised, sham-controlled clinical trials a single 20-minute LFMS session demonstrated rapid onset of action, substantial effect size (31 per cent response rate) and no observable major side effects. The treatment durability as well as the optimal treatment regimen (length of a session and number of days) have yet to be determined through clinical testing. The Directors believe that the potentially rapid-acting nature of the treatment effect, together with its safety profile, differentiate LFMS from all currently marketed depression treatments.

4.4 Expertise and experience of key technical personnel and management

Tal has assembled a team that reflects the need for expertise in neuroscience and medical device development, in addition to business acumen to develop and commercialise its product candidate.

Tal's scientific advisory board is comprised of experts in the psychiatry and neuromodulation fields as follows:

- Dr. Maurizio Fava is a recognised expert in psychopharmacology and clinical research in mood disorders. Currently, Dr. Fava is the Executive Vice Chair for Massachusetts General Hospital's Department of Psychiatry, Director of the Clinical Research Program at Massachusetts General Hospital, Executive Director of Massachusetts General Hospital's Clinical Trials Network and Institute and Research Programme and Slater Family Professor of Psychiatry at Harvard Medical School. Dr. Fava has authored or co-authored more than 600 articles published in medical journals with international circulation and was a co-Principal Investigator on the STAR*D study, a seminal study of the effectiveness of the current generation of anti-depressant interventions. He has edited eight books and published more than 50 chapters and 500 abstracts. Dr. Fava is also a well-known national and international speaker, having given more than 250 presentations at national and international meetings. He serves as an advisor through Massachusetts General Hospital's Clinical Trials Network and Institute.
- Dr. Mark George is a recognised expert in brain stimulation and depression. Currently, Dr. George is Layton McCurdy Endowed Chair, Distinguished Professor of Psychiatry, Radiology and Neuroscience and Director of the Brain Stimulation Laboratory at the Medical University of South Carolina. Dr. George is the editor-in-chief of *Brain Stimulation: Basic, Translation and Clinical Research in Neuromodulation*. In 2009, *US News and World Report* named him one of 14 "medical pioneers who are not holding back". He is on the editorial review boards of several scientific journals and was an early pioneer in neuromodulation and NIH study sections, has published over 400 scientific articles and book chapters and has written and edited six books. He has been awarded numerous international awards including the National Alliance for Research in Schizophrenia and Affective Disorders ("NARSAD") Klerman Award in 2000, the NARSAD Falcone Award in 2008 and the Lifetime Achievement Award in 2007 given by the World Federation of Societies of Biological Psychiatry.
- Dr. Steven Paul is a world-renowned psychiatrist, neuroscientist and drug developer and former president of Lilly Research Laboratories (of Eli Lilly). During Dr. Paul's 17-year tenure at Eli Lilly, he held several key leadership positions. In his most recent role, he was responsible for the company's overall research and development efforts, resulting in a pipeline of approximately 70 new molecular entities. Prior to Eli Lilly, Dr. Paul served as Scientific Director of NIMH. He is the Chief Executive Officer of Voyager Therapeutics, Inc. and has recently been appointed to the Science Board of the FDA. Dr. Paul is an elected Fellow of the American Association of Science and a member of the Institute of Medicine of NAS. Dr. Paul is Chair of the scientific advisory board and a member of the board of directors of Tal.
- Dr. Robert Post is a Professor of Psychiatry at George Washington University School of Medicine and is Head of the Bipolar Collaborative Network in Bethesda, Maryland. Dr. Post was Chief of the Biological Psychiatry Branch for a large number of his 36 years at the NIMH. Dr. Post serves on the

editorial boards of over ten journals and has published more than 975 scientific manuscripts. His research group was the first in the US to document the antimanic effects of the anticonvulsant carbamazepine and the effects of high versus low frequency repetitive transcranial magnetic stimulation in depression.

In addition to the scientific advisory board, Tal has two senior advisors who advise on the company's strategy, Mr. John Abele and the Honourable Patrick Kennedy. Mr. Abele is co-founder of Boston Scientific and was its Chairman for a number of years. He is renowned for creating the field of interventional cardiology. Mr. Kennedy is former US Representative and the lead author of the US Mental Health Parity Act of 1996.

Tal's executive team includes the following four industry veterans:

- Dr. Jan Skvarka is Tal's Chief Executive Officer and is a member of the board of directors. Prior to Tal, Dr. Skvarka spent 14 years with Bain and Company, a management consultancy firm, most recently as a leading partner in the firm's healthcare practice. In his role, he advised senior executives of medical device and pharmaceutical companies on issues relating to strategy, performance improvement and corporate development. More recently, his focus was increasingly on entering and building new businesses in life sciences, including assessing new opportunities, developing business plans, and supporting scale-up and implementation. Prior to Bain, Dr. Skvarka worked within Corporate Finance at PricewaterhouseCoopers LLP in London and Vienna, focusing on M&A and capital fundraising. Dr. Skvarka authored multiple publications on healthcare and financing topics, and regularly speaks at industry conferences as an expert on life sciences businesses. Dr. Skvarka received an MBA from Harvard Business School, a PhD in Economics from the University of Economics in Slovakia and is a Certified Accountant in Austria.
- Dr. Atul Pande is Tal's Executive Vice President, Chief Medical Officer and a member of the scientific advisory board. Dr. Pande has more than 25 years of experience in psychiatry and neurosciences. Most recently, he was Senior Vice President and Global Head of Neurosciences at GlaxoSmithKline. He has been active in the development of many important CNS drugs, while holding various senior roles in Pfizer research and development, Parke Davis/Warner Lambert, a pharmaceutical company and Lilly Research Laboratories, the global research and development organisation of Eli Lilly. Dr. Pande is a psychiatrist and Fellow of several scientific societies. He began his career as a faculty member at the University of Michigan Medical School where his research focused on mood disorders. He has published over 50 peer reviewed scientific papers and over 100 abstracts, book chapters and book reviews. Dr. Pande received his MD from the University of Lucknow in India.
- Mr. Mike Madden is Tal's Executive Vice President, Head of Product Development. For more than 25 years, Mr. Madden has helped companies develop, manufacture and commercialise medical devices. Before joining Tal, Mr. Madden was the Executive Vice President of Engineering and one of the founding executives of venture-backed NinePoint Medical, a medical device company, where he led the development of the first optical coherence tomography imaging platform to serve the GI field. Mr. Madden previously held the positions of Vice President and Head of Research and Development in the Endoscopy division and Vice President and Head of Research and Development in the Urology and Gynaecology division at Boston Scientific, a developer, manufacturer and marketer of medical devices. He holds an MS degree in Electrical Engineering from Tufts University.
- Dr. Andrew Miller is Tal's Chief Operating Officer and co-founder. Dr. Miller is also a Vice President at PureTech LLC and during his time at PureTech he has successfully led the operations of multiple life sciences start-up companies including Entrega and Karuna. Dr. Miller has a PhD in Chemical Engineering from MIT and was awarded the National Defense Science and Engineering Graduate Fellowship.

In addition to Dr. Paul and Dr. Skvarka, Tal's board of directors includes Director Ms. Zohar and Non-Executive Directors Dr. Shapiro and Dr. Kucherlapati (see paragraphs 3.1.1, 3.2.3 and 3.2.5 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biographies of Ms. Zohar, Dr. Shapiro and Dr. Kucherlapati, respectively).

4.5 Scientific research and development activity to date

The discovery of the treatment effect of LFMS was made by researchers at McLean Hospital who were using a form of echo-planar spectroscopic MRI to investigate potential brain chemistry changes in BPD patients. The majority of patients subjected to the diagnostic imaging scan reported immediate mood

improvement. This subsequently resulted in a series of research studies, as described below, which confirmed and expanded on the original patient reports of immediate mood improvement.

Two randomised, sham-controlled clinical trials with 117 subjects carried out by McLean Hospital, have tested LFMS in MDD and BPD patients to date and demonstrated rapid onset-of-action (within minutes after completion of a single 20 minute LFMS session), a substantial effect size, and strong safety profile. Specifically, on the Hamilton Depression Rating Scale-17, a questionnaire commonly used in depression trials to measure severity of depression, the treatment showed a statistically significant 3.1 point improvement over placebo treatment. A separate sham-controlled study of 15 healthy volunteers using fluorodeoxyglucose PET imaging to evaluate the physiological impact of a LFMS-like field carried out by the NIH, showed decreases in local glucose utilisation. The imaging study provides support that the hypothesised mechanism of LFMS works through a different mechanism-of-action than existing neuromodulation therapies and may be normalising dysfunctional neurocircuits thought to be associated with depression. The durability of the LFMS treatment effect has not yet been tested and is currently being investigated in an on-going clinical trial (see paragraph 4.8 (*Business Plan and Commercialisation Strategy*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) below).

LFMS is covered by a portfolio of two patent families aiming to protect the LFMS device and LFMS treatment. The portfolio is outlined in the below table.

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|---------------------------------------|---|-----------------|---------------|----------------------------------|
| Magnetic field stimulation techniques | Seven granted in Europe, US (×6) One pending in US | McLean Hospital | 2001 | Exclusive license ⁽¹⁾ |
| Systems for LFMS | Four pending in Canada, Europe, Japan, US | McLean Hospital | 2011 | Exclusive license ⁽¹⁾ |

Note:

- (1) Exclusive license subject to certain customary research rights reserved by McLean Hospital and rights granted by operation of law to the US government. For further detail, see paragraph 12.5.1 (*McLean License Agreement*) of Part XVI (*Additional Information*) of this document.

4.6 Market opportunity and competitive landscape

Tal's initial focus is on MDD and BPD. MDD, which currently affects approximately 6.7 per cent of the US adult population, is one of the leading causes of disability worldwide and at its worst, can lead to suicide. In the US alone, the economic burden of MDD has exceeded \$150 billion in recent years. In spite of multiple drugs on the market with expected \$13-\$17 billion worldwide sales in 2017 and several other available treatments, the Directors believe that there are no safe, rapid-acting treatment options for depression currently available on the market. The Directors believe that the slow-acting nature of some existing treatments leaves many patients, for a period, with the continued risk of suicide or disability. BPD is a related mood disorder, a debilitating disease, characterised by alternating phases of mania and depression. While lower in prevalence (2.6 per cent of those aged 18 and over in the US) in comparison with MDD, it incurs disproportionately high cost to society, which in the past has been estimated at \$46 billion in the US. The perceived unmet need in BPD is even greater than in MDD, with at least 25-50 per cent of BPD patients attempting suicide at least once in their lifetime. The existing gold standard therapy for BPD is lithium treatment discovered in the 1940s. The Directors believe that there is a lack of innovation in this area which has resulted in limited safe rapid-acting treatments for BPD and MDD. Tal's goal is to fill this gap and introduce the first safe, rapid-acting treatments for depression.

Currently, in depression, there are two mainstream treatment options (psychotherapy and drugs) and three "last resort" treatment options (electro-convulsive therapy (or ECT), transcranial magnetic stimulation (or TMS) and vagus nerve stimulation (or VNS)). Each has its advantages and shortcomings. Psychotherapy is safe and can produce the most lasting effect. However, it is generally not considered to be very effective with severely depressed patients and can be time-consuming and costly. Drugs can be effective at reducing depression symptoms and may be convenient and cost effective, but typically require between four and ten weeks to take effect, have tolerability problems and only 10-50 per cent of patients respond to each drug class, depending on the line of treatment (21 per cent for the refractory patients (those patients who have failed to respond to at least one treatment) on average). ECT (also known as electroshocks) has shown very high response rates, but is expensive and remains a controversial therapy due to safety issues –

between 29 and 55 per cent of patients can experience some degree of persistent memory loss. TMS is considered to be very safe and can be effective in patients who did not respond to drugs, but has a slow onset of action (approximately three weeks), and is also considered to be inconvenient (requiring approximately 30 sessions at a physician's office) and expensive. VNS, which uses an implantable device to stimulate the brain through the vagus nerve, is highly invasive and may take up to several months before taking effect.

In addition, new therapies are in development and may enter the market if successful. Ketamine, an anaesthetic, and its analogs have shown rapid-acting effect in early trials, though the safety of their use remains a concern. Deep brain stimulation uses electrodes implanted in a patient's brain to stimulate deeper brain regions that are believed to play a role in depression: the technology has been cleared by the FDA for use in treating Parkinson's disease and is now being investigated as a potential treatment for depression. Transcranial direct or alternating current stimulation techniques apply electric current of low intensity to a patient's scalp. Whilst some of the products utilising this technology have been cleared by the FDA, others are pursuing a consumer route, bypassing the regulatory process by not making claims with respect to the medical benefits of the product. Although there is little definitive clinical evidence at present that these products have anti-depressive effect, it cannot be ruled out that this could be the case in the future.

In BPD there are currently three treatment options: psychotherapy, drugs and ECT. Psychotherapy and ECT have similar benefits and risks as described above in relation to treatments for MDD. Different types of drugs (typically mood stabilisers) are being used to treat BPD, with lithium treatment being the leading therapy for the past 50 years. However, drug options for BPD are limited as, despite their application, symptoms can still occur. Mood stabilisers are more effective at managing the manic phase of BPD, and anti-depressants used for MDD are typically not prescribed for BPD due to the risk of inducing the manic phase, as well as limited efficacy in BPD compared to MDD. Most anti-depressant drugs for MDD are not FDA approved for BPD.

4.7 Regulatory pathway

Initially, Tal plans to seek regulatory clearance for its LFMS technology for the treatment of MDD and BPD before expanding to additional clinical indications. In both cases, the company expects to pursue regulatory clearance from the CDRH (a division of the FDA) and a CE mark in Europe. A CE mark would allow Tal to market its product candidate in Europe and other regions. Regulatory applications will be supported by clinical safety and efficacy data generated from the clinical trials described in paragraph 4.8 (*Business Plan and Commercialisation Strategy*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) below.

4.8 Business plan and commercialisation strategy

Tal has an on-going randomised, double-blind, sham-controlled clinical trial (RAPID) that is testing LFMS treatment durability in MDD. The trial is a 90-patient multi-site study led by the Massachusetts General Hospital and is fully funded by the NIMH. Its read-out is expected in the first half of 2016.

A pivotal trial in MDD is expected to follow the RAPID study, with FDA and CE mark submissions currently planned for 2018. Assuming positive trial outcomes, the company could potentially launch a product using LFMS to treat MDD in the US in 2018 or 2019. The target market is the severely depressed patient who is at risk of disability, functional impairment or suicide, and requires rapid intervention. Treatment of such patients is expensive today, as either hospitalisation or ECT may be required. In addition to MDD, the company is in the process of designing a large-scale randomised, double-blind, sham-controlled trial to confirm the LFMS effect and establish its durability in BPD. The study could start in the second half of 2015 and read-out potentially in 2018.

Tal anticipates using its allocated proceeds of the Offer to fund its product and clinical development efforts through its first FDA clearance (potentially in 2018 for Tal's MDD treatment, assuming positive trial outcomes).

Tal's initial commercialisation focus is expected to be on the US, given its more attractive reimbursement environment, and subsequently in other jurisdictions such as Europe and Japan.

5. Karuna

5.1 *Overview and background*

Karuna is developing a potentially innovative therapy for the treatment of schizophrenia (a mental illness that affects approximately one per cent of the US population). The disease is characterised by symptoms which are divided into three categories: positive symptoms (e.g. hallucinations and delusions), cognitive symptoms (e.g. poor working memory) and negative symptoms (e.g. anhedonia, a loss of the ability to feel pleasure from activities previously enjoyed by a patient). Antipsychotics are the mainstay therapy for the treatment of schizophrenia. However, drugs currently in use can have serious side effects which can reduce compliance and patients often experience residual symptoms throughout their lives. Despite the significant limitations of current treatments, the worldwide antipsychotic market was valued in the multiples of billions in 2013.

Karuna's product candidate is a combination of xanomeline, a drug which exerts a therapeutic benefit on positive symptoms and possibly cognitive and negative symptoms and trospium chloride which is a muscarinic antagonist that blocks muscarinic receptors outside of the CNS. Xanomeline has already demonstrated human efficacy proof-of-concept. The Directors believe that combining xanomeline with a muscarinic antagonist may reduce the side effects typically seen with xanomeline.

Karuna was founded in 2009 and is based in Boston, Massachusetts.

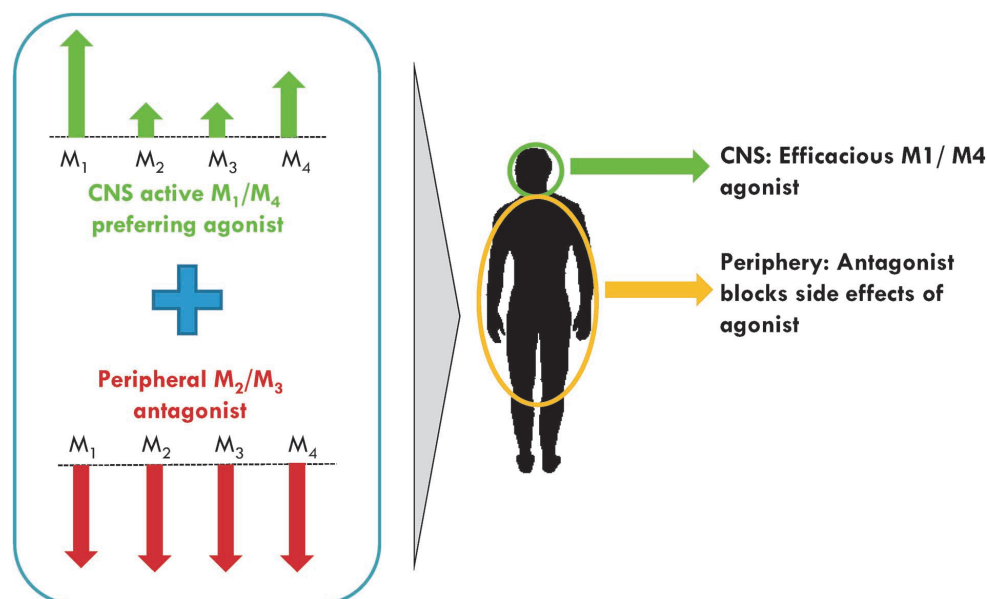
5.2 *Sourcing and company formation*

PureTech became interested in schizophrenia due to the large size of the addressable market, significant degree of perceived unmet need and what it believes to be an opportunity for true innovation in the area. PureTech conducted a proactive search for opportunities in schizophrenia and reviewed over 100 psychiatric related technologies. One of the challenges with schizophrenia is that the animal models may not be predictive of human response to a therapeutic agent, due to the complex nature of the illness. Therefore, PureTech prioritised opportunities within this area where human proof-of-concept already existed. PureTech identified xanomeline as a promising agent and obtained an exclusive, worldwide license (subject to certain exceptions) from Eli Lilly, the pharmaceutical company that originally developed the drug. For further detail, see paragraph 12.6.2 (*Eli Lilly License Agreement*) of Part XVI (*Additional Information*) of this document. This was possible due to PureTech's expert advisors who flagged xanomeline as a promising product. PureTech subsequently invented and developed the concept that would allow the side effects of xanomeline to be potentially circumvented. PureTech granted Karuna a royalty-bearing, worldwide exclusive licence covering the core intellectual property around the combination.

5.3 *Core technology and product overview*

Karuna is developing a combination of two drugs: xanomeline (muscarinic agonist or activator) and trospium chloride which is a muscarinic antagonist (or blocker), which studies have shown does not enter

the CNS. Broadly speaking, drugs used to treat schizophrenia operate by affecting neurotransmitter receptors.



The muscarinic receptors in the nervous system bind to acetylcholine (a neurotransmitter). There are five types of muscarinic receptors (M1-M5), all of which are expressed in the brain, with the M2 and M3 receptors also significantly expressed in the periphery outside the CNS (e.g. in sweat glands, salivary glands and the GI tract). The distribution of receptors within the different parts of the brain and the human body is important because M2 and M3 receptor activation is associated with negative side effects (e.g. GI adverse events).

Preclinical and clinical target validation for muscarinic receptors in schizophrenia comes from multiple studies on these receptors, as described below:

- Muscarinic antagonists that access the brain, such as scopolamine, produce cognitive impairments, hallucinations and delusions;
- M1/M4 agonists demonstrate efficacy in animal models of psychosis and cognition;
- Mice which were genetically engineered to lack the M1/M4 receptors indicate the role of the receptors is cognition and psychosis;
- The observation that there is decreased M1/M4 expression in post-mortem studies in schizophrenia patients; and
- Single photon emission computerised tomography imaging showing decreased muscarinic availability in schizophrenia patients. Xanomeline has shown efficacy in 12 different animal models of schizophrenia (three different species) including prepulse inhibition, latent inhibition, conditioned avoidance response, induced hyperactivity and others.

Xanomeline was originated with the goal of improving cognition in Alzheimer's disease. Xanomeline has been dosed to date in over 800 subjects and over 16 clinical studies including a PET study establishing receptor occupancy. Over 150 patients have been dosed for up to six months, with a subset of these patients having been dosed for up to two to three years.

5.4 Expertise and experience of key technical personnel and management

Karuna aims to develop an innovative treatment for schizophrenia and has assembled a team that reflects the need for expertise in mental health and combination drug formulation/therapy to develop and commercialise the product candidate.

- Dr. Alan Breier is Karuna's Chief Clinical Advisor. Dr. Breier is currently Professor of Psychiatry and Vice Chair for Clinical Research at Indiana University School of Medicine and Chief of the Psychotic Disorders Programme. He is also the Director of Research at Larue Carter Hospital. He was formerly

the Chief Medical Officer at Eli Lilly. He was a member of Lilly Research Laboratories' policy committee and the company's senior management council. Previously, Dr. Breier was a clinical research fellow at Eli Lilly, product team leader for the antipsychotic drug Zyprexa® and Vice President of Pharmaceutical Products at Eli Lilly. Prior to joining Eli Lilly, Dr. Breier was Chief of the section of clinical studies at the NIMH Intramural Research Programme and prior to that the Chief of the outpatient research programme at the Maryland Psychiatric Research Center. He has published over 250 scientific articles and is the recipient of several awards.

- The day-to-day operations of Karuna are run by Dr. Eric Elenko, acting Chief Executive Officer of the company and a Senior Manager at PureTech, Dr. Richard Kavoussi, Chief Medical Officer of the company, and Dr. Andrew Miller, Vice President of Research and Development of the company and Vice President at PureTech. See paragraph 3.3.1 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document and paragraph 4.4 (*Expertise and Experience of Key Technical Personnel and Management*) of this Part VII (*Information on the Company and the Group*) above for Dr. Elenko's and Dr. Miller's full biographies, respectively.
- Dr. Richard Kavoussi serves as Karuna's Chief Medical Officer. Dr. Kavoussi was previously Vice President in the Neuroscience Medicines Development Center at GlaxoSmithKline. In this role, he directed an organisation of 200 physicians, scientists, statisticians, programmers, data managers and site monitors in the development, registration and post-marketing support of phase IIb-IV neuroscience compounds. He also provided medical governance oversight of more than 15 clinical development programmes in schizophrenia, depression, Alzheimer's disease, Parkinson's disease, epilepsy, multiple sclerosis, neuropathic pain, restless legs syndrome and Duchenne's muscular dystrophy. Prior to joining the industry, Dr. Kavoussi spent over 12 years in academic positions, most recently as an Associate Professor of Psychiatry at MCP-Hahnemann School of Medicine (now known as Drexel University) in the US and is the author of over 50 publications.

In addition to Dr. Elenko and Dr. Miller, Karuna's board members include Directors Ms. Zohar and Mr. Muniz and Dr. Edmund Harrigan. See paragraphs 3.1.1 and 3.1.2 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biographies of Ms. Zohar and Mr. Muniz, respectively.

Dr. Harrigan is the Senior Vice President for Worldwide Safety and Regulatory at Pfizer. Previously, Dr. Harrigan held other senior roles in Pfizer including in business development and research and development. Dr. Harrigan was previously a Senior Vice President at Neurogen and a Senior Vice President at Seperacor. He is a board-certified neurologist.

5.5 Scientific research and development activity to date

As a prelude to the clinical studies, Eli Lilly (the originating pharmaceutical company) prepared a full safety package including two-year toxicology studies in rodents and one-year studies in monkeys. Additionally, in a placebo-controlled, double-blind, multi-site trial involving 343 patients, xanomeline showed statistically-significant improvement in both cognitive and behavioural endpoints. Active treatment was for 26 weeks at three dosage levels (75 mg/d, 150 mg/d, 225 mg/d). Psychotic symptoms remitted after treatment initiation in a statistically-significant, dose-dependent manner. A subsequent double-blind, placebo-controlled, 20-patient, monotherapy trial in schizophrenia patients was conducted at a single dose level (225 mg/d) with a seven day placebo lead-in and four day dose titration. A significant ($P < 0.05$) reduction in the Positive and Negative Symptom Scale, which is a gold standard measure and used as a registration endpoint in FDA and EMA trials, was observed, with a 24 point reduction over placebo. By comparison, atypical antipsychotic drugs generally show a 10 point reduction compared to placebo in FDA registration studies. Xanomeline, therefore, demonstrated promising efficacy and potential to outperform atypical antipsychotics, the current standard of care in schizophrenia.

Although xanomeline displayed promising efficacy, the drug has side effects associated with binding to the M2 and M3 receptors outside the CNS. For example, M2 and M3 receptors are located on GI tissues as well as secretory tissues such as saliva glands and, therefore, hyper-salivation was reported as a side effect of xanomeline.

Karuna identified xanomeline as a potential opportunity if the side effects could be ameliorated and secured an exclusive, worldwide license (subject to certain exceptions) to xanomeline from Eli Lilly to the data and regulatory filings for xanomeline. For further detail, see paragraph 12.6.2 (*Eli Lilly License*

Agreement) of Part XVI (*Additional Information*) of this document. In addition, Karuna licensed the core intellectual property around the combination concept from PureTech.

Evidence exists that xanomeline's side effects are due to peripheral activation of muscarinic receptors. Karuna will try to ameliorate the xanomeline side effects by using trospium chloride, a muscarinic antagonist which has been shown to not enter the CNS, in combination with xanomeline. The muscarinic antagonist that Karuna plans on using (trospium chloride) is approved by the FDA and is available to Karuna as it is now generic. The Directors believe that the muscarinic antagonist's lack of CNS penetration and pharmacokinetic profile make it particularly suited for use in combination with xanomeline.

Since licensing the intellectual property, Karuna has prepared a development plan and a design for the first clinical trial, to test whether the addition of the muscarinic antagonist can ameliorate the adverse effects of xanomeline. The company anticipates starting the trial in the first half of 2016.

Karuna has intellectual property that has entered national phase in the US, Europe (European Patent Office ("EPO")), Japan and Canada as described in the below table:

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|---|---|---------------|---------------|-------------------|
| Methods and compositions for treatment of disorders ameliorated by muscarinic receptor activation | Four pending in Europe, Canada, Japan, US | PureTech | 2009 | Exclusive license |

5.6 Market opportunity and competitive landscape

Schizophrenia affects up to one per cent of the US population, with typical onset between the ages of 16 and 30. The initial psychiatric treatment for schizophrenia is often antipsychotic medication which can lead to harmful side effects such as potentially irreversible movement disorders, considerable weight gain, diabetes, risk of metabolic syndrome and sedation. Concurrently, the side effects associated with these drugs limit their use.

Despite the significant limitation of current treatment, the antipsychotics market is valued in the multiples of billions, with market leader Abilify reaching \$6.3 billion in sales in 2013.

Psychosis (hallucinations and delusions) is also a feature of a number of different diseases including Alzheimer's disease, Parkinson's disease and Huntington's disease. A drug agent that has been shown to have antipsychotic properties in one disease population (e.g. schizophrenia) could also have antipsychotic properties in other populations. By way of example, a number of antipsychotics carry warnings against use in the elderly because of increased risk of mortality associated with taking the drugs. Despite this risk and the fact that antipsychotics are not recommended for use in the elderly, they are still being used because there are no other drug classes prescribed for treating psychosis in the elderly. A drug that did not pose the same risk of sudden death could, therefore, have market potential in treating diseases associated with psychosis in elderly patients.

5.7 Regulatory pathway

Karuna will pursue a drug approval pathway for its combination therapy as a new chemical entity. The product is expected to be regulated by the FDA in the US and the EMA in Europe. Clinical trials will need to be conducted to comply with FDA and EMA standards. In other jurisdictions, Karuna will seek to follow the relevant regulatory pathway for drug approval.

5.8 Business plan and commercialisation strategy

The company plans to conduct two clinical studies in the near-term. The first trial will be designed to show that the addition of the trospium chloride muscarinic antagonist has the ability to ameliorate the side effects associated with xanomeline. The primary endpoint of the study is designed to compare the tolerability of xanomeline to the tolerability of xanomeline and the muscarinic antagonist. Karuna anticipates starting the trial in the first half of 2016 and completing the trial by the end of 2016.

Karuna anticipates the second study will be a phase II study showing that the combination of xanomeline and the muscarinic antagonist has efficacy in treating schizophrenia with an acceptable safety profile. Karuna currently anticipates starting the trial for the second study by the first quarter of 2017 and completing the trial by late 2018 or early 2019. The proceeds allocated to Karuna as a result of the Offer are expected to be sufficient to fund both studies.

Following successful completion of the phase II study, Karuna will seek a partnership where the partner would fund the remainder of the research and development necessary for regulatory approval and commercialisation. PureTech anticipates that such a partnership would result in Karuna receiving an upfront payment and potential subsequent milestone payments, all of which would be accounted for by Karuna as revenue. Karuna could potentially be ready to submit a new drug application to the FDA by 2023 for product launch by 2024.

Given the potential impact on psychosis, Karuna will also consider developing its combination for other indications in which psychosis is a component, in addition to schizophrenia, either alone or in conjunction with a partner.

Karuna is currently in advanced negotiations with an investor on a potential financing expected to be in the amount of \$3.8 million and involving the issuance of a convertible note. It is anticipated that this transaction would provide Karuna with strategic, independent third party validation of its product candidate.

6. Entrega

6.1 *Overview and background*

Entrega is developing a platform technology for the oral delivery of biologics, vaccines and other forms of medication that are not efficient in reaching the bloodstream when taken orally. Entrega's technology has the potential to allow drugs which currently must be taken by injection to be taken orally. This would have a number of advantages including avoiding painful injections, which could increase compliance with treatment recommendations. The company has generated small animal proof-of-concept data for the delivery of multiple peptides and demonstrated the performance of each individual part of its delivery system *in vitro* and *ex vivo*. Specifically, Entrega has shown with pharmacokinetic and pharmacodynamic studies in healthy rats that the platform can deliver functionally relevant amounts of therapeutic peptides (e.g. insulin) into the blood stream. Entrega also has a partnership with Google X, Google's technology department arm, which has dedicated efforts to develop innovative diagnostics for cancer.

Entrega was founded in 2010 and is headquartered in Boston, Massachusetts.

6.2 *Sourcing and company formation*

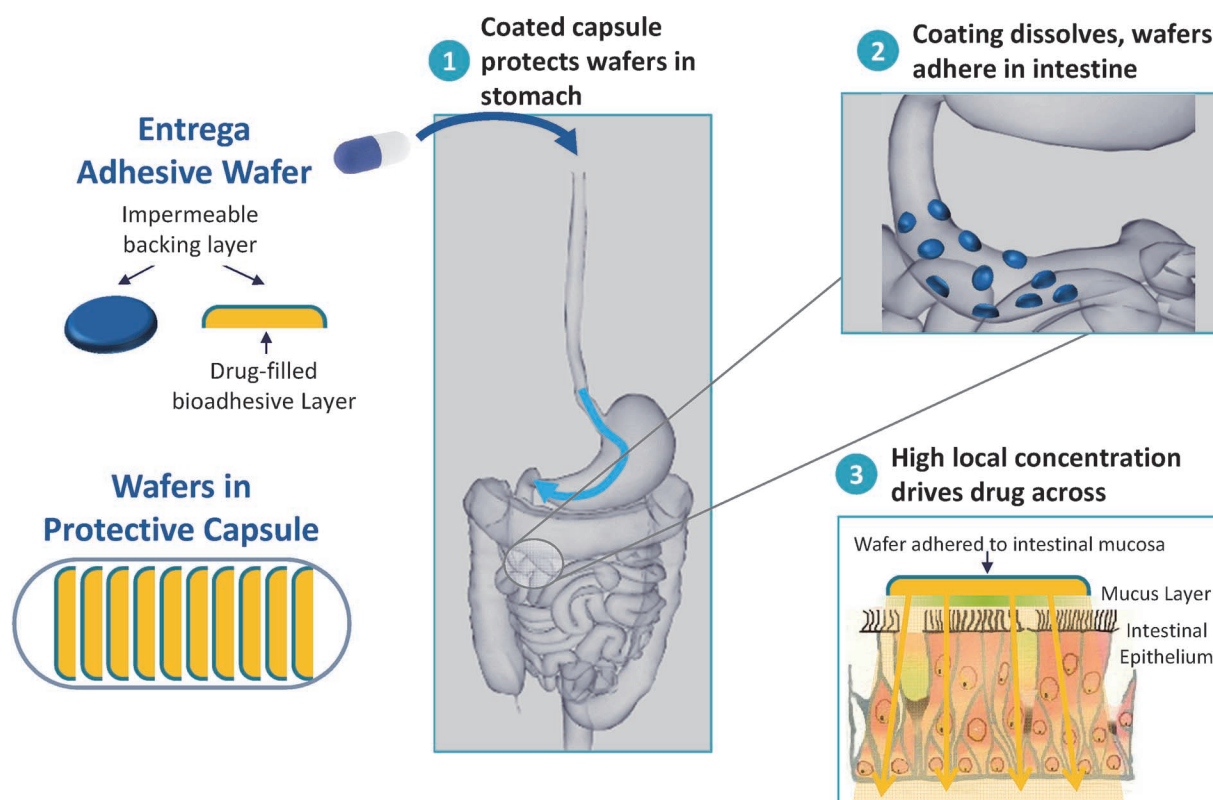
Recognising the potential advantages of finding a solution to the problem of oral drug delivery, PureTech worked closely with drug delivery representatives from the pharmaceutical industry in establishing Entrega. PureTech held a series of summits and meetings involving approximately 25 pharmaceutical industry executives and experts from six pharmaceutical companies to consider unmet needs in the space, define criteria for technology sourcing, lay out targets for establishing technology proof-of-concept and brainstorm on new ideas and approaches. Subsequently approximately 100 technologies were identified and evaluated. Ultimately, PureTech identified a mucoadhesive wafer-based platform, as described below, from the laboratory of Dr. Samir Mitragotri at the University of California, Santa Barbara ("UCSB") as the most promising technology. Dr. Mitragotri completed his doctoral work at MIT in the laboratory of Dr. Langer, a Director. As part of its due diligence process, the Entrega team validated the work of Dr. Mitragotri with third party collaborators.

6.3 *Core technology and product overview*

Entrega's delivery platform has been engineered to potentially overcome the challenges of oral delivery, specifically the denaturing effects of the stomach, the degrading and diluting effects of the intestine and the lack of a natural mechanism in the intestine for absorbing undigested macromolecules. Specifically, Entrega leverages concepts from transdermal delivery (adhesive formulations that protect and deliver a drug at high concentration) and combines them with mucoadhesive chemistry to create an innovative technology platform.

Entrega's platform consists of two-sided mucoadhesive wafers, which are loaded with a biologic formulation and enclosed in an enteric-coated capsule. An enteric coating responds to particular pH levels within the body. First, the enteric-coated capsule protects the wafers from the low pH of the stomach and delivers the wafers to the small intestine. Second, the capsule dissolves in the higher pH environment of the small intestine to release wafers in the intestinal lumen. The wafers are two-sided, with one side consisting of a protective impermeable membrane, preventing digestive enzymes from entering and the drug or vaccine from escaping and the other side being a mucoadhesive layer containing the payload. The

mucoadhesive side of the wafer adheres to the intestinal mucosa, similar to a transdermal patch adhering to the skin. The wafer then releases the payload directly against the intestinal membrane, providing a concentration gradient to drive transport of the payload into the bloodstream (see figure below). Importantly, the Directors believe that Entrega's platform is potentially applicable to most drugs or vaccine payloads. Proof-of-concept delivery data has been generated without the need for permeation enhancers and using materials commonly used in the pharmaceutical industry and that the Directors believe to have been established as safe. This could reduce potential safety risks and simplify the regulatory process required to initiate human clinical trials.



6.4 Expertise and experience of key technical personnel and management

Entrega has assembled a team that reflects the need for expertise in drug formulation and drug delivery engineering.

Entrega's scientific advisory board consists of Non-Executive Director Dr. Langer and industry and engineering experts Dr. Colin Gardner and Dr. Samir Mitragotri.

- Dr. Langer is Chairman of the scientific advisory board. Dr. Langer is known for his groundbreaking discoveries in the fields of polymer chemistry, controlled drug delivery and tissue engineering and is also a member of Entrega's board of directors (see paragraph 3.2.4 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for Dr. Langer's full biography).
- Dr. Gardner served as Vice President and Global Head of formulation design and development for all Merck & Co. products—he was involved in the development of 16 small molecule new chemical entities, whose combined maximum annual sales averaged \$20 billion and three major vaccines. Dr. Gardner also served as the Chief Scientific Officer of TransForm Pharmaceuticals, Inc. which was sold to Johnson & Johnson for \$230 million in 2005. Dr. Gardner received a BSc and PhD in Chemistry from the University of Glasgow and completed post-doctoral studies at MIT and Harvard University.
- Dr. Samir Mitragotri is the scientific co-founder of Entrega. Dr. Mitragotri is a Professor of Chemical Engineering at the UCSB. He is the author of more than 170 peer-reviewed journal articles, has more than 80 issued or pending patents and is editor of several journals in the field of drug delivery. Dr. Mitragotri has received several awards, including MIT Technology Review Young Innovator award, distinctions from the Controlled Release Society, the American Pharmaceutical Association

and the American Institute of Chemical Engineers. Dr. Mitragotri has been elected to the National Academy of Engineering, the National Academy of Inventors and is an elected fellow of the American Association for the Advancement of Science. He is also a scientific advisory board member of Follica.

Entrega is led by interim President and Chief Executive Officer, Mr. David Lucchino. Mr. Lucchino is supported by acting Chief Operating Officer Dr. Miller (see paragraph 4.4 (*Expertise and experience of key technical personnel and management*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) above for Dr. Miller's full biography).

- Mr. Lucchino was the Chief Executive Officer and President of Semprus BioSciences until its acquisition by Teleflex Medical, Inc. in 2012. Mr. Lucchino co-founded Semprus BioSciences while attending MIT with Dr. Langer. Under his stewardship, Semprus BioSciences grew from two to 50 employees, secured \$28.5 million in venture capital financing as well as \$8.4 million in federal funding and received approval from the FDA and European regulators for its first medical device product within five years of the company's incorporation. Mr. Lucchino earned his MBA as an Alfred P. Sloan Fellow at MIT. Mr. Lucchino is a member of the board of directors of the Massachusetts Biotechnology Council, where he serves on the executive committee. He is a Trustee of Mt. Auburn Hospital, a Harvard Medical School facility, and he is chairman of the audit committee at Babson College and the Multiple Myeloma Research Foundation.

In addition to Non-Executive Director Dr. Langer, Executive Director Mr. Muniz and Senior Manager Mr. Steinberg are members of Entrega's board of directors (see paragraphs 3.1.2 and 3.3.2 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biographies of Mr. Muniz and Mr. Steinberg, respectively). Also members of Entrega's board of directors are Dr. Armstrong (see paragraph 2.4 (*Expertise and Experience of Key Technical Personnel and Management*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) above for Dr. Armstrong's full biography) and Mr. Howard Rosen.

- Mr. Rosen helps inform Entrega's strategic direction. Mr. Rosen was formerly President of ALZA Corporation, sold to Johnson & Johnson for \$10.5 billion, where he was responsible for all aspects of managing the drug delivery company as an independent 1,000-person business within the Johnson & Johnson group. During his ten years at ALZA, Mr. Rosen also had responsibilities for mergers and acquisitions, research and development planning and technology ventures. Previously Mr. Rosen was Vice President, Commercial Strategy at Gilead Sciences, Inc. Mr. Rosen is a lecturer in the Department of Chemical Engineering at Stanford University and teaches entrepreneurship at the Stanford Graduate School of Business. He is also a member of the National Academy of Engineering and holds Chemical Engineering degrees from MIT and Stanford University.

6.5 Scientific research and development activity to date

Entrega has generated proof-of-concept delivery data for peptides in rodents as well as *ex vivo* proof-of-concept data demonstrating wafer adhesion to intestinal tissue. Specifically, Entrega has shown that wafers adhere to the intestinal wall with a controlled force up to 10 times their weight, which can be taken in combination with previous data from UCSB demonstrating wafer release from a capsule, to provide proof-of-concept for each stage of the delivery system. Pharmacokinetic and pharmacodynamic studies in healthy rats demonstrate that Entrega's system can deliver functionally relevant amounts of therapeutic peptides, such as insulin and calcitonin, into the blood stream. Entrega has further initiated a series of large-animal experiment designed to refine and validate this initial model.

Additionally, Entrega has a partnership with Google X, Google's technology development arm, focused on developing nanoparticle formulations for oral delivery with Entrega's technology.

Entrega has licensed two patent families to protect the company's programmes and has filed its own patent application as summarised in the below table:

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|--|--|---------------|---------------|----------------------------------|
| Mucoadhesive devices for delivery of active agents | Three pending in Europe, Japan, US | UCSB/Entrega | 2012 | Co-inventor ⁽¹⁾ |
| Oral drug devices and drug formulations | Four pending in Europe, Patent Cooperation Treaty level (not yet reached national phase), US (× 2) | UCSB | 2009 | Exclusive license ⁽²⁾ |
| Mucoadhesive devices for drug delivery | One pending in US | Entrega | 2014 | Sole inventor ⁽³⁾ |

Notes:

- (1) All of the inventors listed on the patent have assigned their rights to their respective employers. Accordingly, each assignee, including Entrega, holds rights to the entire patent, but these rights are shared equally by all assignees.
- (2) Exclusive license subject to certain customary research rights reserved by UCSB and rights granted by operation of law to the US government. For further detail, see paragraph 12.7.1 (*UCSB Exclusive License Agreement*) of Part XVI (*Additional Information*) of this document.
- (3) Patent is solely owned by Entrega.

6.6 Market opportunity and competitive landscape

Oral delivery of biologic drugs and vaccines is considered a major opportunity in the field of drug delivery. Injectable formulations of these payloads can be limited in their therapeutic potential, as a result of issues with compliance, and can be difficult and even potentially unsafe to deliver to patients. Injections can also be cumbersome and painful, which may lead to reduced use and poor patient adherence to the treatment recommendation. Additionally, due to the requirement to be administered by trained individuals, as well as refrigeration or other special handling requirements, injections can increase the logistical and infrastructure-related (e.g. refrigeration requirements of most injectable drugs) demands of responding to emergencies such as epidemics and bio-terror threats. An effective oral delivery platform would potentially: (1) transform emergency healthcare delivery by enabling rapid and cost-effective deployment of drugs and vaccines; (2) enhance current standard of care by allowing the expansion of use of injected drugs to those unwilling or unable to self-administer injections; and (3) maximise the impact of drug development by making recently developed biologic modalities such as peptide drugs viable for new indications where injections should not be used for certain treatments.

Injected drugs constitute one of the fastest growing market segments among formulation types in the US. Biopharmaceutical drugs, of which the majority are available only by injection, are a multi-billion dollar market. Currently, the US market for peptides and small proteins alone exceeds \$14 billion. Entrega is seeking to address a segment of this multi-billion dollar market.

There are a number of other companies that are developing oral delivery platforms (typically with a peptide as the lead molecule). However only a small number of these companies have obtained regulatory approval.

6.7 Regulatory pathway

Entrega's development focus is on creating oral formulation of existing therapies, which are currently dosed through more invasive delivery routes (i.e. injection or infusion). Working with existing therapeutic molecules will likely lead to Entrega pursuing an investigative new drug application with the FDA or EMA to pursue human testing of the formulation after the completion of its large-animal trials. Following a series of human studies, Entrega plans to pursue regulatory approval for marketing.

6.8 Business plan and commercialisation strategy

Depending on the patent status of the therapeutic agent delivered by Entrega's technology, there are two viable paths to commercialisation. Entrega is currently planning to focus on commercialising its proprietary platform through early-stage partnerships. PureTech anticipates that such partnerships would result in Entrega receiving an upfront payment and potential subsequent milestone payments, all of which would be accounted for by Entrega as revenue. Alternatively, Entrega could pursue the development of both its proprietary platform and a proprietary agent.

Entrega's primary strategy is to partner with large companies to develop oral formulations of specific payloads owned by those companies. The company anticipates that partners may receive a license to Entrega's intellectual property that is restricted to the payload or payload class in question, thus preserving Entrega's ability to pursue partnerships with other companies to develop additional programmes. The Directors anticipate that proof-of-concept large-animal data in multiple compounds could be achievable by 2017 and could lead to partnership discussions. The proceeds of the Offer allocated to Entrega are expected to be sufficient for Entrega to potentially generate proof-of-concept large-animal data for multiple compounds.

A complementary business strategy is to develop programmes internally. Off-patent injected drugs constitute an abundant set of candidates for new oral delivery formulations. Entrega's ability to rely on compounds already approved gives rise to potentially quicker routes to commercialisation.

7. Follica

7.1 Overview and background

Follica is a biotechnology company seeking to apply its regenerative biology technology to develop a treatment for hair loss. Follica's core technology is based on inventions by leading researchers at Penn School of Medicine in the epithelial stem cell biology field, demonstrating the connection between wound repair and hair follicle neogenesis. Follica's patented platform employs a technique called targeted cutaneous perturbation (or TCP) to stimulate the growth of new follicles, followed by treatment with: (i) select, approved drugs indicated to be synergistic in maximising the quantity, quality and persistence of new hair, or in other cases (ii) new chemical entities that modulate pathways involved in the development of the hair follicle.

Through the administration of Follica's procedure by a trained clinician and use of its at-home "connected" device (meaning it is coupled with a digital service such as a companion smartphone application) the company seeks, in the near-term, to significantly improve the treatment expectations and satisfaction of hair loss patients by providing a more effective alternative to current FDA-approved drugs. Furthermore, along with being a more economically viable alternative to hair transplantation, the procedure will be more applicable to a larger population than hair transplants. In the longer term, Follica may seek to develop and launch new drugs that could treat baldness, together with Follica's TCP procedure.

Follica was founded in 2005 and is based in Boston, Massachusetts. Since its formation, Follica has taken its in-licensed technologies through to preclinical research and, most recently, three human clinical studies (described below). There is also a clinical study conducted by a third party academic group which validates the approach that Follica plans on pursuing, which the Directors believe is covered by Follica's intellectual property. The company is currently planning a fourth human study to begin in 2016.

7.2 Sourcing and company formation

PureTech targeted aesthetic medicine for a number of reasons: (i) the increase in life expectancy and the growing elderly population will significantly increase the demand for approaches to maintain a more youthful appearance; (ii) aesthetic procedures are not usually subject to the reimbursement risks of traditional drugs (in fact, as of 2013 more than 23 million cosmetic procedures are performed worldwide each year, despite typically being paid for by the patient directly); (iii) there are many promising discoveries from biology that could have application in aesthetics but are often not pursued by healthcare companies due to a perception of lesser impact compared to treating disease; and (iv) examples of quality of life drugs and procedures performing well commercially (e.g. Botox and Viagra) demonstrate opportunities within the aesthetics market.

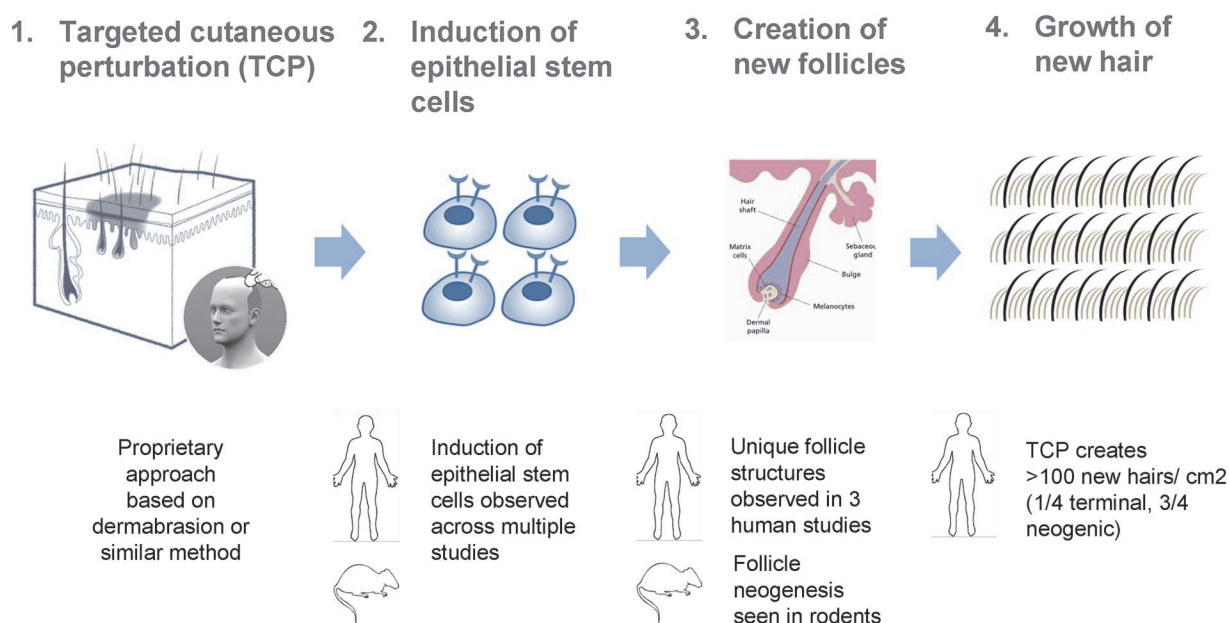
To explore the potential focus of a new operating company in aesthetic medicine, PureTech brought in leading aesthetic dermatologists and drug development experts from PureTech's internal team and international advisory network. PureTech reviewed numerous aesthetic medicine technologies and determined that the hair follicle was a promising organ on which to focus. The hair follicle is at the epicentre of human hair and skin. Modulating the hair follicle could have several uses including growing new hair where it should be, preventing hair from growing in undesirable locations, reduction of acne, sweat and wrinkles.

After reviewing numerous concepts pertaining to hair follicle biology, PureTech selected a technology relating to epithelial stem cell biology sourced from Dr. Cotsarelis, a member of the scientific advisory board of Follica, and licensed the technology from Penn ahead of its publication in *Nature*. The company also filed intellectual property protection to cover various commercial configurations of the technology.

7.3 Core technology and product overview

Despite the generic pricing of existing FDA-approved drugs, the Directors believe that there is a perceived significant unmet need for patients experiencing hair loss who are seeking safe, effective, less invasive and lower cost treatments versus hair transplantation surgery. These needs are reflected in the patient population treatment rates; in the US, it is estimated that more than 75 per cent of patients who seek treatment at physician offices and hair restoration clinics leave untreated. Follica's product line intends to address these perceived unmet needs through a deep understanding of adult hair follicle and wound repair biology.

Follica's patented platform products use TCP to stimulate the growth of new follicles, followed by treatment with select, approved drugs indicated to be synergistic in maximising the quantity, quality and persistence of new hair.



The figure above and numbered steps below describe how Follica's procedure initiates the growth of new hair and has been supported by various preclinical and human studies.

- (1) Follica's in-office procedure is anticipated to take less than one hour to perform and relies on a proprietary device with a consumable component designed to perturb and wound the skin.
- (2) As demonstrated in preclinical and clinical studies, TCP results in the migration of epithelial stem cells from the bulge region of the follicle into the wounded epidermis.
- (3) These hair follicle stem cells in the re-epithelialised skin coalesce and mature to form a bulbous hair peg, resulting in follicle neogenesis.
- (4) Over time and with the administration of a variety of compounds including approved drugs, these fully differentiated new follicles would undergo the normal steps of the hair growth cycle, resulting in the growth of new hair.

To improve the patient's experience further, compliance and the administration of approved drugs, Follica is also developing an at-home medical device coupled with a digital service, such as a companion

smartphone application for use by patients following the procedure. Follica intends for this device to also be made available to patients experiencing hair loss who are not undergoing the company's in-office procedure.

Market research indicates that the safety profile and improved efficacy of Follica's product system, in comparison to the use of currently approved drugs alone, could be anticipated to drive sales to those patient populations currently using drug treatments or remaining untreated. It is further anticipated that lower costs and the focus on generation of new hair follicles will potentially capture patients from the transplant procedure population.

7.4 Expertise and experience of key technical personnel and management

Follica aims to develop an out-patient therapy and at-home device for the treatment of hair loss and has assembled a team that reflects the need for expertise in dermatology and medical device development to develop and commercialise its product candidate.

Follica's scientific advisory board has been actively involved in various stages of the company's product development and includes the following individuals.

- Dr. George Cotsarelis is the lead inventor of Follica's platform technology. A pioneer and foremost expert in epithelial stem cell biology, Dr. Cotsarelis' research led to the isolation and characterisation of the expression pattern of stem cells from the bulge region of the follicle. Dr. Cotsarelis is the Chair of the Department of Dermatology at Penn and has an active clinical practice at the hospital affiliated with the university.
- Dr. Sarah Millar is a Professor of Dermatology and Cell and Developmental Biology at Penn School of Medicine, where she also is a Director of Research for the Department of Dermatology and Chair of the Developmental, Stem Cell and Regenerative Biology Programme of the umbrella Cell and Molecular Biology graduate group. Her research focuses on cell signalling mechanisms controlling the development, growth and regeneration of ectodermal appendages including hair follicles and has yielded numerous significant contributions to the field.
- Dr. Ken Washenik is the Chief Medical Officer and Medical Director of Bosley, Inc. (a leading hair restoration practice) and the past Chief Executive Officer of the Aderans Research Institute, a biotechnology firm involved in researching tissue engineered hair follicle neogenesis and cellular based hair restoration. Dr. Washenik is a former President and a board member of the North American Hair Research Society and Vice Chair of the Board of Trustees of the Hair Foundation.

The day-to-day activities of Follica are run by Mr. David Tharp, Vice President of Corporate Development, and Mr. Scott Kellogg, acting Vice President of Operations. Mr. Kellogg is responsible for providing guidance on Follica's product design and engineering activities, as well as regulatory and clinical development (see paragraph 3.4 (*Expertise and experience of key technical personnel and management*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) above for Mr. Kellogg's full biography).

Mr. Tharp currently leads product planning, business development and day-to-day activities for the company. Mr. Tharp has experience in international business development, licensing and strategy consulting, having previously led evaluation and diligence of US in-licensing and merger and acquisition opportunities across a range of specialty pharmaceutical areas at the biopharmaceutical division of Merck KGaA. He has also contributed to several research projects in private and academic settings, including an appointment as visiting scientist at the Whitehead Institute/MIT Center for Genome Research. Mr. Tharp graduated from the University of Massachusetts at Amherst and received an MBA from the Saïd Business School at the University of Oxford in the UK.

Executive Directors Ms. Zohar and Mr. Muniz as well as Dr. Bernat Olle are members of Follica's board of directors (see paragraphs 3.1.1 and 3.1.2 of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document for the biographies of Ms. Zohar and Mr. Muniz, respectively). Dr. Olle assists with the evaluation of new research and strategic opportunities (see paragraph 1.4 (*Expertise and Experience of Key Technical Personnel and Management*) of this Part VIII (*Information on the Group's Operating Companies and Product Candidates*) above for Dr. Olle's full biography).

7.5 Scientific research and development activity to date

Follica's core technology and patent suite has been developed in collaboration with Penn. The product concept originated from basic science performed in the laboratory of Dr. Cotsarelis and has demonstrated that after skin disruption, new hair follicles form in adult mice the results of which were published in

Nature. Thereafter, key milestones relating to the company's product platform include the following developments:

- Working with Dr. Cotsarelis and other researchers, Follica performed and funded additional preclinical work in rodents that serve as the foundational observations on which the company's technology is based.
- Follica's three clinical studies of patients with androgenetic alopecia demonstrated hair growth through target area hair count and/or hair follicle neogenesis through biopsy following TCP. Follica views TCP as a foundational technique which could potentially be enhanced through the addition of drugs. One of the three studies was a two arm study in which one arm received TCP plus placebo and the other arm received TCP plus a drug which was being used in an exploratory manner to see if it could enhance TCP. Both arms showed a statistically significant increase in hair growth (a combination of vellus and terminal hair), but TCP enhanced hair growth to the same degree with or without that particular drug, and therefore the study did not meet its primary endpoint. This resulted in an impairment loss for PureTech with respect to its holding in Follica. PureTech subsequently led a recapitalisation of Follica in 2013 pursuant to which PureTech gained control of Follica and also obtained future royalties on net product sales.
- Based on previous experiments, Follica believes that it has several potential drug candidates to add to TCP to enrich for terminal hair. Follica's hypothesis was further strengthened when a third party academic group, working independently of Follica, published positive results using a form of TCP and one drug Follica plans on adding to TCP in the future. The company believes that the work that was done by the third party group was covered under its filed intellectual property (please see below table and discussion of intellectual property).
- To support and inform the company's business model assumptions and product design and development, Follica has commissioned market research with clinicians treating and patients experiencing hair loss. In addition, a recent clinical trial carried out by a third party academic group not affiliated with Follica supports the clinical viability of the perturbation modalities covered by Follica's intellectual property.
- Follica has filed patent applications in the US, Europe (EPO), Israel, Canada, Japan, Australia, Brazil and Korea pertaining to its principal technology areas and has had patents granted in the US and, most recently, Australia (in the fourth quarter of 2014).
- Follica is currently developing product specifications for a system consisting of its proprietary medical procedure, using medical devices with consumable components. These device concepts are informed by the results of the company's three completed human pilot studies and other external supportive research.

Details of the company's full patent portfolio are set out below:

| Patent family | Status of filings | Patent holder | Priority date | Patent status |
|---|---|---------------|---------------|----------------------------------|
| Methods for generating new hair follicles, treating baldness and hair removal | One granted in Australia Ten pending in Australia (× 2), Canada, Europe (× 2), Israel, Japan, US (× 3) | Penn | 2005 | Exclusive licence ⁽¹⁾ |
| Fibroblast growth factor-9 promotes hair follicle regeneration after wounding | Two granted in Japan, US Seven pending in Australia, Brazil, Canada, Europe, Israel, South Korea, US | Penn | 2008 | Exclusive licence ⁽¹⁾ |
| Methods for treating baldness and promoting hair growth | Seven pending in Australia, Brazil, Canada, Europe, Israel, Japan, US | Follica | 2011 | Sole inventor ⁽²⁾ |

Notes:

(1) Exclusive license subject to certain customary research rights reserved by Penn and rights granted by operation of law to the US government. For further details, see paragraph 12.8.1 (*Penn Patent License Agreement*) of Part XVI (*Additional Information*) of this document.

(2) Patent is solely owned by Follica.

7.6 Market opportunity and competitive landscape

The Directors believe that there is perceived significant unmet need for safe, effective, non-surgical treatments that grow new hair. Androgenetic alopecia represents the most common form of hair loss in men and women, with an estimated more than 65 million patients who warrant treatment in the US alone. The disorder is characterised by the diminishing size of hair follicles in specific patterns over the scalp with a potential impact on patients' social interactions and psychological welfare. Health insurers generally do not cover the costs of treatments. The Directors believe that despite the overall escalating cost of medical products and services, coupled with the consequential pressures to reduce these overall costs, the patient population will continue to pay directly for treatments for hair loss without contribution from health insurers.

The most effective current approach for the treatment of hair loss is hair transplantation, which comprises a range of invasive procedures. The total market size for hair restoration surgeries approached \$2 billion worldwide in 2012. These treatments are relatively costly in comparison to non-surgical options. Only two drugs currently have FDA-approved indications for treatment of androgenetic alopecia. Some patients using these drugs report some regrowth of hair, but individual results vary widely. The FDA has also cleared devices utilising low level light therapy, or photobiomodulation, delivered by low power laser or light emitting diodes which are generally deemed to be safe, but are only supported by limited clinical efficacy evidence.

7.7 Regulatory pathway

The appropriate category of product (medical device, drug or biologic) is determined by the primary mode of action of the product. Follica's lead product candidate operates primarily by its TCP device. Drugs already in receipt of FDA approval will be used in conjunction with Follica's TCP device without change to their route of delivery or indication. Therefore, Follica's lead product candidate is anticipated to be regulated as a medical device.

Assuming a successful read-out of its next clinical study (i.e. after demonstrating that Follica's lead product candidate can stimulate cosmetically significant hair growth through TCP and at-home application of an approved drug) Follica expects to seek regulatory approval in the US in late 2017.

7.8 Business plan and commercialisation strategy

Follica is currently developing product specifications for a system consisting of a proprietary medical procedure using medical devices and consumable components. These device concepts are based on the results of the company's completed human pilot studies and other external supportive research. The company aims to complete product development including the design of high-value disposable devices in 2016 and subsequently initiate a pivotal clinical trial.

Thereafter, Follica plans to seek FDA 510(k) clearance using data from a pivotal clinical trial at multiple clinical sites within and potentially also outside the US. The pivotal trial for the in-office procedure is expected to be initiated during 2016 and would be expected to complete in 2017. If the clinical data is favourable, Follica would plan to seek FDA clearance in 2017, with commercial release to potentially follow in 2018 in the US. The company may consider establishing a relationship with an external corporate partner to assist with the launch and marketing of its products, in the form of a co-promotion or similar agreement. The proceeds allocated to Follica as a result of the Offer are expected to be sufficient to fund Follica through FDA clearance.

Follica's business model focuses on the provision of its patented procedure, devices and consumables to clinicians and their patients seeking treatment for hair loss, as well as the company's at-home medical devices to healthcare, cosmetics and similar retail organisations, offering hair loss treatments and related devices to their customers. The company intends to develop one or more partnerships to assist in the launch and promotion of its product candidates in both US and other markets, in the form of a co-promotion or similar arrangement. As such, the company's commercialisation plan involves two distribution channels:

- (1) a professional channel using a direct sales force to target dermatologists, cosmetic surgeons and hair restoration surgeons, as well as other hair loss specialists and clinics who would perform Follica's patented procedure and resell its devices; and
- (2) a direct-to-consumer channel to engage the hair loss patient community, increase awareness of the in-office procedure, as well as drive adoption and use of the at-home device.

Project phase operating companies

PureTech's five current "project phase" operating companies include businesses pursuing innovations in the digital and consumer health spaces.

8. The Sync Project

The Sync Project is an international collaboration seeking to harness the potential of music for health. The company's patent pending technology platform maps music characteristics to real-time biometrics gathered from a variety of medical-grade and consumer sensors. Using machine learning, the platform helps to enable the company and partner researchers and clinicians to study the effect of music with scientific rigor and on a large scale. The company is collaborating with leading scientists to explore music as a therapeutic in areas such as autism, sleep and Parkinson's disease. The company also plans to launch products targeting specific consumer applications. The Sync Project's advisors include some of the leading experts in music and health, including Dr. Robert Zatorre, a neuroscience Professor at McGill University, Dr. Tristan Jehan, the principal scientist at Spotify and Mr. Marko Ahtisaari, former executive Vice President of Design at Nokia and a Director's Fellow at the MIT Media Lab.

9. Sonde Health

Sonde Health is developing a proprietary platform that can potentially collect and analyse samples of speech to help quantify and track health and disease associated states. Speech has been demonstrated to change in various disease states. The company is seeking to build products based on this platform that will help objectively detect and follow variability in symptoms with minimal burden to provide information useful for individualised understanding and management of health conditions. The platform is being designed to support longitudinal collection of speech and contextual data that, with individual consent, can potentially be used to drive research to enable new approaches to improve symptom tracking performance, treatment plan customisation, and health care efficiency.

10. CommenSe

CommenSe is seeking to develop and commercialise products that leverage insights from the microbiome to solve perceived unmet needs in consumer health and wellness. CommenSe's strategy is to develop new product concepts based on a deep understanding of microbiome science. CommenSe is combining these concepts with insights from consumer product design and marketing to create exciting new products and product classes. CommenSe's initial target market is infants and early childhood, a market segment that is attractive due to many perceived unmet needs, high consumer demand from an engaged parental customer base and significant opportunities for strategic partnering.

11. Knode

Knode is an automated expertise profiling platform initially developed to identify scientific research experts. By integrating millions of pieces of scientific content, including publications, patents, clinical trials, grants, and more, Knode provides an accessible view of academic and industry experts and organisations via comprehensive, searchable research signatures (i.e. data which corresponds to and would identify specific research). Knode works with academic institutions, pharmaceutical companies, and other clients to help find partners and collaborators, discover relevant research, highlight and promote their own expertise and share knowledge.

12. PeerIn

Appeering, Inc. ("PeerIn") has developed a social media monitoring tool whose objective is to allow individuals to quickly identify leading experts within an industry or sector and scroll through discussions being driven by those network insiders. PeerIn also developed a front-end user interface for viewing expert Twitter conversations and sorting/filtering tools to allow users to track their own content. This toolset was developed for biotechnology/pharmaceutical/research intelligence and PeerIn is now exploring whether there is a broader business model that this technology can be applied to.

PART IX—DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

1. DIRECTORS

The following table lists the names, positions and ages of the Directors:

| Name | Age | Member of Group since | Position |
|--------------------------------------|-----|-----------------------|---|
| Mr. Joichi Ito | 49 | 2014 | Non-Executive Chairman |
| Ms. Daphne Zohar | 44 | founding | Chief Executive Officer |
| Dame Marjorie Scardino | 68 | 2015 | Senior Independent Director |
| Dr. Bennett Shapiro | 75 | founding | Non-Executive Director |
| Dr. Robert Langer | 66 | founding | Non-Executive Director |
| Dr. Raju Kucherlapati | 72 | 2014 | Independent Non-Executive Director |
| Dr. John LaMattina | 65 | 2009 | Independent Non-Executive Director |
| Mr. Christopher Viehbacher | 55 | 2015 | Independent Non-Executive Director |
| Mr. Stephen Muniz | 45 | 2007 | Executive Vice President, Legal, Finance and Operations |

2. SENIOR MANAGERS

The following table lists the names, positions and ages of the Senior Managers:

| Name | Age | Member of Group since | Position |
|-------------------------------|-----|-----------------------|--|
| Dr. Eric Elenko | 42 | 2005 | Executive Vice President, Science and Technology |
| Mr. David Steinberg | 43 | founding | Executive Vice President, Company Creation |

3. BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGERS

3.1 Executive Directors

3.1.1 MS. DAPHNE ZOHAR | CHIEF EXECUTIVE OFFICER

Ms. Daphna (“Daphne”) Zohar is a co-founder and the Chief Executive Officer of PureTech and a member of the Board. A successful entrepreneur, Ms. Zohar created PureTech, assembling a leading team to help implement her vision for the Company, and attracting \$250 million to the Company and its operating companies. Ms. Zohar has been recognised as a top leader and innovator in biotechnology by a number of sources, including *BioWorld*, MIT’s *Technology Review*, the *Boston Globe*, and *Scientific American*. She sits on the boards of, amongst others, PureTech, the Sync Project, Follica, Akili, Karuna and Tal. She also sits on the Technology Development Fund Advisory Board at Children’s Hospital Boston, is an Editorial Advisor to *Xconomy*, a US technology news company and is a Member of the Distinguished Faculty of the Biotechnology and the Ethical Imagination Global Summit organised by the Emory University Center for Ethics.

3.1.2 MR. STEPHEN MUNIZ | EXECUTIVE VICE PRESIDENT, LEGAL, FINANCE AND OPERATIONS

Mr. Muniz is the Executive Vice President of Legal, Finance and Operations and a member of the Board. Prior to joining PureTech, Mr. Muniz was a Partner in the Corporate Department of Locke Lord LLP, where he practiced law for ten years. Mr. Muniz’s practice at Locke Lord LLP focused on the representation of life science venture funds as well as their portfolio companies in general corporate matters and in investment and liquidity transactions. He was also a Kauffman Entrepreneur Fellow, a programme sponsored by the Kauffman Foundation. Mr. Muniz also sits on the board of directors of Karuna, Entrega, Follica and Gelesis Srl. Mr. Muniz has a BA in Economics and Accounting from The College of the Holy Cross and a JD from the New England School of Law where he graduated *summa cum laude*.

3.2 Non-Executive Directors

3.2.1 MR. JOICHI ITO | NON-EXECUTIVE CHAIRMAN

Mr. Ito, the director of the MIT Media Lab, is a leading thinker and writer on innovation, global technology policy, and the role of the Internet in transforming society in substantial and positive

ways. He sits on the boards of Sony Corporation, Knight Foundation, the John D. and Catherine T. MacArthur Foundation, The New York Times Company and The Mozilla Foundation. In Japan, Mr. Ito was a founder of Digital Garage, and helped establish and later became CEO of the country's first commercial Internet service provider. He was an early investor in numerous companies, including Twitter, Flickr, littleBits, Formlabs, and Kickstarter. Mr. Ito's honours include TIME magazine's "Cyber-Elite" listing in 1997 (at age 31) and selection as one of the "Global Leaders for Tomorrow" by the World Economic Forum (2001). In 2008, *BusinessWeek* named him one of the "25 Most Influential People on the Web." In 2011, he received the Lifetime Achievement Award from the Oxford Internet Institute. In 2014, Mr. Ito was inducted into the SXSW Interactive Festival Hall of Fame and awarded the Golden Plate Award by the Academy of Achievement. Mr. Ito received the degree of Doctor of Literature, honoris causa, from The New School in 2013 and Doctor of Humane Letters, honoris causa, from Tufts University in 2015.

3.2.2 DAME MARJORIE SCARDINO | SENIOR INDEPENDENT DIRECTOR

Dame Marjorie Scardino served as Chief Executive of *The Economist* for 12 years and then from 1997 through 2012 became the Chief Executive of Pearson plc, the world's leading education company and the owner of Penguin Books and The Financial Times Group. She is currently the Chairman of The MacArthur Foundation and is also a member of the non-profit boards of Oxfam, The Royal College of Art and The Carter Center, as well as the for-profit boards of Twitter, where she sits on the audit committee, and International Airlines Group (the holding company of British Airways, Iberia and other airlines). Dame Marjorie has received a number of honorary degrees, and in 2003 was dubbed a Dame of the British Empire. She is also a member of the Royal Society of the Arts in the UK and the American Association of Arts and Sciences.

3.2.3 DR. BENNETT SHAPIRO | NON-EXECUTIVE DIRECTOR

Dr. Shapiro is a co-founder of PureTech and a member of the Board. From 1990 to 2003 Dr. Shapiro was an Executive Vice President at Merck Research Laboratories (of Merck & Co.). Dr. Shapiro initially led Worldwide Basic Research and was responsible for all the basic and preclinical research activities at Merck. He later led Worldwide Licensing and External Research and was responsible for Merck's relationships with the academic and industrial biomedical research community. His leadership resulted in the discovery, development and registration of approximately 25 drugs and vaccines. Previously, he was Professor and Chairman of the Department of Biochemistry at the University of Washington, where he worked from 1970 to 1990. He is the author of over 120 papers on the molecular regulation of cellular behaviour and the biochemical events that integrate the cascade of cellular activations at fertilisation. Dr. Shapiro received his bachelor's degree in Chemistry from Dickinson College and his MD from Jefferson Medical College. Following an internship in Medicine at the University of Pennsylvania Hospital, he was a Research Associate at the NIH, then a Visiting Scientist at the Institut Pasteur in Paris and returned to the NIH as Chief-Section on Cellular Differentiation in the Laboratory of Biochemistry prior to joining the University of Washington. Dr. Shapiro has been a Guggenheim Fellow, a Fellow of the Japan Society for the Promotion of Science and a Visiting Professor at the University of Nice. He has served on many institutional advisory boards and scientific review panels. Dr. Shapiro served as a director of Celera Corporation, and currently serves as a director of, amongst others, Momenta Pharmaceuticals Inc., Ikaria Inc., Vedanta Biosciences, Tal and Akili. He also is a director of the Drugs for Neglected Diseases initiative and the Mind and Life Institute.

3.2.4 DR. ROBERT LANGER | NON-EXECUTIVE DIRECTOR

Dr. Langer is a co-founder of PureTech. He is the David H. Koch Institute Professor at MIT and one of only 11 Institute Professors (the highest honour awarded to a faculty member). Dr. Langer has written over 1,300 articles and has approximately 1,080 issued or pending patents worldwide. His patents have been licensed or sublicensed to over 250 pharmaceutical, chemical, biotechnology and medical device companies. Dr. Langer is the most cited engineer in history. He served as a member of the FDA's Science Board, the FDA's highest advisory board, from 1995 to 2002 and as its Chairman from 1999 to 2002. Dr. Langer has received over 220 major awards, including the 2006 US National Medal of Science, the Charles Stark Draper Prize in 2002, considered the equivalent of the Nobel Prize for engineers and the world's most prestigious engineering prize and the 2012 Priestley Medal, the highest award of the American Chemical Society. He is also the only engineer

to ever receive the Gairdner Foundation International Award. In 1998, he received the Lemelson-MIT prize, the world's largest prize for invention for being "*one of history's most prolific inventors in medicine*". Among numerous other awards, Dr. Langer has received the Dickson Prize for Science, Heinz Award, the Harvey Prize, the John Fritz Award (given previously to inventors such as Thomas Edison and Orville Wright), the General Motors Kettering Prize for Cancer Research, the Dan David Prize in Materials Science and the Albany Medical Center Prize in Medicine and Biomedical Research. In 2006, he was inducted into the National Inventors Hall of Fame. Dr. Langer is one of a few people ever elected to all four US National Academies and the youngest in history to ever receive this distinction. In January 2015, Dr. Langer was awarded the 2015 Queen Elizabeth Prize for Engineering.

3.2.5 **DR. RAJU KUCHERLAPATI | INDEPENDENT NON-EXECUTIVE DIRECTOR**

Dr. Kucherlapati was a founder and formerly a board member of Abgenix, Cell Genesys and Millennium Pharmaceuticals. He is currently the Paul C. Cabot Professor of Genetics and a Professor of Medicine at Harvard Medical School and was the first Scientific Director of the Harvard-Partners Center for Genetics and Genomics. He is a fellow of the American Association for the Advancement of Science and a member of the Institute of Medicine of NAS. Dr. Kucherlapati received his PhD from the University of Illinois. He trained at Yale and has held faculty positions at Princeton University, University of Illinois College of Medicine and the Albert Einstein College of Medicine. His laboratory at Harvard Medical School is involved in cloning and characterisation of human disease genes with a focus on human syndromes with a significant cardiovascular involvement, use of genetic/genomic approaches to understand the biology of cancer and the generation and characterisation of genetically modified mouse models for cancer and other human disorders. He served on the editorial board of the *New England Journal of Medicine* and was Editor in Chief of the journal *Genomics*.

3.2.6 **DR. JOHN LAMATTINA | INDEPENDENT NON-EXECUTIVE DIRECTOR**

Dr. LaMattina was previously President at Pfizer Global Research and Development and Senior Vice President, Pfizer. During his 30 year career at Pfizer, Dr. LaMattina held positions of increasing responsibility for Pfizer Central Research, including Vice President of US Discovery Operations in 1993, Senior Vice President of Worldwide Discovery Operations in 1998 and Senior Vice President of Worldwide Development in 1999. During Dr. LaMattina's leadership tenure Pfizer discovered and/or developed a number of important new medicines including Tarceva, Chantix, Zolof, Selzentry and Lyrica, along with a number of other medicines currently in late stage development for cancer, rheumatoid arthritis and pain. He is the author of numerous scientific publications and US patents. Dr. LaMattina received the 1998 Boston College Alumni Award of Excellence in Science and the 2004 American Diabetes Association Award for Leadership and Commitment in the Fight Against Diabetes. He was awarded an Honorary Doctor of Science degree from the University of New Hampshire in 2007. In 2010 he was the recipient of the American Chemical Society's Earle B. Barnes Award for Leadership in Chemical Research Management. He also is a member of the Board of Trustees of Boston College. Dr. LaMattina received a B.S. in Chemistry from Boston College in 1971 and received a PhD in Organic Chemistry from the University of New Hampshire in 1975. He then moved on to Princeton University as a National Institutes of Health Postdoctoral Fellow in the laboratory of Professor E. C. Taylor. Dr. LaMattina serves on the board of directors of Ligand Pharmaceuticals, Zafgen, Inc. and Vedanta Biosciences and is Chairman of the board of Gelesis. He is the author of "*Devalued and Distrusted – Can the Pharmaceutical Industry Restore its Broken Image*", "*Drug Truths: Dispelling the Myths About Pharma R&D*" and an author of the Drug Truths blog at Forbes.com.

3.2.7 **MR. CHRISTOPHER VIEHBACHER | INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Viehbacher is the former Chief Executive Officer and member of the board of directors of Sanofi, a Fortune 50 biopharmaceutical company with a market capitalisation of over \$100 billion. During Mr. Viehbacher's six year tenure, Sanofi underwent a significant business transformation, completing over \$30 billion of acquisitions, most notably that of Genzyme Ltd. Mr. Viehbacher was also the Executive Chairman of the board of Genzyme Ltd in Boston. Prior to joining Sanofi, Mr. Viehbacher spent 15 years with GlaxoSmithKline ultimately as President of its North American pharmaceutical division. Mr. Viehbacher was a member of the board of directors of

GlaxoSmithKline plc in London and Co-President of GlaxoSmithKline's Portfolio Management Board. Mr. Viehbacher began his career with PricewaterhouseCoopers LLP and qualified as a Chartered Accountant. Mr. Viehbacher has co-chaired the Chief Executive Officer Roundtable on Neglected Diseases with Bill Gates, an organisation that led to over 1.3 billion people being treated for such diseases free of charge and he continues to chair the Chief Executive Officer Roundtable on Cancer. He was the Chairman of the Board of the Pharmaceutical Research and Manufacturers of America as well as President of the European Federation of Pharmaceutical Industries and Associations. At the World Economic Forum at Davos, Mr. Viehbacher was a Chair of the Health Governors and co-chaired an initiative to create a Global Charter for Healthy Living. He was also a member of the International Business Council. Mr. Viehbacher has received the Pasteur Foundation Award for outstanding commitment to safeguarding and improving health worldwide. He has also received France's highest civilian honour, the Légion d'Honneur. Various awards from the Thompson Reuters/Extel Investor Survey, including top Chief Executive Officer and top European Company, have recognised his commitment to investor relations.

3.3 Senior Managers

3.3.1 DR. ERIC ELENKO | EXECUTIVE VICE PRESIDENT, SCIENCE AND TECHNOLOGY

Dr. Elenko has been involved in the co-founding of a number of PureTech operating companies and has acted as a board member or an interim member of the management team, including Akili and Karuna, for which Dr. Elenko currently serves as a director, and Tal, which was co-founded by Dr. Elenko. Prior to joining PureTech, Dr. Elenko was a consultant with McKinsey and Company where he advised senior executives of both Fortune 500 and specialty pharmaceutical companies on a range of issues such as product licensing, mergers and acquisitions, research and development strategy and marketing. Some of his projects at McKinsey and Company included working on a multi-billion dollar merger, crafting a brand strategy for a blockbuster drug and recommending both preclinical and approved products for licensing. Dr. Elenko did graduate work in molecular pharmacology and cell biology that resulted in several peer reviewed papers and was the recipient of NIH training grants.

3.3.2 MR. DAVID STEINBERG | EXECUTIVE VICE PRESIDENT, COMPANY CREATION

Mr. Steinberg is the Executive Vice President of Company Creation at PureTech. Mr. Steinberg serves as founding Chief Executive Officer and board member of operating companies Vedanta Biosciences, Entrega and Knode. He also served as Chief Business Officer of Follica. Previously, he was a strategy consultant with the Boston Consulting Group and Vertex Partners, focusing on research and development and product strategy and strategic alliances for Fortune 500 pharmaceutical and biotechnology clients. Mr. Steinberg also worked as a research associate in Procter and Gamble Pharmaceuticals' research and development organisation. He received his BA in Biology with distinction from Cornell University and graduated with high honours from the University of Chicago Booth School of Business with an MBA in strategy and finance. Mr. Steinberg is also a member of the University of Chicago Tech Innovation Fund Advisory Committee.

3.4 Current and previous directorships

The Directors and Senior Managers hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the past five years prior to the date of this document.

| Directors | Current appointments | Former appointments held in the previous five years |
|--------------------------|--|---|
| Mr. Joichi Ito | Sony Corporation The MacArthur Foundation The New York Times Company Mozilla Foundation John S and James L Knight Foundation MIT Technology Review Akili | Emitac Group ICommons Ltd Fotonauts, Inc. FreStyl Kula Co., Ltd Machinima, Inc. Nihon Gigei, Inc. PicScout, Inc. |

| <u>Directors</u> | <u>Current appointments</u> | <u>Former appointments held in the previous five years</u> |
|--------------------------------|--|---|
| | BI Garage, Inc. BLIND SPOT, Inc. Connected Camps Culture Convenience Club, Ltd Digital Garage, Inc. Elephant Design Co. Ltd. Fukushima100 Helium Systems, Inc. Iperlane, Inc. littleBits Electronics Inc. Momoko Ito Foundation Neo Innovation, Inc. Neotony Co., Ltd. Neotony 3, LP Oblong Industries, Inc. The Japan Society (non-profit) thesixtyone, Inc. Tucows Inc. Wearality Corporation Wikia Japan | PureTech LLC Socialtext, Inc. Startl, Inc. Storyplanet ApS Twitter, Inc. Viki, Inc. |
| Ms. Daphne Zohar | Akili CommenSe Follica Karuna Knode PeerIn PureTech LLC Sonde Health Tal The Sync Project | Satori Pharmaceuticals, Inc. Solace Pharmaceuticals, Inc. Vedanta Biosciences |
| Dame Marjorie Scardino | 98 Whitehall Court LLP Bridge International Academies, Inc. International Airlines Group The Carter Centre UK The Carter Centre UK Foundation Twitter, Inc. | Nokia Oy Pearson Overseas Holdings Limited Pearson Management Services Limited Pearson plc Pearson Services Limited PureTech LLC |
| Dr. Bennett Shapiro | Akili Momenta Pharmaceuticals Inc. Tal Vascular Biogenics Ltd Vedanta Biosciences | Celera Corporation PureTech LLC Satori Pharmaceuticals, Inc. |
| Dr. Robert Langer | Aris Pharmaceuticals, Inc. Bind Therapeutics Inc. Blend Therapeutics, Inc. Cornell University Entrega Humacyte, Inc. Living Proof, Inc. Micell Technologies, Inc. Microchips BioTech, Inc. Moderna Therapeutics, Inc. Ocata Therapeutics Inc. Selecta Biosciences, Inc. Seventh Sense Biosystems, Inc. Xtuit Pharmaceuticals, Inc. | Fibrocell Science, Inc. PureTech LLC Semprus BioSciences Corporation T2 Biosystems, Inc. |

| Directors | Current appointments | Former appointments held in the previous five years |
|--------------------------------------|--|---|
| Dr. Raju Kucherlapati | AVEO Pharmaceuticals, Inc. Kew Group Inc. Metamark Genetics, Inc. Tal | Haas Enterprises PureTech LLC |
| Dr. John LaMattina | Gelesis Ligand Pharmaceuticals, Inc. Vedanta Biosciences Zafgen, Inc. | Neurogen Corporation Human Genome Sciences, Inc. PureTech LLC |
| Mr. Christopher Viehbacher | Vedanta Biosciences | Genzyme Ltd Sanofi S.A. PureTech LLC |
| Mr. Stephen Muniz | Entrega Follica Karuna Gelesis SrL | Gelesis Satori Pharmaceuticals, Inc. |
| Senior Managers | | |
| Dr. Eric Elenko | Akili Karuna | Gelesis |
| Mr. David Steinberg | Entrega Knode Vedanta Biosciences | Endra, Inc. |

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

The interests in the share capital of PureTech of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial or are interests of a person connected with the Director or Senior Manager) as at 17 June 2015 (the latest practicable date prior to publication of this document) were as set out in the table below (assuming no exercise of the Over-allotment Option). This table includes restricted Ordinary Shares further detailed in paragraph 8.1 (*PureTech LLC Incentive Compensation*) of Part XVI (*Additional Information*) of this document.

| | Following Reorganisation and immediately prior to Admission | | Immediately following Admission | |
|---|---|---|---------------------------------|---|
| | Number of Ordinary Shares | Percentage of issued ordinary share capital | Number of Ordinary Shares | Percentage of issued ordinary share capital |
| Directors | | | | |
| Mr. Joichi Ito | 1,388,929 | 0.87% | 1,388,929 | 0.61% |
| Ms. Daphne Zohar ⁽¹⁾ | 11,890,157 | 7.45% | 11,890,157 | 5.23% |
| Dame Marjorie Scardino | 732,603 | 0.46% | 732,603 | 0.32% |
| Dr. Bennett Shapiro | 2,629,974 | 0.46% | 2,629,974 | 1.16% |
| Dr. Robert Langer | 2,932,634 | 0.46% | 2,932,634 | 1.29% |
| Dr. Raju Kucherlapati ⁽²⁾ | 2,459,831 | 1.54% | 2,459,831 | 1.08% |
| Dr. John LaMattina | 1,408,332 | 0.88% | 1,408,332 | 0.62% |
| Mr. Christopher Viehbacher ⁽³⁾ | 1,025,646 | 0.64% | 1,025,646 | 0.45% |
| Mr. Stephen Muniz | 2,786,170 | 1.75% | 2,786,170 | 1.23% |
| Senior Managers | | | | |
| Dr. Eric Elenko | 2,786,170 | 1.75% | 2,786,170 | 1.23% |
| Mr. David Steinberg | 2,825,770 | 1.77% | 2,825,770 | 1.24% |

Notes:

- (1) Ms. Zohar's shareholding in the Company is indirect. Ms. Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC which in turn owns 5.23 per cent of the share capital of the Company immediately following Admission.
- (2) Dr. Kucherlapati's shareholding in the Company is held in part through his trust, Raju Kucherlapati Grantor Retained Annuity Trust dated May 1, 2015, which holds 1,206,570 Ordinary Shares immediately following Admission.
- (3) Mr. Viehbacher's shareholding in the Company is through his trust, Viehbacher 2015 GRAT u/a/d May 22, 2015.

- (4) The shareholding interests in this table include Ordinary Shares that are subject to vesting terms and restrictions as contained in the share restriction agreements entered into between the Company and the holders in connection with equity incentive plans.

Save as disclosed in this paragraph, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of PureTech.

The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of PureTech.

Following Admission, Invesco is expected to own 33.5 per cent of the Ordinary Shares in the Company. While the Company does not intend to commence a buyback programme, any buyback which results in an increase in the percentage of voting shares held by Invesco may need to be approved by a vote of independent Shareholders to avoid Invesco being required to make a mandatory offer to the Company pursuant to Rule 9 of the UK City Code on Takeovers and Mergers (the “Takeover Code”) (see paragraph 18 (*Mandatory Bids, Squeeze Out and Sell Out Rules relating to the Ordinary Shares*) of Part XVI (*Additional Information*) of this document). The Company may propose such a ‘whitewash’ resolution at its future annual general meetings.

In addition to and exclusive of the incentive awards (which, for the avoidance of doubt, include restricted shares) held by the Directors and Senior Managers as detailed in paragraph 8.3 (*Operating Companies Equity Incentive Plan*) of Part XVI (*Additional Information*) of this document, the Directors and Senior Managers hold beneficial interests in shares in the following operating companies and sourcing companies as at 17 June 2015 (the latest practicable date prior to publication of this document):

| | Company name (share class) | Number of shares held as at 17 June 2015 | Number of options held as at 17 June 2015 | Ownership interest ⁽¹⁾ |
|--|--|--|---|-----------------------------------|
| Directors | | | | |
| Mr. Joichi Ito | Akili (Series A-2 preferred) | 26,627 | — | 0.3% |
| Ms. Daphne Zohar ⁽²⁾ | Gelesis (common) | 18,944 | 634,234 | 5.2% |
| Dame Marjorie Scardino | — | — | — | — |
| Dr. Bennett Shapiro ⁽⁴⁾ | Akili (Series A-2 preferred) ⁽³⁾ | 33,088 | — | 0.3% |
| | Gelesis (common) | 24,010 | 10,841 | 0.5% |
| | Gelesis (Series A-1 preferred) ⁽⁵⁾ | 82,574 | — | 0.5% |
| | Tal (Series A-2 preferred) ⁽³⁾ | 14,451 | — | 0.1% |
| | Vedanta (common) | — | 25,000 | 0.5% |
| Dr. Robert Langer | Entrega (common) | — | 250,000 | 5.0% |
| Dr. Raju Kucheralapati | Enlight (Class B common) | 30,000 | — | 3.00% |
| Dr. John LaMattina ⁽⁴⁾ | Akili (Series A-2 preferred) | 37,372 | — | 0.4% |
| | Gelesis (common) ⁽⁴⁾ | 54,120 | 63,052 | 1.3% |
| | Gelesis (Series A-1 preferred) ⁽⁴⁾⁽⁵⁾ | 174,621 | — | 1.3% |
| | Tal (Series A-2 preferred) | 114,411 | — | 1.2% |
| | Vedanta (common) | 25,000 | — | 0.5% |
| Mr. Christopher Viehbacher | — | — | — | — |
| Mr. Stephen Muniz | — | — | — | — |
| Senior Managers | | | | |
| Dr. Eric Elenko | — | — | — | — |
| Mr. David Steinberg | — | — | — | — |

Notes:

- (1) Ownership interests are as at 17 June 2015 (being the latest practicable date prior to the publication of this document) calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) to purchase shares, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans, and any shares of common stock issuable upon conversion of outstanding convertible promissory notes. Unallocated shares authorised to be issued pursuant to equity incentive plans are further discussed in paragraph 8.3 (*The operating companies equity incentive plans*) of Part XVI (*Additional Information*) of this document.
- (2) Common stock and options held by Yishai Zohar, the husband of Ms. Zohar. Ms. Zohar does not have any direct interest in the share capital of Gelesis. Ms. Zohar recuses herself from any and all material decisions with regard to Gelesis.

- (3) Shares held though Dr. Bennett M. Shapiro and Ms. Fredericka F. Shapiro, JTWROS. 174,621 shares of common stock and 174,621 shares of Series A-1 preferred stock in Gelesis held by Dr. John and Ms. Mary LaMattina. 12,642 shares in Gelesis held individually by Dr. LaMattina.
- (4) In addition, the following Directors hold convertible notes issued by operating companies: (i) Dr. Bennett Shapiro holds convertible notes issued by Vedanta Biosciences in the aggregate principal amount of \$50,000 and (ii) Dr. John LaMattina holds convertible notes issued by PeerIn in the aggregate principal amount of \$50,000 (see note 26.1.2 (*Transactions with key management personnel compensation*) of Section B of Part XII (*Historical Financial Information*) of this document for further details).
- (5) The Gelesis Series A-1 preferred stock converts to common stock at a ratio of 3.526 shares of Series A-1 preferred stock to one share of common stock.

3.6 Transactions with Directors and Senior Managers

No Director or Senior Manager has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its operating companies and which were effected by the Group or any of its operating companies during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or Senior Managers.

3.7 Directors' service agreements and letters of appointment

3.7.1 Executive Directors' service agreements

3.7.1.1 General terms

On 18 June 2015, PureTech Management, Inc. (the human resources affiliate of PureTech LLC) entered into service agreements with Ms. Zohar as PureTech LLC's Chief Executive Officer and Mr. Muniz as PureTech LLC's Executive Vice President, Legal, Finance and Operations relating to the provision of services to the Group. The service agreements commence with effect from Admission.

The annual base salary payable to each of the Executive Directors is \$500,000 and \$334,000, respectively, subject to adjustment from time to time in the Company's sole and absolute discretion.

Each of the Executive Directors is eligible to participate in all employee plans, programmes and arrangements made generally available to the executives of PureTech Management, Inc. and each is entitled to the reimbursement of business-related expenses. Ms. Zohar and Mr. Muniz are entitled to certain benefits, which include group medical, dental and retirement plans.

The Executive Directors are entitled to 20 days of paid vacation or sick leave each calendar year, accruing rateably each month (of which five days may be carried forward into the subsequent calendar year), in each case in addition to standard PureTech company-wide holidays.

Each of the Executive Directors is subject to a confidentiality and non-disparagement undertaking without limitation in time and restrictive covenants concerning, non-competition and non-solicitation of customers (or potential customers and clients), investors and employees and consultants or the Group, for a period of up to 12 months following their respective resignation from or termination of employment by PureTech LLC. Each agrees that their right, title and interest in and to any and all discoveries, inventions, improvements, enhancements, processes, methods, techniques, developments, software (whether patentable or not) which are created, made, conceived or reduced to practice during their respective employment term with PureTech, is assigned to PureTech and owned as PureTech LLC's sole and exclusive property.

Finally, the service agreements for the Executive Directors provide for standard garden leave, clawback of incentive and other compensation if required under applicable law and malus provisions that will apply in the event any annual performance bonus payment is deferred. International tax in non-US jurisdictions will be payable by PureTech LLC.

3.7.1.2 Termination provisions

Under the service agreements, the Executive Directors must provide PureTech Management, Inc. with 180 days (in the case of Ms. Zohar) and 60 days (in the case of Mr. Muniz) advance written notice of any election or intention to terminate their respective engagement with PureTech LLC. Each Executive Director's employment is terminable by PureTech Management, Inc. or the applicable Executive Director at any time and for any reason. Upon any termination, each Executive Director shall be entitled to receive any amounts that are accrued or owing but not yet paid, in accordance with applicable plans and programmes of PureTech LLC. In addition, if PureTech Management, Inc. terminates an Executive Director without "Cause", or an Executive Director resigns for "Good Reason" (as defined below), such Executive Director is entitled to severance pay in the amount of up to 12 months' worth of base salary then in effect. With respect to Mr. Muniz only, the Remuneration Committee may elect to reduce the period of severance pay from 12 months to a period of not less than 60 days, provided that the post-termination non-competition and non-solicitation restrictive covenant period is reduced to the same period.

"Cause" in the service agreements means (in the good faith determination of the Company): (i) conviction of any felony, (ii) deliberate neglect of, wilful misconduct in connection with the performance of, or refusal to perform duties reasonably assigned to the Executive Director pursuant to the terms of the service agreement, (iii) breach of any of the provisions of the applicable service agreement or any related agreements (including the appointment letter as a Director of the Company) after being notified of the breach and having an opportunity to cure such breach or (iv) any fraudulent or negligent conduct, any action in bad faith in a way that is detrimental to the reputation, goodwill or best interests of PureTech LLC, the Company or their affiliates.

"Good Reason" in the service agreements means: (i) a breach of the service agreement by PureTech Management, Inc. in any material respect which, if capable of being cured, is not cured by PureTech Management, Inc. within 30 days after the Executive Director has notified PureTech Management, Inc. in writing that, unless cured within such 30-day period, such breach will constitute Good Reason under the service agreements, (ii) a material adverse change in the Executive Director's title or responsibilities or (iii) a material reduction in the Executive Director's base salary.

3.7.2 Executive Director letters of appointment

Under their service agreements, the Executive Directors are required, if requested, to serve as a member of the board of PureTech or any other affiliate for no additional compensation. Pursuant to the terms each of their respective service agreements each of the Executive Directors entered into an appointment letter dated 18 June 2015 with PureTech in relation to their appointment as a director of PureTech. No additional fee or compensation will be payable for this role. PureTech may summarily terminate the appointment as a director on the same grounds as included in the Non-Executive Directors letter of appointment (see below). Upon termination of the service agreement or at any time upon request by PureTech, the Executive Directors shall resign as directors of PureTech.

3.7.3 Non-Executive Directors letters of appointment

Each of the Non-Executive Directors has been appointed as a non-executive director of the Company by a letter of appointment. Details of the terms of each Non-Executive Director's appointment with PureTech are set out below.

3.7.3.1 General terms

The Chairman of the Board is entitled to an annual fee of \$125,000. Each other Non-Executive Director is entitled to an annual fee of \$75,000. For each committee a Non-Executive Director serves on, such Non-Executive Director shall be entitled to an annual fee of \$5,000, and an additional \$5,000 shall be paid to any chairman of a committee.

The Company shall reimburse the Non-Executive Directors for all reasonably and properly documented expenses incurred in performing the duties of their office.

3.7.3.2 Termination provisions

The appointments of the Non-Executive Directors are for an initial term of three years commencing on 5 June 2015 unless terminated earlier by either party giving to the other one month's prior written notice. Their appointments are subject to the Articles. If the Non-Executive Directors are not re-elected to their respective positions as a director of the Company by the shareholders or if at any time they resign from office, their appointment shall terminate automatically and with immediate effect. The Company may also terminate their appointments with immediate effect if they have: (i) committed a material breach of their obligations under the appointment letter; (ii) been convicted of an arrestable offence; (iii) failed to comply with any measures adopted by the Company to prevent bribery and corruption; (iv) been removed as a director by the shareholders of the Company; (v) committed any serious or repeated breach or non-observance of their obligations to the Company (which include an obligation not to breach all general duties imposed by law including those contained in the Companies Act); (vi) been guilty of any fraud or dishonesty or acted in any manner which brings or is likely to bring them or the Company into disrepute or is materially adverse to the interests of the Company; (vii) been declared bankrupt; (viii) been disqualified from acting as a director; or (ix) accepted a position with or acquired interests in another company without prior Board approval which, in the Board's reasonable opinion, is likely to give rise to a material conflict of interest with their position as a director of the Company.

3.7.4 Directors' and officers' indemnity and insurance

The Company has customary directors' and officers' indemnity insurance in place in respect of each of the Directors.

Pursuant to a deed of indemnity entered into between the Company and each Director, the Company has undertaken, subject to the Companies Act and certain limitations, to indemnify each Director out of the assets and profits of the Company against all actions, claims, demands, liabilities, proceedings and judgment made against him in connection with the performance of his or her duties as a director of the Company.

In addition, PureTech LLC has granted indemnities to the Directors and Senior Managers to the fullest extent permitted under the operating agreement of PureTech LLC and as otherwise provided under the laws of the state of Delaware. The indemnities granted to the Directors and Senior Managers extend to protect them against claims and losses they may incur in connection with their office. While comparable to arrangements commonly entered into in the US, these arrangements provide indemnity or insurance protection which extends beyond the protection which would be currently permissible for arrangements entered into by a company incorporated in England and Wales, including protection against claims and/or losses resulting from certain intentional acts or omissions or from acts or omissions which are negligent or in breach of a Director's or Senior Manager's duties to the Company. In particular, the indemnity granted by PureTech provides that PureTech shall pay to or on behalf of any such Director and Senior Manager any and all of the costs and expenses associated in defending or appearing or giving evidence in proceedings as and when such costs are incurred; provided that the Director or Senior Manager acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company or any of its affiliates.

3.8 Directors' remuneration

Under the terms of their service agreements, letters of appointment and applicable equity incentive plans, in the 2014 financial year, the Directors were remunerated as set out below:

| Directors | Base Salary | Bonus | Benefits | Fees | Total (excl pension) | Pension |
|--------------------------------------|-------------|-----------|----------|-----------|----------------------|---------|
| Mr. Joichi Ito | \$— | \$— | \$— | \$29,167 | \$29,167 | \$— |
| Ms. Daphne Zohar | \$412,000 | \$202,910 | \$42,029 | \$— | \$656,939 | \$7,800 |
| Dame Marjorie Scardino | \$— | \$— | \$— | \$— | \$— | \$— |
| Dr. Bennett Shapiro | \$— | \$— | \$— | \$130,000 | \$130,000 | \$— |
| Dr. Robert Langer | \$— | \$— | \$— | \$118,756 | \$118,756 | \$— |
| Dr. Raju Kucherlapati | \$— | \$— | \$— | \$48,002 | \$48,002 | \$— |
| Dr. John LaMattina | \$— | \$— | \$— | \$60,000 | \$60,000 | \$— |
| Mr. Christopher Viehbacher | \$— | \$— | \$— | \$— | \$— | \$— |
| Mr. Stephen Muniz | \$275,000 | \$135,438 | \$34,152 | \$— | \$444,590 | \$7,800 |

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Executive Directors.

The Group does not operate any pension scheme or other scheme providing retirement or similar benefits. The Group has not set aside or accrued any amounts in respect of such schemes and does not contribute to any personal pension schemes for employees.

3.9 Conflicts of interest

Dr. Elenko, Mr. Ito, Dr. LaMattina, Dr. Langer, Dr. Kucherlapati, Mr. Muniz, Dr. Shapiro, Mr. Steinberg, Mr. Viehbacher and Ms. Zohar are directors of and/or shareholders in, one or more of the operating companies. These directorships, shareholdings and relationships potentially give rise to a conflict of interest between the relevant Directors' duties to PureTech and their duties to, or interests in, the relevant operating company. For example, if the Group has offered to provide capital to one of its operating companies on which one of its Directors sits on the board, that Director owes certain duties to the operating company and its members in his capacity as a director when that company considers such offer, such as the duty to avoid conflicts of interest, to exercise independent judgment and to promote the success of the company for the benefit of its members as a whole. It may be that in seeking to exercise such duties, this conflicts with the same duties that the Director owes to PureTech. In such circumstances, the Director will ensure that he declares all such conflicts in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof. In the same way, if a Director becomes a shareholder in an operating company to which the Group is considering providing capital, it may be that his other personal interests are potentially in conflict with the duties that Director owes to PureTech in considering the merits of the provision of such capital. Again, such Director will fully declare all such conflicts of interest in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof. The Executive Directors do not own any shares in the operating companies.

Ms. Zohar, the Chief Executive Officer of PureTech and a Director, is married to Yishai Zohar. Mr. Zohar is the Chief Executive Officer of Gelesis and, as such, holds a position that could lead to Ms. Zohar being in situations that involve, or could involve, a conflict of interest. The Directors have put in place appropriate controls, for example Ms. Zohar recuses herself from any and all material decisions with regard to Gelesis.

In addition, Ms. Zohar's father, Dr. David Elmaleh, is the Chief Executive Officer of AZTherapies, Inc. AZTherapies, Inc. received management and overhead services from PureTech in exchange for shares of AZTherapies, Inc. being issued to PureTech in the years ending 31 December 2012, 2013 and 2014. Dr. Elmaleh also provides advisory services to the Group and receives fees of \$2,000 per month from the Group for such services. He therefore holds a position that could lead to Ms. Zohar being in situations that involve, or could involve, a conflict of interest. The Directors have put in place appropriate controls, for

example Ms. Zohar recuses herself from any decision with regard to Dr. Elmaleh's advisory arrangement with the Group or matters relating to AZTherapies, Inc.

Save as referred to in this paragraph 3.9, there are (i) no actual or potential conflicts of interest between the Directors' duties to PureTech and their private interests and other duties and (ii) no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any Director or Senior Manager was selected to be a Director or Senior Manager.

3.10 Directors' and Senior Managers' confirmations

3.10.1 Save as disclosed in paragraph 3.10.2 of this Part IX (*Directors, Senior Managers and Corporate Governance*) below, during the last five years, no Director or Senior Manager has:

- (1) been convicted in relation to a fraudulent offence;
- (2) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;
- (3) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);
- (4) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;
- (5) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;
- (6) had a receiver appointed with respect to any assets belonging to him; or
- (7) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

3.10.2 Ms. Zohar, Dr. Shapiro and Mr. Muniz were directors of Satori Pharmaceuticals, Inc. ("Satori") when it was liquidated in 2013 and Ms. Zohar was a director of Solace Pharmaceuticals, Inc. which was liquidated in 2011. Mr. Ito was a director of Kula Co., Ltd., FreStyl, Storyplanet ApS and Startl, Inc., each of which has been dissolved following liquidation.

3.10.3 Mr. Viehbacher is currently named, together with a number of other entities and individuals, as a defendant in certain civil law claims filed in US federal and state courts in connection with his role as former chief executive officer of Sanofi. These civil law suits include claims for retaliatory dismissal and a number of class action lawsuits. These claims include assertions that a number of defendants, including Mr. Viehbacher, provided improper payments and inducements to customers to unduly influence the prescribing of drugs. Defendants, including Mr. Viehbacher, have denied the allegations in these claims and are vigorously defending the matters, which are in their early stages.

3.10.4 Dr. Kucherlapati has been a board member of AVEO Pharmaceuticals, Inc. ("AVEO"), a pharmaceutical company listed on NASDAQ since 2004. AVEO and a number of executives were named as defendants in a shareholder class action filed in the US courts in May 2013 regarding AVEO's product candidate for the treatment of kidney cancer, tivozanib, that failed to obtain FDA approval. A related derivative suit was filed shortly afterwards against AVEO's board of directors (including Dr. Kucherlapati) making claims arising out of related allegations. Both of these suits were dismissed by the US courts in March 2015. The shareholder class action was dismissed without prejudice and has since been amended and re-filed. The defendants have continued to vigorously defend the matter. The shareholder derivative suit was dismissed with opportunity to appeal and have the dismissal set aside. The plaintiffs have filed a motion to set aside the judgment of dismissal which the defendants will vigorously oppose. The SEC is conducting a formal inquiry regarding the tivozanib FDA approval process. AVEO reported that the SEC has stated that the pendency of the

inquiry does not mean that the SEC has concluded that anyone has committed an offence or that the SEC has a negative opinion of any person, entity, or security.

4. CORPORATE GOVERNANCE

4.1 UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. The Company is required to comply with the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council (the “UK Corporate Governance Code”). The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

The UK Corporate Governance Code recommends that, on appointment, the chairman of a company with a premium listing on the Official List should meet the independence criteria set out in the UK Corporate Governance Code. The Chairman of PureTech is Mr. Joichi Ito. The Board considers the Chairman to have been independent in character and judgment on his appointment as Chairman.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK premium listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director’s judgment.

The Board regards Dr. LaMattina, Dr. Kucherlapati, Mr. Viehbacher and Dame Marjorie Scardino as independent non-executive directors for the purposes of the UK Corporate Governance Code. In reaching this determination for Dr. LaMattina, Dr. Kucherlapati and Mr. Viehbacher, the Board had regard to (i) their directorships and links with other Directors through their involvement in other operating companies; and (ii) their equity interests in PureTech and/or the operating companies. The Board is satisfied that the judgment, experience and challenging approach adopted by each of Dr. LaMattina, Dr. Kucherlapati and Mr. Viehbacher should ensure that they each make a significant contribution to the work of the Board and its committees. Therefore, the Board has determined that Dr. LaMattina, Dr. Kucherlapati and Mr. Viehbacher are of independent character and judgment, notwithstanding the circumstances described at (i) and (ii) above and has determined that Dame Marjorie Scardino is independent of character and judgment, notwithstanding her holding of shares in the Company.

As at 17 June 2015, the latest practicable date prior to publication of this document, the Board is comprised of nine members including two executive directors, the non-executive Chairman, four independent non-executive directors and two other non-executive directors. The Company’s executive directors have the roles of Chief Executive Officer and Executive Vice President, Legal, Finance and Operations fulfilled by Ms. Daphne Zohar and Mr. Stephen Muniz respectively. The Company does not have a dedicated chief financial director or financial controller but is in the process of recruiting for this role.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of the chief executive officer or chairman has failed to resolve or for which such contact is inappropriate. Dame Marjorie Scardino has been appointed as senior independent director.

As envisaged by the UK Corporate Governance Code, the Board has established three committees: an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

4.2 Audit Committee

The role of the audit committee of the Company, established by the Board (“Audit Committee”) is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group’s annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will give due consideration to laws and regulations,

the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules. The Audit Committee will normally meet not less than three times a year.

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors and that at least one member should have recent and relevant financial experience. The Audit Committee will be chaired by Mr. Viehbacher and its other members will be Dame Marjorie Scardino and Dr. Kucherlapati in compliance with the UK Corporate Governance Code. The Directors consider that Mr. Viehbacher has recent and relevant financial experience in accordance with the requirements of the UK Corporate Governance Code.

From Admission, the Audit Committee chairman will be available at annual general meetings of the Company to respond to questions from Shareholders on the activities of the Audit Committee.

The Audit Committee has taken appropriate steps to ensure that the Company's auditors are independent of the Company and obtained written confirmation from the Company's auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

4.3 Nomination Committee

The nomination committee of the Company established by the Board ("Nomination Committee") assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise.

The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement directors and committee members and will make appropriate recommendations to the Board on such matters.

The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee is chaired by Dr. Langer and its other members will be Dr. Shapiro and Mr. Ito in compliance with the UK Corporate Governance Code. The Nomination Committee will meet not less than once a year.

4.4 Remuneration Committee

The remuneration committee of the Company established by the Board ("Remuneration Committee") recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors and recommends and monitors the remuneration of members of senior management. The Remuneration Committee will also generate an annual remuneration report to be approved by the Shareholders at the annual general meeting. The Remuneration Committee will normally meet not less than twice a year.

The Remuneration Committee is chaired by Dr. Shapiro and its other members will be Dr. LaMattina and Dr. Kucherlapati. The UK Corporate Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board does not regard Dr. Shapiro to be independent for the purposes of the UK Corporate Governance Code, although the Board does believe that Dr. Shapiro's significant sector experience and historic tenure as chair of the remuneration committee of PureTech LLC bring valuable knowledge, consistency and insight to the Remuneration Committee which will also be of continued benefit to the Group.

4.5 Model Code

Upon Admission, the Company will adopt a code of securities dealings in relation to the Ordinary Shares which is based on and is at least as rigorous as, the Model Code as published in the Listing Rules. The code to be adopted by the Company will apply to the Directors and other relevant employees of the Group.

4.6 Relationship with Controlling Shareholder

For information about the Company's relationship with Invesco, see paragraph 10 (*Relationship with Controlling Shareholder* of Part XVI (*Additional Information*) of this document.

4.7 Remuneration policy

4.7.1 Overview of remuneration policy

Prior to Admission, the Remuneration Committee undertook a review of the Group's senior executive remuneration policy. This review paid particular regard to the market practice of US peer companies to ensure that packages are competitive, recognising the predominantly US market in which the Group competes for talent. At the same time the structure of the packages has been designed to be in line with UK corporate governance best practice. In undertaking the review, the Remuneration Committee sought independent specialist advice.

The key aims of the remuneration policy are to:

- promote the long term success of the Group;
- attract, retain and motivate high calibre senior management and to focus them on the delivery of the Group's long term strategic and business objectives;
- be simple and understandable, both externally and internally;
- achieve consistency of approach across senior management within the Group to the extent appropriate and informed by relevant market benchmarks; and
- encourage widespread equity ownership across the executive team to ensure a long term focus and alignment of interest with shareholders.

The remuneration policy for the Directors as disclosed in this document will come into force with effect from Admission and is structured broadly in line with those of other US and UK listed companies of a similar size and complexity. At the Company's first annual general meeting (which will take place in the first half of 2016) a shareholder resolution will be proposed to approve the remuneration policy and any remuneration payments from that date will be consistent with the approved policy.

The details of the remuneration policy applicable to Executive Directors is summarised below.

4.7.2 Base salary

Base salaries will be reviewed annually with any increases taking effect from 1 January. The level of increases will be at the absolute discretion of the Company, but may take account of the increases awarded to the workforce as a whole, as well as performance of the Company and the individual, and skills set and experience.

Base salaries from Admission for Daphne Zohar and Stephen Muniz will be \$500,000 and \$334,000, respectively. The Remuneration Committee will next review base salary levels in 2016.

4.7.3 Pension and benefits

The Company has a 401(k) Plan pursuant to which the Executive Directors may contribute a portion of their salary and the Company automatically contributes amount equal to 3 per cent of such Executive Directors salary or a lesser amount if required by law.

Ancillary benefits are provided in the form of private medical and dental cover.

4.7.4 Annual Bonus Plan

The Annual Bonus Plan (the "ABP") will be operated in line with the remuneration policy approved by shareholders from time to time.

Annual bonuses will be payable in cash, and may range between 50 per cent of base salary for the achievement of "target" goals and objectives and up to 100 per cent of base salary for the achievement of "stretch" goals and objectives.

The Remuneration Committee has set performance targets for the 2015 annual bonus and will do so at the start of each financial year, going forwards. It is anticipated that the metrics will be linked primarily to the Company's annual strategic milestones and will be based on both individual and Group performance.

4.7.5 Long-term incentives

The Board adopted the Performance Share Plan (the “PSP”), a new long-term incentive plan, the operation of which is conditional on Admission. The PSP will be operated in line with the remuneration policy approved by shareholders from time to time in respect of participation by the Directors.

It is intended that Executive Directors awards under the PSP will take the form of performance-based restricted share awards, restricted share units or nil (or nominal) cost options.

The normal limit under the PSP rules on the face value of awards that can be made in any year to an individual is 400 per cent of their base salary at the time of grant.

No awards under the PSP will be made to the Executive Directors until January 2016. It is currently intended that such awards would be made at a level of up to 400 per cent and 200 per cent of base salary for Ms. Daphne Zohar and Mr. Stephen Muniz, respectively. The Executive Directors and the senior management of the Company may receive PSP awards as deemed appropriate by the Board from January 2016.

Performance conditions will be set for each award and ordinarily measured over a three year performance period. Details of the performance condition policy for Executive Directors will be set out in the policy out to shareholders for approval at the first annual general meeting of the Company convened in 2016.

Senior management and other employees will also participate in the PSP.

The Non-Executive Directors may receive awards under the PSP. Such awards shall vest over time and shall not contain any performance conditions and incentive arrangements.

A summary of the principal terms of the PSP is set out at paragraph 8.2 of Part XVI (*Additional Information*) of this document.

4.7.6 Recovery and withholding provisions

Recovery and withholding provisions (“clawback and malus”) may be operated at the discretion of the Remuneration Committee in respect of awards granted under the PSP and in certain circumstances under the ABP (including where there has been a material misstatement of accounts, or in the event of fraud, gross misconduct or conduct having a materially detrimental effect on the Company’s reputation). The issue giving rise to the recovery and withholding must be discovered within three years of vesting and there is flexibility to recover overpayments by withholding future incentive payments and recovering the amount direct from the employee.

4.7.7 Share ownership guidelines

Whilst the current Executive Directors have significant shareholdings in the Company, the Remuneration Committee wishes to ensure that a shareholding guideline is in place to cater for future Executive Directors who may not hold shares. Accordingly, the Remuneration Committee has adopted formal shareholding guidelines in order to encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company equivalent in value to 200 per cent of salary.

Shares held on Admission, together with any shares acquired following Admission, will count towards the threshold. If an Executive Director does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company’s incentive plans until the guideline is met.

4.7.8 Recruitment policy

Consistent with best practice, new senior management hires (including those promoted internally) will be offered packages in line with the remuneration policy in force at the time. It is the Remuneration Committee’s policy that no special arrangements will be made, and in the event that any deviation from standard policy is required to recruit a new hire, approval would be sought at the AGM.

The Remuneration Committee recognises that it may be necessary in some circumstances to provide compensation for amounts foregone from a previous employer (“buyout awards”). Any buyout awards would be limited to what is felt to be a fair estimate of the value of remuneration foregone when leaving the former employer and would be structured so as to be, to the extent possible, no more generous in terms of the fair value and other key terms (e.g. time to vesting and performance targets) than the incentives it is replacing.

4.7.9 Termination policy

In the event of termination without Cause or for “Good Reason”, service agreements for Executive Directors provide for the payment of base salary over the severance period. There is no contractual right to any bonus payment in the event of termination.

The default treatment for any share-based entitlements under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, or at the discretion of the Remuneration Committee “good leaver” status can be applied. In these circumstances a participant’s awards vest subject to the satisfaction of the relevant performance criteria and, ordinarily, on a time pro-rata basis, with the balance of the awards lapsing.

4.7.10 Chairman and Non-Executive Director fee policy

The Company Chairman and Non-Executive Directors do not receive any pension provision. The Non-Executive Directors may receive awards under the PSP. Such awards shall vest over time and shall not contain any performance conditions and incentive arrangements.

The Chairman will, from Admission, receive an annual fee of \$125,000. This fee is inclusive of all committee roles.

The Non-Executive Directors will receive a basic Board fee of \$75,000, with additional fees of \$5,000 payable for membership of a Board committee and an additional \$5,000 for the chairmanship of any Board committee. In addition to base fees it may be necessary to provide one-off large grants of equity, usually on joining, in order to attract Non-Executive Directors of the necessary calibre. Such grants will not have performance conditions attached but may be released over a period of time, subject to service.

PART X—OPERATING AND FINANCIAL REVIEW

The section that follows should be read in conjunction with Part VII (Information on the Company and the Group), Part VIII (Information on the Group's Operating Companies and Product Candidates) and Part XII (Historical Financial Information) of this document. Prospective investors should read the entire document and not just rely on the summary information set out below. The financial information considered in this Part X (Operating and Financial Review) has been extracted or derived without adjustment from the audited historical financial information set out in Part XII (Historical Financial Information) of this document save where otherwise stated. The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS.

1. INTRODUCTION

Some of the information contained in this review and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. See Part III (*Important Information*) of this document for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this document.

This review should be read in conjunction with: (i) the Group's audited historical financial information for the three years ended 31 December 2014; and (ii) the notes thereto explaining such historical financial information set out in Part XII (*Historical Financial Information*) of this document.

Unless otherwise indicated, the selected financial information included in this Part X (*Operating and Financial Review*) has been extracted without material adjustment from the Group's audited annual report and accounts for the three years ended 31 December 2014. The financial information set out in this Part X (*Operating and Financial Review*) does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act.

Each Shareholder and other person contemplating a purchase of Offer Shares should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the summary operating and financial information set out in this Part X (*Operating and Financial Review*).

2. SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND OUTLOOK

2.1 Overview

As described in further detail in Part VII (*Information on the Company and the Group*) of this document, PureTech is a science-driven healthcare company, seeking to solve some of today's toughest health challenges in disruptive ways. Based in Boston, Massachusetts, PureTech has an advisory network of more than 50 experts across multiple disciplines—from entrepreneurs to world-renowned scientists—giving PureTech access to potentially groundbreaking science and technological innovations. PureTech is problem-focused and solution-agnostic, looking beyond traditional disciplines and approaching healthcare problems from different perspectives. Focusing on perceived areas of significant unmet medical need, PureTech evaluates and reviews, on average, 650 technologies per year and aims to select only the most scientifically and commercially promising concepts to advance.

The thematic areas that PureTech pursues are generated by PureTech's experienced senior management and its employees, many of whom have degrees from top institutions and are selected for their creativity and entrepreneurial skills. PureTech then develops these initiatives by undertaking further research-based activities and forming a management team comprising scientific experts and industry veterans to provide the requisite expertise and know how to drive the development and commercialisation of the relevant technology.

The Directors believe that PureTech's intellectual property portfolio is a strategic advantage in protecting its competitive position. PureTech and its operating companies collectively have a portfolio of over 110 patents and patent applications across a broad range of technologies and jurisdictions.

PureTech currently has 12 operating companies which are actively developing technologies designed to address significant markets in healthcare. PureTech also has ten concept-phase initiatives with the potential to develop into the Group's future operating companies.

The Directors believe the following key performance indicators will accurately measure the performance of the company.

- Aggregate Value of Growth Stage Operating Company Holdings

At the close of each annual financial period, the Directors plan to estimate, and formally approve, the value of all growth stage operating companies in the Group, which is used to derive the Aggregate Value of Growth Stage Operating Company Holdings (“Aggregate Holdings”). The Aggregate Holdings is a sum-of-the-parts valuation and was \$222.4 million as at 31 December 2014, or, in the case of Gelesis and Tal, as at the date of closing of any financing rounds that occurred after 31 December 2014, as set out in the table below.

| Growth stage operating company | Ownership adjusted fair value of growth stage operating company holdings | |
|--------------------------------|--|-------------------------|
| | \$'000,000 | % of Aggregate Holdings |
| Vedanta Biosciences | 67.0 | 30.1% |
| Gelesis | 44.9 | 20.2% |
| Akili | 26.7 | 12.0% |
| Tal | 27.3 | 12.3% |
| Karuna | 24.9 | 11.2% |
| Entrega | 13.4 | 6.0% |
| Follica | 18.2 | 8.2% |
| Total | 222.4 | 100.0% |

All of PureTech’s operating companies are currently majority owned, save with respect to Gelesis in which PureTech holds 22.6 per cent of the company on a diluted basis as described in Part VIII (*Information on the Group’s Operating Companies and Product Candidates*) of this document. PureTech’s operating companies are fully consolidated in PureTech’s consolidated financial statements prepared in accordance with IFRS. As a result, the consolidated statements of financial position incorporated within PureTech’s consolidated financial statements do not include current valuations of the Group’s operating companies. Because of this and given the Company’s limited revenue generation, the Directors believe that the Group’s consolidated financial statements do not currently provide a meaningful standalone basis for assessing the value or performance of PureTech. The Directors believe that the performance of the Group can be assessed by reference to the movement in the valuation of its growth stage operating companies over time.

Over the longer term, the Directors believe that the successful achievement of technical and commercial milestones in PureTech’s operating companies should result in an increase in the Aggregate Holdings to be demonstrated through clinical trial success, strategic partnership transactions, subsequent financing rounds, revenue and cash flow expansion, royalties or milestone payments made to PureTech or asset growth.

- Third party collaborations, partnerships, and strategic investments and other validation of operating companies

PureTech has historically sought to achieve external validation of its operating companies and technologies, and will continue to view that as a key metric of success. Additionally, PureTech views successful read-outs of clinical studies as another measure of validation.

2.2 Operating results

Between 2005 and 2011, the Group founded its seven growth stage operating companies. In the three year period ended 31 December 2014, the Group has focused on actively developing these operating companies’ technologies, while also creating additional companies that are project phase operating companies. PureTech has shut down five companies founded since 2004, spending less than \$500,000 on average, excluding PureTech personnel costs, prior to shutting them down.

The Group seeks independent third party validation of its operating companies through strategic collaborations, industry partnerships and grants. Use of partnerships, grants, external equity investment in subsidiaries, along with convertible notes issued by the operating companies helps to enable the Company to distribute development and financial risk, while preserving its significant equity ownership and control of operating companies.

2.3 Operating revenues

The Group's operations do not yet generate continuing product revenues. Revenues of the Group for the three year period ended 31 December 2014 comprises the following:

2.3.1 Collaboration revenue

Collaboration revenue is earned under license and collaboration, feasibility and pilot agreements with third parties and may include non-refundable license fees and fees for assessing the Group's product candidates against the requirements of third party potential licensees of the product candidates. Upfront payments received upon execution of these agreements are recorded as deferred revenue and recognised as collaboration revenue over the research and development period set forth in the agreement between third party collaborators and the Group.

The Group's collaboration revenue for the three year period ended 31 December 2014 mainly comprises revenues at three of the Group's operating companies:

- Gelesis is focused on the development of products to induce weight loss and potentially improve glycaemic control in overweight and obese patients. Revenues have been derived from a collaboration agreement with a pharmaceutical company to develop and commercialise a biodegradable super-absorbent hydrogel. The collaboration agreement was executed in June 2012 and terminated in November 2013.
- Knode is developing a platform to automatically identify the most relevant experts inside and across individual institutions via learning algorithms and big data processing techniques. The Company entered into three pilot agreements with two pharmaceutical companies and one publishing company. Two agreements with the pharmaceutical companies were completed in 2013 and 2014 with the remaining agreement continuing through 2015.
- Entrega is developing a platform technology for oral delivery platform of biologics, vaccines and other payloads with poor oral bioavailability. Revenues were generated from feasibility studies conducted for two pharmaceutical partners. These studies were completed in 2012. A third feasibility study with BMEB Services LLC ("BMEB"), an affiliate of Google is in process as of 31 December 2014.

2.3.2 Subscription fees

PureTech has in the past entered into partnerships with pharmaceutical companies in connection with certain sourcing activities and has structured such collaborations through dedicated sourcing companies. The Group's subscription fee revenues are generated by sourcing companies Enlight and Mandara Sciences, LLC ("Mandara"). Along with pharmaceutical company collaborators, Enlight and Mandara were set up to source technologies and start new companies. Enlight has founded three of the Group's subsidiaries (Knode, Entrega and Endra). Revenues are comprised of upfront and annual subscription fees. Upfront fees are recognised over the term of each membership agreement, while annual fees are recognised over a 12 month period. Subscription fees have declined over the three years ended 31 December 2014 as the five year terms of the Enlight subscription agreements have completed.

In addition, as described in further detail in Part VII (*Information on the Company and the Group*) of this document, clinical trials testing the technologies of Tal and Akili are being conducted by third parties pursuant to collaboration and other arrangements that require the third parties to pay for some or all of the costs of such trials. The Group will benefit from the data produced in such clinical trials but it is not required to pay the full cost of such clinical trials. These costs paid by third parties for conducting such clinical trials are not included within the Group's revenues.

2.3.3 Grant revenue

The Group has received government grants mainly in the form of reimbursement of qualified research and development expenses. Such grants are generally provided through various regional and local programmes aimed at incentivising research and development activities in certain geographic and industry areas.

One of the Company's growth stage companies, Gelesis, has received government grants for the three year period ended 31 December 2014 for certain capital expenditures and expenses incurred

for research and development work performed under specified programmes in Italy and the European Union.

2.4 Operating expenses

2.4.1 Personnel costs

A significant proportion of the Group's operating expenses comprise costs related to the remuneration of staff, directors and advisors. Personnel costs included salaries, bonuses, taxes, benefits; as well as accounting charges for share-based compensation as well as advisor fees. The principal factors affecting overall personnel costs are the number of employees and advisors and their experience.

Personnel costs increased over the three years to 31 December 2014 largely due to the increase of staffing requirements from the continued advancement of technologies and product candidates of operating companies, as well as the start up of additional project phase companies and accounting charges for share-based compensation. The Directors anticipate that the personnel costs will continue to increase as operating companies continue to advance their development programmes.

2.4.2 Other operating expenses

Other operating expenses primarily consist of:

- General and administrative expenses in the form of consulting, professional and legal fees and travel costs to support business development and technology sourcing efforts of the Group and leased space. These expenses have increased over the past three years as the Group has expanded its activities.
- Research and development expenses mainly in the form of investigative sites that conduct clinical studies, costs associated with preclinical activities and regulatory operations, cost of acquiring, developing and manufacturing clinical study materials, amortisation of in-licensed technologies and legal costs associated with the development and protection of intellectual property, advisory fees, sponsored research arrangements and contract research organisations.

2.5 Finance income and finance costs

Finance income mainly comprises interest income on funds invested. The Group's finance costs comprise loan interest expense and the changes in the fair value of warrant and derivative liabilities associated with subsidiary financing transactions.

2.6 Taxation

The Group recorded a benefit from income taxes of \$0.3 million for the year ended 31 December 2014 compared to a provision of \$0.3 million for the year ended 31 December 2013 and a provision of \$0.5 million for the year ended 31 December 2012. The benefit taken in 2014 was due to a reduction in deferred tax liabilities from Gelesis' Italian subsidiary from operating losses incurred in 2014, partially offset by interest and penalties, while the provision in 2013 was due to taxable income from the Italian subsidiary. The provision in 2012 was due to taxable income reported on Gelesis' US federal tax return in excess of net operating losses carry forwards allowed under section 382 of the Code.

3. FINANCIAL REVIEW AND RESULTS OF OPERATIONS

3.1 Results of operations

The table below sets forth the Company's consolidated statement of comprehensive loss for the periods indicated:

| | For the year ended 31 December | | |
|--|-----------------------------------|----------------|-----------------|
| | 2012 \$'000 | 2013 \$'000 | 2014 \$'000 |
| Continuing operations | | | |
| Revenue | 8,018 | 8,503 | 2,222 |
| Operating expenses: | | | |
| General and administrative expenses | (8,460) | (7,169) | (14,397) |
| Research and development expenses | (5,602) | (4,419) | (5,270) |
| Other expenses—impairment of investments | (3,341) | (646) | — |
| Operating loss | (9,385) | (3,731) | (17,445) |
| Finance income | 49 | 270 | 189 |
| Finance costs—contractual | (944) | (367) | (2,594) |
| Finance costs—IAS 39 fair value accounting | (499) | (83) | (56,371) |
| Net finance costs | (1,394) | (180) | (58,776) |
| Loss on purchase of subsidiary | — | (1,399) | — |
| Loss before taxes pre IAS fair value accounting | (10,280) | (5,227) | (19,850) |
| Finance costs—IAS 39 fair value accounting | (499) | (83) | (56,371) |
| Loss before taxes | (10,779) | (5,310) | (76,221) |
| Income taxes | (535) | (274) | 278 |
| Loss for the year from continuing operations | (11,314) | (5,584) | (75,943) |
| Income/(loss) for the year from discontinued operations | (933) | 425 | — |
| Loss for the year | (12,247) | (5,159) | (75,943) |
| Other comprehensive income (loss): | | | |
| Items that are or may be re-classified as profit or loss | | | |
| Unrealised gain/(loss) on available-for-sale investments | 69 | (48) | — |
| Foreign currency translation differences | (75) | 141 | 58 |
| Total other comprehensive income (loss) | (6) | 93 | 58 |
| Taxes | — | — | — |
| Other comprehensive income (loss), net of tax | (6) | 93 | 58 |
| Total Comprehensive Loss for the Year | (12,253) | (5,066) | (75,885) |
| Loss attributable to: | | | |
| Owners of the Company | (11,054) | (4,303) | (41,643) |
| Non-controlling interests | (1,193) | (856) | (34,300) |
| | (12,247) | (5,159) | (75,943) |
| Comprehensive loss attributable to: | | | |
| Owners of the Company | (11,060) | (4,210) | (41,585) |
| Non-controlling interest | (1,193) | (856) | (34,300) |
| | (12,253) | (5,066) | (75,885) |

3.2 Revenue

Revenue decreased by \$6.3 million to \$2.2 million in the year ended 31 December 2014 from \$8.5 million in the year ended 31 December 2013. This decrease relates primarily to (i) the termination in 2013 of a Gelesis collaboration agreement resulting in a \$4 million revenue decline, (ii) non-recurring grant revenue for Gelesis in 2013 from an Italian economic development agency resulted in a decrease of \$1.3 million and (iii) a decrease in Enlight membership fees of \$0.8 million, as Enlight evolved its business model away from a membership fee-based business to being a holding company (although certain members of Enlight still have rights to subscribe for equity interests in subsidiaries formed by Enlight, including operating companies Entrega and Knode).

Revenue increased by \$0.5 million, to \$8.5 million in the year ended 31 December 2013 from \$8 million in the year ended 31 December 2012. This change resulted primarily from a \$1.5 million increase generated by Gelesis, primarily from grant funds received, partially offset by declines of \$0.5 million at both Enlight and Entrega.

The Group records revenue when the criteria for its recognition under IFRS are met. The Group receives cash payments from collaborators prior to the time it is entitled to recognise such payments as revenue and records these payments as deferred revenue on its balance sheet pending their recognition as revenue. The amount of such deferred revenue on the Group's balance sheet at 31 December 2014 was \$3.9 million.

3.3 Operating expenses

3.3.1 General and administrative expenses ("G&A")

G&A expenses increased by \$7.2 million to \$14.4 million for the year ended 31 December 2014 from \$7.2 million for the year ended 31 December 2013. The increase in expenses is primarily attributed to:

- personnel costs, including costs of the advisor network, which is the main component of G&A expenses in 2014 increased by \$3.6 million, to \$7.2 million in the year ended 31 December 2014 from \$3.6 million in the year ended 31 December 2013, mainly reflecting an increase in headcount and share-based compensation expense in 2014 compared to 2013; and
- all other G&A costs increased by \$3.6 million to \$7.2 million for the year ended 31 December 2014 from \$3.6 million for the year ended 31 December 2013. This increase resulted from activities to prepare Gelesis for a US initial public offering, consulting services in support of identifying promising technologies targeting perceived major unmet healthcare needs and also from professional services related to the Group's preparation for the initial public offering. The Gelesis initial public offering is currently on hold. Gelesis may consider continuing with its initial public offering at a later date, subject to market conditions.

G&A expenses decreased by \$1.3 million to \$7.2 million for the year ended 31 December 2013 from \$8.5 million for the year ended 31 December 2012, mainly attributed to a:

- decrease in personnel costs by \$1.1 million, to \$3.6 million in 2013 from \$4.7 million in 2012, reflecting the reduction in personnel requirements for certain project phase operating companies and concept-phase initiatives; and
- decrease in all other G&A costs of \$0.2 million to \$3.6 million for the year ended 31 December 2013 from \$3.8 million for the year ended 31 December 2012. This decrease was related to reductions for certain project phase operating companies and concept-phase initiatives.

At the reporting segment level, growth stage operating companies' G&A expense increased from \$3.6 million in 2012 to \$4.3 million for the year ended 31 December 2013 and then to \$8.3 million for the year ended 31 December 2014 reflecting the programme advancement of the seven companies comprising this segment and leading to the validating milestone accomplishments described elsewhere in this document.

Project phase and sourcing company G&A expenses decreased from \$2.6 million in 2012 to \$2.3 million in 2014 reflecting the expiration of the five year terms of various subscription agreements with Enlight.

The Parent Company and Other G&A expenses increased from \$2.2 million in 2012 to \$3.8 million in 2014, reflecting an accounting charge for share-based payments of \$0.6 million in 2014 (none in prior years) and the Group's expanded focus on creating new companies in digital health, metabolic diseases and nutrition and the microbiome.

3.3.2 Research and development expenses

Research and development expenses increased \$0.9 million to \$5.3 million for the year ended 31 December 2014 from \$4.4 million for the year ended 31 December 2013. The increase results from a rise in personnel costs of \$0.8 million to \$2.4 million for the year ended 31 December 2014 from \$1.6 million for the year ended 31 December 2013. The increased personnel costs were mainly due to share-based compensation due to new share grants in 2014.

Research and development expenses decreased by \$1.2 million to \$4.4 million for the year ended 31 December 2013 from \$5.6 million for the year ended 31 December 2012. The decrease results from a decline in other research and development cost of \$1.4 million to \$2.8 million for the year ended 31 December 2013 from \$4.2 million in 2012, offset by an increase in personnel costs of \$0.2 million. The decrease is primarily attributable to Gelesis' research and development costs, which in 2012 included costs associated with consulting and contract research organisation costs in connection with the FLOW study, which did not reoccur in 2013.

At the reporting segment level, research and development expense of growth stage operating companies increased \$0.4 million from 2012 to 2014. The increase was primarily an increase in research and development at Akili, Gelesis and Tal.

Research and development expense of project phase and sourcing companies decreased from \$1.1 million in 2012 to \$0.3 million in 2014, respectively, as five year terms of Enlight subscription agreements expired.

Research and development expenses at the reporting segment level vary year over year based upon internally funded project completions, the duration of clinical trials and completion of feasibility and pilot studies conducted on behalf of collaborators.

3.4 Impairments of investments

Impairments of investments decreased \$0.6 million for the year ended 31 December 2014 to nil from \$0.6 million for the year ended 31 December 2013 and decreased \$2.7 million in the year ended 31 December 2013 from the year ended 31 December 2012. In 2013 the Group wrote off its \$0.6 million investment in Satori, an affiliate, upon its liquidation. In 2012, the Group recorded an impairment loss of \$3.3 million on its investment in Follica, which was an affiliate at that time. This impairment resulted from a clinical trial missing its primary endpoint.

3.5 Net finance costs

The Group's net finance costs principally reflect changes in the fair value of subsidiary preferred stock warrant and convertible notes derivative liabilities, subsidiary warrants and subsidiary interest expense on notes payable and convertible notes. The Group incurred net finance costs of \$58.8 million in 2014 compared to net finance costs of \$0.2 million in 2013 and \$1.4 million in 2012. The 2014 net finance costs resulted primarily from the change in the fair value of warrant and convertible note derivatives by \$56.4 million for the year ended 31 December 2014. \$50.7 million of this change relates to the change in derivative liabilities associated with warrants issued relating to preferred stock issuances of Gelesis and automatic conversion options embedded in Gelesis' preferred stock.

Presented below is a summary of the net finance costs:

| | 2012 | 2013 | 2014 |
|---|----------------|--------------|-----------------|
| | \$'000 | \$'000 | \$'000 |
| Finance income | 49 | 270 | 189 |
| Finance costs—contractual: | | | |
| Contractual interest expense on convertible notes | (242) | 10 | (41) |
| Interest expense on other borrowings | (68) | (320) | (438) |
| Non-cash interest expense on convertible notes | (299) | (57) | (2,115) |
| Gain/(loss) on extinguishment of notes payable | (335) | — | — |
| Total finance costs—contractual | (944) | (367) | (2,594) |
| Components related to fair value changes under IAS 39: | | | |
| Gain/(loss) from change in fair value of warrant liability | 143 | (104) | (11,432) |
| Gain/(loss) on fair value measurement of derivative liability | (642) | 21 | (44,939) |
| Total finance costs—IAS 39 fair value accounting | (499) | (83) | (56,371) |
| Net finance costs | (1,394) | (180) | (58,776) |

3.6 Loss on purchase of subsidiary

In 2013, a \$1.4 million loss was recorded on the purchase of the Follica subsidiary after the Group regained equity control in a recapitalisation that resulted in the Group's equity interest increasing from 22 per cent to 72 per cent. Previously Follica had been accounted for as an equity investment. The change in control was accounted for using the acquisition method of accounting which resulted in the \$1.4 million accounting charge.

3.7 Loss before taxes

The Group incurred a loss before taxes of \$76.2 million in 2014 compared to a net loss of \$5.3 million in 2013 and \$10.8 million in 2012. The \$70.9 million increase from 2013 to 2014 was primarily due to the change in finance costs in 2014 related to the fair value of warrant and convertible note derivatives. The \$5.5 million reduction from 2012 to 2013 related to a reduction in operating expenses, in particular to a \$2.7 million decrease in the impairment of investments in 2013.

Presented below is a summary of the loss before taxes:

| | 2012 | 2013 | 2014 |
|---|------------------------|-----------------------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Loss before taxes | | | |
| Operating loss | (9,385) | (3,731) | (17,445) |
| Finance income | 49 | 270 | 189 |
| Finance costs—contractual | (944) | (367) | (2,594) |
| Loss on purchase of subsidiary | — | (1,399) | — |
| Loss before taxes before applying IAS 39 | (10,280) | (5,227) | (19,850) |
| Components related to fair value changes under IAS 39: | | | |
| Finance costs—IAS 39 fair value accounting | (499) | (83) | (56,371) |
| Total loss before taxes | <u>(10,779)</u> | <u>(5,310)</u> | <u>(76,221)</u> |

3.8 Income taxes

The Group recorded a benefit from income taxes of \$0.3 million for the year ended 31 December 2014 compared to a provision of \$0.3 million for the year ended 31 December 2013 and a provision of \$0.5 million for the year ended 31 December 2012. The benefit taken in 2014 was due to a reduction in deferred tax liabilities from Gelesis' Italian subsidiary from operating losses incurred in 2014, partially offset by interest and penalties, while the provision in 2013 was due to taxable income from the Italian subsidiary. The provision in 2012 was due to taxable income reported on Gelesis' federal tax return in excess of net operating losses carry-forwards allowed under section 382 of the Code.

3.9 Income/loss from discontinued operations

Prior to 10 July 2013, PureTech held a controlling interest in Endra Inc. ("Endra"), a company founded by PureTech and Enlight in 2007 that developed a photoacoustic 3-D tomographic imaging system. During 2013, PureTech determined that Endra no longer was a strategic fit within the Group. In 2013 the Group sold 85 per cent of Endra and as a result has classified it as a discontinued operation for 2013 and 2012. The Group reported a net profit from discontinued operations in 2013 of \$0.4 million, comprised of a \$0.7 million gain on the sale reduced by \$0.3 million operating loss, compared to an operating loss of \$0.9 million in 2012.

3.10 Other comprehensive income/(loss)

Other comprehensive income/(loss) reflects the effect from changes in unrealised gains and losses on available for sale investments and foreign currency translation differences in an Italian subsidiary whose functional currency is the Euro. The Group incurred other comprehensive income of \$58,000 for the year ended 31 December 2014, compared to \$93,000 in 2013 and a loss of \$6,000 in 2012.

3.11 Loss for the financial year

As a result of the factors discussed above, total comprehensive loss for the year increased by \$70.8 million to \$75.9 million in the year ended 31 December 2014, from \$5.1 million for the year ended 31 December 2013, and decreased by \$7.2 million for the year ended 31 December 2013 from \$12.3 million for the year ended 31 December 2012.

Loss and other comprehensive loss for the year are attributable to the Company and to the non-controlling interest shareholders according to their proportionate share of interest in the Group's operating companies. Changes in the non-controlling interest reflect the allocation of the company loss for the period to non-controlling interest shareholders, as well as adjustments for changes in ownership during the respective period.

3.12 Financial position

The table below sets forth the Company's consolidated statement of financial position as of the 31 December of the periods indicated:

| | As of 31 December | | |
|---|-------------------|----------------|-----------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Assets | | | |
| Non-current assets | | | |
| Property and equipment, net | 1,076 | 1,213 | 1,227 |
| Available for sale investments | 1,216 | 251 | 78 |
| Intangible assets, net | 3,344 | 3,162 | 2,999 |
| Other non-current assets | 9 | 3 | 5 |
| Total non-current assets | 5,645 | 4,629 | 4,309 |
| Current assets | | | |
| Trade and other receivables | 575 | 2,670 | 1,750 |
| Prepaid expenses and other current assets | 934 | 465 | 1,836 |
| Other financial assets | 121 | 122 | 472 |
| Short-term investments | 1,055 | 1,709 | 701 |
| Cash and cash equivalents | 10,855 | 7,171 | 61,960 |
| Total current assets | 13,540 | 12,137 | 66,719 |
| Total assets | 19,185 | 16,766 | 71,028 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 1,272 | 1,273 | 2,362 |
| Merger reserve | 31,199 | 31,238 | 86,755 |
| Translation reserve | (30) | 111 | 169 |
| Other reserves | 1,550 | 1,558 | 3,139 |
| Accumulated deficit | (30,897) | (35,064) | (70,421) |
| Parent equity | 3,094 | (884) | 22,004 |
| Non-controlling interests | (6,448) | (7,143) | (45,317) |
| Total equity | (3,354) | (8,027) | (23,313) |
| Non-current liabilities | | | |
| Deferred revenue | 1,061 | 1,532 | 561 |
| Other long-term liabilities | 48 | 501 | 107 |
| Total non-current liabilities | 1,109 | 2,033 | 668 |
| Current liabilities | | | |
| Subsidiary notes payable | 1,459 | 4,259 | 6,948 |
| Deferred revenue | 6,246 | 1,307 | 3,293 |
| Trade and other payables | 2,732 | 1,918 | 4,731 |
| Subsidiary derivative liability | 2,199 | 2,579 | 52,794 |
| Subsidiary warrant liability | 928 | 2,548 | 14,125 |
| Subsidiary preference shares | 7,699 | 9,711 | 11,494 |
| Other current liabilities | 167 | 438 | 288 |
| Total current liabilities | 21,430 | 22,760 | 93,673 |
| Total liabilities | 22,539 | 24,793 | 94,341 |
| Total equity and liabilities | 19,185 | 16,766 | 71,028 |

Significant performance impacting events and business developments reflected in the Company's financial position at each financial year end include:

3.13 Assets

Total assets increased by \$54.2 million as of 31 December 2014 to \$71 million from \$16.8 million as of 31 December 2013 primarily as a result of PureTech's \$56.7 million equity financing. Total assets declined by \$2.4 million in 2013 compared to 31 December 2012 primarily as a result of cash utilisation and from the \$0.6 million write-off of the Group's investment in Satori, an affiliate.

Property and equipment remained constant at \$1.2 million as of 31 December 2014 and 2013 and increased \$0.1 million in 2013 compared to \$1.1 million as of 31 December 2012.

Available for sale investments declined by \$0.2 million as of 31 December 2014 to \$0.1 million as a result of sales of investments and declined \$1 million as of 31 December 2013 from 2012 primarily from the write-off of the Group's investment in Satori.

Intangible assets decreased to \$3 million as of 31 December 2014 compared to \$3.2 million as of 31 December 2013 and \$3.3 million as of 31 December 2012, as a result of amortisation.

Movements in current assets reflect general working capital needs of the Group.

3.14 Liabilities

Total liabilities increased by \$69.5 million to \$94.3 million as of 31 December 2014 from \$24.8 million as of 31 December 2013 primarily as a result of a \$70.9 million increase in current liabilities. Total liabilities increased by \$2.3 million in 2013 compared to 31 December 2012 due to a \$1.4 million increase in current liabilities and a \$0.9 million increase in non-current liabilities.

Total non-current liabilities decreased by \$1.3 million to \$0.7 million as of 31 December 2014 from \$2 million as of 31 December 2013 as a result of a \$0.8 million decline in deferred revenues and a \$0.4 million decline in other long term liabilities. The decline in deferred revenues results from an accounting reclassification from noncurrent deferred revenues to a current classification, reflecting the expectation that these revenues will be earned over the following 12 months. The decline in other long term liabilities results from the reduction of tax liabilities as a result of tax losses carried back to offset previous tax liabilities. Total non-current liabilities increased \$0.9 million in 2013 from \$1.1 million as of 31 December 2012 as a result of an increase of \$0.5 million in deferred revenue, reflecting cash received from collaborators, and \$0.5 million in other long-term liabilities, reflecting income taxes recorded by Gelesis.

Current liabilities increased by \$70.9 million to \$93.7 million as of 31 December 2014 from \$22.8 million as of 31 December 2013 primarily as a result of \$61.8 million of changes in the fair value of warrant and convertible note derivative liabilities, \$2.6 million increase in subsidiary notes payable and \$2 million increase in deferred revenues. Current liabilities increased \$1.4 million in 2013 from \$21.4 million as of 31 December 2012 resulting primarily from a \$2.8 million increase in subsidiary notes payable, a \$2 million increase in subsidiary preferred shares, and a \$2 million increase in the fair value of derivative and warrant liabilities, offset by a \$4.9 million decrease in deferred revenue.

Trade and other current payables mainly reflect the development of the business and the working capital position at the respective period end.

3.15 Equity

PureTech closed a round of equity financing with net proceeds of \$55.8 million in 2014, which is the reason for the increase in the merger reserve to \$89 million as of 31 December 2014, compared to \$32.4 million as of 31 December 2013.

The increase in the accumulated deficit of PureTech to \$70.4 million at 31 December 2014 from \$35.1 million at 31 December 2013 and \$30.9 million at 31 December 2012 mainly reflects the net loss of \$41.6 million for the year ended 31 December 2014, \$4.3 million for the year ended 31 December 2013 and \$11.1 million for the year ended 31 December 2012. Offsetting these losses were gains from changes in subsidiary ownership during the respective periods.

Other movements in the PureTech capitalisation are attributed to accounting entries, such as the effect from recognising the share-based compensation expense of \$2.8 million, \$0.3 million and \$0.4 million for

the years ended 31 December 2014, 2013 and 2012, respectively and the conversion of \$0.4 million in 2014 of embedded derivatives related to subsidiary convertible note conversions into subsidiary equity.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Cash and cash equivalents

The Group's consolidated cash and cash equivalents balance as of 31 December 2014 was \$62 million (2013: \$7.2 million; 2012: \$10.9 million). As at 31 May 2015, the Group held consolidated cash balances of \$132.2 million.

The following table presents the Group's consolidated cash flows for the financial years ended:

| | 31 December | | |
|--|-------------|---------|----------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Net cash outflow from operating activities | (1,452) | (8,774) | (10,543) |
| Net cash inflow/(outflow) from investing activities | (200) | (858) | 747 |
| Net cash inflow from financing activities | 1,256 | 5,939 | 64,723 |
| Effect of exchange rates on cash and cash equivalents | (7) | 9 | (138) |
| Net increase/(decrease) in cash and cash equivalents | (403) | (3,684) | 54,789 |
| Cash and cash equivalents in the beginning of the year | 11,258 | 10,855 | 7,171 |
| Cash and cash equivalents at the end of the year | 10,855 | 7,171 | 61,960 |

4.2 Net cash used in operating activities

The Group's net cash used in operating activities was \$10.5 million for the year ended 31 December 2014 (2013: net cash used of \$8.8 million; 2012: net cash used of \$1.5 million) primarily due to net losses for the year of \$75.9 million offset by the positive effect from movement in working capital of \$2.9 million and by adjustments of \$62.5 million for non-cash accounting entries such as changes in fair value of warrants, share-based compensation expenses, non-cash interest and mark to market of derivative liabilities.

4.3 Net cash provided by/(used in) investing activities

The Group had a net cash inflow from investing activities of \$0.7 million for the year ended 31 December 2014 (2013: net outflow of \$0.9 million; 2012: net outflow of \$0.2 million). The net inflow in 2014 was mainly attributable to net proceeds from short-term investments offset by capital expenditures. The net outflows in 2013 were mainly attributable to net purchases of short-term investments and capital expenditures. The net outflows in 2012 were mainly attributable to purchases of intangible assets and capital expenditures by Gelesis exceeding net proceeds from short-term investments.

4.4 Net cash inflow from financing activities

The Group's net cash inflow from financing activities of \$64.7 million for the year ended 31 December 2014 (2013: net inflow of \$5.9 million; 2012: net inflow of \$1.3 million) largely reflects the net proceeds from PureTech's \$55.8 million equity financing round and \$9 million from the issuance of subsidiary convertible and other notes. The Group's net inflow in 2013 results from subsidiary financings; \$4.1 million in equity financings and \$1.8 million from issuances of convertible notes. The Group's net inflow in 2012 results from subsidiary financings, \$3.3 million from equity and \$1.8 million from convertible note issuances, PureTech's \$0.7 million equity financing, offset by repayment of long-term subsidiary debt of \$3.9 million.

The Group's strategy is to maintain healthy, highly liquid cash balances that are readily available to support the activities of its subsidiaries in terms of supporting working capital, maintaining the level of research and development activities required to achieve the set milestone goals and acquiring capital equipment where necessary to support those research and development activities.

4.5 Capital and other commitments

As of 31 December 2014, the Group does not have any significant capital commitments. As discussed in other parts of this document, the Group's strategy is to provide capital support to its operating companies based on achievement of milestones, designed to measure commercial progress by utilising a tranching

investment process in an effort to minimise risk and seek early attrition of investment opportunities. The Company typically provides funding in stages of progressively increasing amounts of funds as the operating company matures. The Group does not have any restrictions on the use of its capital resources that could materially affect its operations.

5. CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. Critical accounting policies and estimates are those policies or estimates which are particularly significant in presenting the Group's results of operations and include those that involve complex and subjective judgments and the use of assumptions, some of which may be inherently uncertain or susceptible to change. The effect of these judgments and the assumptions we make could potentially result in materially different results from that which would otherwise occur using different judgments and assumptions.

For a detailed discussion of the application of these and other accounting policies as well as related estimates and judgments, see note 3 (*Summary of Significant Accounting Policies*) to the Group's audited consolidated financial statements for the year ended 31 December 2014 included in Part XII (*Historical Financial Information*) of this document.

6. DISCLOSURES ABOUT OTHER FINANCE RISKS

The Group's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence and to sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in operating company projects. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

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

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a contractual counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group maintains its deposits with financial institutions, which the Group believes are of high credit quality.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings in accordance with limits set by the Directors. The utilisation of credit limits is regularly monitored. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates. Group policy is to maintain its funds in highly liquid deposit accounts with reputable financial institutions.

The Group has no significant concentration of credit risk. The Group assesses the credit quality of contractual counterparties, taking into account their current financial position.

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations, under both normal and stressed conditions, without

incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks to manage liquidity risk, ensuring that sufficient liquidity is available to meet foreseeable requirements

6.3 Market risk

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

6.4 Foreign exchange risk

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

6.5 Capital risk management

The Group is funded by equity finance. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or borrow new debt. The Group has no material externally imposed capital requirements.

6.6 Financial assets and liabilities

The table below sets out the fair value of the Group's financial assets and liabilities as at 31 December 2014, extracted without material adjustments from the Company's year-end results included in the historical financial information in Part XII (*Historical Financial Information*) of this document. This table should be read together with those results and the notes to those results set out in Part XII (*Historical Financial Information*) of this document:

| | 2014 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|---------------|
| | Fair Value | | | | Total |
| | Carrying amount \$'000 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | |
| Financial assets | | | | | |
| Cash and cash equivalents | 61,960 | 61,960 | — | — | 61,960 |
| US treasuries | 701 | 701 | — | — | 701 |
| Certificates of deposit | 472 | — | 472 | — | 472 |
| Other deposits | 5 | — | 5 | — | 5 |
| Loans and receivables: | | | | | |
| Trade and other receivables | 1,750 | — | 1,750 | — | 1,750 |
| Total financial assets | 64,888 | 62,661 | 2,227 | — | 64,888 |
| Financial liabilities | | | | | |
| Trade and other payables | 4,731 | — | 4,731 | — | 4,731 |
| Subsidiary warrant liability | 14,125 | — | — | 14,125 | 14,125 |
| Subsidiary derivative liability | 52,794 | — | — | 52,794 | 52,794 |
| Financial liabilities measured at amortised cost | | | | | |
| Subsidiary notes payable | 6,948 | — | 6,948 | — | 6,948 |
| Total financial liabilities | 78,598 | — | 11,679 | 66,919 | 78,598 |

When measuring the fair value of an asset or a liability, the Group uses market observable data when available. The fair value measurements are determined using valuation techniques. The inputs used in applying those techniques that can be categorised into different levels in the fair value hierarchy as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

PART XI—CAPITALISATION AND INDEBTEDNESS

CAPITALISATION

The table below outlines the Group's total capitalisation as of 31 December 2014.

| | <u>\$'000</u> |
|--|----------------------|
| Shareholders' equity | |
| Share capital | 2,362 |
| Merger reserve | 86,755 |
| Translation reserve | 169 |
| Other reserves | <u>3,139</u> |
| Total capitalisation as at 31 December 2014 | <u>92,425</u> |

Total capitalisation above does not include accumulated deficit, which amounted to \$70,421,000 as of 31 December 2014. Of the total capitalisation of the Company, a deficit of \$45,317,000 is attributed to non-controlling interests in the Group.

In the first quarter of 2015, the Company closed a follow-on round of financing with Invesco and other investors for \$52.4 million in exchange for 24,006,500 shares. On 20 May 2015 PureTech LLC issued Series 3 common shares to certain of its employees, directors and other service providers (for further details, see paragraph 8.1 (*PureTech LLC Incentive Compensation*) of Part XVI (*Additional Information*) of this document). There has been no other material change to the Group's total capitalisation since 31 December 2014.

INDEBTEDNESS

The table below sets out the indebtedness of the Group as of 31 March 2015:

| | <u>\$'000</u> |
|----------------------------------|-----------------------|
| Liquidity | |
| Cash | 51,599 |
| Cash equivalents | 472 |
| Trading securities | <u>86,025</u> |
| Total liquidity | 138,096 |
| Current debt | |
| Secured loans | (1,213) |
| Unsecured loans | <u>(2,348)</u> |
| | (3,561) |
| Non-current debt | |
| Secured loans | — |
| Unsecured loans | <u>—</u> |
| Total debt | <u>(3,561)</u> |
| Net funds | <u>134,535</u> |

PART XII—HISTORICAL FINANCIAL INFORMATION

Section A: Accountant's report on historical financial information



KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

The Directors
PureTech Health plc
5th Floor
6 St Andrew Street
London
EC4A 3AE
United Kingdom

19 June 2015

Dear Sirs

PureTech Health plc

We report on the consolidated financial information set out in Section B of this Part XII (*Historical Financial Information*) for the three years ended 31 December 2014. This financial information has been prepared for inclusion in the prospectus dated 19 June 2015 of PureTech Health plc (the “Company”) on the basis of the accounting policies set out in notes 2 to 4. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of this document and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the prospectus dated 19 June 2015, a true and fair view of the state of affairs of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 and of its consolidated losses, consolidated cash flows, consolidated comprehensive loss and consolidated changes in equity for the three years ended 31 December 2014 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Section B: Historical Financial Information

Consolidated Statements of Comprehensive Loss

| | Note | For the year ended 31 December | | |
|--|------|-----------------------------------|----------------|-----------------|
| | | 2012 \$'000 | 2013 \$'000 | 2014 \$'000 |
| Continuing operations | | | | |
| Revenue | 7 | 8,018 | 8,503 | 2,222 |
| Operating expenses: | | | | |
| General and administrative expenses | 9 | (8,460) | (7,169) | (14,397) |
| Research and development expenses | 9 | (5,602) | (4,419) | (5,270) |
| Other expenses - impairment of investments | 5, 9 | (3,341) | (646) | — |
| Operating loss | | (9,385) | (3,731) | (17,445) |
| Finance income | 11 | 49 | 270 | 189 |
| Finance costs contractual | 11 | (944) | (367) | (2,594) |
| Finance costs IAS 39 fair value accounting | | (499) | (83) | (56,371) |
| Net finance costs | | (1,394) | (180) | (58,776) |
| Loss on purchase of subsidiary | 5 | — | (1,399) | — |
| Loss before taxes pre IAS 39 fair value accounting | | (10,280) | (5,227) | (19,850) |
| Finance costs IAS 39 fair value accounting | 11 | (499) | (83) | (56,371) |
| Loss before taxes | | (10,779) | (5,310) | (76,221) |
| Income taxes | 27 | (535) | (274) | 278 |
| Loss for the year from continuing operations | | (11,314) | (5,584) | (75,943) |
| (Loss)/income for the year from discontinued operations | 6 | (933) | 425 | — |
| Loss for the year | | (12,247) | (5,159) | (75,943) |
| Other comprehensive income (loss): | | | | |
| Items that are or may be reclassified as profit or loss | | | | |
| Unrealised gain/(loss) on available for sale investments | | 69 | (48) | — |
| Foreign currency translation differences | | (75) | 141 | 58 |
| Total other comprehensive income (loss) | | (6) | 93 | 58 |
| Taxes | | — | — | — |
| Other comprehensive income (loss), net of tax | | (6) | 93 | 58 |
| Total comprehensive loss for the year | | (12,253) | (5,066) | (75,885) |
| Loss attributable to: | | | | |
| Owners of the Company | | (11,054) | (4,303) | (41,643) |
| Non-controlling interests | 18 | (1,193) | (856) | (34,300) |
| | | (12,247) | (5,159) | (75,943) |
| Comprehensive loss attributable to: | | | | |
| Owners of the Company | | (11,060) | (4,210) | (41,585) |
| Non-controlling interest | 18 | (1,193) | (856) | (34,300) |
| | | (12,253) | (5,066) | (75,885) |
| Loss per share | | | | |
| Basic earnings (loss) per share | 28 | (0.17) | (0.07) | (0.51) |
| Diluted earnings (loss) per share | 28 | (0.17) | (0.07) | (0.51) |
| Loss per share—continuing operations | | | | |
| Basic earnings (loss) per share | 28 | (0.16) | (0.08) | (0.51) |
| Diluted earnings (loss) per share | 28 | (0.16) | (0.08) | (0.51) |

See accompanying notes to the consolidated financial information.

Consolidated Statements of Financial Position

| | Note | As of 31 December | | |
|---|-------|-----------------------|-----------------------|------------------------|
| | | 2012 | 2013 | 2014 |
| | | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Non-current assets | | | | |
| Property and equipment, net | 12 | 1,076 | 1,213 | 1,227 |
| Available for sale investments | 3.5 | 1,216 | 251 | 78 |
| Intangible assets, net | 13 | 3,344 | 3,162 | 2,999 |
| Other non-current assets | | 9 | 3 | 5 |
| Total non-current assets | | <u>5,645</u> | <u>4,629</u> | <u>4,309</u> |
| Current assets | | | | |
| Trade and other receivables | 15 | 575 | 2,670 | 1,750 |
| Prepaid expenses and other current assets | | 934 | 465 | 1,836 |
| Other financial assets | 14 | 121 | 122 | 472 |
| Short term investments | 23 | 1,055 | 1,709 | 701 |
| Cash and cash equivalents | 14 | 10,855 | 7,171 | 61,960 |
| Total current assets | | <u>13,540</u> | <u>12,137</u> | <u>66,719</u> |
| Total assets | | <u>19,185</u> | <u>16,766</u> | <u>71,028</u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | 1,272 | 1,273 | 2,362 |
| Merger reserve | | 31,199 | 31,238 | 86,755 |
| Translation reserve | | (30) | 111 | 169 |
| Other reserve | | 1,550 | 1,558 | 3,139 |
| Accumulated deficit | | (30,897) | (35,064) | (70,421) |
| Parent equity | 16 | 3,094 | (884) | 22,004 |
| Non-controlling interests | 18 | (6,448) | (7,143) | (45,317) |
| Total equity | | <u>(3,354)</u> | <u>(8,027)</u> | <u>(23,313)</u> |
| Non-current liabilities | | | | |
| Deferred revenue | 7 | 1,061 | 1,532 | 561 |
| Other long-term liabilities | | 48 | 501 | 107 |
| Total non-current liabilities | | <u>1,109</u> | <u>2,033</u> | <u>668</u> |
| Current liabilities | | | | |
| Subsidiary notes payable | 19 | 1,459 | 4,259 | 6,948 |
| Deferred revenue | 7 | 6,246 | 1,307 | 3,293 |
| Trade and other payables | 21 | 2,732 | 1,918 | 4,731 |
| Subsidiary derivative liability | 23 | 2,199 | 2,579 | 52,794 |
| Subsidiary warrant liability | 20,23 | 928 | 2,548 | 14,125 |
| Subsidiary preferred shares | 17 | 7,699 | 9,711 | 11,494 |
| Other current liabilities | | 167 | 438 | 288 |
| Total current liabilities | | <u>21,430</u> | <u>22,760</u> | <u>93,673</u> |
| Total liabilities | | <u>22,539</u> | <u>24,793</u> | <u>94,341</u> |
| Total equity and liabilities | | <u>19,185</u> | <u>16,766</u> | <u>71,028</u> |

See accompanying notes to the consolidated financial information.

Consolidated Statement of Changes in Equity

| | Share Capital | | Merger reserve | Translation reserve | Other reserve | Accumulated deficit | Total Parent equity | Non-controlling interests (see Note 18) | Total equity |
|---|--------------------|--------------|-------------------|------------------------|------------------|------------------------|---------------------------|---|-----------------|
| | Shares | Amount | | | | | | | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance 1 January 2012 | 62,776,480 | 1,256 | 30,417 | 45 | 1,092 | (19,741) | 13,069 | (5,221) | 7,848 |
| Net loss | — | — | — | — | — | (11,054) | (11,054) | (1,193) | (12,247) |
| Foreign currency exchange | — | — | — | (75) | — | — | (75) | — | (75) |
| Unrealised gain on investments | — | — | — | — | 69 | — | 69 | — | 69 |
| Total comprehensive loss for the period | | | | (75) | 69 | (11,054) | (11,060) | (1,193) | (12,253) |
| Proceeds from issuance of shares | 734,930 | 15 | 683 | — | — | — | 698 | — | 698 |
| Issuance of shares for services | 105,370 | 1 | 99 | — | — | — | 100 | — | 100 |
| New funds into non-controlling interest | — | — | — | — | — | — | — | — | — |
| Gain arising from change in NCI | — | — | — | — | — | 34 | 34 | (34) | — |
| Amount re-classified to realised gain included in earnings | — | — | — | — | (19) | — | (19) | — | (19) |
| Dividends | — | — | — | — | — | (136) | (136) | — | (136) |
| Equity-settled share-based payments | — | — | — | — | 408 | — | 408 | — | 408 |
| Balance at 31 December 2012 | 63,616,780 | 1,272 | 31,199 | (30) | 1,550 | (30,897) | 3,094 | (6,448) | (3,354) |
| Net loss | — | — | — | — | — | (4,303) | (4,303) | (856) | (5,159) |
| Foreign currency exchange | — | — | — | 141 | — | — | 141 | — | 141 |
| Unrealised loss on investments | — | — | — | — | (48) | — | (48) | — | (48) |
| Total comprehensive loss for the period | | | | 141 | (48) | (4,303) | (4,210) | (856) | (5,066) |
| Issuance of shares for services | 42,150 | 1 | 39 | — | — | — | 40 | — | 40 |
| New funds into non-controlling interests | — | — | — | — | — | — | — | 299 | 299 |
| Gain arising from change in NCI | — | — | — | — | — | 138 | 138 | (138) | — |
| Amount reclassified to realised gain included in earnings | — | — | — | — | (234) | — | (234) | — | (234) |
| Dividends | — | — | — | — | — | (2) | (2) | — | (2) |
| Equity-settled share-based payments | — | — | — | — | 290 | — | 290 | — | 290 |
| Balance at 31 December 2013 | 63,658,930 | 1,273 | 31,238 | 111 | 1,558 | (35,064) | (884) | (7,143) | (8,027) |
| Net loss | — | — | — | — | — | (41,643) | (41,643) | (34,300) | (75,943) |
| Foreign currency exchange | — | — | — | 58 | — | — | 58 | — | 58 |
| Total comprehensive loss for the period | | | | 58 | — | (41,643) | (41,585) | (34,300) | (75,885) |
| Issuance of shares (net of issuance costs of \$414,000) | 37,402,400 | 748 | 55,093 | — | — | — | 55,841 | — | 55,841 |
| Conversion of convertible notes | 331,560 | 7 | 493 | — | — | 390 | 890 | — | 890 |
| Issuance of shares for services | 175,730 | 4 | 261 | — | — | — | 265 | — | 265 |
| Conversion of partnership and profits interests | 16,065,690 | 321 | (321) | — | — | — | — | — | — |
| Issuance of shares as equity incentives | 464,657 | 9 | (9) | — | — | — | — | — | — |
| New funds into non-controlling interests | — | — | — | — | — | — | — | 1,031 | 1,031 |
| Gain arising from change in NCI | — | — | — | — | — | 5,992 | 5,992 | (5,992) | — |
| Amount re-classified to realised gain included in earnings | — | — | — | — | (143) | — | (143) | — | (143) |
| Dividends | — | — | — | — | — | (96) | (96) | — | (96) |
| Equity-settled share-based payments | — | — | — | — | 1,724 | — | 1,724 | 1,087 | 2,811 |
| Balance 31 December 2014 | 118,098,967 | 2,362 | 86,755 | 169 | 3,139 | (70,421) | 22,004 | (45,317) | (23,313) |

See accompanying notes to the consolidated financial information.

Consolidated Statements of Cash Flows

| | Note | For the year ended 31 December | | |
|--|-------|-----------------------------------|----------------|-----------------|
| | | 2012 | 2013 | 2014 |
| | | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities: | | | | |
| Net operating loss | | (12,247) | (5,159) | (75,943) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | | | |
| Non-cash items: | | | | |
| Depreciation and amortisation | 12,13 | 500 | 453 | 455 |
| Equity-settled share-based payment expense | 10 | 408 | 290 | 2,811 |
| Gain on sale of discontinued operation | 6 | — | (742) | — |
| Loss on purchase of subsidiary | 5 | — | 1,399 | — |
| Unrealised (loss)/gain on foreign currency transactions | | (94) | 58 | 233 |
| Issuance of shares for services | | 100 | 40 | 265 |
| Other expenses impairment of investments | | 3,341 | 646 | — |
| Finance costs | 11 | 1,394 | 180 | 58,776 |
| Other adjustments | | 16 | 26 | (10) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable, net | 15 | 1,040 | (2,327) | 794 |
| Other financial assets | | (10) | (1) | (349) |
| Prepaid expenses and other current assets | | (802) | 784 | (636) |
| Deferred revenues | 7 | 3,811 | (4,315) | 1,083 |
| Other long term liabilities | | 48 | 453 | (393) |
| Accounts payable and accrued expenses | 21 | 1,043 | (559) | 2,371 |
| Net cash used in operating activities | | (1,452) | (8,774) | (10,543) |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | 12 | (836) | (558) | (367) |
| Purchases of intangible assets | 13 | (617) | (30) | (53) |
| Loss on purchase of subsidiaries net of cash acquired | | — | 79 | — |
| Proceeds from sale of property and equipment | | — | 57 | — |
| Proceeds from sale of available for sale investments | | 23 | 282 | 186 |
| Purchases of short term investments | | (2,520) | (3,488) | (2,219) |
| Proceeds from maturity of short-term investments | | 3,750 | 2,800 | 3,200 |
| Net cash provided (used in)/by investing activities | | (200) | (858) | 747 |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of convertible notes | 19 | 1,838 | 1,800 | 7,615 |
| Proceeds from subsidiary notes payable | 19 | — | 50 | 1,461 |
| Repayments of long term debt | 19 | (3,884) | (18) | (20) |
| Proceeds from the issuance of shares, net of issuance costs | 16 | 698 | — | 55,841 |
| Proceeds from issuance of share capital and warrants in subsidiaries | | 3,292 | 4,102 | — |
| Interest paid | 11 | (552) | — | — |
| Dividends paid | | (136) | (2) | (96) |
| Other financing activities | | — | 7 | (78) |
| Net cash provided by financing activities | | 1,256 | 5,939 | 64,723 |
| Effect of exchange rates on cash and cash equivalents | | (7) | 9 | (138) |
| Net (decrease)/increase in cash and cash equivalents | | (403) | (3,684) | 54,789 |
| Cash and cash equivalents at beginning of year | | 11,258 | 10,855 | 7,171 |
| Cash and cash equivalents at end of year | | 10,855 | 7,171 | 61,960 |
| Supplemental disclosure of non-cash investment and financing activities: | | | | |
| Conversion of subsidiary notes payable and accrued interest into preferred stock | | 1,411 | — | 5,523 |
| Gain on NCI | | 6,618 | 2,429 | 3,808 |
| Fair value of warrants issued in exchange for intangible assets | | 708 | — | — |

See accompanying notes to the consolidated financial information

Notes

1. General information on reporting entity

The Group is comprised of PureTech LLC and its subsidiaries (together, “the Group”) now owned by the Company, which has been formed as a listing vehicle. PureTech is a science-driven healthcare company seeking to solve some of today’s toughest health challenges in disruptive ways. The Company generates unconventional ideas, rigorously tests them, and builds businesses around potentially disruptive solutions with the aim to address significant unmet healthcare needs. PureTech has a proactive, theme-driven approach to creating innovative healthcare solutions, typically rooted in academic research and vetted by a network of experts with experience across multiple disciplines—from entrepreneurs to world-renowned scientists. Innovations are sourced internationally, typically directly from scientists based at leading academic and research institutions and then further developed with PureTech’s scientific expertise and resources.

PureTech structures its themed initiatives as independent operating companies, to enable those initiatives to reach their full potential and attract and incentivise skilled personnel, investors and partners. The Group provides a combination of experienced management and administrative support to its operating companies in which it typically holds a significant ownership interest. Cash contributed by PureTech to its subsidiaries is used to fund research and to create a management structure and operations.

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

2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial information of the Group has been prepared for the purposes of the Prospectus in accordance with the requirements of the Listing Rules and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS as adopted by the EU”) as applied by the Group and subject to the basis of consolidation outlined in note 3. These policies have been applied consistently to all the years presented.

As described in note 16, the Group undertook a re-organisation, subsequent to 31 December 2014 and prior to the issuance of this document, to insert a new holding company above PureTech LLC. Whilst the re-organisation did not meet the definition of a business combination, the group has applied the principles of reverse acquisition accounting in IFRS 3 to account for the insertion of the new holding company. As a result, the financial information is presented as a continuation of PureTech LLC.

The consolidated financial information was authorised for issue by the Directors on 18 June 2015.

2.2 Basis of presentation

The consolidated financial information is prepared under the historical cost basis except by the revaluation of certain items, as stated in the accounting policies.

2.3 Use of judgments and estimates

In preparing this consolidated financial information, management has made judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Significant estimates are made by the Group when determining the appropriate methodology for valuing the subsidiary businesses for disclosure purposes and then in deriving the estimated fair value including making certain estimates of the future earnings potential of the businesses and determining the appropriate discount rate. Significant judgment is applied in determining the valuation of share-based

Notes (Continued)

2. Basis of Preparation (Continued)

payments, derivative instruments and warrants and in determining the value and point of capitalisation of intangible assets. Significant judgment is also applied in determining where control over subsidiaries exists. Information about these critical judgments and estimates is included in the following notes.

2.4 Going concern

The Directors have prepared cash flow forecasts for the Group covering the period up to 31 December 2016. After making enquiries and considering the impact of risks and opportunities on expected cash flows, regardless of the impact from the listing of PureTech on the London Stock Exchange, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason, the financial information is presented on a going concern basis.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial information and in preparing the opening IFRS statement of financial position as of 1 January 2012 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

The Company was formed on 8 May 2015 as part of the listing process and is the company subject to Admission. On 18 June 2015, a reorganisation of PureTech's corporate structure was completed through which the Company became the sole owner of PureTech LLC. Preceding this reorganisation, on 18 June 2015 each outstanding PureTech LLC preferred share was converted into one Series 1 Common Share of PureTech LLC. Thereafter, pursuant to an agreement entered into between the Company, PureTech LLC and each of the members of PureTech LLC who had signed a joinder signature page the issued and outstanding PureTech LLC Common Shares were exchanged as follows: (i) each Series 1 Common Share was exchanged for ten Ordinary Shares; (ii) each Series 2 Common Share was exchanged for Ordinary Shares in the Company on the basis of an exchange ratio calculated by reference to ten Ordinary Shares for each Series 2 Common Share, adjusted for the currency exchange rate of £1:\$1.5648 and to take account of the Series 2 Common Share floor price of \$4.31 per share associated with each Series 2 Common Share so exchanged, with each such number of Ordinary Shares to be issued by the Company being rounded down to the nearest whole number; and (iii) each Series 3 Common Share was exchanged for Ordinary Shares in the Company on the basis of an exchange ratio calculated by reference to ten Ordinary Shares for each Series 3 Common Share, adjusted for the currency exchange rate of £1:\$1.5648 and to take account of the Series 3 Common Share floor price of \$11.45 per share associated with each Series 3 Common Share so exchanged, with each such number of Ordinary Shares to be issued by the Company being rounded down to the nearest whole number. This has been accounted for as a common control transaction under IFRS 3.B1 (see note 16), therefore the consolidated financial information for each of the years ended 31 December 2012, 2013 and 2014 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech LLC.

3.2 Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For entities for which the Group's ownership percentage is less than 50 per cent, which are Gelesis and its subsidiaries, it was determined that the Group has control of these entities as the Group controls the majority of the board of directors, holds the largest equity shareholding of Gelesis and has employees as members of Gelesis' management.

Subsidiaries are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when control ceases. A list of subsidiaries and the Group's ownership, based on

Notes (Continued)

3. Summary of significant accounting policies (Continued)

outstanding voting common and preferred shares, is outlined below. As discussed in note 17, certain of the Group's subsidiaries' outstanding preferred shares have been classified as a liability.

| Subsidiary | Date of Inception | Ownership percentage as at 31 December | | |
|--|-------------------|---|--------|--------|
| | | 2012 | 2013 | 2014 |
| Significant subsidiaries | | | | |
| Akili | 1 December 2011 | 100.0% | 100.0% | 64.4% |
| CommenSe | 23 December 2014 | n/a | n/a | 100.0% |
| Enlight Biosciences, LLC | 16 June 2005 | 83.1% | 85.7% | 86.0% |
| Endra, Inc. (indirectly held through Enlight) | 18 July 2007 | 79.0% | 12.9% | 12.9% |
| Entrega (indirectly held through Enlight) | 8 December 2010 | 83.1% | 85.6% | 85.9% |
| Follica ⁽¹⁾ | 7 July 2005 | 22.0% | 72.1% | 72.1% |
| Gelesis | 15 February 2006 | 37.0% | 34.4% | 34.4% |
| Gelesis S.r.l. (indirectly held through Gelesis) | 1 December 2009 | 37.0% | 34.4% | 34.4% |
| Gelesis, LLC (indirectly held through Gelesis) | 11 December 2008 | 37.0% | 34.4% | 34.4% |
| Karuna | 24 July 2009 | 90.7% | 90.7% | 90.7% |
| Knode (indirectly held through Enlight) | 18 October 2011 | 83.1% | 85.7% | 86.0% |
| Mandara Sciences, LLC | 28 October 2010 | 98.3% | 98.3% | 98.3% |
| The Sync Project | 23 December 2014 | n/a | n/a | 100.0% |
| PeerIn | 28 June 2012 | 100.0% | 100.0% | 100.0% |
| PureTech Management, Inc. | 27 September 2000 | 100.0% | 100.0% | 100.0% |
| T1D Innovations LLC ⁽²⁾ | 28 August 2013 | n/a | 98.8% | 98.8% |
| Tal | 6 August 2010 | 100.0% | 100.0% | 79.8% |
| Vedanta Biosciences | 23 December 2010 | 100.0% | 100.0% | 100.0% |
| Nontrading holding companies | | | | |
| Endra Holdings, LLC (held indirectly through Enlight) . . . | 29 May 2007 | 83.1% | 85.7% | 86.0% |
| Ensof Holdings, LLC (held indirectly through Enlight) . . . | 17 March 2011 | 83.1% | 85.7% | 86.0% |
| Gelesis 2012, Inc. (held indirectly through Gelesis) | 25 June 2012 | 37.0% | 34.4% | 34.4% |
| Inactive subsidiaries | | | | |
| Ensof Biosystems, Inc. (held indirectly through Enlight) . . | 17 March 2011 | 83.1% | 85.7% | 86.0% |
| Libra Biosciences, Inc. | 24 July 2009 | 100.0% | 100.0% | 100.0% |

Notes:

(1) Follica was an associate of the Group until 2013. Refer to note 5 for further details.

(2) On 12 March 2015 the T1D Innovations LLC entity was dissolved.

The financial information of the subsidiaries is prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Losses attributed to non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

3.3 Changes in ownership interests in subsidiaries without loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.4 Changes in ownership interests in subsidiaries that result in a change of control

When the Group ceases to have control of a subsidiary, the assets and liabilities are derecognised, along with any related non-controlling interest. The resulting gain or loss is recognised in profit or loss. Any interests retained are measured at fair value as of the date control is lost.

Notes (Continued)

3. Summary of significant accounting policies (Continued)

When the Group gains control of an entity, it is accounted for using the acquisition method as of the date on which control is transferred to the Group. The Group measures goodwill on this date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a loss is recognised immediately in profit or loss.

Costs related to regaining control, other than those associated with the issue of debt or equity securities, are expensed as incurred.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

3.5 Associates

Associates are entities over which the Group exercises significant influence but not control, generally by holding between 20-50 per cent of the voting rights or through agreements. Investments in associates are accounted for under the equity method of accounting, where the investment is recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss in the associate after the acquisition date. The Group does not have any associates at 31 December 2014 or 2013. The Group accounted for Follica as an associate, until control was obtained in July 2013, at which point, the entity was consolidated. As of 31 December 2011, the investment in Follica was \$3.3 million. During 2012, the Follica investment was written down to \$nil resulting in a \$3.3 million impairment on investment charge which is presented in other expenses–impairment of investments within the consolidated statements of comprehensive loss.

3.6 Non-controlling interests

Within the consolidated financial statements of the Group, the Group classifies interests in a subsidiary that is not directly attributed to the Group as non-controlling interest if there is no contractual obligation to deliver cash or other assets to the non-controlling interest holder. If there is an obligation to deliver cash or other assets, the investment is classified as subsidiary preferred stock (see note 17). . When the Group acquires an entity, non-controlling interests are measured at fair value on the date of a business combination. Subsequent purchases and sales of ownership interests where the Group maintains control are recorded at the non-controlling interests' proportionate share of the net assets. Non-controlling interest is reported in the consolidated statements of financial position, as a separate component of equity. Profit and loss attributed to the non-controlling interests is presented within in the consolidated statements of comprehensive loss.

3.7 Foreign currency translation

The consolidated financial information is presented in US Dollars. The functional currency of all members of the Group is the US Dollar, except for an Italian subsidiary whose functional currency is the Euro. The assets and liabilities of this subsidiary are translated to US Dollars at the exchange rate prevailing on the balance sheet date and revenues and expenses are translated at the average exchange rate for the period. Foreign exchange differences resulting from the translation of this subsidiary are reported in Other comprehensive income/(loss).

Transactions in foreign currencies are translated into the functional currencies of the Group using the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in

Notes (Continued)

3. Summary of significant accounting policies (Continued)

foreign currencies are translated to the functional currency on the balance sheet date. Exchange differences are recognised in profit or loss. Non-monetary balances that are not re-measured at fair value are translated to the functional currency at the exchange rate prevailing on the transaction date.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at banks and other short-term, highly liquid instruments with original maturities of three months or less. The Group's restricted cash balances are presented within the other financial assets line in the consolidated balance sheet.

3.9 Financial instruments

3.9.1 Financial assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables, debt and equity securities and security and other deposits. The Group's financial assets are classified into the following categories: available for sale and trade and other receivables. The Group determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

3.9.1.1 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. Unrealised gains and losses are recognised in Other comprehensive income/(loss). Available-for-sale financial assets are presented in the consolidated balance sheets as non-current assets, unless the Group intends to dispose of them within 12 months of the end of the reporting period.

3.9.1.2 Trade and other receivables

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

3.9.2 Financial liabilities

The Group's financial liabilities consist of subsidiary notes payable, subsidiary preferred shares, trade and other payables, subsidiary derivative liability and subsidiary warrant liability. Subsidiary notes payable and trade and other payables are initially recognised at fair value less the value attributed to any separately accounted for embedded derivatives. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. The amortisation is included in interest expense in the consolidated statements of comprehensive loss.

Derivative liabilities include features within the subsidiary notes payable and subsidiary preferred stock that require bifurcation from the notes under IAS 39; Financial Instruments: Recognition and Measurement and liability classified warrants. Derivative liabilities are carried at fair value with changes recognised in finance costs in the consolidated statements of comprehensive loss. (see note 23).

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

Notes (Continued)

3. Summary of significant accounting policies (Continued)

3.9.3 Financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

3.9.3.1 they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

3.9.3.2 where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

3.10 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

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

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if appropriate.

Construction in process assets are carried at cost, less any recognised impairment loss. These assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commence when the assets are ready for use.

3.11 Available for sale investments

The Group's available for sale investments includes entities which the Group does not control nor for which the Group can exercise significant influence. If the entity is a publicly traded corporation, the Group records the fair value of the investment based on market quoted prices, with any unrealised gains or losses being recorded in Other comprehensive income/(loss). For entities without a readily determinable fair value the Group records the investment at historical cost and reviews the investment annually for impairment.

As of 31 December 2012, the available for sale investment balance was primarily comprised of a \$505,000 investment in Fluoropharma Medical, Inc., a publicly traded corporation, and a \$646,000 investment in Satori, a privately held company. During 2013, the Group recognised an impairment charge of \$646,000 related to the investment in Satori to bring the investment to \$nil due the liquidation of the company during 2013. The impairment charge is presented in other expenses-impairment of investments within the consolidated statements of comprehensive loss.

Notes (Continued)

3. Summary of significant accounting policies (Continued)

3.12 Intangible assets

Intangible assets, which include purchased patents and licenses, are carried at historical cost. Patents and licenses have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives, which is typically the remaining life of the underlying patents.

3.13 Research and development

Research and development costs include payroll and personnel expense, consulting costs, patent costs, external contract research and development expenses, as well as depreciation and utilities. Research and development costs are expensed as incurred. Prepaid research and development costs are deferred and amortised over the service period as the services are provided.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The Group has not capitalised any research and development costs to date.

3.14 Clinical trial costs

Clinical trial costs are a component of research and development expenses and consist of clinical trial and related clinical manufacturing costs, fees paid to clinical research organisations and investigative sites. The Group accrues and expenses clinical trial activities performed by third parties on an evaluation of the progress to completion of specific tasks using data such as patient enrolment, clinical site activation, and other information provided to the Group by its vendors.

3.15 Income tax

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes that have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities where the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other comprehensive income/(loss).

3.16 Impairment

3.16.1 Impairment of non-financial assets

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

Notes (Continued)

3. Summary of significant accounting policies (Continued)

recognised when an asset's carrying amount exceeds its recoverable amount. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash flows. If a non-financial asset instrument is impaired, an impairment loss is recognised in profit and loss.

3.16.2 Impairment of financial assets carried at fair value

The Group's available-for-sale financial assets are carried at fair value through Other comprehensive income/(loss) and are tested at each reporting period to assess whether there is objective evidence that the assets should be impaired. An impairment loss is recognised when there is a significant or prolonged decline in fair value below the instrument's cost. If an instrument is impaired, the impairment loss is calculated and recognised in profit and loss. The only amounts reclassified from Other comprehensive income/(loss) into operating loss were realised gains related to the sale of an investment.

3.16.3 Impairment of financial assets measured at amortised cost

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

3.17 Share-based payments

The Group issues shares to employees and non-employees as equity-based compensation.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The options granted to employees are measured at fair value, using the terms and conditions upon which the options were granted. The total amount to be expensed is determined by reference to the fair value of the options granted, adjusted for the impact of any market performance, service conditions and other non-market performance vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the share-based compensation to non-employees is re-measured at fair value as the award vests. The fair value of services received in exchange for shares is determined using the fair value of the share that was issued, which is typically the issue price of the share.

3.18 Employee benefits

3.18.1 Short-term employee benefits

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

3.18.2 Defined contribution plans

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

Notes (Continued)

3. Summary of significant accounting policies (Continued)

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.19 Revenue recognition

Revenue is derived primarily from fees related to subscription agreements, collaboration agreements and government grants entered into by the Group's subsidiaries. Revenue is measured at the fair value of consideration received or receivable and is recognised in accordance with IAS 18 Revenue when each of the following criteria for revenue recognition have been met:

- the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with the transaction will flow to the Group; and
- when the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The Group recognises revenue from services under subscription and collaboration agreements in the period in which the services are rendered, on a straight-line basis or assessed by the percentage-of-completion method over the period to which services relate. Revenue from government grants is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. The Group submits qualifying expenses and capital purchases for reimbursement only after qualifying for the grant programmes, which occur after capital purchases and/or research and development costs have been incurred.

3.20 Finance income and finance costs

Finance income mainly comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise loan interest expense and the changes in the fair value of warrant and derivative liabilities associated with financing transactions.

3.21 Fair value measurements

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

When measuring the fair value of an asset or a liability, the Group uses market observable data when available. The fair value measurements are determined using valuation techniques. The inputs used in applying those techniques that can be categorised into different levels in the fair value hierarchy as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

3.22 Derivative and warrant policy

Equity conversion features and put options within host instruments that meet the definition of a derivative and have economic and risk characteristics that are not closely related to the host are considered

Notes (Continued)

3. Summary of significant accounting policies (Continued)

embedded derivatives and are bifurcated from the host and accounted for separately. The Group has recognised embedded derivative liabilities related to features within convertible notes and conversion features with subsidiary preferred shares. Derivative financial liabilities are initially recorded at fair value and are re-measured to fair value at each period end while such instruments are outstanding, with gains and losses arising from changes in fair value recognised in finance costs in the consolidated statements of comprehensive loss. The embedded derivative liabilities are being valued using a probability-weighted expected return model.

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

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

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

3.23 Operating leases

The Group classifies leases as either finance or operating leases at inception, depending on whether substantially all the risks and rewards of ownership transfer to the Group. Leases where the lessee has substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group had only operating leases during the reporting periods. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.24 Segment reporting

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

3.25 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statements of comprehensive loss is shown as if the operation has been discontinued from the start of the comparative period.

4. Changes in accounting policies

4.1 New standards, amendments and interpretations adopted by the Group

The following standards, amendments, and interpretations have been adopted by the Group for the first time beginning on or after 1 January 2014:

4.1.1 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendment addresses existing application issues relating to the offsetting of financial assets and financial liabilities to reduce the level of diversity in current practice. The amendment clarifies

Notes (Continued)

4. Changes in accounting policies (Continued)

that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency and bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant impact on the Group's financial information.

4.1.2 Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The amendments require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments also require an entity to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The amendments did not have a significant impact on the Group's financial information.

Other standards, amendments, and interpretations which are effective for the fiscal year beginning 1 January 2014 are not material to the Group.

4.2 IFRS issued but not yet effective

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing the consolidated financial information. Management has yet to complete an analysis of these new standards, interpretations and amendments to existing standards on the results of its operations, financial position, and disclosures. The Group intends to adopt these standards on their respective effective dates.

The following are amended or new standards and interpretations that may impact the Group:

4.2.1 IFRS 9, Financial Instruments

The standard addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model 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 fair value through profit or loss. 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 actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 and early adoption is permitted. The Group is in the process of assessing the impact of IFRS 9.

4.2.2 IFRS 15, Revenue from Contracts with Customers

The amendment deals with revenue recognition and establishes principles for reporting useful information to users of financial information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods

Notes (Continued)

4. Changes in accounting policies (Continued)

beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

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.

5. Change in control transactions

PureTech held a 22 per cent ownership interest in Follica as of 1 January 2012 and accounted for its investments as an associate under the equity method of accounting. During 2012, PureTech recorded a \$3.3 million impairment loss on its investment resulting from a clinical trial missing its primary endpoint. Subsequently, in 2013, PureTech led a recapitalisation of Follica pursuant to which PureTech entered into an agreement with Follica to provide general management services, strategic business and scientific advice concerning Follica's programmes and products and general and administrative services. In return, PureTech was issued 10 million shares of Series A-1 Preferred Stock and future royalties on net product sales. As a result of the recapitalisation, PureTech gained control of Follica.

This change in control has been accounted for using the acquisition method of accounting; accordingly the results of Follica's operations are included in the Group's operating results from 23 July 2013, the date upon which the Group regained control. The fair value of Follica's identified assets and liabilities as of the date when PureTech regained control were:

| | Fair value |
|--|------------|
| | \$'000 |
| Cash | 79 |
| Notes receivable | — |
| Accounts payable and other liabilities | (398) |
| Subsidiary notes payable | (1,080) |
| Non-controlling interest | — |
| Net liabilities | (1,399) |
| Loss on purchase of subsidiary | 1,399 |

Upon recapitalisation, the Group did not assign any value to the intangible assets of Follica due to the clinical trial missing its primary endpoint. Any recognition of goodwill could not be justified.

6. Discontinued operations

Prior to 10 July 2013, PureTech held a controlling interest in Endra Inc. ("Endra"), a company founded by PureTech in 2007 that developed a photoacoustic 3-D tomographic imaging system. During 2013, PureTech determined that the Endra product did not fit with its strategic plan and vision for the Group. On 10 July 2013, PureTech entered into Securities Purchase Agreements with a group of individual investors to sell the majority of its interest in Endra for \$1,000. After the sale, PureTech's remaining interest in Endra was 12.9 per cent and PureTech had no ability to exercise significant influence over Endra as it was no longer the majority equity owner and it had no representation on Endra's board of directors. Upon the loss of the controlling interest in Endra, PureTech derecognised Endra's assets and liabilities along with the non-controlling interest. Additionally, PureTech deemed the fair value of its retained interest in Endra to be \$nil as of 10 July 2013.

The results of Endra's operations have been presented as discontinued operations for all periods presented.

Notes (Continued)

6. Discontinued operations (Continued)

Net revenues and loss from discontinued operations for the years ended 31 December 2013 and 2012 were as follows:

| | <u>2012</u> | <u>2013</u> |
|--|---------------|---------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| Revenue | 489 | 250 |
| Expenses | (1,422) | (567) |
| Operating loss from discontinued operations | (933) | (317) |
| Income tax provision (benefit) | — | — |
| Gain on sale, net of tax | — | 742 |
| Profit/(loss) from discontinued operations, net | (933) | 425 |
| Profit/(loss) from discontinued operations, net attributable to Non-controlling interest | (56) | (37) |
| Profit/(loss) from discontinued operations, net attributable to parent | (877) | 462 |
| Basic earnings (loss) per share | (0.01) | 0.01 |
| Diluted earnings (loss) per share | (0.01) | 0.01 |

Cash flows from (used in) discontinued operations for the years ended 31 December 2013 and 2012 were as follows:

| | <u>2012</u> | <u>2013</u> |
|---|---------------|---------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| Net cash used in operating activities | (875) | (63) |
| Net cash from investing activities | — | 1 |
| Net cash from financing activities | — | 50 |
| Net cash flow for the year | (875) | (12) |

7. Revenue

Revenue recorded in the statement of comprehensive loss consists of the following:

| <u>For the years ended 31 December:</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|---------------|---------------|---------------|
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Subscription fees | 2,729 | 2,350 | 1,750 |
| Collaboration revenue | 5,203 | 4,669 | 262 |
| Grant revenue | 86 | 1,484 | 210 |
| Total revenue | 8,018 | 8,503 | 2,222 |

Deferred revenue recorded in the consolidated statements of financial position consists of the following:

| <u>As at 31 December:</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|---------------|---------------|---------------|
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Subscription fees | 1,383 | 983 | 816 |
| Collaboration revenue | 4,740 | 234 | 2,380 |
| Grant revenue | 123 | 90 | 97 |
| Deferred revenue, current | 6,246 | 1,307 | 3,293 |
| Subscription fees | 575 | 325 | 142 |
| Collaboration revenue | 166 | 733 | — |
| Grant revenue | 320 | 474 | 419 |
| Deferred revenue, non-current | 1,061 | 1,532 | 561 |
| Total deferred revenue | 7,307 | 2,839 | 3,854 |

Notes (Continued)

8. Segment information

8.1 Basis for segmentation

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

8.1.1 Growth stage operating companies—subsidiaries in this segment are those whose activities focus on actively developing products to solve major healthcare problems in varied markets. All subsidiaries shown below have been aggregated into one reportable segment:

| Subsidiary | Principal Activities & Target Market |
|-------------------------------|---|
| Vedanta Biosciences | A preclinical stage company developing a microbiome immune system drug-discovery platform and drug candidates for the treatment of immune-mediated diseases. |
| Gelesis | A clinical stage company developing products that seek to induce weight loss and potentially improve glycaemic control through an orally administered capsule that expands in the GI tract as it absorbs water. |
| Akili | A clinical stage company developing technology and products for the screening, diagnosis and treatment of neurological disorders such as ADHD, autism and depression through computer software. |
| Tal | A clinical stage medical device company developing an innovative, noninvasive neurostimulation treatment for psychiatric disorders including depression and bipolar disorder. |
| Karuna | A clinical stage company developing an innovative combination therapy for the treatment of schizophrenia. |
| Entrega | A preclinical stage company developing a drug platform for the oral administration of proteins, peptides and other difficult-to-deliver payloads, including magnetic nanoparticles. |
| Follica | A clinical stage company developing products to generate new human hair follicles and hair. |

8.1.2 Project phase and sourcing companies—subsidiaries in this segment are those whose activities are focused on financing, sourcing and creating new operating companies and newly created operating companies whose technologies are in the process of validation. This segment includes the following subsidiaries:

Notes (Continued)

8. Segment information (Continued)

| Subsidiary | Principal Activities & Target Market |
|--|--|
| Project phase operating companies | |
| The Sync Project | Developing a platform and products that seek to explore and leverage the health potential of music by utilising a platform that takes in physiological data from sensors and correlates that data with musical data components (e.g. beat and rhythm). |
| Sonde Health | Developing voice-based tools for the passive assessment and tracking of patient health. |
| Commense | Developing commensal organism-based products for the improvement of human health in, for example, early childhood. |
| Knode | A technology platform being developed to identify experts in healthcare and other research-based disciplines based on the content they have produced. |
| PeerIn | Identifying healthcare expert networks and reviewing their conversations and content on social media. |
| Sourcing companies | |
| Enlight Biosciences, LLC | Development of digital health technologies |
| Mandara Sciences, LLC | Improvement of health through food through the creation of innovative nutrition technology companies |
| T1D Innovation, LLC ⁽¹⁾ | Identification and creation of innovative companies that will significantly impact the lives of patients with type 1 diabetes |

Notes:

(1) On 12 March 2015 the T1D Innovation, LLC entity was dissolved.

8.2 Information about reportable segments

The following provides detailed information of the Group's reportable segments as of and for the years ended 31 December 2012, 2013 and 2014, respectively:

| | 2012 | | | |
|--|--|--|------------------------------|-----------------|
| | Growth stage operating companies | Project phase & sourcing companies | Parent company & other | Consolidated |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated Statements of Comprehensive Loss | | | | |
| Revenue | 4,602 | 3,416 | — | 8,018 |
| General and administrative expenses | (3,635) | (2,594) | (2,231) | (8,460) |
| Research and development expenses | (4,528) | (1,070) | (4) | (5,602) |
| Other expenses—impairment of investments | — | — | (3,341) | (3,341) |
| Net finance costs | (1,504) | 11 | 99 | (1,394) |
| Loss from continuing operations | (5,065) | (237) | (5,477) | (10,779) |
| Provision for income taxes | (535) | — | — | (535) |
| Discontinued operations | (933) | — | — | (933) |
| Loss for the year | (6,533) | (237) | (5,477) | (12,247) |
| Other comprehensive income/(loss) | — | — | (6) | (6) |
| Total Comprehensive Loss for the Year | (6,533) | (237) | (5,483) | (12,253) |
| Total comprehensive loss attributable to: | | | | |
| Owners of the Company | (5,397) | (180) | (5,483) | (11,060) |
| Non-controlling interests | (1,136) | (57) | — | (1,193) |
| Consolidated Statements of Financial Position | | | | |
| Total assets | 8,171 | 1,815 | 9,199 | 19,185 |
| Total liabilities | 21,368 | 2,473 | (1,302) | 22,539 |
| Net (liabilities)/assets | (13,197) | (658) | 10,501 | (3,354) |

Notes (Continued)

8. Segment information (Continued)

| | 2013 | | | |
|---|--|--|------------------------------|-----------------|
| | Growth stage operating companies | Project phase & sourcing companies | Parent company & other | Consolidated |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated Statements of Comprehensive Loss | | | | |
| Revenue | 5,516 | 2,987 | — | 8,503 |
| General and administrative expenses | (4,321) | (1,119) | (1,729) | (7,169) |
| Research and development expenses | (3,050) | (1,357) | (12) | (4,419) |
| Other expenses—impairment of investments | — | — | (646) | (646) |
| Net finance costs | (598) | 48 | 370 | (180) |
| Loss on purchase of subsidiary | (1,399) | — | — | (1,399) |
| Net (loss)/income from continuing operations . . . | (3,852) | 559 | (2,017) | (5,310) |
| Provision for income taxes | (274) | — | — | (274) |
| Discontinued operations | 425 | — | — | 425 |
| Net (loss)/income for the year | (3,701) | 559 | (2,017) | (5,159) |
| Other comprehensive income | — | — | 93 | 93 |
| Total Comprehensive (loss) /income for the Year . | (3,701) | 559 | (1,924) | (5,066) |
| Total comprehensive (loss)/income attributable to: | | | | |
| Owners of the Company | (2,897) | 611 | (1,924) | (4,210) |
| Non-controlling interests | (804) | (52) | — | (856) |
| Consolidated Statements of Financial Position | | | | |
| Total assets | 10,140 | 1,543 | 5,083 | 16,766 |
| Total liabilities | 26,834 | 1,544 | (3,585) | 24,793 |
| Net (liabilities)/assets | (16,694) | (1) | 8,668 | (8,027) |
| | | | | |
| | 2014 | | | |
| | Growth stage operating companies | Project phase & sourcing companies | Parent company & other | Consolidated |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated Statements of Comprehensive Loss | | | | |
| Revenue | 219 | 2,003 | — | 2,222 |
| General and administrative expenses | (8,288) | (2,278) | (3,831) | (14,397) |
| Research and development expenses | (4,905) | (279) | (86) | (5,270) |
| Other expenses—impairment of investments | — | — | — | — |
| Net finance costs | (59,043) | (4) | 271 | (58,776) |
| Loss from continuing operations | (72,017) | (558) | (3,646) | (76,221) |
| Provision for income taxes | 278 | — | — | 278 |
| Net loss for the year | (71,739) | (558) | (3,646) | (75,943) |
| Other comprehensive income | — | — | 58 | 58 |
| Total Comprehensive Loss for the Year | (71,739) | (558) | (3,588) | (75,885) |
| Total comprehensive loss attributable to: | | | | |
| Owners of the Company | (37,439) | (558) | (3,588) | (41,585) |
| Non-controlling interests | (34,300) | — | — | (34,300) |
| Consolidated Statements of Financial Position | | | | |
| Total assets | 15,710 | 1,421 | 53,897 | 71,028 |
| Total liabilities | 95,749 | 2,067 | (3,475) | 94,341 |
| Net (liabilities) assets | (80,039) | (646) | 57,372 | (23,313) |

Notes (Continued)

8. Segment information (Continued)

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

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

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 17.

The Group's externally generated revenue outside of the United States was \$86,000, \$1.5 million and \$210,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

The Group's non-current assets consist of investments, property and equipment, intangible assets and other assets, of which \$840,000, \$1 million and \$1.1 million were located in Italy as of 31 December 2012, 2013 and 2014, respectively.

8.3 Growth stage operating company valuation

At the close of each annual financial period, the Directors estimate, and formally approve, the value of all growth stage operating companies in the Group, which is used to derive the Aggregate Value of Growth Stage Operating Company Holdings ("Aggregate Holdings"). The Aggregate Holdings was \$222.4 million as at 31 December 2014, or, in the case of Gelesis and Tal, as at the date of any financings that occurred after 31 December 2014, as set out in the table below. The Aggregate Holdings is a sum-of-the-parts valuation of all the growth stage companies in the Group.

The methodology for the Group's growth stage operating company valuations, extracts of which are set out below, is based on the American Institute of Certified Public Accountants' Valuation of Privately-Held-Company Equity Securities Issued as Compensation ("AICPA Guidelines").

The Aggregate Holdings represents PureTech's interest in the equity value of each operating company:

= (Business Enterprise Value – Debt + Cash) × PureTech's percentage ownership, plus the present value of PureTech's expected future royalty stream associated with a particular business, plus the value of debt provided by PureTech to each operating company. PureTech has royalty agreements with Follica, Gelesis, and Karuna. PureTech commits post-seed funding to certain subsidiaries in the form of loans.

The Aggregate Holdings includes cash balances held by those operating companies as at 31 December 2014, except:

- (1) in the case of Gelesis and Tal, where additional cash was raised as a result of their 2015 financings;
- (2) in the case of Vedanta Biosciences, immediately after entering into its 2015 licensing agreement with Janssen.

The Aggregate Holdings excludes cash balances of \$52.4 million held at the parent company level as at 31 December 2014.

The Aggregate Holdings has been calculated on the basis of PureTech's percentage ownership as at 31 December 2014. Where subsidiaries have raised financing from external parties subsequent to 31 December 2014, the ownership adjusted value in the table below has been updated to reflect the percentage ownership immediately following the financing and the valuation implied by that external investment on a post new money basis. Tal completed a funding round of \$14.5 million in March 2015 and Gelesis, completed a funding round of \$22.3 million in March 2015.

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

Notes (Continued)

8. Segment information (Continued)

| | Ownership adjusted fair value of growth stage operating company holdings | |
|---|--|-------------------------|
| | \$'000,000 | % of Aggregate Holdings |
| Growth stage operating companies | | |
| Vedanta Biosciences | 67.0 | 30.1% |
| Gelesis | 44.9 | 20.2% |
| Akili | 26.7 | 12.0% |
| Tal | 27.3 | 12.3% |
| Karuna | 24.9 | 11.1% |
| Entrega | 13.4 | 6.0% |
| Follica | 18.2 | 8.2% |
| Total Growth Stage Operating Companies | <u>222.4</u> | <u>100.0%</u> |

Valuation methodology

The Aggregate Holdings represents the sum-of-the-parts (“SOTP”) of, principally, risk-adjusted net present value (“rNPV”) from discounted cash flow (“DCF”) valuations (for Vedanta Biosciences, Akili, Entrega, Karuna and Follica), and valuations based on recent investments at the operating company level (Gelesis and Tal). In the absence of recent arm’s length, third party investments at the operating company level which could otherwise have formed the basis for the valuations, DCF valuations are used for the valuation of PureTech’s operating companies and any anticipated royalty streams paid directly to PureTech stemming from license agreements with some of the growth stage operating companies. DCF valuations are highly sensitive to key input assumptions, including estimates associated with discount rates and projected financial performance. Due to the stage of development of the Operating Company Holdings, projections are particularly sensitive to certain key assumptions namely:

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

Notwithstanding the fact that the valuation methodologies applied are based on the AICPA Guidelines and while the Board considers the methodologies and assumptions adopted in each valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. The AICPA Guidelines do not represent, but are consistent with, valuation principles adopted under IFRS. The operating company valuations are not presented as alternative measures to, and should be read in conjunction with, the Group’s consolidated financial information.

Notes (Continued)

9. Operating expenses

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

| | For the years ended 31 December | | |
|--------------------------------------|------------------------------------|-----------|-----------|
| | 2012 | 2013 | 2014 |
| General and administrative | 29 | 29 | 32 |
| Research and development | 12 | 12 | 11 |
| Total | <u>41</u> | <u>41</u> | <u>43</u> |

The aggregate payroll costs of these persons were as follows:

| | For the years ended 31 December: | | |
|--------------------------------------|-------------------------------------|--------------|--------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| General and administrative | 4,690 | 3,618 | 7,230 |
| Research and development | 1,374 | 1,587 | 2,434 |
| Total | <u>6,064</u> | <u>5,205</u> | <u>9,664</u> |

Total operating expenses were as follows:

| | For the years ended 31 December: | | |
|---|-------------------------------------|---------------|---------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Salaries and wages | 5,261 | 4,408 | 6,341 |
| Healthcare benefits | 211 | 328 | 305 |
| Payroll taxes | 163 | 126 | 165 |
| Share-based payments | 408 | 290 | 2,811 |
| Other payroll costs | 5 | 9 | 5 |
| Contributions to defined contribution plans | 16 | 44 | 37 |
| Total salary and benefits-related expenses | <u>6,064</u> | <u>5,205</u> | <u>9,664</u> |
| Other G&A expenses | 3,770 | 3,551 | 7,167 |
| Other R&D expenses | 4,228 | 2,832 | 2,836 |
| Other expenses—impairment of investments | 3,341 | 646 | — |
| Total operating expenses | <u>17,403</u> | <u>12,234</u> | <u>19,667</u> |

See notes 3.5 for further disclosure related to impairment of investments.

See note 10 for further disclosures related to share-based payments and note 26 for management's remuneration disclosures.

10. Share-based payments

10.1 PureTech LLC Incentive Stock Issuance

In 2014, PureTech LLC's Directors approved the issuance of shares to management, the directors and advisors. The shares have various vesting terms over a period of service between zero and three years, provided the recipient remains continuously engaged as a service provider. The estimated fair value of shares, including the effect of estimated forfeitures, is recognised over the shares vesting period.

Shares granted and outstanding at 31 December 2014 as incentive equity by PureTech LLC were 13,258,902 in line with the principles described in note 16, have been shown as converted into Ordinary Shares. 464,657 shares were exercisable at year-end. The intrinsic value of the vested portion of such shares is \$130,000.

Notes (Continued)

10. Share-based payments (Continued)

PureTech incurred stock-based compensation expense of \$nil, \$nil and \$637,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

10.1.1 Fair value measurements

The fair value of the shares awarded by the PureTech Directors during 2014 was estimated at the grant date using the Black-Scholes option valuation model that uses the following weighted-average assumptions:

| <u>Assumption/Input</u> | <u>2014</u> |
|---|-------------|
| Expected award life (in years) | 3.5 Years |
| Expected award price volatility | 25.70% |
| Risk-free interest rate | 0.97% |
| Expected dividend yield | — |
| Grant date fair value | \$0.12 |
| Share price at grant date | \$0.48 |

Expected volatility has been based on an evaluation of the historical volatility of the share price of publicly traded companies comparable to PureTech, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general shareholder behaviour.

10.2 Subsidiaries plans

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

| | <u>Gelesis</u> | <u>Akili</u> | <u>Karuna</u> | <u>Tal</u> | <u>Vedanta Biosciences</u> | <u>Knode</u> | <u>Entrega</u> | <u>Total</u> |
|---|----------------|--------------|---------------|------------|--------------------------------|--------------|----------------|--------------|
| Outstanding as of 1 January 2012 | 3,929,040 | — | 872,500 | — | — | — | 412,500 | 5,214,040 |
| Granted during the year | — | 225,000 | — | 565,000 | — | — | 292,500 | 1,082,500 |
| Exercised during the year | — | — | — | — | — | — | (5,833) | (5,833) |
| Forfeited during the year | — | — | (330,573) | (275,000) | — | — | (11,667) | (617,240) |
| Outstanding as of 31 December 2012 | 3,929,040 | 225,000 | 541,927 | 290,000 | — | — | 687,500 | 5,673,467 |
| Granted during the year | — | 433,000 | — | — | — | — | — | 433,000 |
| Forfeited during the year | (900) | (15,000) | — | — | — | — | — | (15,900) |
| Outstanding as of 31 December 2013 | 3,928,140 | 643,000 | 541,927 | 290,000 | — | — | 687,500 | 6,090,567 |
| Granted during the year | 1,724,678 | — | — | 1,203,397 | 550,000 | 194,063 | — | 3,672,138 |
| Exercised during the year | — | (5,000) | — | — | — | — | — | (5,000) |
| Forfeited during the year | — | — | — | (263,597) | — | — | (25,000) | (288,597) |
| Outstanding as of 31 December 2014 | 5,652,818 | 638,000 | 541,927 | 1,229,800 | 550,000 | 194,063 | 662,500 | 9,469,108 |

The exercise prices for the options granted in 2012 were \$0.01, \$0.095 and \$0.03 per share for Akili, Tal and Entrega, respectively. The exercise price for the options in 2013 was \$0.05 per share for Akili. The exercise prices for the options granted in 2014 were \$0.85, \$0.02 and \$0.05 per share for Tal, Vedanta Biosciences and Knode, respectively.

10.2.1 Gelesis 2006 Stock Option Plan

In May 2006, the Directors of Gelesis, approved the 2006 Stock Incentive Plan (the “Gelesis Plan”) which provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees of Gelesis. At 31 December 2014, the number of shares that remain available for issuance under the Gelesis Plan was 1,378,538.

The options granted under the Gelesis Plan are equity settled and expire ten years from the grant date. In general, awards typically vest in three years but vesting conditions can vary based on the discretion of Gelesis’ Directors.

Notes (Continued)

10. Share-based payments (Continued)

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

Gelesis incurred stock-based compensation expense of \$405,000, \$218,000, and \$2 million for the years ended 31 December 2012, 2013 and 2014.

10.2.2 Gelesis fair value measurements

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

| Assumption/Input | 2012 | 2013 ⁽¹⁾ | 2014 |
|--|--------|---------------------|--------|
| Expected volatility | 66.5% | n/a | 71.7% |
| Expected term (in years) | 5.3 | n/a | 5.6 |
| Risk-free interest rate | 0.8% | n/a | 1.8% |
| Expected dividend yield | 0% | n/a | 0% |
| Weighted average share price at grant date | \$0.16 | n/a | \$2.85 |
| Weighted average exercise price | \$0.42 | n/a | \$2.29 |

Note:

(1) No stock options were granted during 2013.

Gelesis used an average historical share price volatility based on an analysis of reported data for a peer group of comparable companies which were selected based upon industry similarities. As there is not sufficient historical share exercise data to calculate the expected term of the options, Gelesis elected to use the "simplified" method for all options granted at the money to value share option grants. Under this approach, the weighted average expected life is presumed to be the average of the vesting term and the contractual term of the option.

10.2.3 Other plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis was \$2,800, \$72,000 and \$156,500 for the years ended 31 December 2012, 2013 and 2014, respectively.

10.3 Share-based payment expense

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

| | For the year ended 31 December | | |
|--------------------------------------|-----------------------------------|------------|--------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| General and administrative | 186 | 147 | 1,440 |
| Research and development | 222 | 143 | 1,371 |
| Total | 408 | 290 | 2,811 |

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

Notes (Continued)

11. Finance costs, net

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

| | 2012 \$'000 | 2013 \$'000 | 2014 \$'000 |
|--|----------------|----------------|----------------|
| Finance income | | | |
| Realised gain on available for sale investments | 19 | 234 | 143 |
| Interest income on bank deposits | 30 | 36 | 46 |
| Total finance income | 49 | 270 | 189 |
| Finance costs | | | |
| Contractual interest expense on convertible notes | (242) | 10 | (41) |
| Interest expense on other borrowings | (68) | (320) | (438) |
| Non-cash interest expense on convertible notes | (299) | (57) | (2,115) |
| Loss on extinguishment of subsidiary notes payable | (335) | — | — |
| Total finance costs contractual | (944) | (367) | (2,594) |
| Gain/(loss) from change in fair value of warrant liability | 143 | (104) | (11,432) |
| Loss on fair value measurement of derivative liability | (642) | 21 | (44,939) |
| Total finance costs | (499) | (83) | (56,371) |
| Finance costs, net | (1,394) | (180) | (58,776) |

See note 23 for further disclosure related to loss on fair value measurement of derivative liability.

12. Property and equipment

Property and equipment, net, consists of the following:

| Cost | Laboratory and Manufacturing Equipment | Furniture and Fixtures | Computer Equipment and Software | Leasehold Improvements | Construction in process | Total |
|---|---|------------------------------|--|---------------------------|----------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as of 1 January 2012 | 361 | 84 | 108 | 50 | — | 603 |
| Additions, net of transfers | 696 | 11 | 23 | 106 | — | 836 |
| Exchange differences | (15) | — | — | (11) | — | (26) |
| Balance as of 31 December 2012 | 1,042 | 95 | 131 | 145 | — | 1,413 |
| Additions, net of transfers | 61 | — | 32 | 20 | 445 | 558 |
| Disposals | (286) | — | — | — | — | (286) |
| Exchange differences | (9) | — | — | 7 | (13) | (15) |
| Balance as of 31 December 2013 | 808 | 95 | 163 | 172 | 432 | 1,670 |
| Additions, net of transfers | 300 | 3 | 27 | 37 | — | 367 |
| Exchange differences | (109) | — | — | (21) | (31) | (161) |
| Balance as of 31 December 2014 | 999 | 98 | 190 | 188 | 401 | 1,876 |

Notes (Continued)

12. Property and equipment (Continued)

| Accumulated Depreciation and Impairment Loss | Laboratory and Manufacturing Equipment | Furniture and Fixtures | Computer Equipment and Software | Leasehold Improvements | Construction in Process | Total |
|---|---|------------------------------|--|---------------------------|----------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as of 1 January 2012 | (67) | (44) | (61) | (2) | — | (174) |
| Depreciation | (134) | (7) | (19) | — | — | (160) |
| Exchange differences | (3) | — | — | — | — | (3) |
| Balance as of 31 December 2012 | (204) | (51) | (80) | (2) | — | (337) |
| Depreciation | (158) | (8) | (47) | (28) | — | (241) |
| Disposals | 131 | — | — | — | — | 131 |
| Exchange differences | (10) | — | — | — | — | (10) |
| Balance as of 31 December 2013 | (241) | (59) | (127) | (30) | — | (457) |
| Depreciation | (110) | (8) | (26) | (32) | — | (176) |
| Exchange differences | (16) | — | — | — | — | (16) |
| Balance as of 31 December 2014 | (367) | (67) | (153) | (62) | — | (649) |

| Property and Equipment, net | Laboratory and Manufacturing Equipment | Furniture and Fixtures | Computer Equipment and Software | Leasehold Improvements | Construction in Process | Total |
|--|---|------------------------------|--|---------------------------|----------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as of 31 December 2012 | 838 | 44 | 51 | 143 | — | 1,076 |
| Balance as of 31 December 2013 | 567 | 36 | 36 | 142 | 432 | 1,213 |
| Balance as of 31 December 2014 | 632 | 31 | 37 | 126 | 401 | 1,227 |

Depreciation of property and equipment is included in general and administrative expenses in the consolidated statement of comprehensive income/(loss).

13. Intangible assets

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

| Cost | Licenses |
|---------------------------------------|----------|
| | \$'000 |
| Balance at 1 January 2012 | 322 |
| Additions | 3,373 |
| Balance at 31 December 2012 | 3,695 |
| Additions | 30 |
| Balance at 31 December 2013 | 3,725 |
| Additions | 53 |
| Balance at 31 December 2014 | 3,778 |

Notes (Continued)

13. Intangible assets (Continued)

| <u>Accumulated amortisation</u> | <u>Licenses</u> |
|-----------------------------------|-----------------|
| | <u>\$'000</u> |
| Balance at 1 January 2012 | 11 |
| Amortisation | 340 |
| Balance at 31 December 2012 | 351 |
| Amortisation | 212 |
| Balance at 31 December 2013 | 563 |
| Amortisation | 216 |
| Balance at 31 December 2014 | 779 |

| <u>Intangible assets, net</u> | <u>Licenses</u> |
|-----------------------------------|-----------------|
| | <u>\$'000</u> |
| Balance at 31 December 2012 | 3,344 |
| Balance at 31 December 2013 | 3,162 |
| Balance at 31 December 2014 | 2,999 |

Amortisation expense is included in research and development expenses in the consolidated statements of comprehensive loss.

14. Cash and cash equivalents

| | <u>As of 31 December</u> | | |
|--|--------------------------|---------------------|----------------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Bank balances | 10,976 | 7,293 | 62,432 |
| Restricted cash | (121) | (122) | (472) |
| Total cash and cash equivalents | <u>10,855</u> | <u>7,171</u> | <u>61,960</u> |

Restricted cash represents cash reserved as collateral against a letter of credit with a bank issued for the benefit of a landlord in lieu of a security deposit for an office space leased by one of the Group's subsidiaries. The restricted cash is held in certificate of deposits and is classified as a current asset within other financial assets in the consolidated balance sheet.

15. Trade and other receivables

| | <u>As of 31 December</u> | | |
|--|--------------------------|---------------------|---------------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Trade receivables | 574 | 2,669 | 1,748 |
| Other receivables | 1 | 1 | 2 |
| Total trade and other receivables | <u>575</u> | <u>2,670</u> | <u>1,750</u> |

16. Equity

On 18 June 2015, the Company acquired the entire issued share capital of PureTech LLC in return for 159,648,387 Ordinary Shares. This has been accounted for as a common control transaction and has been given effect from 1 January 2012. It has therefore been deemed that the share capital was issued in line

Notes (Continued)

16. Equity (Continued)

with movements in share capital as shown prior to the transaction taking place. In addition the merger reserve records amounts previously recorded as share premium.

| <u>Equity</u> | <u>Note</u> | <u>2012</u> \$'000 | <u>2013</u> \$'000 | <u>2014</u> \$'000 |
|---|-------------|-----------------------|-----------------------|-----------------------|
| Share capital, £0.01 par value, issued and fully paid 63,616,780, 63,658,930, and 118,098,967 as of 31 December 2012, 2013 and 2014, respectively | | 1,272 | 1,273 | 2,362 |
| Merger reserve | | 31,199 | 31,238 | 86,755 |
| Translation reserve | | (30) | 111 | 169 |
| Other reserves | | 1,550 | 1,558 | 3,139 |
| Accumulated deficit | | (30,897) | (35,064) | (70,421) |
| Equity attributable to owners of the Group | | 3,094 | (884) | 22,004 |
| Non-controlling interests | 18 | (6,448) | (7,143) | (45,317) |
| Total equity | | (3,354) | (8,027) | (23,313) |

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

In 2012, the Company issued 734,930 shares resulting in proceeds of \$698,000. In 2012 and 2013, the Group issued 105,370 and 42,150 shares for consulting services, respectively.

In 2014, the Group issued 37,402,400 shares resulting in net proceeds of \$55.8 million, net of issuance costs of \$414,000. In conjunction this financing, the Company converted 16,065,690 fully vested Profits Interests and Partnership Shares into common shares and the Directors authorised 13,258,902 common shares as equity incentives for management, directors and advisors. Also in 2014, the Group issued 175,730 shares for consulting services. Upon the conversion of convertible promissory notes, the Group issued 331,560 shares.

Post 31 December 2014, the Company issued 24,006,500 shares resulting in cash proceeds of \$52.4 million, before expenses.

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognised through profit or loss.

17. Subsidiary preferred shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a liability as the subsidiaries have a contractual obligation to deliver cash or other assets to the holders under certain future events. The preferred shares do not contain mandatory dividend rights and are not mandatorily redeemable. The preferred shares are convertible into common stock of the subsidiary at the option of the holder and mandatorily convertible into common stock of the subsidiary upon a subsidiary qualified financing or upon the vote of the holders of a majority of the subsidiary preferred shares. The conversion feature has been accounted for as a derivative liability at fair value with the residual proceeds allocated to the subsidiary preferred share at issuance. The preferred shares are entitled to a vote with holders of common stock on an as-converted basis. The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a deemed liquidation event of the respective subsidiary.

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

Notes (Continued)

17. Subsidiary preferred shares (Continued)

The following summarises the subsidiary preferred share balance:

| | As of 31 December | | |
|--|-------------------|--------------|---------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Subsidiary preferred shares | 7,699 | 9,711 | 11,494 |

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

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

| | As of 31 December | | |
|--------------------|-------------------|---------------|---------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Akili | — | — | 4,613 |
| Follica | — | 2,020 | 2,020 |
| Gelesis. | 9,650 | 14,451 | 14,451 |
| Total | 9,650 | 16,471 | 21,084 |

For the three year period ending 31 December 2014, the Group recognised the following changes in subsidiary preferred shares:

2012

Gelesis, a growth stage operating company, closed on an additional \$4.5 million equity investment, which included the conversion of \$1.4 million of convertible notes, which changed PureTech's interest in Gelesis from 49.5 per cent to 37 per cent.

2013

Gelesis closed on an additional \$2.6 million equity investment, of which \$500,000 was provided by PureTech. As a result of the transaction, PureTech's interest in Gelesis changed from 37 per cent to 34.4 per cent.

2014

Akili, a growth stage operating company, closed on an additional \$8.1 million equity investment, of which \$3 million were provided by PureTech. Of the \$8.1 million equity investment, \$5.1 million was due to the conversion of convertible notes, including \$1 million of convertible notes held by PureTech. As a result of the transaction, PureTech's interest in Akili decreased from 100 per cent to 64.4 per cent.

Notes (Continued)

18. Non-controlling interest

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

| | Growth stage operating companies | Project phase & sourcing companies | Parent company & other | Consolidated |
|---|---|---|------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Non controlling interest as of 31 December 2011 | (5,331) | 110 | — | (5,221) |
| Share of comprehensive loss | (1,136) | (57) | — | (1,193) |
| Effect of change in Group's ownership interest | (34) | — | — | (34) |
| Non-controlling interests as of 31 December 2012 | (6,501) | 53 | — | (6,448) |
| New funds into non-controlling interest | (1) | 300 | — | 299 |
| Share of comprehensive loss | (804) | (52) | — | (856) |
| Effect of change in Group's ownership interest | 158 | (296) | — | (138) |
| Non-controlling interest as of 31 December 2013 | (7,148) | 5 | — | (7,143) |
| New funds into non-controlling interest | 1,032 | — | — | 1,032 |
| Share of comprehensive loss | (34,300) | — | — | (34,300) |
| Effect of change in Group's ownership interest | (4,906) | — | — | (4,906) |
| Non-controlling interest as of 31 December 2014 | (45,322) | 5 | — | (45,317) |

A portion of the non-controlling ownership interests in Tal and Karuna are held in preferred shares which entitles the holders to a liquidation preference amount in the event of a liquidation or a deemed liquidation event of the respective subsidiary. The minimum liquidation preference that would be payable to the non-controlling interest holders upon a liquidation event of the subsidiaries is as follows:

| | As of 31 December | | |
|------------------------|-------------------|------------|--------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Karuna | 313 | 313 | 313 |
| Tal | — | — | 1,160 |
| Total | 313 | 313 | 1,473 |

For the three year period ending 31 December 2014, the Group recognised the following changes in ownership in subsidiaries:

2013

T1D Innovations LLC, which is part of the project phase and sourcing segment, closed on an additional investment of \$300,000. As a result of the transaction, PureTech's interest in T1D Innovations changed from 100 per cent to 98.8 per cent.

2014

Tal, a growth stage operating company, closed on an additional \$2.4 million equity investment, of which \$2.2 million was due to the conversion of convertible notes, including \$0.8 million of convertible notes held by PureTech. As a result of the transaction, PureTech's interest in Tal decreased from 100 per cent to 79.8 per cent.

Notes (Continued)

18. Non-controlling interest (Continued)

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

| | As of 31 December 2012 | |
|--|-------------------------------------|---|
| | Growth Stage Operating Companies | Project Phase and Sourcing Companies |
| | \$'000 | \$'000 |
| Statement of Comprehensive Loss | | |
| Revenue | 4,602 | 2,730 |
| Loss for the year | (5,477) | 461 |
| Other comprehensive loss | — | — |
| Total comprehensive loss | (5,477) | 461 |
| Comprehensive loss attributable to NCI | (1,137) | (57) |
| Statement of Financial Position | | |
| Non-current assets | 4,147 | 207 |
| Current assets | 3,710 | 1,160 |
| Total Assets | 7,857 | 1,367 |
| Non-current liabilities | (417) | (575) |
| Current liabilities | (19,531) | (1,089) |
| Total Liabilities | (19,948) | (1,664) |
| Net Liabilities | (12,091) | (297) |
| Carrying amount of NCI | (6,501) | 53 |
| Statement of Cash Flows | | |
| Cash flows from operating activities | (4,233) | 461 |
| Cash flows from investing activities | (1,329) | — |
| Cash flows from financing activities | 715 | — |
| | (4,847) | 461 |

| | As of 31 December 2013 | |
|--|-------------------------------------|---|
| | Growth Stage Operating Companies | Project Phase and Sourcing Companies |
| | \$'000 | \$'000 |
| Statement of Comprehensive Loss | | |
| Revenue | 5,506 | 2,350 |
| (Loss)/income for the year | (2,119) | 963 |
| Other comprehensive loss | — | — |
| Total comprehensive loss | (2,119) | 963 |
| Comprehensive loss attributable to NCI | (804) | (52) |
| Statement of Financial Position | | |
| Non-current assets | 4,098 | 7 |
| Current assets | 5,122 | 1,232 |
| Total Assets | 9,220 | 1,239 |
| Non-current liabilities | (1,708) | (325) |
| Current liabilities | (21,716) | (692) |
| Total Liabilities | (23,424) | (1,017) |
| Net Liabilities | (14,204) | 222 |
| Carrying amount of NCI | (7,148) | 5 |
| Statement of Cash Flows | | |
| Cash flows from operating activities | (1,517) | 963 |
| Cash flows from investing activities | (468) | — |
| Cash flows from financing activities | 5,978 | 125 |
| | 3,993 | 1,088 |

Notes (Continued)

18. Non-controlling interest (Continued)

| | As of 31 December 2014 | |
|--|-------------------------------------|---|
| | Growth Stage Operating Companies | Project Phase and Sourcing Companies |
| | \$'000 | \$'000 |
| Statement of Comprehensive Loss | | |
| Revenue | 209 | 1,750 |
| Loss for the year | (68,198) | 201 |
| Other comprehensive loss | — | — |
| Total comprehensive loss | (68,198) | 201 |
| Comprehensive loss attributable to NCI | (34,300) | — |
| Statement of Financial Position | | |
| Non-current assets | 4,110 | 4 |
| Current assets | 6,628 | 1,339 |
| Total Assets | 10,738 | 1,343 |
| Non-current liabilities | (526) | (142) |
| Current liabilities | (92,716) | (1,400) |
| Total Liabilities | (93,242) | (1,542) |
| Net Liabilities | (82,504) | (199) |
| Carrying amount of NCI | (40,778) | 5 |
| Statement of Cash Flows | | |
| Cash flows from operating activities | (9,227) | 201 |
| Cash flows from investing activities | (373) | — |
| Cash flows from financing activities | 8,348 | — |
| | (1,252) | 201 |

19. Subsidiary notes payable

The notes payable balance consists of the following:

| | As of 31 December | | |
|---|-------------------|--------------|--------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Loans | 44 | 1,157 | 2,459 |
| Convertible notes | 1,415 | 3,102 | 4,489 |
| Total subsidiary notes payable | 1,459 | 4,259 | 6,948 |

19.1 Loans

In August 2008, Gelesis entered into a Loan and Security Agreement (the “2008 Loan”) for borrowings up to \$3 million with an original maturity date of 30 May 2012, which was amended in 2011 to allow Gelesis the option to exercise two six-month extensions through 30 April 2013. The entire outstanding principal and deferred interest totalling \$4.1 million was repaid in August 2012. Gelesis recorded a loss on extinguishment of \$294,000 related to the repayment.

In May 2014, Gelesis entered into a grant and loan agreement with an Italian economic development agency. Borrowings under the loan totalled €980,000 (approximately \$1.2 million at 31 December 2014), and the loan bears interest at 0.33 per cent per year. Gelesis is required to make interest payments only in 2014 and 2015, with principal and interest payments from January 2016 through January 2024.

Funds awarded under the grant may be revoked if irregularities are identified during inspection of costs by the Italian economic development agency or for failure to implement or comply with the project plan or to achieve the objectives of the project plan for reasons within the Company’s control. In the event of a revocation of the grant, Gelesis would be required to repay the loan immediately, including accrued interest.

Notes (Continued)

19. Subsidiary notes payable (Continued)

The increase in subsidiary notes payable from 2012 to 2013 was due to the purchase of Follica in 2013 (see note 5).

19.2 Convertible notes

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

Substantially all Notes become due and payable on or after either 31 December of the year of issuance on the thirtieth (30th) day following a demand by the majority of Note holders, as defined. Substantially all of the Notes bear interest at a rate of 8 per cent (or 12 per cent upon an event of Default, as defined) or 10 per cent (or 15 per cent upon an event of Default, as defined). Interest is calculated based on actual days elapsed for a 360 day calendar year. Generally, the Notes cannot be prepaid without approval from a majority of the holders of a subsidiary's Notes.

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

- Automatic conversion feature—upon a Qualified Financing, as defined, the unpaid principal and interest amounts are automatically converted into shares of the Group at the conversion price equal to the price shares are sold at upon a Qualified Financing, less a discount. The discounts range from 5 per cent to 25 per cent.
- Optional conversion feature—upon a Non-Qualified Financing, as defined, holders may convert the outstanding principal balance and unpaid interest to shares at the conversion price equal to the price shares are sold at upon a Non-Qualified Financing, less a discount. The discounts range from 5 per cent to 25 per cent.
- Change-of-control features—The Notes also generally contain a put option such that, in the event of a Change-of-Control transaction of the respective subsidiary, as defined, prior to conversion or repayment of the Notes, the holders will be paid an amount equal to two or three-times the outstanding principal balance plus any accrued and unpaid interest, in cash, on the date of the Change-of-Control.

The conversion features and put option represent embedded derivative instruments requiring bifurcation from the debt instruments under IAS 39, Financial Instruments: Recognition and Measurement. The embedded derivatives are accounted for as liability components, separate from the host debt.

Convertible Notes outstanding, net of unamortised discount, were as follows:

| <u>Subsidiary</u> | <u>Interest Rate</u> | <u>At 31 December</u> | | |
|--|----------------------|-----------------------|---------------------|---------------------|
| | | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| | | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Vedanta Biosciences | 10 - 12% | — | 299 | 367 |
| Gelesis | 8 - 10% | — | — | 2,932 |
| Akili | 10% | 110 | 1,148 | — |
| Tal | 10% | 800 | 900 | 435 |
| Karuna | 10% | 505 | 505 | 505 |
| Entrega | 10% | — | 125 | 125 |
| Knode | 10% | — | 50 | 50 |
| PeerIn | 10% | — | 75 | 75 |
| Total Notes Outstanding | | <u>1,415</u> | <u>3,102</u> | <u>4,489</u> |

Notes (Continued)

19. Subsidiary notes payable (Continued)

Principal amounts of Convertible Notes issued were as follows during the three years ended 31 December:

| Subsidiary | 2012 | 2013 | 2014 |
|----------------------------------|--------------|--------------|--------------|
| | Issuances | Issuances | Issuances |
| | \$'000 | \$'000 | \$'000 |
| Vedanta Biosciences | — | 325 | 50 |
| Gelesis | 1,373 | — | 3,940 |
| Akili | 110 | 1,075 | 2,625 |
| Tal | 200 | 100 | 500 |
| Karuna | 155 | — | — |
| Entrega | — | 125 | — |
| Knode | — | 50 | — |
| PeerIn | — | 75 | — |
| Endra, Inc | — | 50 | — |
| PureTech LLC | — | — | 500 |
| Total issuances | 1,838 | 1,800 | 7,615 |

During 2012 the outstanding principal and accrued interest of the Gelesis convertible notes, totalling \$727,000, was converted into 900,000 shares of Gelesis preferred stock.

During 2014, all outstanding Convertible Notes and related accrued interest of Akili, totalling \$4.09 million, were converted into 2,312,603 shares of Akili preferred stock. In conjunction with this conversion, the outstanding derivative related to the converted notes was converted into subsidiary preferred shares in the amount of \$1.302 million.

In February 2014, all outstanding convertible notes and accrued interest of Tal, totalling \$1.42 million, were converted into 820,932 shares of Tal preferred stock. In conjunction with this transaction, the outstanding derivative related to the converted notes was converted into accumulated deficit in the amount of \$321,000.

During 2014, outstanding convertible notes and related accrued interest of PureTech, totalling \$500,000, were converted into 331,560 shares. In conjunction with this transaction, the outstanding derivative related to the converted notes was converted into accumulated deficit in the amount of \$70,000.

20. Subsidiary warrants

20.1 Summary of outstanding warrants

The following is a summary of the warrants on subsidiary shares outstanding related to various borrowings, stock issuances and business transactions:

| Issued | Classification | Exercisable for | Number of Shares | Recorded value as at 31 December | | |
|--------------------------------|----------------|----------------------------|------------------|----------------------------------|--------|--------|
| | | | | 2012 | 2013 | 2014 |
| | | | | \$'000 | \$'000 | \$'000 |
| Gelesis and Gelesis LLC | | | | | | |
| August 2008 | Equity | Common stock | 4,632 | 6 | 6 | 6 |
| May 2009 | Equity | Common stock | 4,632 | 6 | 6 | 6 |
| May 2009 | Equity | Common stock | 5,294 | 1 | 1 | 1 |
| November 2009 | Equity | Common stock | 100,000 | 18 | 18 | 18 |
| April 2011 | Liability | Series A-1 preferred stock | — | 217 | 121 | 801 |
| June 2012 | Liability | Series A-3 preferred stock | 839,857 | 711 | 606 | 2,447 |
| August 2013 | Liability | Series A-4 preferred stock | 2,537,580 | — | 1,821 | 8,134 |
| August 2013 | Equity | Common stock | 2,537,580 | — | 52 | 52 |
| Follica | | | | | | |
| July 2013 | Liability | Preferred stock | 2,263,508 | — | — | 2,219 |
| August 2013 | Liability | Preferred stock | 193,023 | — | — | 189 |
| January 2014 | Liability | Preferred stock | 193,023 | — | — | 190 |
| October 2014 | Liability | Preferred stock | 146,697 | — | — | 145 |

Notes (Continued)

20. Subsidiary warrants (Continued)

20.2 Gelesis and Gelesis, LLC Warrants

20.2.1 Warrants issued in connection with the 2008 Loan

In connection with obtaining various amendments to its 2008 Loan, (see Note 19), Gelesis issued the following warrants:

- In 2008 and 2009, Gelesis issued warrants to purchase 4,632 and 4,632 shares of its common stock, respectively, at an exercise price of \$17.00 per share. The warrants expire upon the earlier of (i) ten years from the issuance date (ii) five years after the effective date of an initial public offering of Gelesis, or (iii) a sale of Gelesis.
- A warrant was issued in 2009, amended in 2009 and in 2011, ultimately for 5,294 shares of common stock at an exercise price of \$0.16 per. The warrants terminate upon the earlier of (i) 7 May 2019, (ii) five years after the effective date of an initial public offering of Gelesis, or (iii) the sale of Gelesis.
- In 2009, Gelesis issued a warrant to purchase, 100,000 shares of Gelesis' common stock and in 2011 the warrant exercise price was amended to \$0.16 per share. The warrant terminates upon the earlier of (i) 30 November 2019 (ii) three years after the effective date of an initial public offering or (iii) a sale of Gelesis.
- In 2011, Gelesis issued a warrant to purchase shares of Series A-1 at an exercise price equal to the lower of \$1.26 per share or the price per share received in the first sale of shares of Gelesis' stock resulting in at least \$5 million gross proceeds to Gelesis. The warrant is exercisable for the number of shares of Series A-1 equal to the quotient of \$332,000 divided by the exercise price of the warrant. The warrant terminates upon the earlier of (i) 27 April 2021 (ii) three years after the effective date of an initial public offering or (iii) a sale of Gelesis. The fair value of the warrants was \$217,000, \$121,000 and \$801,000 at 31 December 2012, 2013 and 2014, respectively.

In conjunction with its option to exercise two six-month extensions of the maturity date, Gelesis granted Contingently Issuable Warrants to the Lender giving them the right to purchase up to 5 per cent of its then-currently outstanding common shares as calculated on a fully diluted basis at an exercise price of \$0.01 per share. The fair value of the Contingently Issuable Warrants was estimated upon issuance to be \$186,000 and accounted for as an incremental discount to the Loan with a corresponding warrant liability recorded and upon repayment of the Loan in August 2012, the warrant was cancelled. Accordingly, for the year ended 31 December 2012, the remaining warrant liability of \$204,000 was reversed and recorded as income.

20.2.2 Series A-3 Warrants

In June 2012, in connection with an amendment to a master purchase and licensing agreement with one of its customers, in exchange for the right to expand the field use of the intellectual property purchased, Gelesis issued fully vested warrants to purchase 839,857 shares of Series A-3 at an exercise price of \$0.01 per share. The warrant is subject to automatic exercise upon a deemed liquidation event. The warrants expire in June 2022. The warrants were amended in December 2014, and subsequently, only became exercisable upon completion of Gelesis' acquisition of a particular company by 28 February 2015. The acquisition was completed in February 2015.

The fair value of the warrants was \$708,000 at the date of issuance and was recorded as an intangible license asset, and a corresponding warrant. The fair value of the warrants was \$711,000, \$606,000 and \$2.5 million at 31 December 2012, 2013 and 2014, respectively.

20.2.3 Series A-4 Contingent Warrants

In August 2013, in connection with the issuance of Series A-4 convertible preferred stock, or Series A-4, Gelesis issued contingent warrants to purchase 2,243,465 shares of Series A-4 at an exercise price of \$0.01 per share. The warrants will be issued if Gelesis does not complete an IPO,

Notes (Continued)

20. Subsidiary warrants (Continued)

is liquidated, dissolved, wound up or closes a deemed liquidation event prior to an IPO. The IPO did not occur by February 2015 and the warrants were issued at that time. The warrants will expire ten years from the date of issuance.

The warrants were classified as a liability and recorded at fair value, which was estimated at \$1.5 million at the date of issuance. The fair value of the warrants was \$1.8 million and \$8.1 million at 31 December 2013 and 2014, respectively.

20.2.4 Gelesis LLC Contingent Warrants

In August 2013, in connection with the issuance of Series A-4, Gelesis LLC (a subsidiary of Gelesis) issued contingent warrants to purchase 2,537,580 shares of common stock of the company, at an exercise price of \$0.01 per share. The warrants would be issued if Gelesis does not complete an IPO, is liquidated, dissolved, wound up or closes a deemed liquidation event prior to an IPO.

20.2.5 Valuation assumptions for the warrants

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2012:

| | Series A-1 Warrants | Series A-3 Warrants |
|---|------------------------|------------------------|
| Expected term | 8.3 years | 9.5 years |
| Expected volatility | 76.0% | 72.0% |
| Expected dividend yield | — | — |
| Risk free interest rate | 1.33% | 1.78% |
| Estimated fair value of the convertible preferred stock | \$1.13 | \$0.85 |
| Exercise price of warrants | \$1.26 | \$0.01 |

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2013:

| | Series A-1 Warrants | Series A-3 Warrants | Series A-4 (Contingent) Warrants |
|---|------------------------|------------------------|--|
| Expected term | 7.3 years | 8.5 years | 9.6 years |
| Expected volatility | 60.0% | 75.0% | 72.0% |
| Expected dividend yield | — | — | — |
| Risk free interest rate | 2.45% | 2.75% | 3.04% |
| Estimated fair value of the convertible preferred stock | \$0.85 | \$0.73 | \$0.82 |
| Exercise price of warrants | \$1.26 | \$0.01 | \$0.01 |

A 10 per cent change in the expected volatility or the fair value of the convertible preferred stock would result in a change in the value of the Series A-1 warrants of \$16 million. A 10 per cent change in the expected volatility or the fair value of the convertible preferred stock would result in a change in value of the Series A-3 warrants of \$62 million and \$4 million, respectively. A 10 per cent change in the expected volatility, the fair value of the convertible preferred stock, or the probability of issuance would result in a change in the value of Series A-4 contingent warrants of \$nil, \$215 million, and \$190 million, respectively.

Notes (Continued)

20. Subsidiary warrants (Continued)

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2014:

| | Series A-1 Warrants | Series A-3 Warrants | Series A-4 (Contingent) Warrants* |
|---|------------------------|------------------------|---|
| Expected term | 6.3 years | 7.5 years | 8.6 years |
| Expected volatility | 74.0% | 59.0% | 57.0% |
| Expected dividend yield | — | — | — |
| Risk free interest rate | 1.81% | 1.97% | 2.07% |
| Estimated fair value of the convertible preferred stock | \$3.68 | \$3.65 | \$3.63 |
| Exercise price of warrants | \$1.26 | \$0.01 | \$0.01 |

A 10 per cent change in the expected volatility or the fair value of the convertible preferred stock would result in a change in the value of the Series A-1 warrants of \$26 million and \$92 million, respectively. A 10 per cent change in the expected volatility or the fair value of the convertible preferred stock would result in a change in value of the Series A-3 warrants of \$30 million or \$275 million. A 10 per cent change in the expected volatility, the fair value of the convertible preferred stock or the probability of issuance would result in a change in the value of Series A-4 contingent warrants of \$nil, \$918 million, or \$900 million.

20.3 Follica Warrants

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued preferred stock warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of \$0.1425 and a contractual term of ten years from the date of issuance. The warrants issued in 2013 and January 2014 were deemed to have no value at the time of their issuance. The warrant liability has been marked to market at each subsequent reporting date and at 31 December 2014 the warrants were deemed to have a value of \$2.7 million.

The following weighted average assumptions were used to determine the fair value of the warrants at 31 December 2014:

| | |
|--------------------------------------|-------------------|
| Expected term | 8.56 - 9.80 years |
| Expected volatility | 59.34% - 60.43% |
| Expected dividend yield | — |
| Risk free interest rate | 2.02% - 2.15% |
| Exercise price of warrants | \$0.1425 |

21. Trade and other payables

| | As of 31 December: | | |
|---|---------------------|---------------------|---------------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Trade payables | 1,194 | 905 | 1,614 |
| Accrued expenses | 1,538 | 1,013 | 3,117 |
| Total trade and other payables | <u>2,732</u> | <u>1,918</u> | <u>4,731</u> |

22. Operating leases

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

In December 2014, the Group entered into a 10 year lease for 9,446 square feet of office space beginning in April 2015 and ending on 31 August 2025. The lease requires a letter of credit of \$350,000, which is held in a certificate of deposit, as further discussed in note 14. The lease has a base rent of approximately

Notes (Continued)

22. Operating leases (Continued)

\$444,000, which increases by approximately two per cent per year over the lease term. Minimum rental commitments under non-cancellable leases were payable as follows:

| | As of 31 December: | | |
|---|--------------------|------------|--------------|
| | 2012 | 2013 | 2014 |
| | \$'000 | \$'000 | \$'000 |
| Within one year | 217 | 217 | 331 |
| Between one and five years | 289 | 72 | 2,330 |
| More than five years | — | — | 2,387 |
| Total minimum lease payments | 506 | 289 | 5,048 |

Total rent expense under these leases was approximately \$370,000, \$229,000, and \$296,000 during the years ended 31 December 2012, 2013, and 2014, respectively. Rent expense is included in general and administrative expenses in the consolidated statements of comprehensive loss.

23. Financial instruments and related disclosures

All of the Group's financial assets and liabilities, with the exception of the derivative and warrant liabilities, are measured at amortised cost. The derivative and warrant liabilities are carried at fair value with changes recognised in through Finance costs, net in the consolidated statements of comprehensive loss. Assumptions of the Group in the estimation of fair value of the derivative liability are below and refer to note 20 for assumptions used in the estimation of the warrant fair value.

Financial instruments by category at 31 December:

| | 2012 | | | | | |
|--|------------------|-----------------------|---------------|--------------|--------------|---------------|
| | Carrying amount | | Fair Value | | | Total |
| | Financial assets | Financial liabilities | Level 1 | Level 2 | Level 3 | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 10,855 | — | 10,855 | — | — | 10,855 |
| US Treasuries | 1,055 | — | 1,055 | — | — | 1,055 |
| Certificates of deposit | 121 | — | — | 121 | — | 121 |
| Other deposits | 9 | — | — | 9 | — | 9 |
| Loans and receivables: | | | | | | |
| Trade and other receivables | 575 | — | — | 575 | — | 575 |
| Total financial assets | 12,615 | — | 11,910 | 705 | — | 12,615 |
| Financial liabilities | | | | | | |
| Trade and other payables | — | 2,732 | — | 2,732 | — | 2,732 |
| Subsidiary warrant liability | — | 928 | — | — | 928 | 928 |
| Subsidiary derivative liability | — | 2,199 | — | — | 2,199 | 2,199 |
| Financial liabilities measured at amortised cost | | | | | | |
| Subsidiary notes payable | — | 1,459 | — | 1,459 | — | 1,459 |
| Total financial liabilities | — | 7,318 | — | 4,191 | 3,127 | 7,318 |

Notes (Continued)

23. Financial instruments and related disclosures (Continued)

| | 2013 | | | | | |
|--|------------------|-----------------------|---------------|---------------|---------------|---------------|
| | Carrying amount | | Fair Value | | | |
| | Financial assets | Financial liabilities | Level 1 | Level 2 | Level 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 7,171 | — | 7,171 | — | — | 7,171 |
| US Treasuries | 1,709 | — | 1,709 | — | — | 1,709 |
| Certificates of deposit | 122 | — | — | 122 | — | 122 |
| Other deposits | 3 | — | — | 3 | — | 3 |
| Loans and receivables: | | | | | | |
| Trade and other receivables | 2,670 | — | — | 2,670 | — | 2,670 |
| Total financial assets | 11,675 | — | 8,880 | 2,795 | — | 11,675 |
| Financial liabilities | | | | | | |
| Trade and other payables | — | 1,918 | — | 1,918 | — | 1,918 |
| Subsidiary warrant liability | — | 2,548 | — | — | 2,548 | 2,548 |
| Subsidiary derivative liability | — | 2,579 | — | — | 2,579 | 2,579 |
| Financial liabilities measured at amortised cost | | | | | | |
| Subsidiary notes payable | — | 4,259 | — | 4,259 | — | 4,259 |
| Total financial liabilities | — | 11,304 | — | 6,177 | 5,127 | 11,304 |
| | | | | | | |
| | 2014 | | | | | |
| | Carrying amount | | Fair Value | | | |
| | Financial assets | Financial liabilities | Level 1 | Level 2 | Level 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 61,960 | — | 61,960 | — | — | 61,960 |
| US Treasuries | 701 | — | 701 | — | — | 701 |
| Certificates of deposit | 472 | — | — | 472 | — | 472 |
| Other deposits | 5 | — | — | 5 | — | 5 |
| Loans and receivables: | | | | | | |
| Trade and other receivables | 1,750 | — | — | 1,750 | — | 1,750 |
| Total financial assets | 64,888 | — | 62,661 | 2,227 | — | 64,888 |
| Financial liabilities | | | | | | |
| Trade and other payables | — | 4,731 | — | 4,731 | — | 4,731 |
| Subsidiary warrant liability | — | 14,125 | — | — | 14,125 | 14,125 |
| Subsidiary derivative liability | — | 52,794 | — | — | 52,794 | 52,794 |
| Financial liabilities measured at amortised cost | | | | | | |
| Subsidiary notes payable | — | 6,948 | — | 6,948 | — | 6,948 |
| Total financial liabilities | — | 78,598 | — | 11,679 | 66,919 | 78,598 |

The embedded derivatives associated with the automatic conversion option on the convertible promissory notes and the conversion option within the subsidiary preferred shares are accounted for as liabilities and is marked to fair value at each reporting period. The fair value of the embedded derivative liability at inception, 31 December 2012, 2013 and 2014 was determined using a probability weighted present value technique, which includes unobservable (Level 3) inputs supported by little or no market activity, such as time to next qualified equity financing, implied discount rate, and probability of a qualified financing. Based on existing business plans, the Group also contemplated future equity raises and the impact on the valuation of the embedded derivative liability if the stock value is below the exercise price at the estimated date of the projected future capital raise.

Notes (Continued)

23. Financial instruments and related disclosures (Continued)

A summary of the changes in the Group's embedded derivative liabilities and warrant liabilities measured at fair value using significant unobservable inputs (Level 3) as of and for the years ended 31 December 2012, 2013 and 2014 is as follows:

| | Derivative Liability—Preferred Stock Conversion | Derivative Liability—Convertible Notes | Warrant Liability |
|---|---|--|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Balance as of 1 January 2012 | 533 | 151 | 363 |
| Value of derivatives and warrants at issuance . . | 829 | 532 | 708 |
| Change in fair value | 615 | 27 | (143) |
| Settlement of derivatives | — | (488) | — |
| Balance as of 31 December 2012 | 1,977 | 222 | 928 |
| Value of derivatives and warrants at issuance . . | 282 | 119 | 1,516 |
| Change in fair value | (184) | 163 | 104 |
| Balance as of 31 December 2013 | 2,075 | 504 | 2,548 |
| Value of derivatives at issuance | 4,159 | 2,675 | 145 |
| Change in fair value | 45,487 | (414) | 11,432 |
| Settlement of derivatives | — | (1,692) | — |
| Balance as of 31 December 2014 | 51,721 | 1,073 | 14,125 |

The change in the fair value of derivatives and warrants is recorded in Finance costs, net in the consolidated statements of comprehensive loss.

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

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

Option Pricing Model Inputs

| Measurement Date | Range of Values | | |
|----------------------|------------------|---------------|----------------|
| | Expiration Date | Volatility | Risk-Free Rate |
| 4/30/2011 | 1 year | 70.0% | 0.22% |
| 12/31/2011 | 1 year | 71.0% | 0.12% |
| 6/30/2012 | 1 year | 70.0% | 0.21% |
| 12/31/2012 | 0.75 - 5.0 years | 0.67% - 0.85% | 0.12% - 0.72% |
| 12/31/2013 | 5 years | 75.0% | 1.75% |
| 2/28/2014 | 3.5 years | 60.0% | 0.94% |
| 3/31/2014 | 5 years | 75.0% | 1.73% |
| 12/31/2014 | 2.0 - 5.0 years | 60.0% | 0.67% - 1.65% |

Notes (Continued)

23. Financial instruments and related disclosures (Continued)

Probability Weighted Expected Return Method Inputs

| Measurement Date | Range of Values | |
|------------------|--------------------------------|---|
| | Time to Anticipated Exit Event | Probability of IPO / M&A / Dissolution Sale |
| 8/1/2013 | 1.25 - 1.34 years | 30.0% / 55.0% / 15.0% |
| 12/31/2013 | 1.25 years | 30.0% / 55.0% / 15.0% |
| 3/31/2014 | 1.0 year | 40.0% / 45.0% / 15.0% |
| 12/31/2014 | 0.33 years | 70.0% / 25.0% / 5.0% |

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

| Significant Unobservable Inputs | At Issuance | As at 31 December | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2012 | 2013 | 2014 |
| Time to next qualified equity financing | 1 - 2.03 years | 0.5 - 1.02 years | 0.25 - 1.01 years | 0.16 - 0.25 years |
| Implied discount rate | 11.3% - 2,459.0% | 18.3% - 34.8% | 12.1% - 34.8% | 18.3% - 34.8% |
| Probabilities of a qualified financing | 50% / 50% - 100% / 0% | 50% / 50% - 70% / 30% | 50% / 50% - 85% / 15% | 50% / 50% - 90% / 10% |

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

The fair value of these embedded derivative liabilities may differ significantly in the future from the carrying value as of 31 December 2014, and, accordingly, adjustments may be recorded in the consolidated statements of comprehensive loss at that time.

24. Capital and financial risk management

The Group's financial strategy policy is to support its strategic priorities, maintain investor and creditor confidence, and to sustain future development of the business through an appropriate mix of debt and equity. Management monitors the level of capital deployed and available for deployment in subsidiary projects. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

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

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

24.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to

Notes (Continued)

24. Capital and financial risk management (Continued)

concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group held following balances:

| | 2012 | 2013 | 2014 |
|---------------------------------------|---------------|--------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 10,855 | 7,171 | 61,960 |
| Trade and other receivables | 575 | 2,670 | 1,750 |
| Total | <u>11,430</u> | <u>9,841</u> | <u>63,710</u> |

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

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

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

| | 2012 | 2013 | 2014 |
|---|------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Neither past due nor impaired | 375 | 2,670 | 1,250 |
| Past due 30 - 90 days | — | — | — |
| Past due 90 - 365 days | 200 | 500 | 500 |
| Total | <u>575</u> | <u>3,170</u> | <u>1,750</u> |

The Group assesses the credit quality of customers, taking into account their current financial position.

24.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2014 based on contractual undiscounted payments:

| | | 2012 | | | |
|---------------------------------------|-----------------|-----------------|----------------|--------------|---------------|
| | | \$'000 | | | |
| | Carrying amount | Within 3 months | 3 to 12 months | 1 to 5 years | Total |
| Subsidiary notes payable | 1,459 | 1,420 | 13 | 26 | 1,459 |
| Trade and other payables- | 2,732 | 2,732 | — | — | 2,732 |
| Subsidiary preferred shares | 7,699 | 7,699 | — | — | 7,699 |
| Other liabilities | 167 | 167 | — | — | 167 |
| Total | <u>12,057</u> | <u>12,018</u> | <u>13</u> | <u>26</u> | <u>12,057</u> |

Notes (Continued)

24. Capital and financial risk management (Continued)

| | 2013 \$'000 | | | | Total |
|---------------------------------------|--------------------|--------------------|-------------------|-----------------|---------------|
| | Carrying amount | Within 3 months | 3 to 12 months | 1 to 5 years | |
| Subsidiary notes payable | 4,259 | 1,721 | 15 | 2,587 | 4,323 |
| Trade and other payables | 1,918 | 1,918 | — | — | 1,918 |
| Subsidiary preferred shares | 9,711 | 9,711 | — | — | 9,711 |
| Other liabilities | 438 | 332 | — | 106 | 438 |
| Total | 16,326 | 13,682 | 15 | 2,693 | 16,390 |

| | 2014 \$'000 | | | | Total |
|---------------------------------------|--------------------|--------------------|-------------------|-----------------|---------------|
| | Carrying amount | Within 3 months | 3 to 12 months | 1 to 5 years | |
| Subsidiary notes payable | 6,948 | 785 | 3,570 | 2,954 | 7,309 |
| Trade and other payables | 4,731 | 4,731 | — | — | 4,731 |
| Subsidiary preferred shares | 11,494 | 11,494 | — | — | 11,494 |
| Other liabilities | 288 | 211 | 60 | 17 | 288 |
| Total | 23,461 | 17,221 | 3,630 | 2,971 | 23,822 |

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

| | 2015 \$'000 | 2016 \$'000 | 2017 \$'000 | 2018 \$'000 | 2019 \$'000 |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| License Fees | 50 | 60 | 70 | 80 | 105 |
| Total | 50 | 60 | 70 | 80 | 105 |

24.3 Market risk

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

24.4 Foreign exchange risk

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

24.5 Capital risk management

The Group is funded by equity and debt financing. Total capital is calculated as 'total equity' as shown in the consolidated statements of financial position.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or borrow new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in note 16.

Notes (Continued)

24. Capital and financial risk management (Continued)

As discussed in note 17, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding-up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to stockholders and before any payment shall be made to holders of common stock.

25. Commitments and contingencies

Gelesis has entered into a patent license and assignment agreement whereby it is required to pay approximately \$8 million upon the achievement of certain milestones, pay royalties on future sales and/or a percentage of sublicense income. None of the milestones have been met.

Gelesis has also been awarded grants from two government agencies, which are recognised as revenue as the qualifying expenses are incurred. The grant agreement contains certain provisions, including, *inter alia*, maintaining a physical presence in the region for defined periods. Failure to comply with these covenants would require either a full or partial refund of the grant to the granting authority.

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

26. Related party transactions

26.1 Transactions with key management personnel compensation

26.1.1 Key Management Personnel Compensation

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

| | 2012 | 2013 | 2014 |
|--|---------------------|---------------------|---------------------|
| | \$ 000 | \$ 000 | \$ 000 |
| Short-term employee benefits | 1,724 | 1,598 | 1,612 |
| Share-based payments | — | — | 282 |
| Total | <u>1,724</u> | <u>1,598</u> | <u>1,894</u> |

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

26.1.2 Convertible debt issued to directors, key management personnel and key personnel of the operating companies

Certain members of the Group have issued convertible notes to employees, key management personnel and directors. Issuances to related parties by subsidiary are presented below.

| Subsidiary | Investor | Relationship | Interest Rate | 2011 | 2012 | 2013 | 2014 | Total |
|------------------------|--------------------------------------|--------------------|---------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | | | | \$ 000 | \$ 000 | \$ 000 | \$ 000 | |
| Vedanta Biosciences | Bennett Shapiro | Director | 10% | — | — | — | 50 | 50 |
| Akili | John LaMattina | Director | 10% | — | — | 50 | — | 50 |
| | Bennett Shapiro | Director | 10% | — | — | — | 50 | 50 |
| Tal | John LaMattina | Director | 10% | 100 | — | — | — | 100 |
| | Steven Marc Paul MD | Tal Co-founder | 10% | 150 | — | — | — | 150 |
| Karuna | Jay D. Kranzler, M.D., Ph.D. | Former CEO, Karuna | 10% | — | 80 | — | — | 80 |
| PeerIn | John LaMattina | Director | 10% | — | — | 50 | — | 50 |
| Total | | | | <u>250</u> | <u>80</u> | <u>100</u> | <u>100</u> | <u>530</u> |

Notes (Continued)

26. Related party transactions (Continued)

The notes issued by PeerIn, Karuna, Tal and Vedanta Biosciences, have no stated maturity date but are payable upon demand of a majority of noteholders. The notes issued by Akili are also payable upon demand of a majority of shareholders, but the notes issued in 2012 were payable no earlier than 31 December 2012, \$25,000 of the notes issued during 2013 no earlier than 31 December 2013 and the remaining 2013 notes no earlier than 31 December 2015, and the notes issued during 2014 no earlier than 31 December 2015. The notes issued to related parties bear interest rates, maturity dates, discounts and other contractual terms that are the same as those issued to outside investors during the same issuances, as described in note 18.

All of the outstanding principal and interest on the notes issued by Akili to related parties during 2013 and 2014 totalling \$108,726 was converted to 70,460 Series A-2 preferred shares in December 2014.

All of the outstanding principal and interest on the notes issued by Tal to related parties during 2011 totalling \$321,452 was converted to 247,747 Series A-2 preferred shares in February 2014.

26.2 Transactions with other related parties

26.2.1 Management services and overhead agreement with a stockholder

PureTech has entered into an agreement with AZTherapies, Inc. to provide management services, including operating, legal and administrative services, as well as office space and infrastructure services. As compensation for these services, AZTherapies, Inc. issued 250,000, 250,000 and 150,000 shares of its common stock to PureTech during each of the years ended 31 December 2012, 2013 and 2014. The value of these shares was determined based on the fair value of the services received. The scientific founder and chairman of AZTherapies, Inc. is also a shareholder of PureTech.

27. Income taxes

27.1 Amounts recognised in profit or loss

For the year ended 31 December:

| | 2012 | 2013 | 2014 |
|--|----------|---------|----------|
| | \$'000 | \$'000 | \$'000 |
| Net loss | (12,247) | (5,159) | (75,943) |
| Income taxes expense (benefit) | 535 | 274 | (278) |
| Net loss before taxes | (11,712) | (4,885) | (76,221) |

27.2 Recognised income tax expense (benefit)

For the year ended 31 December:

| | 2012 | 2013 | 2014 |
|--|--------|--------|--------|
| | \$'000 | \$'000 | \$'000 |
| Federal | 373 | (207) | 36 |
| Foreign | 50 | 3 | 73 |
| State | 96 | 28 | 10 |
| Total current income tax expense/(benefit) | 519 | (176) | 119 |
| Federal | — | — | — |
| Foreign | 16 | 450 | (397) |
| State | — | — | — |
| Total deferred income tax expense/(benefit) | 16 | 450 | (397) |
| Total income tax expense/(benefit), recognised | 535 | 274 | (278) |

Notes (Continued)

27. Income taxes (Continued)

27.3 Reconciliation of effective tax rate

The Group is primarily subject to taxation in the US, therefore the reconciliation of the effective tax rate has been prepared using the US statutory tax rate. A reconciliation of the US statutory rate to the effective tax rate is as follows:

| | 2012 | 2013 | 2014 |
|---|----------------|----------------|--------------|
| Weighted average statutory rate | 34.00% | 34.00% | 34.00% |
| Effect of state tax rate in US | 3.86% | - 9.24% | 0.90% |
| Credits | 1.02% | 0.00% | 0.19% |
| Share-based payment measurement | 0.00% | 0.00% | 3.84% |
| Mark to market adjustments | - 4.60% | - 0.84% | - 24.39% |
| Loss on purchase of subsidiary | 0.00% | - 8.98% | 0.00% |
| Income of partnerships not subject to tax | - 12.56% | - 28.60% | - 1.45% |
| Write-down of NOLs due to Section 382 | 0.00% | - 147.69% | 0.00% |
| Other | 2.62% | - 2.92% | - 1.95% |
| Current year losses for which no deferred tax asset is recognised | - 28.91% | 158.66% | - 10.78% |
| | <u>- 4.57%</u> | <u>- 5.61%</u> | <u>0.36%</u> |

27.3.1 Factors that may affect future tax expense

The Group is primarily subject to taxation in the US and UK. Additionally, the Group is exposed to state taxation in certain jurisdictions within the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). The maximum corporate tax rate in the US for the corresponding periods is 35 per cent. The Group is generally subject to a 34 per cent rate applicable to smaller taxpayers.

US corporations are routinely subject to audit by federal and state tax authorities in the normal course of business. Gelesis is currently under examination by the IRS for the financial year ended 31 December 2012. The Group does not expect an unfavourable outcome from this tax audit which would adversely impact the Group's financial condition, results of operations or cash flows.

27.4 Deferred tax assets

Deferred tax assets have not been recognised for the US amounts in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. Deferred tax assets have been recognised for the foreign amounts in respect of the following items:

As of 31 December:

| | 2012 | 2013 | 2014 |
|--|--------|--------|--------|
| | \$'000 | \$'000 | \$'000 |
| Operating tax losses ⁽¹⁾ | 6,834 | 7,359 | 11,239 |
| Capital loss carryovers ⁽²⁾ | 876 | 876 | 758 |
| Research credits ⁽³⁾ | 293 | 753 | 925 |
| Investment in subsidiaries | 791 | 791 | 791 |
| Other | 1,595 | 157 | 550 |
| Share based payments | 222 | 344 | 4,253 |
| Deferred tax assets | 10,611 | 10,280 | 18,516 |
| Other | (129) | (563) | (171) |
| Deferred tax liabilities | (129) | (563) | (171) |
| Deferred tax assets/(liabilities), net, recognised | — | (466) | (55) |
| Deferred tax assets/(liabilities), net, not recognised | 10,482 | 10,183 | 18,400 |

Notes:

(1) Expire Starting in 2025.

Notes (Continued)

27. Income taxes (Continued)

(2) Expire Starting in 2016.

(3) Expire Starting in 2025.

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

There were no movements in deferred tax recognised in income or equity for the United States in 2012, 2013 or 2014 as the deferred tax asset was not recognised in any of those years. There was movement in deferred tax recognised in income or equity in 2012, 2013 and 2014 for the foreign jurisdiction in the following amounts, respectively \$16,000, \$450,000 and (\$412,000).

The Group considers earnings generated from its foreign subsidiary in Italy to be permanently re-invested, therefore US taxes have not been provided on undistributed earnings.

27.5 Uncertain tax positions

The changes to uncertain tax positions from 1 January 2012 through 31 December 2014, were as follows:

| | US \$'000 | Foreign \$'000 | Total \$'000 |
|---|--------------|-------------------|-----------------|
| Gross tax liabilities at 1 January 2012 | — | — | — |
| Additions based on tax provisions related to the current year | — | — | — |
| Additions to tax positions of prior years | — | 53 | 53 |
| Reductions due to settlements with tax authorities | — | — | — |
| Reductions for positions of prior years | — | — | — |
| Gross tax liabilities at 31 December 2012 | — | 53 | 53 |
| Additions based on tax provisions related to the current year | — | — | — |
| Additions to tax positions of prior years | — | — | — |
| Reductions due to settlements with tax authorities | — | — | — |
| Reductions for positions of prior years | — | — | — |
| Gross tax liabilities at 31 December 2013 | — | 53 | 53 |
| Additions based on tax provisions related to the current year | — | 3 | 3 |
| Additions to tax positions of prior years | — | 34 | 34 |
| Reductions due to settlements with tax authorities | — | — | — |
| Reductions for positions of prior years | — | — | — |
| Gross tax liabilities at 31 December 2014 | — | 90 | 90 |

Included in the balance of uncertain tax positions at 31 December 2014 was approximately \$90,000 of unrecognised tax benefits that, if recognised, would affect the annual effective income tax rate

The liability for uncertain tax benefits as of 31 December 2012, 2013 and 2014 included accrued interest of \$879, \$2,133 and \$4,456, respectively.

28. Earnings per share

28.1 Basic loss per share

The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Notes (Continued)

28. Earnings per share (Continued)

28.1.1 Loss attributable to ordinary shareholders (basic)

| | 2012 \$'000 | | | 2013 \$'000 | | | 2014 \$'000 | | |
|--|--------------------------|----------------------------|----------|--------------------------|----------------------------|---------|--------------------------|----------------------------|----------|
| | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| Loss for the year, attributable to the owners of the Company . | (10,177) | (877) | (11,054) | (4,765) | 462 | (4,303) | (41,643) | — | (41,643) |
| Loss attributable to ordinary shareholders . | (10,177) | (877) | (11,054) | (4,765) | 462 | (4,303) | (41,643) | — | (41,643) |

28.1.2 Weighted-average number of ordinary shares (basic)

| | 2012 | 2013 | 2014 |
|---|------------|------------|------------|
| Issued ordinary shares at 1 January | 62,776,480 | 63,616,780 | 63,658,930 |
| Effect of share options exercised | — | — | — |
| Effect of shares issued | 596,971 | 22,573 | 18,794,439 |
| Weighted-average number of ordinary shares at 31 December . . | 63,373,451 | 63,639,353 | 82,453,369 |

28.2 Diluted loss per share

The calculation of diluted loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

28.2.1 Loss attributable to ordinary shareholders (diluted)

| | 2012 \$'000 | | | 2013 \$'000 | | | 2014 \$'000 | | |
|--|--------------------------|----------------------------|----------|--------------------------|----------------------------|---------|--------------------------|----------------------------|----------|
| | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| Loss for the year, attributable to the owners of the Company . | (10,177) | (877) | (11,054) | (4,765) | 462 | (4,303) | (41,643) | — | (41,643) |
| Loss attributable to ordinary shareholders . | (10,177) | (877) | (11,054) | (4,765) | 462 | (4,303) | (41,643) | — | (41,643) |

28.2.2 Weighted-average number of ordinary shares (diluted)

| | 2012 | 2013 | 2014 |
|--|------------|------------|------------|
| Issued ordinary shares at 1 January | 62,776,480 | 63,616,780 | 63,658,930 |
| Effect of share options exercised | — | — | — |
| Effect of shares issued | 596,971 | 22,573 | 18,794,439 |
| Weighted-average number of ordinary shares (diluted) at 31 December | 63,373,451 | 63,639,353 | 82,453,369 |

Notes (Continued)

28. Earnings per share (Continued)

The potentially dilutive securities excluded from the computation of diluted weighted-average shares outstanding as they would be anti-dilutive was nil, nil and 4,416,643 as at 31 December 2012, 2013 and 2014, respectively.

29. Subsequent events

In January 2015, Gelesis LLC was reorganised into a wholly-owned subsidiary of Gelesis. The reorganisation was effected by a merger in which a newly-organised wholly-owned subsidiary of Gelesis was merged with and into Gelesis LLC with Gelesis LLC continuing as the surviving entity. As a result of the reorganisation, Gelesis LLC became wholly-owned by Gelesis.

In January 2015, PureTech closed a follow on round of financing with Invesco Asset Management Limited as the lead investor for \$52.4 million in exchange for 24,006,500 shares.

In January 2015, Vedanta Biosciences entered into a Collaboration, License and Option agreement with Janssen Biotech, Inc. to develop and commercialise a microbiome product candidate VE202. The agreement includes an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens.

In February 2015, Gelesis S.r.l, a wholly-owned subsidiary of Gelesis, completed the acquisition of Academica Life Sciences S.r.l. (Academica) for €1.01 million (approximately \$1.1 million). Gelesis has concluded the acquisition of Academica which represents the purchase of intellectual property for research and development purposes.

In March 2015, the following subsidiary financings were closed:

- Tal—\$14.5 million Series B financing, of which PureTech invested \$5 million and which included the conversion of \$526,000 of outstanding principal and accrued interest on convertible notes issued in 2014.
- Gelesis—\$18 million Series A-5 financing, of which PureTech invested \$3 million.

Gelesis issued Series A-5 preferred stock upon conversion of \$4.3 million of outstanding principal and accrued interest on convertible notes issued in 2014.

On 3 March 2015, T1D Innovations LLC was dissolved.

On 1 April 2015 Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock.

PART XIII—UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: Accountant's report on pro forma financial information



KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

The Directors
PureTech Health plc
5th Floor
6 St Andrew Street
London
EC4A 3AE
United Kingdom

19 June 2015

Dear Sirs

PureTech Health plc

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Section B of this Part XIII (*Unaudited Pro Forma Financial Information*), which has been prepared on the basis described in note 1, for illustrative purposes only, to provide information about how the proposed issue of the ordinary shares might have affected the financial information presented on the basis of the accounting policies to be adopted by PureTech Health plc (the “Company”) in preparing the financial statements for the period ending 31 December 2014. This report is required by paragraph 7 of Annex II of the Prospectus Directive and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the Prospectus Directive.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the US or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

the Pro forma financial information has been properly compiled on the basis stated; and
such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive.

Yours faithfully

KPMG LLP

Section B: Unaudited Pro Forma Financial Information

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of the Group. The pro forma net assets statement is based on the audited consolidated net assets of the Group at 31 December 2014 and has been prepared on the basis that the Offer completed on 31 December 2014.

The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 December 2014. Because of its nature the unaudited pro forma statement of net assets addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. It may not, therefore give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

| | Consolidated net assets of the Group at 31 December 2014 ⁽²⁾ | Adjustment for application of net proceeds of the Offer ⁽³⁾ | Unaudited pro forma total |
|---|---|--|------------------------------|
| | \$'000 | \$'000 | \$'000 |
| Assets | | | |
| Non-current assets | | | |
| Property and equipment, net | 1,227 | — | 1,227 |
| Available for sale investments | 78 | — | 78 |
| Intangible assets, net | 2,999 | — | 2,999 |
| Other non-current assets | 5 | — | 5 |
| Total non-current assets | <u>4,309</u> | <u>—</u> | <u>4,309</u> |
| Current assets | | | |
| Trade and other receivables | 1,750 | — | 1,750 |
| Prepaid expenses and other current assets | 1,836 | — | 1,836 |
| Other financial assets | 472 | — | 472 |
| Short-term investments | 701 | — | 701 |
| Cash and cash equivalents | 61,960 | 157,000 | 218,960 |
| Total current assets | <u>66,719</u> | <u>157,000</u> | <u>223,719</u> |
| Total assets | <u>71,028</u> | <u>157,000</u> | <u>228,028</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 2,362 | 157,000 | 159,362 |
| Merger reserve | 86,755 | — | 86,755 |
| Translation reserve | 169 | — | 169 |
| Other reserves | 3,139 | — | 3,139 |
| Accumulated deficit | (70,421) | — | (70,421) |
| Parent equity | 22,004 | 157,000 | 179,004 |
| Non-controlling interests | (45,317) | — | (45,317) |
| Total equity | <u>(23,313)</u> | <u>157,000</u> | <u>133,687</u> |
| Non-current liabilities | | | |
| Deferred revenue | 561 | — | 561 |
| Other long-term liabilities | 107 | — | 107 |
| Total non-current liabilities | <u>668</u> | <u>—</u> | <u>668</u> |
| Current liabilities | | | |
| Notes payable | 6,948 | — | 6,948 |
| Deferred revenue | 3,293 | — | 3,293 |
| Trade and other payables | 4,731 | — | 4,731 |
| Subsidiary derivative liability | 52,794 | — | 52,794 |
| Subsidiary warrant liability | 14,125 | — | 14,125 |
| Subsidiary preferred shares | 11,494 | — | 11,494 |
| Other current liabilities | 288 | — | 288 |
| Total current liabilities | <u>93,673</u> | <u>—</u> | <u>93,673</u> |
| Total liabilities | <u>94,341</u> | <u>—</u> | <u>94,341</u> |
| Total equity and liabilities | <u>71,028</u> | <u>157,000</u> | <u>228,028</u> |

Notes:

- (1) The pro forma statement of net assets has been prepared in a manner consistent with the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 31 December 2014.
- (2) The net assets of the group as at 31 December 2014 have been extracted without material adjustment from the historical financial information set out in Part XII (*Historical Financial Information*) of this document.
- (3) The adjustment represents the effect of the receipt of the gross proceeds of the Offer of £108.2 million (\$171 million) less estimated fees and expenses of £8.9 million (\$14 million).
- (4) No adjustment has been made to reflect the trading results of the Group since 31 December 2014 or any other change in its financial position in this period. The Directors believe that, had the Offer completed at the beginning of the last financial period, the earnings of the Group would have been affected. Assuming that the net proceeds of the Offer were not invested in existing business or new opportunities, the impact would have been to increase finance income with a corresponding increase in earnings.
- (5) This pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.

PART XIV—DETAILS OF THE OFFER

1. OVERVIEW

- 1.1 Pursuant to the Offer, the Company intends to issue 67,599,621 Offer Shares raising proceeds of approximately £99.3 million (\$157 million), net of underwriting commissions of £4 million (\$6.3 million) and other estimated fees and expenses of approximately £4.9 million (\$7.7 million). The Offer Shares will represent approximately 29.7 per cent of the total issued share capital of the Company immediately following Admission (before any exercise of the Over-allotment Option).
- 1.2 The Offer Shares will be offered to certain institutional and professional investors in the UK and in other jurisdictions outside the US in compliance with Regulation S. Certain restrictions that apply to the distribution of this document and the Offer Shares being issued under the Offer are described in paragraph 8 (*Selling Restrictions*) below.
- 1.3 The Offer is fully underwritten by the Underwriters in accordance with the terms of the Sponsor and Underwriting Agreement and is conditional on the satisfaction of the conditions set out therein.
- 1.4 All of the Offer Shares will be issued at the Offer Price of 160 pence per Ordinary Share which will be payable in full. The currency of the Offer is pounds sterling.
- 1.5 When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BY2Z0H74 and SEDOL number BY2Z0H7. Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 24 June 2015.
- 1.6 The Offer Shares will, following Admission, rank *pari passu* in all respects with the Ordinary Shares and will carry the right to receive all dividends and other distributions declared, made or paid on or in respect of the Ordinary Shares after Admission. The Offer Shares will, immediately following Admission, be freely transferable under the Articles.
- 1.7 Immediately following Admission, it is expected that 26.1 per cent of the Company's issued share capital will be held in public hands (within the meaning of paragraph 6.1.19R of the Listing Rules) assuming that no Over-allotment Shares are issued pursuant to the Over-allotment Option (increasing to approximately 29.2 per cent if the Over-allotment Option is exercised in full). The Shareholders immediately prior to the Offer will be diluted by 29.7 per cent as a result of the Offer.

2. ALLOCATION

- 2.1 The Ordinary Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters as described in paragraph 6 (*Underwriting Arrangements*) below and in paragraph 12.1.1 (*Sponsor and Underwriting Agreement*) of Part XVI (*Additional Information*) of this document. A number of factors will be considered in determining the basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares and the objective of encouraging the development of an orderly and liquid after-market in the Ordinary Shares. The objectives and process for allocation and pricing will be discussed and agreed between the Company and the Underwriters. Allocations made under the Offer will be determined in consultation with the Company.
- 2.2 There is no minimum or maximum number of Offer Shares which can be applied for. If there is excess demand for the Offer Shares, applicants may be allocated Offer Shares having an aggregate value which is less than the sum applied for.
- 2.3 Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealings in the Ordinary Shares may not begin before notification is made.
- 2.4 The rights attaching to the Offer Shares will be uniform in all respects with all other Ordinary Shares and will form a single class for all purposes with the other Ordinary Shares. All Ordinary Shares issued pursuant to the Offer will be issued, payable in full, at the Offer Price. Liability for UK stamp duty and stamp duty reserve tax ("SDRT") is described in paragraph 1.4 (*UK Stamp Duty and SDRT*) of Part XV (*Taxation*) of this document.

3. DEALING ARRANGEMENTS AND SETTLEMENT

- 3.1** It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 24 June 2015. Settlement of dealings from that date will be on a two-day rolling basis. Prior to Admission, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 19 June 2015. The earliest date for settlement of such dealings will be 24 June 2015. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a “when issued basis”, will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**
- 3.2** Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares issued to such investor in such manner as shall be directed by the Underwriters.
- 3.3** It is expected that Ordinary Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST (the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator) on Admission. It is intended that, if applicable, definitive share certificates in respect of the Offer will be distributed by 8 July 2015 or as soon thereafter as is practicable. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST account shall be at the risk of the investor concerned.
- 3.4** Each subscriber of Ordinary Shares and, in the case of paragraph 3.5(b) below, any person confirming an agreement to subscribe for Ordinary Shares on behalf of an investor or authorising the Underwriters to notify the investor's name to the Registrar, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:
- (a) the investor is liable for any capital duty, stamp duty, SDRT and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by it or any other person on the subscription by it of any Ordinary Shares or the agreement by it to subscribe for Ordinary Shares; and
 - (b) the investor is not and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services).
- 3.5** The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

4. OVER-ALLOTMENT AND STABILISATION

- 4.1** In connection with the Offer, the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other stabilising transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market.
- 4.2** The Stabilising Manager is not required to enter into stabilising transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents or affiliates to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken with the intention of stabilising the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents or affiliates intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.
- 4.3** In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15 per cent of the total number of Offer Shares. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments effected by it during the stabilisation period, the Company has granted to the Stabilising Manager the Over-allotment Option pursuant to which the Stabilising Manager may

require the Company to issue in aggregate up to 10,139,943 Over-allotment Shares (being up to a maximum of 15 per cent of the total number of Ordinary Shares comprised in the Offer), at the Offer Price.

- 4.4 The Over-allotment Option may be exercised in whole or in one or more parts, upon one or more notices by the Stabilising Manager, at any time during the period from commencement of conditional dealings of the Ordinary Shares and ending 30 calendar days thereafter. Any Over-allotment Shares made available pursuant to the Over-allotment Option will be issued at the Offer Price on the same terms and conditions as, and will rank equally with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will form a single class for all purposes with the Ordinary Shares.
- 4.5 Liability for UK stamp duty and SDRT on transfers of Ordinary Shares pursuant to the Over-allotment Option is described in Part XV (*Taxation*) of this document.
- 4.6 For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 12.1.3 (*Securities Lending Agreement*) of Part XVI (*Additional Information*) of this document.

5. CREST

With effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. Settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares in the Offer may elect to receive Ordinary Shares in uncertificated form if that investor is a system member (as defined in the CREST Regulations) with regard to CREST.

6. UNDERWRITING ARRANGEMENTS

- 6.1 The Underwriters have entered into commitments under the Sponsor and Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for Offer Shares or, failing which, to subscribe for such Offer Shares themselves, at the Offer Price.
- 6.2 The Offer is subject to the satisfaction of certain conditions contained in the Sponsor and Underwriting Agreement which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters.
- 6.3 *Inter alia*, the parties have agreed in the Sponsor and Underwriting Agreement that they will ensure, as a condition precedent to Admission and the Offer, that immediately upon Admission the proportion of Ordinary Shares beneficially owned by US residents will be 50 per cent or less. The parties have agreed that they will not proceed with Admission unless this condition is satisfied.
- 6.4 The Sponsor and Underwriting Agreement contains provisions entitling the Joint Bookrunners to terminate the Offer (and the arrangements associated with it), at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any monies received in respect of the Ordinary Shares will be returned to applicants without interest. The Sponsor and Underwriting Agreement provides for the Underwriters to be paid commissions in respect of the Ordinary Shares issued. Any commissions received by the Underwriters may be retained, and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.
- 6.5 Further details of the terms of the Sponsor and Underwriting Agreement are set out in paragraph 12.1.1 (*Sponsor and Underwriting Agreement*) of Part XVI (*Additional Information*) of this document.

7. LOCK-UP ARRANGEMENTS

- 7.1 Pursuant to the Sponsor and Underwriting Agreement, the Company has agreed to be subject to a 365 day lock-up period following Admission, during which time, subject to certain exceptions, it may not, *inter alia*, issue or dispose of any Ordinary Shares without the consent of the Global Co-ordinator. The Company has also agreed to procure that each other Group Company will not without first having

notified the Joint Bookrunners of its intention to do so and having consulted with them in relation to the same, at any time during the period of 365 days following Admission, subject to certain exceptions, dispose of, directly or indirectly, any Ordinary Shares or securities convertible into Ordinary Shares.

- 7.2** The Lending Shareholder, the Directors (including Shareholders related to the Directors), certain Senior Managers and advisers to the Board and other employees holding Ordinary Shares have entered into lock-up arrangements pursuant to which they have agreed to be subject to a 365 day lock-up period following Admission, during which time, subject to certain exceptions, it may not *inter alia*, dispose of any Ordinary Shares without the consent of the Global Co-ordinator.
- 7.3** Invesco and certain other Shareholders each holding Ordinary Shares representing one per cent or more of the share capital of the Company immediately prior to Admission, amounting in aggregate to 96,256,690 issued Ordinary Shares (approximately 42.4 per cent of the issued Ordinary Shares immediately following Admission assuming no exercise of the Over-allotment Option), have entered into lock-up arrangements for a 180 day period following Admission during which time, subject to certain exceptions, they may not, *inter alia*, dispose of any interest in Ordinary Shares held by them without the consent of the Global Co-ordinator.
- 7.4** Certain Shareholders each holding Ordinary Shares representing 0.2 per cent or more (but less than one per cent) of the share capital of the Company immediately prior to Admission, amounting in aggregate to 12,620,660 issued Ordinary Shares (approximately 5.6 per cent of the issued Ordinary Shares immediately following Admission assuming no exercise of the Over-allotment Option), have entered into lock-up arrangements for a 90 day period following Admission during which time, subject to certain exceptions, they may not, *inter alia*, dispose of any interest in Ordinary Shares held by them without the consent of the Global Co-ordinator.
- 7.5** Further details of the lock-up arrangements are set out at paragraph 12.1.2 (*Lock-up Arrangements*) of Part XVI (*Additional Information*) of this document.

8. SELLING RESTRICTIONS

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

8.1 European Economic Area

In relation to each Member State, an offer to the public of any Ordinary Shares may not be made in that Member State, except that an offer to the public in that Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially subscribes for any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient information of the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for any Ordinary Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company, the Joint Bookrunners has been obtained to each such proposed offer or resale.

8.2 United Kingdom

This document and any other materials in relation to the Ordinary Shares described herein are only being distributed to, and are only directed at, persons in the UK who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive who are also: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities or other persons falling within Articles 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The Ordinary Shares are only available to, and any invitation, offer or agreement to subscribe or otherwise acquire such Ordinary Shares will be engaged in only with, relevant persons. This document and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the UK. Any person in the UK that is not a relevant person should not act or rely on this document or its contents.

8.3 Australia

This document has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document under Chapter 6D of the Australian Corporations Act 2001 (the “Corporations Act”). This document (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Ordinary Shares in Australia (including an offer or invitation received by a person in Australia) and no Shares may be sold (or transferred, assigned or otherwise alienated) in Australia for at least 12 months after their issue, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act.

Each investor acknowledges the above and, by applying for shares under this document, gives an undertaking to the Company not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for 12 months after their issue.

8.4 Canada

The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

8.5 Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1998 as amended) (the “*Financial Instruments and Exchange Act*”) and may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any resident in Japan, including any corporation or other entity

organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

8.6 South Africa

Due to restrictions under the securities laws of South Africa, the Ordinary Shares are not offered, and the Offer shall not be transferred, sold, made renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies: (i) the offer, transfer, sale, renunciation or delivery is to persons falling within the exemptions set out in Section 961(a) of the Companies Act, No. 71 of 2008 (as amended) (the “South African Companies Act”), including duly registered banks, mutual banks, financial services providers, financial institutions (in each case registered as such in South Africa under applicable legislation), the Public Investment Corporation, a person who deals with securities in their ordinary course of business, or a wholly owned subsidiary of a duly registered bank, mutual bank, authorised financial services provider or financial institution, acting as agent in the capacity of an authorised portfolio manager for a pension fund (duly registered in South Africa), or as manager for a collective investment scheme (duly registered in South Africa); or (ii) the contemplated acquisition cost of the Shares, for any single addressee acting as principal is equal to or greater than R1,000,000.

This Offer does not constitute an offer for the sale of or subscription for, or the solicitation of an offer to subscribe for, shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act and should any person who does not fall into any of the above exemptions receive this document they should not and will not be entitled to acquire any Ordinary Shares or otherwise act thereon. This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act.

8.7 US

The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority in any state of the US. The Ordinary Shares are being offered and sold outside the US in off-shore transactions, as defined in Regulation S. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US unless the offer or sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

PART XV—TAXATION

The Company is registered under the laws of the UK and treated as a UK company for corporate law and UK tax purposes. However, due to the circumstances of its formation and the application of section 7874 of the Code (as discussed below), the Company will be subject to US federal income tax as if it were a US corporation. **Shareholders or prospective Shareholders should consult both the “UK Taxation” and “US Taxation” paragraphs below, as well as their own professional advisors, regarding the tax consequences of acquiring, holding and disposing of Ordinary Shares.**

1. UK TAXATION

The following is a summary of certain UK tax considerations relating to an investment in the Company’s Ordinary Shares.

The statements set out below reflect current UK law and published HMRC guidance (which may not be binding on HMRC), as at the date of this document and which may be subject to change, possibly with retroactive effect. They are intended as a general guide and apply only to Shareholders of the Company resident and, in the case of an individual, domiciled exclusively in the UK for UK tax purposes (except insofar as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of the Ordinary Shares and any dividends paid thereon. (In particular, Shareholders holding their Ordinary Shares through a depositary receipt system or clearance service should note that they may not always be regarded as the absolute beneficial owners of such Ordinary Shares.) This guidance does not address all possible tax consequences relating to an investment in the Ordinary Shares. Specifically, this guidance does not address: (i) special classes of Shareholders such as, for example, dealers in securities, broker-dealers, intermediaries, insurance companies or collective investment schemes; (ii) Shareholders who hold Ordinary Shares as part of hedging transactions; (iii) Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, or who are or have been officers or employees of the Company; or (iv) Shareholders who are connected with the Company.

Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction other than the UK, should consult their own professional advisors immediately.

1.1 Taxation of dividends

1.1.1 Withholding tax

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend in respect of the Ordinary Shares.

Subject to certain limitations, any US tax withheld from a dividend and paid over to the relevant taxing authority will be eligible for credit against a UK Shareholder’s UK tax liability except to the extent that a refund of the tax withheld is available under US tax law or under an applicable tax treaty to the Shareholder or a connected person. If a refund becomes available after the UK Shareholder has submitted its tax return, the UK Shareholder will be required to notify HMRC and will lose the credit to the extent of the refund.

Where a UK Shareholder is not liable to UK tax on dividends or benefits from exemption (see paragraphs 1.1.2 (*UK Income Tax Payers*) and 1.1.3 (*UK Corporation Tax Payers*) of this Part XV (*Taxation*) below), no credit will be available for any US tax withheld and paid over to the relevant taxing authority.

1.1.2 UK income tax payers

Dividends received by UK resident individual Shareholders will be subject to UK income tax. The dividend is taxable in the tax year in which the dividend is payable. The tax is charged on the gross amount (if not payable in sterling, translated into sterling at the spot rate when the dividend is payable) of any dividend paid as increased for any UK tax credit available as described below (“Gross Dividend”). Such a Shareholder must include any US tax withheld from the dividend payment in the Gross Dividend even though the Shareholder does not in fact receive it.

A UK resident individual Shareholder who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against the Shareholder’s total UK income tax liability

in respect of the dividend. The amount of the tax credit will be equal to ten per cent of the Gross Dividend. A UK resident individual Shareholder who is liable to UK income tax at the basic rate only will be subject to tax on the Gross Dividend at the rate of ten per cent. However, such Shareholder will be able to set-off the tax credit against this liability, such that no additional tax should be payable by the Shareholder on their receipt of the dividend.

A UK resident individual Shareholder who is liable to UK income tax at a rate not exceeding the higher rate will be subject to UK income tax on the Gross Dividend at the rate of 32.5 per cent to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder’s income, exceeds the lower threshold for higher rate UK income tax. However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 22.5 per cent. A UK resident individual Shareholder who is subject to UK income tax at the additional rate will be subject to UK income tax on the Gross Dividend at the rate of 37.5 per cent to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder’s UK income exceeds the lower threshold for additional rate UK income tax. However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 27.5 per cent of the Gross Dividend.

A UK resident individual Shareholder who is not liable to income tax in respect of the Gross Dividend and other UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company. It should also be possible for a UK resident individual Shareholder to obtain tax credit relief for US withholding tax properly payable under the terms of the US/UK double tax agreement or relief by deduction. For individuals the current rate of US withholding tax on dividends provided for by the double tax agreement is 15 per cent and UK resident individual Shareholders will need to complete appropriate documentation to qualify for the treaty rates of withholding tax (see paragraph 2 (*US Taxation*) of this Part XV (*Taxation*)).

1.1.3 UK corporation tax payers

Shareholders who are subject to UK corporation tax will be subject to UK corporation tax on dividends paid by the Company, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions (including anti-avoidance conditions) are met. Each Shareholder’s position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class. Such Shareholders will not, in the case of UK income tax, be able to claim repayment of the tax credit attaching to dividends paid by the Company.

1.1.4 Non-UK resident Shareholders

Non-UK resident Shareholders will not be liable to UK income or corporation tax in the UK on dividends paid on the Ordinary Shares unless, in the case of UK income tax, the Shareholder carries on a trade (or profession or vocation) in the UK and the dividends are either a receipt of that trade or, in the case of UK corporation tax, the Ordinary Shares are held by or for a UK permanent establishment through which a trade is carried on. Non-UK resident Shareholders will not generally be able to claim repayment of any part of the tax credit attaching to dividends paid by the Company.

Certain non-UK resident individuals (e.g. those from a territory within the European Economic Area) are entitled to a tax credit in respect of a UK-source dividend. Shareholders in this position will be subject to UK income tax on an amount equivalent to the Gross Dividend. By virtue of section 811 of the Income Tax Act 2007, such Shareholders should have no further UK income tax to pay upon their receipt of a dividend from the Company. Non-UK resident Shareholders will not generally be able to otherwise recover the tax credit attaching to dividends paid by the Company.

Shareholders may also be subject to foreign taxation on dividend income under applicable local law.

Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

1.2 Taxation of chargeable gains

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes in the tax year (or part thereof) in question may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. This will depend upon the Shareholder's individual circumstances and is subject to any available exemption or relief (such as the annual exempt amount for individual Shareholders and indexation for corporate Shareholders). Indexation allowance may reduce the amount of chargeable gains subject to UK corporation tax, but may not create or increase any allowable loss.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of chargeable gains on the disposal or deemed disposal of Ordinary Shares unless, in the case of an individual Shareholder, they are carrying on a trade, profession or vocation in the UK whether through a branch or agency or, in the case of a corporate Shareholder, they are carrying on trade in the UK through a permanent establishment, in connection with which the Ordinary Shares are used, held and/or acquired.

An individual Shareholder who acquires Ordinary Shares while UK resident, ceases to be resident for tax purposes in the UK for a period of less than five years and disposes of all or part of his or her Ordinary Shares during the period in which he is non-UK resident may be liable to UK capital gains tax on his or her return to the UK, where that Shareholder was UK resident for at least four of the seven tax years immediately preceding the year of departure from the UK (subject to any available exemptions or reliefs). For these purposes, a tax year is the period from 6 April in a calendar year to 5 April in the following calendar year.

An individual Shareholder who is subject to UK income tax at the higher or additional rate will be liable to UK capital gains tax on the amount of any chargeable gain realised by a disposal of Ordinary Shares at the rate of 28 per cent. Individual Shareholders who are subject to income tax at the basic rate only should only be liable to UK capital gains tax on any chargeable gain at a rate of 18 per cent (save to the extent that any capital gains exceed the unused basic rate tax band, in which case the applicable rate to the excess would be 28 per cent). In the event that a disposal of the Ordinary Shares results in the realisation of a loss by the Shareholder for UK capital gains tax purposes, such a loss may be set off by the Shareholder against other chargeable gains in the same or future years of assessment.

UK resident corporate Shareholders will generally be subject to UK corporation tax (rather than capital gains tax) on any chargeable gain realised on a disposal of Ordinary Shares. Any chargeable loss realised by such a Shareholder may be set off by the Shareholder against chargeable gains in the same or future accounting periods.

1.3 UK inheritance tax

Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder during their lifetime, or on their death, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder making the gift is neither resident nor domiciled in the UK, nor deemed to be domiciled there under certain rules relating to the number of years of UK residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the donor survives for at least seven complete years after the date of the gift. For UK inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts in respect of which the donor reserves or retains some benefit. Special rules also apply to gifts made to close companies and where assets are transferred to and/or held by certain types of trustee. The UK inheritance tax rules are complex and Shareholders should consult an appropriate professional advisor in any case where the rules may be relevant, particularly (but not limited to) cases where Shareholders intend to make a gift of any kind to hold any Ordinary Shares through a trust arrangement. They should also seek professional advice in a situation where there is potential for a charge to both UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

1.4 UK Stamp duty and SDRT

The discussion below relates to Shareholders wherever resident.

1.4.1 General

No UK stamp duty or SDRT will generally arise on the issue of Ordinary Shares by the Company.

Instruments transferring Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent of the consideration given for the transfer (rounded up to the nearest £5 where applicable). The transferee normally pays the stamp duty. An exemption from UK stamp duty is available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer, but such liability will be cancelled, or a right to repayment (normally with interest) will arise in respect of the SDRT liability, if the agreement is completed by a duly stamped instrument or an exempt transfer within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional).

Over-allotment Shares may be transferred by the Stabilising Manager to institutional and professional investors pursuant to the Over-allotment Option, rather than issued directly by the Company to the institutional and professional investors, as described in paragraph 4 (*Over-allotment and Stabilisation*) of Part XIV (*Details of the Offer*) of this document. Instruments transferring Over-allotment Shares will also generally be subject to stamp duty at the rate of 0.5 per cent of the consideration given for the transfer (rounded up to the nearest £5 where applicable).

1.4.2 CREST

Deposits of Ordinary Shares into CREST will not generally be subject to SDRT or UK stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth. Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than UK stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

1.4.3 Depositary receipt systems and clearance services

Where Ordinary Shares are transferred (in the case of UK stamp duty) or issued or transferred (in the case of SDRT) (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, UK stamp duty or SDRT (as applicable) will generally be payable at the higher rate of 1.5 per cent on the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares. However, following litigation HMRC have confirmed that they will no longer seek to apply the 1.5 per cent SDRT charge on an issue of shares or securities to a clearance service or depositary receipt system anywhere in the world (or on a transfer of shares or securities to such entities where the transfer is not an integral part of an issue of share capital) on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent SDRT or UK stamp duty charge will continue to apply to a transfer of shares or securities to a clearance service or depositary receipt system where the transfer is not an integral part of an issue of share capital.

There is an exception from the 1.5 per cent charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, a charge to SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer will arise on any transfer of Ordinary Shares into such an account and on subsequent agreements to transfer such Ordinary Shares.

Transfers of Ordinary Shares within a clearance service or depositary receipt system will not give rise to a liability to UK stamp duty or SDRT, provided that no instrument or transfer is entered into and that no election has been made by the clearance service or depositary receipt system under section 97A(1) of the Finance Act 1986.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable for by the clearance service or depositary receipt system operator or their nominee, as

the case may be, but will, in practice be payable by the participants in the clearance service or depositary receipt system.

Any person who is in any doubt as to his or her taxation position or who is liable to taxation in any jurisdiction other than the UK should consult his or her professional advisors.

2. US TAXATION

The following is a general discussion of material US federal income tax considerations with respect to the ownership and disposition of Ordinary Shares acquired in the Offer. This discussion is based on current provisions of the Code, US Treasury regulations promulgated thereunder, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions in effect as of the date hereof, all of which are subject to change at any time, possibly with retroactive effect, that could thus result in consequences different from those set forth below.

This summary does not address the tax considerations arising under the laws of any non-US, state or local jurisdiction and does not address US federal tax laws other than those pertaining to the US federal income and estate taxes. Except where noted, this summary deals with Ordinary Shares that are held as a capital asset within the meaning of the Code (generally property held for investment) by a non-US holder (as defined immediately below).

As used here, a “non-US holder” means any beneficial owner of Ordinary Shares (other than a partnership) that is not for US federal income tax purposes any of the following:

- an individual citizen or resident of the US for US federal income tax purposes (generally, the latter includes a non-US individual who: (i) is a lawful permanent resident of the US; (ii) is present in the US for or in excess of certain periods of time; or (iii) makes a valid election to be treated as a United States Person (as defined in the Code);
- a corporation (or any other entity treated as a corporation for US federal income tax purposes) created or organised in or under the laws of the US, any state thereof or the District of Columbia;
- an estate if its income is subject to US federal income taxation regardless of its source; or
- a trust if it: (i) is subject to the primary supervision of a court within the US and one or more United States Persons have the authority to control all substantial decisions of the trust; or (ii) has a valid election in effect under applicable US Treasury regulations to be treated as a US Person.

If an entity classified as a partnership for US federal income tax purposes holds Ordinary Shares, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold Ordinary Shares and partners in such partnerships, should consult their tax advisors.

This summary does not represent a detailed description of the US federal income and estate tax consequences applicable to investors subject to special treatment under the US federal income tax laws, including, for example, any investor that: (i) is a US expatriate, an insurance company, a tax-exempt organisation, a regulated investment company, a dealer in securities, commodities or currencies, a bank or other financial institution, a pension plan or an owner (directly, indirectly or constructively) of five per cent or more of the Ordinary Shares; (ii) has elected mark-to-market accounting; (iii) has acquired Ordinary Shares as compensation; (iv) holds Ordinary Shares as part of a hedge, straddle, constructive sale, conversion or other transaction; (v) is a special status corporation such as a “controlled foreign corporation” or a “passive foreign investment company” for US federal income tax purposes, or a corporation that accumulates earnings to avoid US federal income tax; or (vi) is an investor in a pass-through entity.

THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES. IT IS FOR INFORMATION ONLY AND IS NOT TAX ADVICE. THE COMPANY RECOMMENDS THAT PROSPECTIVE SHAREHOLDERS CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL AND NON-US INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES.

2.1 Treatment of the Company as a US domestic corporation for US federal income tax purposes

Prospective investors should note that the Company is treated as a US domestic corporation for US federal income tax purposes, despite being incorporated under the laws of England and Wales

A corporation is generally considered a tax resident in the jurisdiction of its organisation or incorporation for US federal income tax purposes. Because the Company is incorporated under the laws of England and Wales, it would generally be classified as a foreign corporation for US federal income tax purposes. Section 7874 of the Code provides an exception pursuant to which a foreign incorporated entity may, in certain circumstances, be treated as a US domestic corporation for US federal income tax purposes. Section 7874 of the Code generally provides that a corporation organised outside the US that acquires, directly or indirectly, pursuant to a plan or series of related transactions, substantially all of the assets of a domestic corporation or substantially all of the assets constituting a trade or business of a domestic partnership will be treated as a US domestic corporation for US federal income tax purposes if shareholders of the acquired corporation or partners of the acquired partnership, as applicable, by reason of owning interests in the acquired corporation or the acquired partnership, as applicable, own at least 80 per cent (either of the voting power or the value) of the stock of the acquiring corporation after the acquisition. For these purposes, stock of the acquiring corporation that is issued to investors in an initial public offering is disregarded. Because of PureTech LLC's acquisition by the Company on 18 June 2015 pursuant to the Reorganisation (as defined in paragraph 4.7 of Part XVI (*Additional Information*) of this document) and the application of section 7874 of the Code, the Company will be treated as a US domestic corporation for all purposes of the Code.

Thus, even though the Company is registered under the laws of the United Kingdom and treated as a UK company for corporate law and UK tax purposes, the Company will also be treated as a US domestic corporation under US federal tax law, fully subject to US federal income tax on its worldwide income under section 7874 of the Code.

Furthermore, the Company will continue to be treated as a US domestic corporation for US federal income tax purposes indefinitely, and the Ordinary Shares will continue to be treated as shares in a US domestic corporation notwithstanding any future transfers.

2.2 Material US federal income tax considerations for non-US holders

2.2.1 Dividends

As described above under paragraph 16 (*Dividend Policy*) of Part VII (*Information on the Company and the Group*) of this document, the Company does not anticipate declaring or paying any cash dividends on its Ordinary Shares in the foreseeable future. However, if the Company does make distributions on its Ordinary Shares, those payments will constitute dividends for US federal income tax purposes to the extent paid from current or accumulated earnings and profits, as determined under US federal income tax principles. To the extent those distributions exceed current and accumulated earnings and profits, they will constitute a return of capital and will first reduce the non-US holder's adjusted tax basis in Ordinary Shares, but not below zero and then will be treated as gain from the sale of stock as described below under the heading "Gain on sale or other disposition of Ordinary Shares".

Dividends paid to a non-US holder will be subject to US federal withholding tax at a rate equal to 30 per cent of the gross amount of the dividend, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the non-US holder within the US (and, if required by an applicable income tax treaty, are attributable to a US permanent establishment maintained by the non-US holder). Under applicable US Treasury regulations, a non-US holder will be required to satisfy certain certification requirements, generally on IRS Form W-8BEN or W-8BEN-E, or any successor form, directly or through an intermediary, in order to claim a reduced rate of withholding under an applicable income tax treaty. If US federal withholding tax is withheld in an amount in excess of the amount prescribed by an applicable income tax treaty, a refund of the excess amount may be obtained by timely filing an appropriate claim for refund with the IRS.

Dividends that are effectively connected with such a US trade or business (and, if required by an applicable income tax treaty, are attributable to a US permanent establishment maintained by the non-US holder) are not subject to US federal withholding tax if the non-US holder files the required forms, usually an IRS Form W-8ECI, or any successor form, with the payer of the

dividend, but instead will generally be subject to US federal income tax on a net income basis under the regular graduated US federal income tax rates in the same manner as if the non-US holder were a United States person (as defined in the Code). A corporate non-US holder that receives effectively connected dividends may be subject to an additional branch profits tax at a rate of 30 per cent, or a lower rate prescribed by an applicable income tax treaty, with respect to effectively connected dividends, as adjusted for certain items.

2.2.2 Gain on sale or other disposition of Ordinary Shares

A non-US holder will not be subject to US federal income tax on any gain realised upon the sale or other taxable disposition of the non-US holder's Ordinary Shares unless:

- (a) the gain is effectively connected with a trade or business carried on by the non-US holder within the US (and, if required by an applicable tax treaty, is attributable to a US permanent establishment maintained by the non-US holder), in which case the non-US holder generally will be required to pay tax on the net gain derived from the sale under regular graduated US federal income tax rates. If the non-US holder is a corporation, the branch profits tax may apply, at a 30 per cent rate or such lower rate as may be specified by an applicable income tax treaty to such effectively connected gain, as adjusted for certain items;
- (b) the non-US holder is a non-resident alien individual who is present in the US for 183 days or more in the taxable year of disposition and certain other conditions are met, in which case the non-US holder will be required to pay a flat 30 per cent tax (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the disposition, which gain may be offset by certain US source capital losses, if any, provided that the non-US holder has timely filed US federal income tax returns with respect to such losses; or
- (c) the Ordinary Shares constitute a US real property interest by reason of the Company's status as a US real property holding corporation ("USRPHC") for US federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-US holder's holding period for the Ordinary Shares.

The Company believes that it is not currently and does not anticipate becoming a USRPHC. However, because the determination of whether the Company is a USRPHC depends on the fair market value of its US real property relative to the fair market value of its other business assets, there can be no assurance that the Company will not become a USRPHC in the future. Even if the Company becomes a USRPHC, however, as long as its Ordinary Shares are regularly traded on an established securities market, as defined under the Code and applicable US Treasury regulations, such Ordinary Shares will be treated as US real property interests only if the non-US holder actually or constructively held more than five per cent of the Ordinary Shares at any time during the shorter of the five-year period preceding the disposition or the non-US holder's holding period for the Ordinary Shares.

2.3 Information reporting and backup withholding

The Company must report annually to the IRS and to each non-US holder the amount of dividends on the Ordinary Shares, the name and address of the recipient and the amount, if any, of tax withheld. These information reporting requirements apply even if withholding: (i) was not required because the dividends were effectively connected dividends; or (ii) was reduced or eliminated by an applicable income tax treaty.

Under tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-US holder's country of residence.

Dividend payments made to a non-US holder that is not an exempt recipient generally will be subject to backup withholding, currently at a rate of 28 per cent, unless the non-US holder certifies as to its foreign status, which certification may be made on IRS Form W-8BEN or W-8BEN-E.

Proceeds from the disposition of Ordinary Shares by a non-US holder effected by or through a US office of a broker will be subject to information reporting and backup withholding, currently at a rate of 28 per cent of the gross proceeds, unless the non-US holder certifies to the payer under penalties of perjury as to, *inter alia*, its address and status as a non-US holder or otherwise establishes an exemption. Generally, US information reporting and backup withholding will not apply to a payment of disposition proceeds if the

transaction is effected outside the US by or through a non-US office of a broker. However, if the broker is, for US federal income tax purposes, a US person, a controlled foreign corporation, a foreign person who derives 50 per cent or more of its gross income for specified periods from the conduct of a US trade or business, a specified US branch of a foreign bank or insurance company or a foreign partnership with certain connections to the US, information reporting but not backup withholding will apply unless the broker has documentary evidence in its files that the holder is not a US person and other conditions are met, or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, the amount withheld is applied to the US federal income tax liability of persons subject to backup withholding. If backup withholding results in an overpayment of US federal income taxes, a refund or a credit against a non-US holder's US federal income tax liability may be obtained, provided the required documents are timely filed with the IRS.

2.4 Estate tax

Ordinary Shares owned or treated as owned by an individual who is not a citizen or resident of the US (as specifically defined for US federal estate tax purposes) at the time of death will be includible in the individual's gross estate for US federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

2.5 FATCA

Sections 1471-1474 of the Code and associated US Treasury regulations (i.e. FATCA) generally impose a US federal withholding tax of 30 per cent on dividends on and the gross proceeds of a disposition of Ordinary Shares, paid to a "foreign financial institution" (as defined under the Code and applicable US Treasury regulations) irrespective of whether the institution is the beneficial owner of the dividend or the Ordinary Shares, unless such institution enters into an agreement with the US government to, *inter alia*, withhold on certain payments and to collect and provide to the US tax authorities substantial information regarding the US account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with US owners) or otherwise establishes an exemption. A US federal withholding tax of 30 per cent also applies to dividends on and the gross proceeds of a disposition of Ordinary Shares paid to a "non-financial foreign entity" (as defined under the Code) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect US owners of the entity, certifies that there are none or otherwise establishes an exemption. The withholding provisions under FATCA generally apply currently to dividends on Ordinary Shares and, under current transitional rules, are expected to apply with respect to the gross proceeds of a sale or other disposition of Ordinary Shares on or after 1 January 2017. Under certain circumstances, a non-US holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the US and an applicable foreign country may modify the requirements described in this paragraph. In particular, as a UK resident company, the Company may constitute a "Reporting United Kingdom Financial Institution" under the intergovernmental agreement between the US and the UK to Improve International Tax Compliance and to Implement FATCA dated 12 September 2012 and associated UK regulations, with reporting and in certain cases withholding responsibilities. The Directors believe, however, that the Company is not a "Reporting United Kingdom Financial Institution". Prospective investors should choose their custodians or other financial intermediaries for the Ordinary Shares with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to receive and make payments free of FATCA withholding. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in Ordinary Shares.

PART XVI—ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear at paragraph 1 (*Directors*) of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION

- 2.1 The Company was incorporated and registered in England and Wales on 8 May 2015 as a public company limited by shares under the Companies Act with the name PureTech Health plc and with the registered number 9582467. The Company's registered office is situated at 5th Floor, 6 St Andrew Street, London EC4A 3AE, United Kingdom.
- 2.2 The Company's principal place of business is at 501 Boylston Street, 6th Floor, Boston, Massachusetts 02116, United States of America. The telephone number of the Company's principal place of business is 001 617 482 2333.
- 2.3 The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Act and the regulations made thereunder.

3. SHARE CAPITAL

- 3.1 The share capital history of the Company is as follows:
 - 3.1.1 on incorporation, the share capital of the Company was £50,000 divided into one ordinary share of £1.00 and 49,999 redeemable preference shares of £1.00 each, issued and allotted to Intertrust Trustees (UK) Limited;
 - 3.1.2 on 18 June 2015, being the effective date of the Reorganisation (as defined in paragraph 4 (*The Reorganisation*) below), the Company issued a total of 159,648,387 Ordinary Shares to the members of PureTech LLC in exchange for the common shares of PureTech LLC, pursuant to the Exchange Agreement (as described in paragraph 12.1.6 (*Exchange Agreement*) below) whereby the Company became the holding company of the Group; and
 - 3.1.3 as part of the Reorganisation, the 49,999 redeemable preference shares were redeemed by the Company as further described in paragraph 4 (*The Reorganisation*) below; and
 - 3.1.4 as part of the Reorganisation, the one ordinary share in issue was converted into a deferred share of £1.00 and bought back by the Company as further described in paragraph 4 (*The Reorganisation*) below.
- 3.2 Immediately prior to the publication of this document, the nominal value of the issued share capital of the Company was one pence, comprising 159,648,387 Ordinary Shares (all of which were fully paid or credited as fully paid). Immediately following completion of the Offer, the nominal value of the issued share capital of the Company is expected to be one pence comprising 227,248,008 Ordinary Shares (assuming no exercise of the Over-allotment Option) (all of which will be fully paid or credited as fully paid).
- 3.3 On 18 June 2015, prior to the Reorganisation becoming effective, the following resolutions were passed as ordinary and special resolutions at a general meeting of the Company:
 - 3.3.1 that conditional on Admission, the Company adopted the Articles, a summary of which is included in paragraph 5 (*Articles of Association*) of this Part XVI (*Additional Information*) below;
 - 3.3.2 that, the 49,999 redeemable preference shares allotted to Intertrust Trustees (UK) Limited ("Intertrust") be redeemed at the point the Reorganisation is effective;
 - 3.3.3 that the one ordinary share allotted to Intertrust following conversion to a deferred share by resolution of the Directors of the Company, at the point that the Reorganisation is effective, be immediately bought back by the Company and cancelled, pursuant to the terms of a notice given by the Company to Intertrust for the purchase by the Company of the deferred share for a total

consideration of £1.00, such authority granted by this resolution expiring at the conclusion of the next annual general meeting of the Company or on the date falling 15 months after the date of the passing of this resolution (whichever is earlier);

3.3.4 that the PureTech Health plc 2015 Performance Share Plan (“PSP”) in the form of the rules produced to the meeting pursuant to which directors, officers and employees of, and other individuals providing services to, the Company and its subsidiaries may be given the opportunity to acquire Ordinary Shares, subject to the maximum amount of authorised dilution of the Company’s share capital as set out in the resolution described in paragraph 3.4.6.3(a) below being approved and adopted;

3.3.5 that the Directors are authorised to do all acts and things which they may consider necessary or expedient to implement the PSP, including amendment of the rules of the PSP;

3.3.6 that, pursuant to section 551 of the Companies Act, the Directors be authorised to exercise all powers of the Company to allot Ordinary Shares in the Company and grant rights to subscribe for or to convert any security into Ordinary Shares in the Company, as follows:

3.3.6.1 up to an aggregate nominal amount of £1,596,484 to be issued in connection with the Exchange;

3.3.6.2 up to an aggregate nominal amount of £777,396 to be issued in connection with the Offer and the Over-allotment Option; and

3.3.6.3 following, and conditional upon, Admission:

- (a) up to an aggregate nominal amount equal to £227,248, being approximately 10 per cent by number of Ordinary Shares in issue at the date of this resolution pursuant to the PSP and any other employee share plan adopted by the Company (but excluding any Ordinary Shares issued pursuant to awards granted before Admission);
- (b) up to an aggregate nominal amount of £757,493 being approximately one-third of the aggregate nominal value of the issued ordinary share capital of the Company immediately following Admission (assuming no exercise of the Over-allotment Option) to such persons, at such times and generally on such terms and conditions as the Directors in their absolute discretion may determine; and
- (c) up to an aggregate nominal value of £1,514,987 being approximately two-thirds of the aggregate nominal value of the issued ordinary share capital of the Company immediately following Admission (such amount to be reduced by the allotments made under the resolution described in paragraph 3.4.6.3(b) above) in connection with a rights issue in favour of Shareholders in the Company in proportion (as nearly as may be practicable) to the respective number of Ordinary Shares in the Company held by them on the record date for such allotment,

provided that (unless previously revoked, varied or renewed) this authority shall expire on the date falling 15 months after the date of the passing of these resolutions or, if earlier, on the conclusion of the next annual general meeting of the Company, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired;

3.3.7 that subject to the passing of the resolution described in paragraph 3.4.6 above and pursuant to section 570 of the Companies Act, the Directors be authorised to exercise all powers of the Company to:

3.3.7.1 allot the Ordinary Shares pursuant to the Exchange in accordance with the authority referred to in the resolution described in paragraph 3.4.6.1 above as if section 561 of the Companies Act did not apply to any such allotment;

3.3.7.2 allot the Ordinary Shares under the Offer and the Over-allotment Option pursuant to the authority referred described in paragraph 3.4.6.2 above as if section 561 of the Companies Act did not apply to such allotment;

3.3.7.3 allot equity securities (within the meaning of section 560 of the Companies Act) pursuant to the authority described in paragraph 3.4.6.3(a) above as if section 561 of the Companies Act did not apply to any such allotment;

3.3.7.4 allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authorities granted by the resolutions described in paragraphs 3.4.6.3(b) and 3.4.6.3(c) above as if section 561 of the Companies Act did not apply to any such allotments, provided that this power shall be limited to: (i) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise); (ii) to Shareholders in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and (iii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

3.3.7.5 allot equity securities (within the meaning of section 560 of the Companies Act) otherwise than pursuant to the resolutions set out in paragraphs 3.4.7.1, 3.4.7.2, 3.4.7.3 and 3.4.7.4 above up to an aggregate nominal amount of £113,624, being approximately five per cent of the issued ordinary share capital of the Company immediately following Admission (assuming no exercise of the Over-allotment Option) as if section 561 of the Companies Act did not apply to such allotment,

provided that (unless previously revoked, varied or renewed) the power shall expire at the conclusion of the next annual general meeting of the Company after the passing of the resolutions or on the date falling 15 months after the date of the passing of the resolutions (whichever is the earlier), save that the Company may make an offer or agreement before the power expires which would or might require equity securities to be allotted for cash after the power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power had not expired.

3.4 Save as disclosed above and in paragraph 3.5 (*Directors' and Senior Managers' Shareholdings and Equity Incentive Awards*) of Part IX (*Directors, Senior Managers and Corporate Governance*) of this document and paragraph 8 (*Equity Incentive Plans*) below:

3.4.1 the Company does not hold any treasury shares and no Ordinary Shares are held by, or on behalf of, any member of the Group;

3.4.2 no Ordinary Shares have been issued otherwise than as fully paid;

3.4.3 no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

3.4.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

3.4.5 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.5 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraph 3.4.7 above.

3.6 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year to date.

3.7 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

- 3.8** Each Offer Share is expected to be issued at a premium of 159 pence to its nominal value of one pence.
- 4. THE REORGANISATION**
- 4.1** Prior to the date of Conversion, PureTech LLC had ten classes of shares outstanding, namely Series 1 Common Shares, Series 2 Common Shares and Series 3 Common Shares (the “Common Shares”) and Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series E Preferred Shares, Series 1 Growth Preferred Shares and Series 2 Growth Preferred Shares (the “Preferred Shares”).
- 4.2** On 18 June 2015, all of the outstanding Preferred Shares were converted into Series 1 Common Shares, the requisite amendments were made to the schedule of members of PureTech LLC and PureTech LLC issued share certificates to its members to reflect their ownership of the Common Shares (to be held in escrow pending the Exchange defined below) (the “Conversion”). Following the Conversion, PureTech LLC’s outstanding equity consisted of 14,164,085 Series 1 Common Shares, 1,476,602 Series 2 Common Shares and 1,065,735 Series 3 Common Shares.
- 4.3** On 18 June 2015, immediately following the Conversion the closing of the Exchange occurred (as described in paragraph 12.1.6 (*Exchange Agreement*) below) whereby all outstanding Common Shares were exchanged for Ordinary Shares issued by the Company (the “Exchange”) pursuant to the Exchange Agreement, the requisite amendment was made to the schedule of members of PureTech LLC and the post-Conversion share certificates were cancelled. Upon effectiveness of the Exchange, PureTech LLC became a subsidiary of the Company.
- 4.4** On 18 June 2015, upon the Exchange becoming effective, the 49,999 redeemable preference shares of £1.00 each in the Company held by Intertrust were redeemed for consideration of £1.00.
- 4.5** On 18 June 2015, upon the Exchange becoming effective, the one ordinary share of £1.00 in the Company held by Intertrust was converted to a deferred share and, upon conversion, immediately bought back by the Company for consideration of £1.00.
- 4.6** On 18 May 2015, the Company formed PTH MergerSub LLC, a Delaware limited liability company, as a wholly-owned subsidiary of the Company (“MergerSub”).
- 4.7** On 18 June 2015, immediately following the effectiveness of the Exchange, pursuant to an agreement and plan of merger entered into among PureTech LLC, the Company and MergerSub (the “Merger Agreement”), MergerSub merged with and into PureTech LLC, with PureTech LLC surviving the merger as a wholly-owned subsidiary of the Company, whereby each issued and outstanding share of PureTech LLC held by the Company was cancelled, each share of PureTech LLC held by anyone other than the Company was converted into the number of Ordinary Shares of the Company as the holder thereof would have been entitled to receive in the Exchange and each share of MergerSub became one share of PureTech LLC as the surviving entity (together with the Exchange, the “Reorganisation”).
- 4.8** On 18 June 2015, following the effectiveness of the Merger, PureTech LLC sent a notice to all members notifying them of the effectiveness of the Reorganisation and providing them with instructions as to how to receive their Ordinary Shares.
- 4.9** On 18 June 2015, the Company issued new Ordinary Shares to the former members of PureTech LLC (as set out in paragraph 4.3 of this Part XVI (*Additional Information*) above).
- 4.10** It is noted that, in relation to the Reorganisation:
- 4.10.1** on 18 May 2015, the Board approved the Reorganisation and the entry into the Exchange Agreement, the Merger Agreement and all ancillary documents thereto, conditional upon the Reorganisation taking effect, with PureTech LLC remaining as a wholly-owned subsidiary of the Company;
- 4.10.2** on 18 June 2015, the sole shareholder of the Company passed resolutions to approve the allotment of Ordinary Shares in the capital of the Company in relation to the Exchange, the disapplication of pre-emption rights and other resolutions in relation to the Exchange (as described in paragraph 3.4 above);

- 4.10.3 on 20 May 2015, Invesco approved the Exchange by way of written consent, as required pursuant to the terms of the PureTech LLC Third Amended and Restated Operating Agreement dated 5 January 2015 and as amended from time to time;
- 4.10.4 on 20 May 2015, the board of directors of PureTech LLC approved the Reorganisation, the Exchange Agreement and all ancillary documents;
- 4.10.5 on 18 June 2015, Invesco approved the Conversion by way of written consent, as required pursuant to the terms of the PureTech LLC Third Amended and Restated Operating Agreement dated 5 January 2015 and as amended from time to time;
- 4.10.6 on 18 June 2015, the board of directors of PureTech LLC approved the Merger and the entry into the Merger Agreement and all ancillary documents;
- 4.10.7 on 18 June 2015, the board of directors of MergerSub approved the Merger and the entry into the Merger Agreement and all ancillary documents; and
- 4.10.8 on 18 May 2015, the Company, in its capacity as the member of PureTech LLC, approved the Reorganisation and the entry into the Merger Agreement and all ancillary documents.

5. ARTICLES OF ASSOCIATION

The Articles contain provisions (*inter alia*) to the following effect:

5.1 Unrestricted objects

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

5.2 Limited liability

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

5.3 Change of the Company's name

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's ability to change its name by special resolution under the Companies Act.

5.4 Voting rights

- 5.4.1 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Shareholder present in person or by proxy at a general meeting of the Company and every duly authorised corporate representative shall have one vote. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution, the proxy shall have one vote for and one vote against the resolution if either: the proxy has been instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against; or the proxy has been given firm voting instructions by one or more of those shareholders and granted discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).
- 5.4.2 On a poll every shareholder who is entitled to vote and who is present in person or by a duly appointed proxy shall have one vote for every share he holds. A shareholder entitled to more than one vote does not have to, if he votes on the poll (whether in person or by proxy), use all his votes or cast all the votes he uses in the same way.
- 5.4.3 In case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the holders stand in the register.
- 5.4.4 Unless the Board otherwise determines, a Shareholder shall not be entitled to be present to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

5.5 Dividends and return of capital

- 5.5.1 Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of Shareholders, but no such dividend shall exceed the amount recommended by the Board.
- 5.5.2 Except as otherwise provided by the rights attached to any shares, all dividends shall be declared and paid according to the amounts paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.
- 5.5.3 Unless otherwise provided by the Articles or the rights attached to any shares a dividend may be declared or paid in whatever currency the Board may decide.
- 5.5.4 Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.
- 5.5.5 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.
- 5.5.6 The Board may, with the authority of an ordinary resolution of the Company:
 - 5.5.6.1 offer Shareholders the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend specified by the ordinary resolution;
 - 5.5.6.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.
- 5.5.7 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.6 Pre-emption rights

In certain circumstances, members may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing members on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to members.

5.7 Distribution of assets on a winding-up

On a winding up, a liquidator may, with the authority of a special resolution of the Company and any other sanction required by law divide among the shareholders in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or different kinds and may for such purposes set such value as he considers fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the same authority, transfer any part of the assets to trustees on such trusts for the benefit of shareholders as the liquidator, with the same authority, thinks fit and the liquidation may then be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

5.8 Transfer of shares

- 5.8.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.
- 5.8.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).
- 5.8.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (i) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (ii) it is in respect of more than one class of share; (iii) it is not duly stamped (if

so required); or (iv) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

- 5.8.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (i) a child, bankrupt or person of unsound mind; or (ii) more than four joint transferees.

5.9 Restrictions on voting rights

If a member or any person appearing to be interested in shares held by such a member has been duly served with a notice under section 793 of the Companies Act and has failed in relation to any shares (“default shares”) to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the member shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent of the issued shares of that class (excluding any shares of that class held as treasury shares) then: (i) the payment of dividends may be withheld and such member shall not be entitled to elect to receive shares instead of that dividend; and (ii) save for an excepted transfer as defined in the Articles) and subject to the requirements of the relevant system in relation to shares in uncertificated form, no transfer of a default share shall be registered unless the member himself is not in default and the member proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

5.10 Untraced members

The Company is entitled to sell any share of a member who is untraceable, provided that:

- (a) for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the member has been cashed or all funds sent electronically have been returned;
- (b) at the end of such 12 year period, the Company has advertised in a national and local (i.e. the area in which the member’s registered address is situated) newspaper its intention to sell such share; and
- (c) the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the member.

The Company shall be indebted to the former member for an amount equal to the net proceeds of any such sale.

5.11 Variation of class rights

- 5.11.1 Subject to the Companies Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons present in person by proxy, holding or representing by proxy at least one third in nominal value of the shares of that class (excluding any shares of that class held as treasury shares).
- 5.11.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

5.12 Share capital, changes in capital and purchase of own shares

- 5.12.1 Subject to the Companies Act and to the Articles, the Board shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any shares or rights to subscribe for or convert any security into shares to such persons (including directors) at such times and generally on such terms and conditions as the Board may determine.

5.12.2 Subject to the Articles and to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.12.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

5.13 General meetings

5.13.1 The Board may convene a general meeting whenever it thinks fit. Members have a statutory right to requisition a general meeting in certain circumstances.

5.13.2 Pursuant to the Companies Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.

5.13.3 The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

5.14 Notices to Shareholders

Any notice or document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post addressed to the Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by means of a relevant system or, where appropriate, by sending it in electronic form to an address for the time being notified by the Shareholder concerned to the Company for that purpose, or by publication on a website in accordance with the Companies Act or by any other means authorised in writing by the Shareholder concerned. In the case of joint holders of a share, service or delivery of any notice or document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.

5.15 Appointment of directors

5.15.1 Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.

5.15.2 Subject to the Companies Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Companies Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is elected during such meeting.

5.15.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

5.16 Remuneration of directors

5.16.1 The total of the fees paid to any non-executive directors for their services must not exceed £125,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index of Retail Prices. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.16.2 The salary or remuneration of any director appointed to hold any employment or executive office shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board.

5.16.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.17 Retirement and removal of directors

5.17.1 At each annual general meeting of the Company, one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to

but not exceeding one third shall retire from office unless there are fewer than three directors who are subject to retirement by rotation, in which case only one shall retire from office. In addition, subject to the Articles, any director who has been a director at each of the preceding two annual general meetings shall also retire.

- 5.17.2 Each such director may, if willing to act, be reappointed. If he is not reappointed or is not deemed to have been reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.
- 5.17.3 Without prejudice to the provisions of the Companies Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution appoint another director in his place.

5.18 Vacation of office

The office of a director shall be vacated if:

- (a) he resigns by notice sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a board meeting;
- (b) he ceases to be a director by virtue of any provision of the Companies Acts, is removed from office pursuant to these articles or becomes prohibited by law from being a director;
- (c) he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- (d) a registered medical practitioner finds he has become physically or mentally incapable of acting as a director and may remain so for more than three months and the Board resolves that his office be vacated;
- (e) both he and his alternate director (if any) appointed pursuant to the provisions of these articles have been absent, without the permission of the Board, from board meetings for six consecutive months and the Board resolves that his office be vacated;
- (f) his contract for his services as a director expires or is terminated for any reason and is neither renewed nor a new contract granted within 14 days; or
- (g) (without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company and to any claim which may arise by operation of law) he is removed from office by a notice addressed to him at his last known address and signed by all his co-directors.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee.

5.19 Directors' interests

- 5.19.1 Subject to the Companies Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into any transaction or other arrangement with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.
- 5.19.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or any other proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:
- (a) the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company

or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (b) the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;
- (c) a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent or more of either any class of equity share capital, or the voting rights, in such company;
- (d) any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (e) any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and
- (f) any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).

5.19.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

5.19.4 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Companies Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:

- (a) whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;
- (b) the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and
- (c) the imposition of confidentiality obligations on the interested director(s).

5.19.5 An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

5.19.6 If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).

5.20 Powers of the directors

5.20.1 Subject to the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.20.2 Subject to the provisions of the Companies Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

- 5.20.3 The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings, so as to procure (but as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one group company to another) shall not, at any time, without an ordinary resolution of the Company, exceed a sum equal to the adjusted total of capital and reserves (or such higher limit as may be fixed from time to time by ordinary resolution).
- 5.20.4 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.21 Directors' indemnity and insurance

- 5.21.1 Subject to the Companies Act, each director of the Company and of any associated company may be indemnified against any liability.
- 5.21.2 Subject to the Companies Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

6. EMPLOYEES

The table below sets out the average number of persons employed by the Group during each of the financial years referred to below. Save in respect of a number of Gelesis' employees whose activities are based in Italy, all of the Group's employees involved in management and administration activities are based in the US.

| Financial year ended on 31 December | Average number of persons, including Executive Directors, employed by the Group |
|--|--|
| 2012 | 41 employees and full-time consultants |
| 2013 | 41 employees and full-time consultants |
| 2014 | 43 employees and full-time consultants |

7. SIGNIFICANT SHAREHOLDERS

Other than the interests that may arise under the Sponsor and Underwriting Agreement, as at 17 June 2015 (being the latest practicable date prior to the publication of this document), the Directors were aware of the following persons who, directly or indirectly, hold and following Admission will hold, in three per cent or more of the Company's capital or voting rights (assuming no exercise of the Over-allotment Option), being the level at which notification is required to be made to the Company pursuant to the Disclosure and Transparency Rules:

| Shareholder | Following Reorganisation and immediately prior to Admission | | Immediately following Admission | |
|-------------------------|--|---|---------------------------------|---|
| | Number of Ordinary Shares | Percentage of issued ordinary share capital | Number of Ordinary Shares | Percentage of issued ordinary share capital |
| Invesco | 58,039,660 | 36.35% | 76,039,660 | 33.46% |
| Recordati SA | 9,554,140 | 5.98% | 9,554,140 | 4.20% |
| Keffi Group V LLC | 6,369,420 | 3.99% | 6,369,420 | 2.80% |
| Milton Academy | 5,268,700 | 3.30% | 5,268,700 | 2.32% |

7.1 Immediately after Admission

Immediately after Admission:

- (a) other than Invesco, the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company; and
- (b) none of the Shareholders set out above has or will have different voting rights.

7.2 Foreign private issuer

Inter alia, the Company and the Joint Bookrunners have agreed in the Sponsor and Underwriting Agreement that they will ensure, as a condition precedent to Admission and the Offer, that immediately upon Admission the proportion of Ordinary Shares beneficially owned by US residents will be 50 per cent or less. Accordingly, immediately upon Admission, the Company will qualify as a “foreign private issuer” for the purposes of the US Exchange Act and the offering of the Ordinary Shares will be treated as a Category 1 offering (as defined in, and for the purposes of, Regulation S). The Company and the Joint Bookrunners have agreed that they will not proceed with Admission unless this condition is satisfied.

The Company will periodically monitor the proportion of its shareholder base made up of US residents so as to determine compliance with the Shareholder Test.

8. EQUITY INCENTIVE PLANS

The Company has adopted or operates the following share plans:

8.1 PureTech LLC incentive compensation

On 27 August 2014, PureTech LLC granted Series 2 Common Shares to certain members of the PureTech LLC board, PureTech LLC employees, directors and other service providers to PureTech LLC as incentive compensation. Each of these Series 2 Common Shares was issued with a floor price of \$4.31 per share, and entitles the holder thereof to share in distributions by PureTech LLC to holders of Common Shares, after such time as the aggregate amount of \$4.31 per issued Series 2 Common Share is distributed in respect of outstanding Series 1 Common Shares (which have a \$0.00 floor price).

On 20 May 2015, as further incentive compensation, PureTech LLC granted Series 3 Common Shares to certain members of the PureTech LLC board, PureTech LLC employees, directors and other service providers to PureTech LLC. Each of these Series 3 Common Shares was issued with a floor price of \$11.45 per share. Similarly, holders of Series 3 Common Shares are entitled to share in distributions by PureTech LLC to holders of Common Shares, after such time as the aggregate amount of \$11.45 per issued Series 3 Common Share is distributed in respect of outstanding Series 1 Common Shares.

As a condition to the issuance of Series 2 Common Shares and Series 3 Common Shares, the recipients thereof entered into Common Share membership agreements (the “PureTech LLC Share Membership Agreements”) containing vesting, forfeiture and restrictive provisions. Pursuant to and in accordance with the Exchange Agreement, the Series 2 Common Shares and Series 3 Common Shares were exchanged for Ordinary Shares as further described in paragraph 4 (*The Reorganisation*) of this Part XVI (*Additional Information*) above, and, to the extent requested by the Company, the holders thereof entered into share restriction agreements with the Company (the “Share Restriction Agreements”), as supplemented from time to time, which replicated the vesting and restrictive provisions of their respective PureTech LLC Share Membership Agreement(s).

The obligation to satisfy any applicable floor price associated with the PureTech LLC Series 2 Common Shares and Series 3 Common Shares in exchange for which a holder’s Ordinary Shares were issued was satisfied in the Exchange. As such, no floor price obligation will apply with respect to the Ordinary Shares issued in the Exchange in respect of such PureTech LLC Series 2 Common Shares and Series 3 Common Shares.

As at 19 June 2015, there were 18,007,537 Ordinary Shares subject to the Share Restriction Agreements.

The following terms and provisions generally apply in respect of the Share Restriction Agreements:

- Each Share Restriction Agreement contains substantially the same vesting terms and other restrictions as were contained in the underlying Common Share membership agreement that the holder and PureTech LLC had previously entered into in connection with the initial issuance of such Series 2 Common Shares and/or Series 3 Common Shares. As with other outstanding Ordinary Shares, holders of Ordinary Shares subject to Share Restriction Agreements are the record owners of such shares.
- Consistent with the terms of the PureTech LLC Common Share membership agreement that it replaced, each Share Restriction Agreement provides that the Ordinary Shares subject to such agreement vest over time while the holder of such Ordinary Shares continues to provide services to the Company or its subsidiaries. Unvested Ordinary Shares may not be transferred. Upon termination

of such service relationship, any then-unvested Ordinary Shares are forfeited back to the Company for no consideration and are not available for reissuance under the PSP.

- Certain Share Restriction Agreements provide that the unvested Ordinary Shares subject to such agreement will become automatically vested immediately prior to the consummation of a “Company Sale”. “Company Sale” is generally defined as (i) a sale, lease or disposition of all or substantially all of the assets (tangible or intangible) of the Company and its subsidiaries, if any, taken as a whole, (ii) the consummation of the merger or consolidation of the Company with or into another entity (except a merger or consolidation of the Company in which the holders of the Company’s outstanding equity interests immediately prior to such merger or consolidation continue to hold at least fifty per cent (50%) of the voting power of the outstanding equity interests of the surviving or acquiring entity as immediately prior to such transaction or related transactions), or (iii) the closing of the acquisition in one transaction or series of related transactions to a person or group of affiliated persons (other than an underwriter of the Company’s securities) of the entire issued share capital of the Company; provided, however, that the Offering, any subsequent public offering or another capital raising event, or a merger effected solely to change the Company’s domicile shall not constitute a “Company Sale”.
- For additional detail regarding the terms and conditions of the Share Restriction Agreements governing Ordinary Shares issued in the Exchange in respect of the Series 2 Common Shares and/or Series 3 Common Shares held by the Company’s Directors and Senior Managers as set out below in this paragraph 8.1 (*PureTech LLC Incentive Compensation*) of this Part XVI (*Additional Information*) below.

The restricted Ordinary Shares held by the Directors and Senior Managers which were originally issued as incentive shares prior to the Exchange are summarised below and are subject to vesting in accordance with an applicable Share Restriction Agreement. Unless otherwise indicated below, according to the Share Restriction Agreement, such Ordinary Shares vest one third ($\frac{1}{3}$) on the first anniversary of the applicable vesting start date, and the remaining two thirds ($\frac{2}{3}$) vest in semi-annual equal instalments over two years following such first year anniversary, provided at each such vesting time the holder thereof continues to serve as a Director and/or Senior Manager.

Except as indicated below, vesting on the restricted Ordinary Shares shall accelerate in full upon a Company Sale.

| Name | Series 2 Common Pre- Exchange | Restricted Ordinary Shares (Exchanged for Series 2 Common) at Admission | Vesting Start Date | Currently Vested |
|---|-------------------------------------|---|-------------------------|---------------------|
| Directors | | | | |
| Mr. Joichi Ito | 134,999 | 1,117,593 | Variable ⁽²⁾ | 234,555 |
| Ms. Daphne Zohar ⁽¹⁾ | 425,000 | 3,518,376 | 1 September 2014 | 0 |
| Dr. Bennett Shapiro | 50,000 | 413,926 | 1 September 2014 | 0 |
| Dr. Robert Langer | 50,000 | 413,926 | 1 September 2014 | 0 |
| Dr. Raju Kucherlapati | 134,999 | 1,117,593 | Variable ⁽³⁾ | 234,555 |
| Dr. John LaMattina | 106,128 | 878,584 | Variable ⁽⁴⁾ | 464,657 |
| Mr. Stephen Muniz | 125,000 | 1,034,816 | 1 September 2014 | 0 |
| Senior Managers | | | | |
| Dr. Eric Elenko | 125,000 | 1,034,816 | 1 September 2014 | 0 |
| Mr. David Steinberg | 125,000 | 1,034,816 | 1 September 2014 | 0 |

Notes:

- (1) Ms. Zohar’s shareholding in the Company is indirect. Ms. Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC which in turn owns 3,518,376 Restricted Ordinary Shares (exchanged for Series 2 Common Shares) immediately following Admission.
- (2) 50,000 Series 2 Common Shares began vesting 1 September 2014; 84,999 Series 2 Common Shares began vesting 1 June 2014, and vesting on such shares does not accelerate in full upon a Company Sale.
- (3) 50,000 Series 2 Common Shares began vesting 1 September 2014; 84,999 Series 2 Common Shares began vesting 1 April 2014, and vesting on such shares does not accelerate in full upon a Company Sale.
- (4) 50,000 Series 2 Common Shares began vesting 1 September 2014; 56,128 fully vested at grant.

| <u>Name</u> | <u>Series 3 Common Pre- Exchange</u> | <u>Restricted Ordinary Shares (Exchanged for Series 3 Common) at Admission</u> | <u>Vesting Start Date</u> | <u>Currently Vested</u> |
|---|--|--|-------------------------------|-----------------------------|
| Directors | | | | |
| Mr. Joichi Ito | 50,000 | 271,336 | 20 May 2015 | 0 |
| Ms. Daphne Zohar ⁽¹⁾ | 125,000 | 678,341 | 20 May 2015 | 0 |
| Dame Marjorie Scardino | 134,999 | 732,603 | 20 May 2015 | 0 |
| Dr. Bennett Shapiro | 25,000 | 135,668 | 20 May 2015 | 0 |
| Dr. Robert Langer | 25,000 | 135,668 | 20 May 2015 | 0 |
| Dr. Raju Kucherlapati | 25,000 | 135,668 | 20 May 2015 | 0 |
| Dr. John LaMattina | 25,000 | 135,668 | 20 May 2015 | 0 |
| Mr. Christopher Viehbacher ⁽²⁾ | 188,999 | 1,025,646 | 1 March 2015 | 0 |
| Mr. Stephen Muniz | 75,000 | 407,004 | 20 May 2015 | 0 |
| Senior Managers | | | | |
| Dr. Eric Elenko | 75,000 | 407,004 | 20 May 2015 | 0 |
| Mr. David Steinberg | 75,000 | 407,004 | 20 May 2015 | 0 |

Notes:

- (1) Ms. Zohar's shareholding in the Company is indirect. Ms. Zohar owns or has a beneficial interest in 100 per cent of the share capital of Zohar LLC which in turn owns 678,341 Restricted Ordinary Shares (exchanged for Series 3 Common Shares) immediately following Admission.
- (2) Mr. Viehbacher's shareholding in the Company is through his trust, Viehbacher 2015 GRAT u/a/d May 22, 2015.

8.2 The Performance Share Plan

8.2.1 Overview

On 18 June 2015, the Company adopted the PSP. Under the PSP, awards over Ordinary Shares may be made to the Directors, Senior Managers and employees of, and other individuals providing services to, the Company and its operating companies.

The Remuneration Committee will supervise the operation of the PSP.

Awards may be granted in the form of share options, share appreciation rights, restricted or unrestricted share awards, restricted share units and other share-based awards. It is intended that Executive Directors' awards will take the form of performance-based restricted share awards, restricted share units or nil or nominal cost options. It is intended that the Non-Executive Directors may also receive awards under the PSP with such awards to take the form of restricted share awards, restricted share units, or nil or nominal cost share options, but such awards shall not be based on performance based criteria but shall vest over time.

8.2.2 Participation

Participation in the PSP is open to the Executive Directors, Senior Managers and employees of, and other individuals providing services to, the Company and its operating companies. Since employees of operating companies have separate share incentive arrangements at the operating company level (as referred to in paragraph 8.3 (*The operating companies equity incentive plans*) of this Part XVI (*Additional Information*) below) the current intention is to limit participation to directors and employees of (and service providers to) the Company and PureTech LLC.

8.2.3 Timing of grant of awards

Generally, awards can only be made in the six week period following the adoption of the PSP and thereafter, only in the six week period following the announcement by the Company of its interim or final results. However, in circumstances which the Remuneration Committee considers exceptional, awards may be made outside of these six week periods.

8.2.4 Individual participation limit

The maximum value of Ordinary Shares over which awards under the PSP may be granted to a participant (“Participant”) in any financial year of the Company may not generally exceed 400 per cent of his base salary for that financial year (or for the preceding financial year, if greater) unless circumstances arise which the Remuneration Committee believe justify granting an award outside this limit. The Remuneration Committee would only envisage overriding the 400 per cent limit in exceptional circumstances such as where there was a need to do so to attract a new executive.

8.2.5 Performance conditions and vesting

It is intended that awards granted to Executive Directors will vest based on performance conditions measured over a minimum period of three years.

To the extent that any award does not vest, it will lapse.

8.2.6 Ceasing to be employee or service provider

Participants who cease to be employees or directors of, or service providers to, the Group will normally forfeit any unvested awards, unless a Participant leaves as a result of death, disability, dismissal other than for cause or any other reason determined by the Remuneration Committee (“good leaver”), in which case awards will vest on the normal vesting date on a pro-rata basis, subject to applicable performance or other conditions, to take into account the period of time in the vesting period during which the Participant was not an employee, director or service provider (unless the Remuneration Committee determines not to apply the pro-rata basis and to allow vesting to a greater extent).

Notwithstanding this, the Remuneration Committee may instead determine that an award granted to a good leaver may vest early when he leaves, to the extent to which at the date of cessation, the performance or other conditions applicable to that award have been satisfied (as determined by the Remuneration Committee acting reasonably) and on a pro-rata basis to take into account the period of time in the vesting period during which the participant was not an employee, director or service provider (unless the Remuneration Committee determines not to apply such pro-vesting and to allow vesting to a greater or lesser extent).

A Participant who is dismissed for cause will forfeit all his awards both vested and unvested any vested awards.

8.2.7 Change of control and other corporate events

If there is a change of control of the Company (or certain other corporate events) the number of Ordinary Shares over which awards will vest will be calculated on the basis of the extent to which the performance conditions applicable to those awards have been satisfied as at the date of the change of control (or other event). The resulting number of shares will then be reduced on a pro rata basis to reflect the reduced period between the commencement of the vesting period and the date of the change of control (or other event), unless the Remuneration Committee decides not to apply such pro-rating and to allow vesting to a greater extent.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, Participants may exchange awards so as to operate over shares in the acquiring company.

On the occurrence of any demerger, reorganisation, reconstruction or amalgamation, demerger, distribution or other transaction of the Company which in the reasonable opinion of the Remuneration Committee may affect the value of any award, the Remuneration Committee may vary or alter in any manner whatsoever the terms of any award so as to preserve the overall value of the award. Such alteration may include amending the performance condition and/or the terms on which an award vests, and may provide for immediate vesting on such event.

8.2.8 Dividend equivalents

On vesting of awards, Participants may be awarded additional shares or cash equal in value/amount to dividends paid during the performance period in respect of a number of Ordinary Shares equal to the number in respect of which the award has vested.

8.2.9 Recovery and withholding

Awards may be granted on terms that at any time in the period of three years following vesting (or such shorter period as the Remuneration Committee may determine), the Participant to whom the award has been made may be obliged to repay an amount in respect of the award in the event of the discovery of a material misstatement in the accounts of the Company or any operating company, or in the event of the Participant's fraud, gross misconduct or conduct having a materially detrimental effect on the reputation of the Company or any operating company which in either case would have justified dismissal for gross misconduct. The repayable amount shall be determined by the Remuneration Committee and shall be all or part of the additional value of the award which would not have vested had the misstatement not been made, or had the employment been terminated as a result of such misconduct. In assessing the repayable amount, the Remuneration Committee may take into account tax or social security contributions incurred by the Participant in relation to the vesting of the award or subsequent sale of the Ordinary Shares acquired. The Remuneration Committee may determine that the Participant's obligation to repay an amount in respect of an award shall be satisfied in various ways, including by way of reduction of other incentive awards or by way of cash payment.

8.2.10 Dilution limits

The number of new Ordinary Shares over which awards may be granted under the PSP in any ten year period, when aggregated with the number of Ordinary Shares issuable pursuant to awards granted in such ten year period under all other share plans operated by the Company, may not exceed ten per cent of the number of Ordinary Shares in issue from time to time. Within that ten per cent limit, the number of new Ordinary Shares over which share awards may be so granted under the PSP to directors, executive officers and senior managers (and service providers of a similar level) shall be limited to no more than five per cent of the number of Ordinary Shares in issue from time to time.

For so long as institutional guidelines recommend, Ordinary Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.

Awards which have lapsed or been surrendered will not count towards these dilution limits. The 18,007,537 Ordinary Shares issued by the Company pursuant to the Exchange in exchange for Series 2 Common Shares and Series 3 Common Shares issued before Admission by PureTech LLC to certain of its board members, management team members and other service providers will also not count towards these limits. The Series 2 common shares and Series 3 common shares are restricted shares (see paragraph 8.1 (*PureTech LLC Incentive Compensation*) of this Part XVI (*Additional Information*) above.

8.2.11 Taxation

Under the terms of the PSP, the Participant agrees to pay to the relevant member of the Group the amount of any income tax and employee social security contributions which such member of the Group is required to withhold and/or account for to any fiscal authority. To the extent permitted by law, such tax and social security liabilities may be deducted from other payments due to the Participant. Alternatively, the Company may enter into other arrangements with the Participant which enable the Participant to meet such liabilities and may withhold and sell Ordinary Shares to which the Participant would otherwise be entitled under the PSP to raise funds in order to meet such liabilities. Also, to the extent permitted by law, at the discretion of the Company, such social security contributions may include employer contributions.

8.2.12 Variation of share capital

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, the number of Ordinary Shares over which an award has been made, and any purchase price in respect of such awards and other terms of the awards may be adjusted by the Remuneration Committee as it determines to be appropriate (provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

8.2.13 Amendment of the PSP

The terms of the PSP may be amended by the Remuneration Committee.

However, certain amendments which would benefit Participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the PSP or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any operating company) or for Participants. An amendment may not normally adversely affect the rights of a Participant except with such Participant's consent.

The provisions which may not generally be amended without shareholder approval are: the basis for determining an eligible individual's entitlement (or otherwise) to be granted an Award and/or to acquire Ordinary Shares on the vesting of an Award (as the case may be), the persons to whom an Award may be granted, the individual and overall limits on the number of Ordinary Shares over which Awards may be granted, the price at which Ordinary Shares may be acquired under an Award, and the adjustment of Awards on a variation of share capital.

8.2.14 Term of the PSP

The life of the PSP will be ten years and no awards may therefore be made more than ten years after the date on which it was approved by shareholders.

8.2.15 Pension benefits

None of the benefits which may be received under the PSP will be pensionable.

8.2.16 Employee benefit trust

At its discretion, the Company may establish an Employee Benefit Trust ("EBT") which would be able to acquire Ordinary Shares, either by purchase in the market or by way of subscription, to satisfy share or share option awards granted pursuant to the PSP and/or such other share incentive arrangements as the Company may operate from time to time. The EBT would not, without prior Shareholder approval, acquire Ordinary Shares which would cause its holding to exceed 5 per cent of the Ordinary Shares in issue from time to time. The EBT would be non-UK resident and would be funded by way of loans and/or other contributions from the Group to enable it to acquire Ordinary Shares.

8.2.17 Provision to avoid adverse US tax consequences

The PSP and all awards granted under it are intended to comply with, or otherwise be exempt from, section 409A of the Code. The PSP and all awards granted under it shall be administered, interpreted, and construed in a manner consistent with section 409A to the extent necessary to avoid the imposition of additional taxes. Should any provision of the PSP, or any award, be found not to be outside the scope of, comply with, or otherwise be exempt from, the provisions of section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Remuneration Committee, and without the consent of the holder of the award in such manner as the Remuneration Committee determined to be necessary or appropriate to comply with, or to achieve an exemption from, section 409A.

8.3 The operating companies equity incentive plans

The Group has implemented equity incentive plans within its operating companies in order to incentivise directors, officers, employees and other service providers of such operating companies. Set out below are details regarding the outstanding options and the remaining pool of available equity securities authorised to be issued pursuant to the Plans (defined below), together with details of the total number of issued options and the average strike price of those options. In the table below, PureTech's fully diluted shareholding percentage for each operating company includes all issued and outstanding shares, warrants and options (and written commitments to issue options) to purchase shares, and unallocated shares authorised to be issued pursuant to equity incentive plans, but excludes any equity interests issuable upon

conversion of outstanding convertible promissory notes, as at 17 June 2015, being the latest practicable date prior to publication of this document.

| Name | Issued and outstanding options⁽³⁾ (percentage fully diluted) | Total number of issued options | Average strike price⁽⁴⁾ (\$) | Option pool remaining (percentage fully diluted) | PureTech ownership interest (direct and indirect) (percentage fully diluted) |
|----------------------------------|--|---------------------------------------|--|---|---|
| Vedanta Biosciences | 12.1% | 602,500 | 0.02 | 8.0% | 80.0% |
| Gelesis | 13.2% | 1,700,908 | 3.64 | 2.3% | 22.1% |
| Akili | 7.0% | 729,000 | 0.04 | 2.0% | 58.7% |
| Tal | 13.6% | 1,344,800 | 0.67 | 0.6% | 55.4% |
| Karuna | 9.0% | 496,927 | 0.14 | 10.7% | 72.7% |
| Entrega ⁽¹⁾ | 20.1% | 1,007,500 | 0.03 | 0.0% | 68.6% |
| Follica | 2.7% | 530,370 | 0.60 | 7.9% | 54.6% |
| The Sync Project | 1.5% | 75,000 | — | 18.5% | 80.0% |
| Sonde Health | 3.0% | 150,000 | — | 17.0% | 80.0% |
| CommenSe | — | — | — | 20.0% | 80.0% |
| Knode ⁽²⁾ | 3.9% | 194,063 | 0.05 | 16.1% | 68.8% |
| PeerIn | — | — | — | 20.0% | 80.0% |

Notes:

- (1) PureTech LLC owns 86 per cent of Enlight, which in turn owns 79.8 per cent of Entrega on a fully diluted basis. Included in Entrega's issued options are 13,333 options which are committed to be issued and shall be issued following an increase to Entrega's option pool.
- (2) PureTech LLC owns 86 per cent of Enlight, which in turn owns 80 per cent of Knode on a fully diluted basis.
- (3) Includes written commitments to issue options including those committed but not yet granted.
- (4) Average strike price calculated on an issued and outstanding basis, and does not include strike prices for options which an applicable operating company has committed in writing to issue in the future, as the fair market value of such options will be determined on the date of grant of such options.

The table below sets forth the name and date when all currently effective equity incentive plans for the Group were originally adopted (the "Plans"):

| Operating Company | Name and Date |
|-------------------------------|---|
| Akili | 2011 Stock Incentive Plan |
| PeerIn | 2012 Stock Incentive Plan |
| CommenSe | 2014 Stock Incentive Plan |
| Entrega | 2010 Stock Incentive Plan |
| Follica | 2006 Employee, Director and Consultant Stock Plan |
| Gelesis | 2006 Stock Incentive Plan |
| Karuna | 2009 Stock Incentive Plan |
| Knode | 2011 Stock Incentive Plan |
| Tal | 2010 Stock Incentive Plan |
| The Sync Project | 2014 Stock Incentive Plan |
| Sonde Health | 2015 Stock Incentive Plan |
| Vedanta Biosciences | 2010 Stock Incentive Plan |

Each Plan, other than the plan maintained by Follica (the "Follica Plan") is based on a form of equity incentive plan which generally provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other stock-based awards ("Awards"). The Awards that may be granted under the Follica Plan are incentive stock options, non-statutory stock options and share awards. The equity incentives under the Plans are for the benefit of employees, directors and service providers of the relevant operating company.

The Directors and Senior Managers have been granted the following Awards under the Plans:

| Name | Company name (Award type) | Number held as at 17 June 2015 | Currently Vested |
|---|------------------------------|--------------------------------------|---------------------|
| Mr. Joichi Ito | — | — | — |
| Ms. Daphne Zohar ⁽¹⁾ | Gelesis (Restricted Shares) | 14,054 | 14,054 |
| | Gelesis (Options) | 634,234 | 526,135 |
| Dame Marjorie Scardino | — | — | — |
| Dr. Bennett Shapiro | Gelesis (Options) | 10,841 | 10,841 |
| | Vedanta (Options) | 25,000 | 25,000 |
| Dr. Robert Langer | Entrega (Options) | 250,000 | 187,500 |
| Dr. Raju Kucherlapati | — | — | — |
| Dr. John LaMattina | Gelesis (Restricted Shares) | 3,049 | 3,049 |
| | Gelesis (Options) | 63,052 | 51,202 |
| | Vedanta (Options) | 25,000 | 25,000 |
| Mr. Christopher Viehbach | — | — | — |
| Mr. Stephen Muniz | — | — | — |
| Senior Managers | | | |
| Dr. Eric Elenko | — | — | — |
| Mr. David Steinberg | — | — | — |

Notes:

- (1) 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.

As a matter of corporate policy, the Executive Directors and Senior Managers do not participate in the share incentive arrangements of the operating companies.

The following terms apply in respect of the Plans:

- the exercise price of the stock options is not less than 100 per cent of the fair market value of a share as at the date of grant of the stock options;
- the stock options vest and become exercisable, and restricted stock re-purchase rights lapse over time in accordance with the terms of an award agreement entered into between the relevant operating company and the holder of the Award;
- such award may be subject to acceleration of vesting and exercisability upon terms specified in an applicable award agreement, provided, however, that generally any outstanding Awards do not contain acceleration of vesting provisions;
- stock options may not be exercised later than ten years from the date of their grant;
- in the event of the death of an option holder, stock options may generally be exercised within the period of 12 months following such death (but no later than ten years from the date of grant);
- in the event an option holder becomes disabled, his or her stock options may generally be exercised within the period of 12 months after the option holder's cessation (if occurring) of employment due to such disability (but not later than ten years from the date of grant);
- in the event an option holder ceases to be an employee, director or other service provider within the Group (other than if the option holder's service agreement with the relevant operating company is terminated for cause), his or her stock options may generally be exercised within three months following such cessation of service (but no later than ten years from the date of grant);
- except as permitted by the board of directors of an operating company or as explicitly provided in a stock option agreement (or otherwise by will or the laws of descent and distribution), stock options granted under the Plans are not transferable or assignable;

- in connection with a Reorganisation Event (as defined below) the board of directors of the relevant operating company may take one or more of the following actions as to all or any (or any portion of) outstanding Awards (on such terms as that board of directors determines):
 - (i) provide that Awards shall be assumed, or substantially equivalent awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof);
 - (ii) upon written notice to a participant, provide that the participant's outstanding Awards will terminate immediately prior to such Reorganisation Event unless exercised by the participant within a specified period following the date of such notice;
 - (iii) provide that outstanding Awards shall become exercisable, in whole or in part, prior to or upon such Reorganisation Event;
 - (iv) if in the Reorganisation Event holders of common stock will receive a cash payment for each share (the "Acquisition Price"), in the case of stock option Awards, make or provide for a cash payment to an option holder equal to the excess, if any, of (A) the Acquisition Price multiplied by the number of shares of common stock the subject of the participant's stock options (to the extent the exercise price does not exceed the Acquisition Price) less (B) the aggregate exercise price of such stock options;
 - (v) provide that, in connection with a liquidation or dissolution of the relevant operating company, awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings); and
 - (vi) any combination of the foregoing.

Although the Follica Plan is different to the other Plans, the alternatives for treatment of Awards on a change of control of Follica are generally the same as described above with respect to the Plans.

In the event of a Reorganisation Event, the relevant board of directors is not obligated to treat all Awards, all Awards held by a participant, or all Awards of the same type, identically;

- in the event of any stock split, reverse stock split, stock dividend, recapitalisation, combination of shares, reclassification of shares, spin-off or other similar change in capitalisation or event, or any dividend or distribution to holders of common stock other than an ordinary cash dividend:
 - (i) the number and class of securities available under the applicable Plan;
 - (ii) the number and class of securities and exercise price per share of each outstanding option;
 - (iii) the number of shares subject to and the re-purchase price per share subject to each outstanding restricted stock Award; and
 - (iv) the terms of each other outstanding Award,

shall be equitably adjusted by the relevant operating company (or substituting Awards may be made, if applicable) in a manner determined by the board of directors of the relevant operating company;

- the holder of the Award must satisfy all applicable US federal, state, and local or other income and employment tax withholding obligations before the relevant operating company will deliver stock certificates or otherwise recognise ownership of common stock under an Award;
- the relevant operating company may decide to satisfy the withholding obligations through additional withholding on salary or wages, or, if provided for in an Award agreement or otherwise approved by the board of directors of the relevant operating company, an award holder may satisfy such tax obligations in whole or in part by delivery of shares of common stock, including shares retained from the Award creating the tax obligation, valued at their fair market value;
- each of the Plans is administered by the board of directors of the relevant operating company which has the authority to:
 - (i) grant Awards under its Plan and to adopt, amend and repeal such administrative rules, guidelines and practices relating to its Plan as it shall deem advisable;
 - (ii) amend, suspend or terminate its Plan or any portion thereof at any time (provided that in circumstances requiring stockholder approval to a modification or amendment under

section 422 of the Code with respect to incentive stock options, such board of directors may not effect such modification or amendment without such approval);

- (iii) amend, modify or terminate any outstanding Award, including but not limited to, substituting another Award, changing the date of exercise or realisation, and converting an incentive stock option to a non-statutory stock option (provided, the consent of the holder of the Award is obtained unless (a) such board of directors determines that the action, taking into account any related action, would not adversely affect the participant's rights under such Plan or (b) the change is permitted by such Plan).

“Reorganisation Event” means any merger or consolidation of the applicable PureTech operating company with or into another entity as a result of which all of the common stock of the applicable PureTech operating company is converted or exchanged for the right to receive cash, securities or other property or is cancelled; any exchange of all of the common stock of the applicable PureTech operating company for cash, securities or other property pursuant to a share exchange transaction; or any liquidation or dissolution of the applicable PureTech operating company.

9. RELATED PARTY TRANSACTIONS

Save as described in paragraph 15 (*Controlling Shareholder*) of Part VII (*Information on the Company and Group*) of this document, note 26 (*Related Party Transactions*) of Section B of Part XII (*Historical Financial Information*) of this document, and paragraph 10 (*Relationship with Controlling Shareholder*) of this Part XVI (*Additional Information*) below, there are no related party transactions between the Company or members of the Group that were entered into during the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 and during the period between 31 December 2014 and 17 June 2015 (being the latest practicable date prior to the publication of this document).

10. RELATIONSHIP WITH CONTROLLING SHAREHOLDER

On 18 June 2015, the Company entered into the Relationship Agreement with Invesco, which will come into force on Admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Invesco.

If Invesco (together with its associates) ceases to hold 30 per cent or more of the voting rights of the Company's share capital, the Relationship Agreement shall terminate save for certain specified provisions.

The Relationship Agreement provides that Invesco undertakes to and undertakes to use all reasonable endeavours to procure that its associates and any person with whom it is acting in concert shall:

- (a) conduct all agreements, arrangements, transactions and relationships with any member of the Group on an arm's length basis and on a normal commercial basis and in accordance with the related party transaction requirements of Chapter 11 of the Listing Rules;
- (b) not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or precludes or inhibits any member of the Group from carrying on its business independently of Invesco, its associates and any person with whom it is acting in concert;
- (c) not propose or procure the proposal of a shareholder resolution which is intended to or appears to be intended to, circumvent the proper application of the Listing Rules; and
- (d) not exercise any of its voting rights attaching to the shares held by it to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement.

Under the terms of the Relationship Agreement, Invesco has covenanted to provide all information (as to the compliance of itself and/or any member of Invesco's group of companies with the requirements of the provisions relating to controlling shareholders contained in the Listing Rules) within a reasonable timeframe that may be reasonably requested by or on behalf of the Board in order to support the statements required to be made by the Board in the Company's annual report as required in relation to a controlling shareholder in the Listing Rules.

The Directors believe that the terms of the Relationship Agreement will enable the Company to carry on its business independently from Invesco and its affiliates and ensure that all transactions and relationships between the Company and Invesco are and will be, at arm's length and on a normal commercial basis.

11. PRINCIPAL SUBSIDIARIES

The Company is the principal holding company of the Group. The principal operating companies of the Company are listed in Part VIII (*Information on the Group's Operating Companies and Product Candidates*) of this document. The issued share capital of each of these operating companies is fully paid and each is included in the consolidated accounts of the Company. Save as described above, there are no growth stage operating companies in which the Company holds a proportion of the share capital which are likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profits and losses of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by operating companies within the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into by operating companies and contain any provision under which any operating company has any obligation or entitlement which is, or may be, material to the Group as at the date of this document.

12.1 Material agreements relating to PureTech

12.1.1 Sponsor and Underwriting Agreement

On 19 June 2015, the Company, PureTech LLC, the Directors, the Lending Shareholder and the Underwriters entered into the Sponsor and Underwriting Agreement. Pursuant to the terms of the Sponsor and Underwriting Agreement:

- (i) the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for the Offer Shares, or failing which to subscribe for Offer Shares themselves at the Offer Price;
- (ii) it is a condition precedent to Admission and the Offer, that immediately upon Admission the proportion of Ordinary Shares beneficially owned by US residents will be 50 per cent or less. The Company and the Joint Bookrunners have agreed that they will not proceed with Admission unless this condition is satisfied;
- (iii) in consideration for their services and subject to Admission occurring, the Company has agreed to pay to the Underwriters a commission of:
 - (1) 1 per cent of the amount equal to the Offer Price multiplied by the aggregate number of Offer Shares subscribed for by Invesco and its affiliates in connection with the Offer ("Invesco Proceeds");
 - (2) 3 per cent of the amount equal to the Offer Price multiplied by the aggregate number of Offer Shares subscribed for in connection with the Offer other than by Invesco and its affiliates ("Non-Invesco Proceeds");
 - (3) 1 per cent of the amount equal to the Offer Price multiplied by the aggregate number of Over-allotment Shares subscribed for which are attributable to Ordinary Shares over-allotted to Invesco and its affiliates in connection with the Offer; and
 - (4) 3 per cent of the amount equal to the Offer Price multiplied by the aggregate number of Over-allotment Shares subscribed for which are attributable to Ordinary Shares over-allotted to investors other than Invesco and its affiliates in connection with the Offer.

The Company may also, at its absolute discretion, pay an additional commission to the Underwriters equal to up to 1.25 per cent of the Offer Price multiplied by the aggregate of the Invesco Proceeds and the Non-Invesco Proceeds;

- (iv) the obligations of the Underwriters to procure subscribers for or, failing which, themselves to subscribe for, the Offer Shares on the terms of the Sponsor and Underwriting Agreement are subject to certain conditions. These conditions include, *inter alia*, the absence of any breach of representation or warranty under the Sponsor and Underwriting Agreement and Admission occurring on or before 8.00 a.m. on 24 June 2015 (or such later time and/or date

as may be agreed in accordance with the terms of the Sponsor and Underwriting Agreement). In addition, the Underwriters have the right to terminate the Sponsor and Underwriting Agreement prior to Admission in certain specified circumstances;

- (v) the Company has granted to the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may require the Company to issue additional Ordinary Shares up to a maximum of 10,139,943 Ordinary Shares at the Offer Price to satisfy any over-allotments of Ordinary Shares, if any, and/or to cover short positions arising in connection with stabilising transactions (including if required to re-deliver Borrowed Shares (as defined therein) to the Lending Shareholder);
- (vi) the Company has agreed to be subject to a 365 day lock-up period following Admission, during which time, subject to certain exceptions, it may not offer, issue, lend or dispose of, directly or indirectly, any Ordinary Shares or securities convertible into Ordinary Shares without the consent of the Global Co-ordinator, enter into any swap or other agreement that transfers the economic consequences of ownership of the Ordinary Shares, nor issue any debt securities prior to the date falling 28 days after the end of the stabilisation period without consulting the Stabilising Manager;
- (vii) the Company has agreed to procure that each other Group Company will not without first having notified the Joint Bookrunners of its intention to do so and having consulted with them in relation to the same, at any time during the period of 365 days following Admission, subject to certain exceptions, dispose of, directly or indirectly, any Ordinary Shares or securities convertible into Ordinary Shares, enter into any swap or other agreement that transfers the economic consequences of ownership of the Ordinary Shares, nor issue any debt securities prior to the date falling 28 days after the end of the stabilisation period without consulting the Stabilising Manager;
- (viii) the Company has agreed to pay or cause to be paid (together with any applicable VAT) certain costs, charges, fees and expenses of or arising in connection with or incidental to, the Offer. PureTech LLC has agreed to pay (subject to certain limitations) any UK stamp duty and/or SDRT accruing on any stabilising transactions or in connection with the transfer or re-transfer of any Borrowed Shares (as defined therein) pursuant to the Securities Lending Agreement (as defined below);
- (ix) each of the Company, the Lending Shareholder and the Directors have given certain representations, warranties and undertakings, subject to certain limits, to the Underwriters;
- (x) the Company and PureTech LLC have given an indemnity to the Underwriters on customary terms; and
- (xi) the parties to the Sponsor and Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

12.1.2 Lock-up arrangements

By separate lock-up agreements:

- (i) the Lending Shareholder has agreed with the Underwriters, save for certain customary exceptions and other than pursuant to the Offer or with the consent of the Global Co-ordinator, not to, *inter alia*, offer, lend or dispose of, or agree to offer, lend or dispose of, directly or indirectly, any Ordinary Shares or related securities or any interest in those Ordinary Shares or related securities for a period ending 365 days after the date of Admission;
- (ii) the Directors have each agreed with the Underwriters, save for certain customary exceptions and other than pursuant to the Offer or with the consent of the Global Co-ordinator, not to, *inter alia*, offer, lend or dispose of, or agree to offer, lend or dispose of, directly or indirectly, any Ordinary Shares or related securities or any interest in those Ordinary Shares or related securities for a period ending 365 days after the date of Admission;

- (iii) the Senior Managers and certain other employees holding Ordinary Shares in the Company have each agreed with the Underwriters, save for certain customary exceptions and other than pursuant to the Offer or with the consent of the Global Co-ordinator, not to, *inter alia*, offer, lend or dispose of, or agree to offer, lend or dispose of, directly or indirectly, any Ordinary Shares or related securities or any interest in those Ordinary Shares or related securities for a period ending 365 days after the date of Admission;
- (iv) each holder of Ordinary Shares representing one per cent or more of the Ordinary Shares (immediately prior to Admission) has agreed with the Underwriters, save for certain customary exceptions and other than pursuant to the Offer or with the consent of the Global Co-ordinator, not to, *inter alia*, offer, lend or dispose of, or agree to offer, lend or dispose of, directly or indirectly, any Ordinary Shares or related securities or any interest in those Ordinary Shares or related securities for a period ending 180 days after the date of Admission; and
- (v) each holder of Ordinary Shares representing 0.2 per cent or more (but less than one per cent) of the Ordinary Shares (immediately prior to Admission) has agreed with the Underwriters, save for certain customary exceptions and other than pursuant to the Offer or with the consent of the Global Co-ordinator, not to, *inter alia*, offer, lend or dispose of, or agree to offer, lend or dispose of, directly or indirectly, any Ordinary Shares or related securities or any interest in those Ordinary Shares or related securities for a period ending 90 days after the date of Admission.

12.1.3 Securities Lending Agreement

In connection with settlement and stabilisation, Jefferies, as Stabilising Manager, has entered into a securities lending agreement (the “Securities Lending Agreement”) with the Lending Shareholder pursuant to which the Stabilising Manager will be able to borrow, from the Lending Shareholder, a number of Ordinary Shares equal in aggregate to up to 10,139,943 issued Ordinary Shares legally and beneficially owned by the Lending Shareholder for the purpose of, *inter alia*, allowing the Stabilising Manager to settle, at Admission, over-allocations, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Securities Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholder in accordance with the terms of the Securities Lending Agreement.

12.1.4 Stock Lending Indemnity Agreement

In connection with the entry into of the Securities Lending Agreement and the lending of the Borrowed Shares to the Stabilising Manager, PureTech LLC has entered into a stock lending indemnity agreement with the Lending Shareholder pursuant to which PureTech LLC has agreed to indemnify the Lending Shareholder in respect of certain liabilities (including legal costs) which it might incur in connection with its entry into of the Stock Lending Agreement with the Stabilising Manager.

12.1.5 Relationship Agreement

The Relationship Agreement is described in paragraph 10 (*Relationship with Controlling Shareholder*) of this Part XVI (*Additional Information*) above.

12.1.6 Exchange Agreement

On 20 May 2015, the Company, PureTech LLC and members of PureTech LLC entered into an exchange agreement (the “Exchange Agreement”), whereby, conditional upon the Directors resolving to determine the Offer Price, and following the Conversion, all of the then-outstanding Common Shares of PureTech LLC were exchanged for Ordinary Shares, whereupon PureTech LLC became a subsidiary of the Company (the “Exchange”).

Pursuant to the terms of the Exchange Agreement:

- (i) each Series 1 Common Share of PureTech LLC was exchanged for ten Ordinary Shares (the “Exchange Ratio”). At the effective time of the Exchange, each such Series 1 Common Share had a fair market value per share equal to the product obtained by multiplying (x) the US Dollar equivalent (using the exchange rate of £1:\$1.5648 being the rate quoted in the

Wall Street Journal print edition on the most recent immediately preceding day on which such exchange rate was published in the Wall Street Journal (the “Currency Exchange Rate”)) of the Offer Price by (y) the Exchange Ratio (such quotient, the “Series 1 Exchange Price”);

- (ii) each Common Share (other than Series 1 common shares) of PureTech LLC was exchanged for such number of Ordinary Shares as was equal to (x) the Exchange Ratio multiplied by (y) the British Pound equivalent (using the Currency Exchange Rate) of a quotient obtained by dividing (A) the excess of (i) the Series 1 Exchange Price over (ii) the Floor Amount associated with such Common Share (as set forth in the PureTech LLC Operating Agreement) by (B) the Offer Price (with the aggregate number of Ordinary Shares issuable to a member in respect of such Common Shares having the same associated Floor Amount rounded down to the nearest whole share). Common Shares (other than Series 1 Common Shares) having a Floor Amount greater than the Series 1 Exchange Price did not receive Ordinary Shares in the Exchange and were instead cancelled. Such Ordinary Shares issued by the Company in exchange for Common Shares which were subject to vesting, forfeiture or other restrictions (e.g. other than Series 1 Common Shares) remain subject to the same vesting, forfeiture and restrictive provisions as the Common Shares exchanged therefor;
- (iii) as of the effective time of the Exchange until immediately prior to, but contingent upon, the closing of the Offer, certain provisions of the PureTech LLC Operating Agreement continued to apply with respect to the holders of Ordinary Shares issued in the Exchange; and
- (iv) upon execution of the Exchange Agreement by members of PureTech LLC holding at least 80 per cent of the common shares then-outstanding, the Exchange constituted the consummation of a Drag-Along Sale for purposes of the PureTech LLC Operating Agreement.

12.2 Material agreements relating to Vedanta Biosciences

12.2.1 UTokyo License Agreement

Vedanta Biosciences entered into an exclusive patent license agreement with UTokyo and Todai TLO, Ltd., a technology transfer organisation, dated 14 November 2011 and as amended on 11 July 2012 and 2 October 2014 (the “Tokyo License Agreement”). Pursuant to the Tokyo License Agreement, UTokyo has granted Vedanta Biosciences an exclusive, worldwide, royalty-bearing, sub-licensable license (the “UTokyo License”) under its patent rights and the patent rights of the School Corporation Azabu Veterinary Medicine Educational Institution relating to inventions described as “*composition for inducing proliferation or accumulation of regulatory T cells*” (the “UTokyo Technology”). The UTokyo Technology was generated through projects funded by the Japanese government and accordingly UTokyo is obligated to grant a non-exclusive license of the UTokyo Technology to the Japanese government or any party designated by the Japanese government (for any purposes). In the event such license is granted to the Japanese government, the payment obligations payable by Vedanta Biosciences under the UTokyo License relating to a given jurisdiction shall be reduced by 50 per cent in jurisdictions where such licenses are granted. Furthermore, UTokyo retains the right to practice under the subject patent rights for educational and non-commercial purposes. Vedanta Biosciences is obligated to make the following types of payments to UTokyo under the UTokyo License:

- (i) milestone payments relating to:
 - (a) regulatory approval hurdles for pharmaceutical products; and
 - (b) net sales thresholds for food products;
- (ii) royalties on net sales of all products relating to at least one valid claim under the patent rights;
- (iii) percentage of any sublicense income; and
- (iv) all expenses (including legal fees) associated with patent prosecution, maintenance and protection.

UTokyo controls the preparation, filing, prosecution for infringement and maintenance of the patent rights and Vedanta Biosciences provides advisory assistance. Vedanta Biosciences controls the prosecution for infringements of the patent rights by third parties. UTokyo has the first right (with Vedanta Biosciences having the right if UTokyo declines) to assume sole defence of actions against UTokyo or Vedanta Biosciences which allege invalidity, unenforceability or non-infringement (by such third party) of the patent rights. The Tokyo License Agreement terminates on the date of expiration or termination of the last to respectively expire or terminate of the patent rights thereunder (i.e. 2030). The Tokyo License Agreement may be terminated earlier:

- (i) by UTokyo if Vedanta Biosciences defaults on the performance of its obligations thereunder, including failure to make any payment due and such default is not cured within 180 days following notice of such default;
- (ii) by UTokyo upon written notice in the event of Vedanta Biosciences' bankruptcy;
- (iii) by UTokyo if Vedanta Biosciences fails to use best efforts in commercialising the UTokyo Technology; or
- (iv) by Vedanta Biosciences upon 30 days prior written notice.

The Tokyo License Agreement is governed by the laws of the State of New York.

12.2.2 Janssen Collaboration Agreement

Vedanta Biosciences entered into a collaboration, license and option agreement with Janssen dated 12 January 2015 (the "Janssen Collaboration Agreement"). Pursuant to the Janssen Collaboration Agreement, Vedanta Biosciences has granted Janssen an exclusive, worldwide, royalty-bearing, non-transferable, sub-licensable license over Vedanta Biosciences owned or in-licensed patents (the "Vedanta Biosciences Licensed Patents") (the "Janssen License") to, with input from Vedanta Biosciences, develop and seek to commercialise one or more Clostridia-based LPBs using Vedanta Biosciences' microbiome product candidate VE202 (a "CLBP Candidate") initially in indications of IBD (the "Protected Indication" and such CLBP Candidates within a Protected Indication, a "Protected Product"). The Janssen License also encompasses additional CLBP Candidates within the Protected Indication and, for additional fees, within additional, mutually determined indications. In turn, Janssen has granted Vedanta Biosciences a non-exclusive, non-transferable, royalty-free right and license to conduct research and further develop and commercialise technology that is not a Protected Product but that is developed and owned by Janssen as a result of its research and development pursuant to the Janssen Collaboration Agreement. Additionally, Vedanta Biosciences shall conduct additional research into potential CLBP Candidates as set out in a mutually agreed research plan and budget and Janssen is obligated to reimburse Vedanta Biosciences for any associated costs. All development, regulatory compliance and commercialisation costs relating to any Protected Product are borne by Janssen. As consideration for entering into the Janssen Collaboration Agreement, Vedanta Biosciences is entitled to:

- (i) upfront cash consideration;
- (ii) preclinical milestone payments relating to the issuance of patents and achievement of certain manufacturing criteria;
- (iii) development and commercialisation milestone payments relating to phases of regulatory approvals and commercial sales;
- (iv) worldwide net sales milestone payments; and
- (v) royalties on net sales of any Protected Product.

Under the Janssen Collaboration Agreement:

- (i) Vedanta Biosciences retains the right to conduct the prosecution of the Vedanta Biosciences Licensed Patents;
- (ii) Janssen, at its own expense, is responsible for the prosecution of any patents derived from the research conducted jointly by Vedanta Biosciences and Janssen (the "Vedanta Biosciences/Janssen Patents");

- (iii) Janssen has the first right, at own expense, to bring any action for infringement against a third party with respect to the Vedanta Biosciences Licensed Patents and for the Vedanta Biosciences/Janssen Patents; and
- (iv) Janssen shall have the first right, at its own expense, to defend against any claims of infringement relating to any Protected Product. The terms of the Janssen Collaboration Agreement remain in effect on a product-by-product (and country-by-country) basis until the earlier of the expiration of the last to expire patent rights relating to such product (i.e. 2034), or ten years from the first commercial sale of such product in the applicable country.

The Janssen Collaboration Agreement may be terminated earlier in certain circumstances including:

- (i) by either party in the event of a material breach by the other which is not cured within 90 days of written notice of such breach;
- (ii) by Janssen upon 90 days' prior written notice;
- (iii) by Janssen following first regulatory approval of any Protected Product;
- (iv) upon 30 days' prior written notice for any material safety or tolerability concerns; or
- (v) by either party in the event of the other party's bankruptcy.

The Janssen Collaboration Agreement is governed by the laws of the State of New York.

12.2.3 Shareholder arrangements

- (i) *Third party voting arrangements.* As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*) PureTech has a 86.9 per cent ownership interest in Vedanta Biosciences. There are option holders who have the right to purchase shares of Vedanta Biosciences' common stock pursuant to Vedanta Biosciences' equity incentive plan. Pursuant to the terms set out in the certificate of incorporation of Vedanta Biosciences (the "Vedanta Biosciences Charter") and Delaware corporate law, any action that requires the approval of Vedanta Biosciences' stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Vedanta Biosciences.
- (ii) *Third party purchase rights.* Other than options to purchase shares of Vedanta Biosciences common stock that have historically been issued to certain of Vedanta Biosciences' directors and advisors, there are no outstanding rights for third parties to purchase equity in Vedanta Biosciences.
- (iii) *Anti-dilution arrangements.* Pursuant to the Vedanta Biosciences Charter, each series of Vedanta Biosciences preferred stock carries standard weighted-average anti-dilution protection from future issuances at a lower price.
- (iv) *Drag-along rights.* There is no contractual or statutory drag-along right, however, in the absence of such right, PureTech may still be able to compel a sale of Vedanta Biosciences by statutory merger provided it retains control.
- (v) *Registration rights.* There are currently no contractual or statutory registration rights for any stockholder of Vedanta Biosciences.

12.3 Material agreements relating to Gelesis

12.3.1 Amended and Restated Master Agreement

Gelesis entered into an amended and restated master agreement with Luigi Ambrosio, Luigi Nicolais, Alessandro Sannino (together the "One Founders") and One Srl, dated 29 December 2014 (the "A&R Master Agreement"). Pursuant to the A&R Master Agreement, One Srl and the One Founders have assigned and agreed to assign to Gelesis intellectual property relating to certain of Gelesis' products, including those that they develop during the term of the agreement, and other improvements to Gelesis' existing intellectual property rights that result from activities they perform under consulting agreements with Gelesis or under the A&R Master Agreement.

Additionally, One Srl and the One Founders are bound by non-compete provisions in the A&R Master Agreement, which prohibit them from developing, manufacturing or commercialising any product or process related to diet, weight loss, food products or obesity during the term of the A&R Master Agreement and for one year after its termination. In consideration of the obligations of One Srl and the One Founders, Gelesis is obligated to pay royalty payments on net sales of products covered by the Gelesis Patent Rights, a percentage of any license income Gelesis receives from licensing the Gelesis Patent Rights and certain milestone payments in connection with regulatory and commercial milestones. Furthermore, Gelesis grants One Srl and each of the One Founders a non-exclusive, royalty-free, irrevocable, worldwide right and license to utilise the Gelesis Patent Rights certain patents and patent applications (the “Gelesis Patent Rights”) for non-commercial academic and research purposes only (including the right to publish in scientific journals or to present at professional conferences or other meetings). In the event that any intellectual property rights that become owned or controlled by Mr. Sannino (or an affiliate of his) in connection with his development of drug delivery products and such rights would infringe, conflict or depend on any of the Gelesis Patent Rights, then pursuant to the A&R Master Agreement, Gelesis and Mr. Sannino (or his affiliate) shall negotiate in good faith one of the following:

- (i) a collaboration for the joint exploitation of such drug delivery product; or
- (ii) the terms of a non-exclusive license under the Gelesis Patent Rights solely to the extent necessary to allow Mr. Sannino (or his affiliate) to exploit the intellectual property rights in connection with the development of such drug delivery product.

Pursuant to the A&R Master Agreement, Gelesis or one of its affiliates shall have the exclusive right (at Gelesis’ expense), but using counsel reasonably acceptable to One Srl, to file, prosecute for infringements of, maintain and enforce the Gelesis Patent Rights. Gelesis has the right to defend any action for declaratory judgment relating to the Gelesis Patent Rights and any improvements thereto within 20 business days of commencement of such action. The A&R Master Agreement terminates on a country by country basis upon the expiration of the last valid claim under the Gelesis Patent Rights in a particular country. The A&R Master Agreement may be terminated earlier by written agreement of Gelesis and One Srl. The A&R Master Agreement is governed by the laws of the Commonwealth of Massachusetts.

12.3.2 PureTech LLC Royalty Agreement

Gelesis entered into a royalty agreement with PureTech LLC, dated 18 December 2009 (as amended on 28 June 2012) (the “Gelesis/PureTech Royalty Agreement”). Pursuant to the Gelesis/PureTech Royalty Agreement, Gelesis is obligated to make the following types of payment to PureTech LLC in consideration of certain management services, funding and intellectual property provided by PureTech LLC to Gelesis:

- (i) two per cent royalty on net sales of certain products that incorporate certain patent rights owned by Gelesis; and
- (ii) ten per cent of any sublicense income received by Gelesis related to certain products incorporating such patent rights.

The royalty rate is subject to customary, downward adjustments in the event Gelesis is required to pay third parties to obtain intellectual property rights that are necessary to develop or commercialise the product. The obligation to pay royalties under the Gelesis/PureTech Royalty Agreement terminates upon the expiration of the applicable patent rights in the country where such products are being sold. The Gelesis/PureTech Royalty Agreement is governed by the laws of the State of Delaware.

On 1 April 2015, Gelesis filed a registration statement on Form S-1 with the SEC relating to a proposed initial public offering of its common stock on the NASDAQ Global Market. This initial public offering is currently on hold. Gelesis may consider continuing with its initial public offering at a later date, subject to market conditions. The proposed initial public offering, if pursued, would not affect the Gelesis/PureTech Royalty Agreement.

12.3.3 Shareholder arrangements

- (i) *Third party voting arrangements.* Pursuant to the terms set out in the ninth amended and restated certificate of incorporation of Gelesis (the “9th Gelesis A&R Charter”) and Delaware corporate law, any action that requires the approval of Gelesis’ stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Gelesis. As of 17 June 2015 (being the latest practicable date prior to publication of this document), PureTech holds 22.6 per cent of Gelesis on a diluted basis as described in Part VIII (*Information on the Group’s Operating Companies and Product Candidates*) of this document; therefore, PureTech LLC alone is not able to approve any such action (and PureTech alone cannot block any such action). Pursuant to the terms of the sixth amended and restated stockholders agreement dated 6 March 2015 between certain Gelesis stockholders (the “6th Gelesis A&R Stockholder Agreement”), those Gelesis stockholders party to agree to vote to:
- (a) set the number of directors on the board of directors of Gelesis (the “Gelesis Board”) at seven;
 - (b) elect up to three persons designated by PureTech to the Gelesis Board;
 - (c) elect one person designated by SSD2, LLC to the Gelesis Board;
 - (d) elect two persons designated by a majority of the Gelesis Board to the Gelesis Board; and
 - (e) elect the Chief Executive Officer of Gelesis, from time to time, to the Gelesis Board.
- Removal from the Gelesis Board of any designated representative is not permitted without the approval of the person entitled to designate such Gelesis Board member. Pursuant to the terms of the 9th Gelesis A&R Charter, Gelesis shall not do any of the following without the written consent or affirmative vote of the holders of a majority of the outstanding shares of Gelesis preferred stock:
- (a) liquidate or wind-up Gelesis;
 - (b) amend the 9th Gelesis A&R Charter or Gelesis’ bylaws;
 - (c) authorise additional class or series of capital stock with equal or senior rights to Gelesis preferred stock;
 - (d) declare any dividend or make distributions other than:
 - (1) dividends or distributions on preferred stock authorised in the 9th Gelesis A&R Charter; or
 - (2) distributions payable on Gelesis common stock in the form of Gelesis common stock;
 - (3) authorise the issuance of debt securities;
 - (4) create a non-wholly-owned subsidiary or dispose of the capital stock of any subsidiary; or
 - (5) increase the number of directors on the Gelesis Board.
- (ii) *Pre-emptive rights.* Pursuant to the terms of the 6th Gelesis A&R Stockholder Agreement, each Gelesis stockholder has the pre-emptive right, subject to certain exclusions, to purchase its *pro rata* share of any new capital securities which Gelesis may from time to time sell and/or issue. Each Gelesis stockholder’s *pro rata* share shall be determined on a fully diluted basis.
- (iii) *Observer and information rights.* Pursuant to the 6th Gelesis A&R Stockholder Agreement, Invesco and one other third party stockholder of Gelesis each have the right to appoint one person to attend Gelesis board meetings in a non-voting observer capacity. Gelesis is obligated to provide certain financial and capitalisation information to its stockholders upon request under the 6th Gelesis A&R Stockholder Agreement, subject to confidentiality restrictions. Pursuant to a side letter entered into between Gelesis and SSD2 on 11 June

2012, SSD2 has the right to receive certain financial information of Gelesis upon request, subject to confidentiality restrictions.

- (iv) *Right of first refusal and co-sale rights.* Pursuant to the terms of the 6th Gelesis A&R Stockholder Agreement, shares of common stock held by Yishai Zohar, Eyal Ron and Hassan Heshmati (the “Gelesis Executives”), are subject to a primary right of first refusal in favour of Gelesis. In the event Gelesis does not elect to purchase all shares which are proposed to be transferred, the non-selling stockholders have a secondary right of refusal to purchase their *pro rata* portion of the remaining shares. If shares remain after the primary and secondary rights of refusal, then any Gelesis stockholder not purchasing shares has a right of co-sale, on a *pro rata* basis, with respect to the remaining shares to be sold. Pursuant to the terms of a letter agreement between PureTech and Invesco, dated 6 March 2015 (the “PureTech/Invesco Gelesis Side Letter”), PureTech may not transfer any shares it holds in Gelesis to a third party without first providing to Invesco the opportunity to purchase all such shares in full on the same terms and conditions. The PureTech/Invesco Gelesis Side Letter will terminate upon the consummation of the sale of Gelesis common stock in a firmly underwritten public offering under the Securities Act.
- (v) *Anti-dilution arrangements.* Pursuant to the 9th Gelesis A&R Charter, each series of Gelesis preferred stock carries weighted-average anti-dilution protection from future issuances at a lower price.
- (vi) *Third party purchase rights.* In addition to certain of Gelesis’ services providers who have been issued options to purchase shares of Gelesis common stock pursuant to Gelesis’ equity incentive plan, Gelesis has entered into the following warrant arrangements which permit the holders of such warrants to purchase an aggregate of 32,490 shares of Gelesis common stock, 263,690 shares of Gelesis Series A-1 preferred stock, 839,857 shares of Gelesis Series A-3 preferred stock and 2,537,580 shares of Gelesis Series A-4 preferred stock. The Gelesis preferred stock converts to common stock at a ratio of 3.526 shares of preferred stock to one share of common stock.
- (vii) *Drag-along rights.* Pursuant to the terms of the 6th Gelesis A&R Stockholder Agreement, in the event that:
 - (a) the holders of a majority of Gelesis preferred stock (the “Gelesis Selling Investors”);
 - (b) the Gelesis Board; and
 - (c) the holders of a majority of the outstanding Gelesis common stock (together with the Gelesis Selling Investors, the “Gelesis Electing Holders”),approve a Sale of Gelesis (as defined below), then each party to the 6th Gelesis A&R Stockholder Agreement agrees to:
 - (a) vote in favour of such sale;
 - (b) if such transaction is a stock sale, sell proportionally the same amount of capital stock as is being sold by the Gelesis Selling Investors;
 - (c) refrain from exercising any dissenting’ rights; and
 - (d) take certain other actions to facilitate such sale.A “Sale of Gelesis” means either a transaction or series of related transactions in which a person or group of related persons acquires from Gelesis stockholders or members shares representing more than 50 per cent of the outstanding voting power of Gelesis, or a transaction that qualifies as a “*deemed liquidation event*” under the 9th Gelesis A&R Charter.
- (viii) *Termination of the 6th Gelesis A&R Stockholder Agreement.* The 6th Gelesis A&R Stockholder Agreement, including the rights granted to and the obligations of the parties thereto, terminates upon a firmly underwritten public offering under the Securities Act of shares of Gelesis common stock that (i) is approved by the holders of a majority of the Gelesis Series A preferred stock, or (ii) results in an aggregate gross proceeds of at least \$50 million to Gelesis and the price per share is at least \$4.25.

- (ix) *Registration rights.* Pursuant to the sixth amended and restated registration rights agreement dated 6 March 2015 (the “6th Gelesis A&R Registration Agreement”), at any time after the earlier of 1 May 2017 or a Gelesis Qualified Public Offering:
 - (a) the holders of at least 40 per cent of Gelesis’ registrable securities may request registration of at least 25 per cent of their aggregate registrable securities (or such lesser number of shares resulting in aggregate proceeds of at least \$10 million on Form S-1 (the relevant filing to the SEC for the purposes of registering securities for public offering); and
 - (b) the holders of at least ten per cent of the registrable securities may request registration of all or part of their registrable securities on Form S-2 or Form S-3 if available. Pursuant to the 6th Gelesis A&R Registration Agreement, if Gelesis proposes to register any of its securities (other than pursuant to a demand registration) and the registration form allows for the registration of registrable securities, Gelesis must provide notice to all holders of at least two per cent of the registrable securities of its intent to effect such registration. The holders of registrable securities then have 20 days to request inclusion of their registrable securities in such registration.

12.4 Material agreements relating to Akili

12.4.1 UCSF License Agreement

Akili entered into an exclusive license agreement with UCSF dated 18 October 2013 (the “UCSF License Agreement”). Pursuant to the UCSF License Agreement, UCSF has granted Akili an exclusive (subject to the limitations of the license granted to the US government), worldwide (except in countries where a license cannot lawfully be granted), royalty-bearing, sub-licensable (with certain exceptions) license (the “UCSF License”) in patent, property and copyright relating to inventions for diagnosing cognitive disorders and developing the ability to manage cognitive interference (the “UCSF Intellectual Property”) to make, use, sell, offer for sale and import products, services and methods that incorporate the UCSF Intellectual Property. The UCSF Intellectual Property was sponsored in part by the US Department of Health and Human Services and, as a consequence, is subject to the obligations under the Bayh-Dole Act, including a non-exclusive, non-transferable, irrevocable, paid-up license to the US government to practise the UCSF Intellectual Property. Any products that use or embody the UCSF Intellectual Property for or on their behalf must be substantially manufactured in the US. UCSF retains a right to practise the UCSF Intellectual Property for educational and research purposes, any sponsored research performed for or on behalf of commercial businesses and the publication of related results. Akili is obligated to make the following types of payments under the UCSF License Agreement:

- (i) a one-time upfront license issue fee;
- (ii) an annual license maintenance fee if Akili is not commercially exploiting the UCSF Intellectual Property;
- (iii) a percentage of any sub-license income;
- (iv) royalties on net sales of products, methods and services incorporating the UCSF Intellectual Property;
- (v) milestone payments including but not limited to:
 - (a) commercial sales of products that use or embody the UCSF Intellectual Property;
 - (b) the obtainment of further patent rights;
 - (c) at the close of an initial public offering of shares of Akili; and
 - (d) a change of control transaction; and
- (vi) all expenses associated with the enforcement of maintenance and protection of intellectual property and the enforcement of any patent protection under the UCSF License Agreement.

Akili grants UCSF pre-emptive rights, such that if Akili proposes to sell any new equity securities, UCSF has the option to purchase a percentage of such new equity securities to be offered (excluding exempt security issuances and shares). If Akili does not meet certain regulatory and commercial milestones within certain time periods set forth in the UCSF License Agreement, UCSF has the right to terminate the UCSF License or remove its exclusive nature. UCSF controls the preparation of patent filings, the maintenance of intellectual property and the enforcement of any patent protection with advisory assistance from Akili. Akili has the first right, but not the obligation, to take action in the prosecution for prevention of or termination of infringements patent third parties. The term of the UCSF License ends upon the later of the expiration or abandonment of the last patent rights included in the UCSF Intellectual Property and the expiration of all copyright in the UCSF Intellectual Property in all countries. The UCSF License Agreement may be terminated earlier:

- (i) automatically if Akili voluntarily files for bankruptcy or becomes subject to bankruptcy proceedings that are not dismissed within 60 days;
- (ii) by UCSF if Akili fails to perform or violates any term of the UCSF License Agreement and does not remedy such default within 60 days' notice;
- (iii) by UCSF if Akili fails to meet certain progress milestones; and
- (iv) by Akili on 60 days' notice.

The UCSF License Agreement is governed by the laws of the State of California.

12.4.2 Pfizer Collaboration and License Agreement

Akili entered into a collaboration and license agreement with Pfizer dated 19 December 2013 (the "Pfizer Collaboration and License Agreement"). Pursuant to the Pfizer Collaboration and License Agreement, Pfizer and Akili agreed to certain arrangements with regard to conducting research and a clinical trial to test Project: EVO and its ability to assess cognition in healthy, cognitively normal, elderly individuals. Pfizer funds the research (except insofar as costs relate to software and hardware associated with this) and owns all rights to data resulting from the clinical trial, provided, however, that Akili and Pfizer jointly own de-identified and anonymised clinical trial subject data and that Pfizer grants Akili a non-exclusive, perpetual license to use the clinical trial data for the development of its software product candidates, including Project: EVO (such license includes the disclosure of such clinical trial data to regulatory authorities). Akili owns the rights to any intellectual property that is developed pursuant to the Pfizer Collaboration and License Agreement to the extent that such intellectual property is a modification or improvement on existing Akili intellectual property ("Akili Improvement") and Pfizer owns the rights to any intellectual property developed pursuant to the Pfizer Collaboration and License Agreement that is not an Akili Improvement ("Pfizer Intellectual Property"). Akili grants Pfizer a non-exclusive, worldwide, non-transferrable license in any patent or other intellectual property that Akili owns or has an interest in that covers Akili's software or hardware related thereto (the "Akili Intellectual Property"), to use or import any product incorporating Akili's software for cognitive assessment (the "Akili License"). From the period beginning on 19 December 2013 and ending on 19 December 2015, the Akili License is exclusive in the field of cognitive assessment solely for Alzheimer's disease, except that Akili may use the Akili Intellectual Property to conduct development activities. Thereafter, the Akili License is non-exclusive.

Under the Akili License, Pfizer has the right to grant sublicenses only to its affiliates or third parties working on behalf of or performing services for the operation of Pfizer's business. Akili agrees to provide its software and related materials (for use in pursuance of development activities under the Pfizer Collaboration and License Agreement only) to Pfizer at no cost until 19 December 2020. For the period between 19 December 2020 and 19 December 2025 Pfizer will receive a discount on the then current market rate of Akili's software. Akili is obligated to make royalty payments on the net revenues received in relation to license fees paid by unaffiliated third parties to Akili by Pfizer under the Pfizer Collaboration and License Agreement. Akili controls the maintenance and protection of intellectual property and enforcement of any patent protection related to Akili Intellectual Property or Akili Improvements. Pfizer controls the maintenance and protection of intellectual property and the enforcement of any patent protection related to Pfizer Intellectual Property. If a third party alleges that the development or commercialisation of products

licensed under the Akili License infringes any intellectual property rights, then the alleged infringing party must notify the other of such allegation but has the right to control all action related to such allegation and is solely responsible for all damages, costs and expenses related thereto. Akili is obligated to meet certain security measures with respect to data and information related to the clinical trial and Pfizer can terminate the agreement immediately upon a material breach of such security measure by Akili. The Pfizer Collaboration and License Agreement terminates upon:

- (i) written notice from either party if the other party has failed to cure a material breach within 90 days of written notice of such material breach;
- (ii) 60 days' written notice by Pfizer for any and no reason; and
- (iii) written notice by Pfizer upon the bankruptcy of Akili.

The Pfizer Collaboration and License Agreement is governed by the laws of the State of New York.

12.4.3 Shareholder arrangements

- (i) *Third party voting arrangements.* Pursuant to the terms set out in the amended and restated certificate of incorporation of Akili (the "Akili A&R Charter") and Delaware corporate law, any action that requires the approval of Akili's stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Akili. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech has a 59.8 per cent ownership interest in Akili. Pursuant to the terms of an investors' rights agreement, dated 15 December 2014, entered into by Akili stockholders and members (the "Akili IRA"), the Akili stockholders and members agree to vote to:
 - (a) set the maximum number of directors on the board of directors of Akili (the "Akili Board") at six;
 - (b) elect up to four persons designated by PureTech to the Akili Board; and
 - (c) elect up to two persons designated by a majority of the Akili Board to the Akili Board.
- (ii) *Pre-emptive rights.* Pursuant to the terms of the Akili IRA, each holder of Akili preferred stock has the pre-emptive right, subject to certain standard exclusions, to purchase its *pro rata* share, determined on a fully diluted basis, of any new capital securities which Akili may from time to time sell and/or issue. Pursuant to the terms of the UCSF License Agreement, UCSF is entitled to purchase up to five per cent of any new capital securities which Akili may from time to time sell and/or issue.
- (iii) *Third party purchase rights.* Other than options to purchase shares of Akili common stock that have historically been issued to certain Akili services providers, there are no outstanding rights for third parties to purchase equity in Akili.
- (iv) *Anti-dilution arrangements.* Pursuant to the Akili A&R Charter, each series of Akili preferred stock carries standard weighted-average anti-dilution protection from future equity issuances at a price lower than the issuance price of an applicable series of equity.
- (v) *Drag-along rights.* There is no contractual or statutory drag-along right, however, in the absence of such right, PureTech may still be able to compel a sale of Akili pursuant to statutory merger provided it retains control.
- (vi) *Observer and information rights.* Pursuant to the side letter entered into by Akili and Shire Pharmaceuticals on 14 January 2013 (the "Shire Side Letter"), Shire Pharmaceuticals has the right to appoint one person to attend Akili board meetings in a non-voting observer capacity. Pursuant to the Akili IRA, Akili is obligated to provide certain financial information to preferred stockholders upon request, subject to confidentiality restrictions.
- (vii) *Scientific advisory board appointment right.* Pursuant to the Shire Side Letter, Shire Pharmaceuticals has the right to appoint one person to Akili's scientific advisory board, provided, that such appointee may be excluded from access to material Akili determines in good faith to be confidential proprietary information.

- (viii) *Conditional notice requirement.* Pursuant to the Shire Side Letter, in the event that Shire Pharmaceuticals invests at least the lesser of (i) \$3 million, or (ii) an amount as would result in Shire Pharmaceuticals owning 19.9 per cent of Akili's outstanding capital stock, in Akili's next equity financing, for a period of two years following such investment, Akili shall provide notice to Shire Pharmaceuticals within ten days following the commencement of substantive negotiations regarding the licensing or sale of any game intended for use in the treatment of ADHD to any third party pharmaceutical or medical device company.
- (ix) *Registration rights.* There are currently no contractual or statutory registration rights for any stockholder of Akili.

12.5 Material agreements relating to Tal

12.5.1 McLean License Agreement

Tal entered into an exclusive license patent agreement with The McLean Hospital, a not-for-profit Massachusetts corporation (together with its affiliates, "McLean"), dated 18 August 2010 (as amended on 13 October 2011, 17 October 2011 and on 14 September 2012) (the "McLean License Agreement"). Pursuant to the McLean License Agreement, McLean has granted Tal an exclusive, royalty-bearing, sub-licensable license (the "McLean License") under its patent rights relating to the treatment of psychiatric disorders ("McLean Technology"). The McLean Technology was supported by federal funding from the US government and accordingly McLean is obligated to grant a non-exclusive, royalty-free license to the US government. Any products that use or embody the McLean Technology which are sold in the US must be substantially manufactured in the US. In addition, McLean and certain of its affiliates retains the right to practice the patent rights under the McLean License for non-commercial research and educational purposes only. Tal is obligated to make payments to McLean under the McLean License including the following:

- (i) milestone payments relating to:
 - (a) the demonstration of a statistically significant benefit from a clinical trial for treatment of unipolar or bipolar depression;
 - (b) the first use of a product or process in the treatment of the first human subject;
 - (c) the first commercial sale of a product or process in the European Union or other major market excluding the US;
 - (d) the first commercial sale of a product in the US;
 - (e) for each patent family that has been added by amendment, upon a patent arising from such patent family in the US or other country where Tal is selling a product; or
 - (f) the acquisition or merger of Tal;
- (ii) royalties on net sales of all patented products;
- (iii) a percentage of any sub-licensable income; and
- (iv) expenses relating to the McLean License.

McLean is responsible for the preparation, filing, prosecution and maintenance of all patent applications and patents. McLean will protect its patent rights from infringement by third parties when it believes in its sole judgment such action is necessary. Where McLean declines to prosecute for infringement, Tal may initiate legal proceedings following the giving of notice to McLean. The term of the McLean License Agreement ends on the date on which all patents under the McLean License have expired (i.e. 2032) or have been abandoned. The McLean License Agreement may be terminated earlier:

- (i) by McLean if Tal fails to make any payment upon 45 days' written notice, unless Tal makes such payments plus interest due within the 45 day period;
- (ii) by McLean if Tal fails to maintain adequate insurance as set forth in the McLean License Agreement;
- (iii) by McLean if Tal:
 - (a) makes an assignment for the benefit of creditors; or

- (b) files a petition for bankruptcy;
- (iv) by McLean if Tal or any sub-licensee defaults in the performance of its obligations under the contract; or
- (v) by Tal upon 90 days' prior written notice to McLean.

The McLean License Agreement is governed by the laws of the Commonwealth of Massachusetts.

12.5.2 Shareholder arrangements

- (i) *Third party voting arrangements.* Pursuant to the terms set out in the second amended and restated certificate of incorporation of Tal (the "2nd Tal A&R Charter") and Delaware corporate law, any action that requires the approval of the Tal stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Tal. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech has a 55.7 per cent ownership interest in Tal. In addition, amending the 2nd Tal A&R Charter requires the written consent or affirmative vote of the holders of at least 66 per cent of Tal's Series B preferred stock. As of 17 June 2015 (being the latest practicable date prior to publication of this document), PureTech holds 35 per cent of the outstanding Series B preferred stock. Pursuant to the terms of an amended and restated stockholders agreement, dated 2 March 2015, by and among the Tal stockholders (the "Tal A&R Stockholder Agreement"), the Tal stockholders agree to vote to:
 - (a) set the number of directors on the board of directors of Tal (the "Tal Board") at seven;
 - (b) elect up to four persons designated by PureTech to the Tal Board;
 - (c) elect one person designated by Invesco to the Tal Board;
 - (d) elect one person designated by a majority of the Tal Board to the Tal Board; and
 - (e) elect the Chief Executive Officer of Tal, from time to time, to the Tal Board.

Removal from the Tal Board of any designated representative is not permitted without the approval of the person entitled to designate such Tal Board member.
- (ii) *Pre-emptive rights.* Pursuant to the terms of the Tal A&R Stockholder Agreement, each Tal stockholder or member has the pre-emptive right, subject to certain standard exclusions, to purchase its *pro rata* share of any new capital securities which Tal may from time to time sell and/or issue. Each Tal stockholder or member's *pro rata* share shall be determined on a fully diluted basis.
- (iii) *Information rights.* Pursuant to the Tal A&R Stockholder Agreement, Tal is obligated to provide certain financial information to stockholders upon request, subject to confidentiality restrictions.
- (iv) *Right of first refusal and co-sale rights.* Pursuant to the terms of the Tal A&R Stockholder Agreement, shares of common stock held by Dr. Skvarka, Tal's Chief Executive Officer and any other manager or officer of Tal who becomes a party to the Tal A&R Stockholder Agreement, are subject to a primary right of first refusal in favour of Tal. In the event Tal does not elect to purchase all shares which are proposed to be transferred, the non-selling stockholders have a secondary right of refusal to purchase their *pro rata* portion of the remaining shares. If shares remain after the primary and secondary rights of refusal for transfer to a third party, then any Tal stockholder not purchasing shares has a right of co-sale, on a *pro rata* basis, with respect to the remaining shares to be sold. Pursuant to the terms of a letter agreement between PureTech and Invesco, dated 2 March 2015, PureTech may not transfer any shares it holds in Tal to a third party without first providing Invesco with the opportunity to purchase all such shares in full on the same terms and conditions.
- (v) *Anti-dilution arrangements.* Pursuant to the 2nd Tal A&R Charter, each series of Tal preferred stock carries standard weighted-average anti-dilution protection from future issuances at a lower price.

- (vi) *Third party purchase rights.* Other than options to purchase shares of Tal common stock that have historically been issued to certain Tal services providers, there are no outstanding rights for third parties to purchase equity in Tal.
- (vii) *Drag-along rights.* Pursuant to the terms of the Tal A&R Stockholder Agreement, in the event that:
 - (a) the holders of a majority of Tal preferred stock (the “Tal Selling Investors”);
 - (b) the Tal Board; and
 - (c) the holders of a majority of the outstanding Tal common stock (together with the Tal Selling Investors, the “Tal Electing Holders”),

approve a Sale of Tal (as defined below), then each party to the Tal A&R Stockholder Agreement agrees to:

- (a) vote in favour of such sale;
- (b) if such transaction is a stock sale, sell proportionally the same amount of capital stock as is being sold by the Tal Electing Holders;
- (c) refrain from exercising any dissenting rights; and
- (d) take certain other actions to facilitate such sale.

A “Sale of Tal” means either a transaction or series of related transactions in which a person or group of related persons acquires from Tal stockholders or members shares representing more than 50 per cent of the outstanding voting power of Tal or a sale of all or substantially all of the assets of Tal. As of 17 June 2015 (being the latest practicable date prior to publication of this document), PureTech owns an equity interest of 55.4 per cent in Tal on a fully diluted basis.

- (viii) *Registration rights.* Pursuant to an amended and restated registration rights agreement dated 2 March 2015 (“Tal Registration Agreement”), at any time after the earlier of 1 February 2019 or the six month anniversary of a Tal Qualified Public Offering:
 - (a) the holders of at least 40 per cent of Tal’s registrable securities may request registration of at least 25 per cent of their aggregate registrable securities (or such lesser number of shares resulting in aggregate proceeds of at least \$10 million) on Form S-1; and
 - (b) the holders of at least ten per cent of the registrable securities may request registration of all or any portion of their registrable securities on Form S-2 or S-3 if available.

As stated in Part VIII (*Information on the Group’s Operating Companies and Product Candidates*), PureTech has a 55.7 per cent ownership interest in Tal; therefore, unless the equity ownership of Tal by PureTech is diluted to 40 per cent, PureTech controls this right. Pursuant to the Tal Registration Agreement, if Tal proposes to register any of its securities (other than pursuant to a demand registration) and the registration form allows for the registration of registrable securities, Tal must provide notice to all holders of at least two per cent of the registrable securities of its intent to effect such registration. The holders of registrable securities then have 20 days to request inclusion of their registrable securities in such registration.

12.6 Material agreements relating to Karuna

12.6.1 PureTech/Karuna License Agreement

Karuna entered into an exclusive patent license agreement, effective 4 March 2011, with PureTech LLC (the “PureTech/Karuna License Agreement”). Pursuant to the PureTech/Karuna License Agreement, PureTech LLC has granted Karuna an exclusive, royalty-bearing, sub-licensable license to research, develop and commercialise therapeutic products (the “PureTech/Karuna Products”) relating to certain PureTech LLC patents for disorders ameliorated by muscarinic receptor activation (the “PureTech/Karuna Patent Rights”). Karuna is obligated under the PureTech/Karuna License Agreement to pursue regulatory submissions and approvals, clinical

trials and maintain solvency. In consideration for the license granted under the PureTech/Karuna License Agreement, Karuna shall pay to PureTech LLC the following:

- (i) three per cent royalties on annual net sales of PureTech/Karuna Products;
- (ii) certain milestone payments relating to clinical trials and domestic and foreign regulatory approval milestones; and
- (iii) a share of any sub-license revenues. Karuna is obligated, at its own expense, to prosecute and maintain all PureTech/Karuna Patent Rights, provided, in the event Karuna elects not to prosecute and maintain all, or certain of, the PureTech/Karuna Patent Rights, such rights shall revert back to PureTech LLC and be excluded from the license granted under the PureTech/Karuna License Agreement. Karuna has the right, at its own expense, to prosecute any third party infringement of the PureTech/Karuna Patent Rights. With respect to declaratory judgments sought for invalidity, unenforceability or non-infringement of the PureTech/Karuna Patent Rights, PureTech LLC shall have the option, at its own expense, to take over such action.

The term of the PureTech/Karuna License Agreement shall run until the expiration or abandonment of all patents and patent applications within the PureTech/Karuna Patent Rights (i.e. 2030) provided the agreement may be terminated earlier:

- (a) by Karuna for any reason with 90 days' prior written notice;
- (b) by PureTech LLC immediately if Karuna fails to pay any amounts due within 30 days;
- (c) in the event Karuna materially breaches the agreement and fails to cure such breach during the 60 days following written notice thereof; or
- (d) by either party immediately if the other party materially breaches the agreement and fails to cure such breach during the 60 days following written notice thereof.

The PureTech/Karuna License Agreement is governed by the laws of the Commonwealth of Massachusetts.

12.6.2 Eli Lilly License Agreement

Karuna entered into a license agreement, dated 9 May 2012, with Eli Lilly (the "Eli Lilly License Agreement"). Pursuant to the Eli Lilly License Agreement, Eli Lilly transferred all of its rights, title and interests in certain data relating to xanomeline (the "Xanomeline Data"), together with an exclusive, royalty-bearing, sub-licensable license (the "Eli Lilly License") to certain patents (the "Eli Lilly Xanomeline Patents") to research, develop and commercialise all pharmaceutical composition for use in humans that contain xanomeline (a "Karuna Product"). Karuna agrees to use commercially reasonable efforts to develop, launch and commercialise a Karuna Product in Canada, France, Germany, Italy, Japan, Spain, the UK and the US. Eli Lilly retains the right to use the Xanomeline Data for internal research purposes (including animal testing). Karuna has the sole right to communicate with regulatory bodies regarding any Karuna Product and to own regulatory approvals, has the right to prosecute for infringement of and maintain the Eli Lilly Xanomeline Patents and shall be entitled to initiate, prosecute and control any infringement action against a third party relating to the Eli Lilly Xanomeline Patents. With respect to any actions for declaratory judgment brought against Eli Lilly or Karuna relating to the Eli Lilly Xanomeline Patents, Eli Lilly, at its own expense, shall have the first right to control the defence thereof. As consideration for the Eli Lilly License, Karuna was obligated to pay:

- (i) initial cash consideration;
- (ii) certain regulatory approval and commercialisation milestone payments; and
- (iii) royalties on net sales of any Karuna Product on a country by country basis. The term of the Eli Lilly License Agreement shall expire on the later of:
 - (a) the last to expire, on a country-by-country basis, of the royalty terms (the six year anniversary of the first commercial sale of any Karuna Product); or

- (b) the date on which all milestone payments have been paid to Eli Lilly. Thereafter, the Eli Lilly License becomes non-exclusive and fully paid, provided the expiration date of such shall be no later than the 15 year anniversary of the first commercial sale of any Karuna Product.

The Eli Lilly License Agreement may be terminated earlier:

- (i) by Karuna upon 90 days' prior written notice;
- (ii) by either party if the other party materially breaches the Eli Lilly License Agreement and fails to cure (or provide a plan for curing) such breach within 90 days following written notice by the other.

Upon termination by Karuna or by Eli Lilly following Karuna's material breach, all of the Xanomeline Data shall be returned to Eli Lilly. If Karuna terminates the Eli Lilly License Agreement due to Eli Lilly's material breach thereof, the license granted thereunder shall survive, Karuna shall retain ownership of the Xanomeline Data and Karuna shall thereafter pay 50 per cent of all amounts that would have been owed thereunder to Eli Lilly. The Eli Lilly License Agreement is governed by the laws of the State of New York.

12.6.3 Shareholder arrangements

- (i) *Third party voting arrangements.* Pursuant to the terms set out in the certificate of incorporation of Karuna (the "Karuna Charter") and Delaware corporate law, any action that requires the approval of the Karuna stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Karuna. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech has a 81.5 per cent ownership interest in Karuna.
- (ii) *Pre-emptive rights.* Pursuant to the terms of the stock purchase agreement and investor's rights agreement (the "Vanderbilt SPA & IRA"), effective 1 October, 2010, by and between Karuna and Vanderbilt University ("Vanderbilt"), Vanderbilt has the pre-emptive right, subject to certain standard exclusions, to purchase its pro rata share of any new capital securities which Karuna may from time to time sell and/or issue.
- (iii) *Observer and information rights.* Pursuant to the Vanderbilt SPA & IRA, Vanderbilt has the right to (i) appoint one person to attend Karuna Board meetings in a non-voting observer capacity until such time as Karuna has received \$3 million in funding, and (ii) receive certain financial and capitalisation information of Karuna upon request.
- (iv) *Drag-along rights.* There is no contractual or statutory drag-along right, however, in the absence of such right, PureTech may still be able to compel a sale of Karuna pursuant to statutory merger provided it retains control.
- (v) *Right of first offer.* In connection with the purchase of outstanding convertible notes issued by Karuna, certain third party investors entered into side letter agreements with Karuna, pursuant to which such third party investors are entitled to invest up to \$100,000 at a 10 per cent discount to the price paid by investors who are not a party to such a side letter in Karuna's next equity financing that receives at least \$1 million in gross proceeds.
- (vi) *Third party purchase rights.* Other than options to purchase shares of Karuna common stock that have historically been issued to certain Karuna services providers, there are no outstanding rights for third parties to purchase equity in Karuna.
- (vii) *Anti-dilution arrangements.* Pursuant to the Karuna Charter, each series of Karuna preferred stock carries standard weighted-average anti-dilution protection from future issuances at a price lower than the issuance price of an applicable series of equity.
- (viii) *Registration rights.* There are currently no contractual or statutory registration rights for any stockholder of Karuna.

12.7 Material agreements relating to Entrega

12.7.1 UCSB Exclusive License Agreement

Entrega entered into an exclusive license agreement with UCSB, dated 1 February 2012 (the “UCSB License Agreement”). Pursuant to the UCSB License Agreement, UCSB has granted Entrega an exclusive, worldwide, sub-licensable, royalty bearing license (the “UCSB License”) to make, use, sell and offer for sale and import licensed products and to methods and services for certain patent rights:

- (i) owned solely by UCSB (the “UCSB Patent Rights”); and
- (ii) jointly owned by UCSB and Entrega (the “Joint Patent Rights” and, together with the UCSB Patent Rights, the “Licensed Patent Rights”) pursuant to the research agreement between UCSB and Entrega, dated 15 October 2010. The UCSB License is subject to UCSB’s right for itself and other educational or non-profit institutions to make use of the Licensed Patent Rights for educational and/or research purposes. Additionally, if a third party approaches UCSB about commercialising the Licensed Patent Rights in a field that is not being pursued by Entrega, then Entrega must either:
 - (a) issue a sub-license to such third party in the unexploited field; or
 - (b) pursue commercialisation of the Licensed Patent Rights in such unexploited field, or UCSB may issue an exclusive or non-exclusive license or option with respect to its interest in the Licensed Patent Rights to such third party, limited to that unexploited field.

Entrega is obligated to make the following types of payments under the UCSB License Agreement:

- (i) a one-time upfront license execution fee;
- (ii) a percentage of any sub-license income received;
- (iii) royalties on net sales related to licensed products, methods and services;
- (iv) minimum annual royalties (which are credited against royalty payments due on net sales); and
- (v) milestone payments related to clinical and regulatory achievements.

If Entrega does not meet certain clinical, regulatory and commercial milestones within certain time periods set forth in the UCSB License Agreement, UCSB has the right to terminate the UCSB License. UCSB controls the maintenance and preparation of and enforcement of protections over the UCSB Patent Rights and Entrega controls the maintenance and preparation of and enforcement of protections over the Joint Patent Rights. Entrega has the first right, but not the obligation, to enforce any protection of intellectual property where such intellectual property has been infringed against the infringer. The UCSB License Agreement terminates upon the last to expire Licensed Patent Right, provided that it may be terminated earlier:

- (i) by Entrega upon 90 days’ notice;
- (ii) if Entrega breaches any term of the UCSB License Agreement and fails to cure such breach upon notice of default;
- (iii) if Entrega enters into bankruptcy proceedings; or
- (iv) Entrega files any claim that the Licensed Patent Rights are invalid or unenforceable.

The UCSB License Agreement is governed by the laws of the State of California.

12.7.2 BMEB Inbound Services Agreement

Entrega entered into an inbound services agreement with BMEB dated 31 December 2013 (the “BMEB Services Agreement”). Pursuant to the BMEB Services Agreement, Entrega provides certain research services to BMEB in accordance with the terms and conditions of the first statement of work, dated 31 December 2013, entered into between BMEB and Entrega (as amended, the “BMEB SOW”). Pursuant to the BMEB SOW, Entrega conducts studies to evaluate the feasibility of oral delivery of nanoparticles. In consideration of such services, Entrega receives

certain payments from BMEB. Pursuant to the BMEB Services Agreement and the BMEB SOW, BMEB and Entrega have agreed upon allocation of intellectual property rights derived from inventions and materials discovered, produced or delivered pursuant to the BMEB SOW. The term of the BMEB SOW expired on 31 March 2015. Entrega and BMEB continue to perform in accordance with the terms of the BMEB SOW and are currently in the process of entering into an amendment to extend the term of the BMEB SOW.

12.7.3 Shareholder arrangements

- (i) *Third party voting arrangements.* Entrega is a majority-owned subsidiary of Enlight, a majority-owned subsidiary of PureTech. There are option holders who have the right to purchase shares of Entrega common stock pursuant to Entrega's equity incentive plan. Pursuant to the terms set out in the certificate of incorporation of Entrega (the "Entrega Charter") and Delaware corporate law, any action that requires the approval of the Entrega stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Entrega. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech has a 68.6 per cent ownership interest in Entrega.
- (ii) *Third party purchase rights.* Other than options to purchase shares of Entrega common stock that have historically been issued to certain Entrega services providers, there are no outstanding rights for third parties to purchase equity in Entrega.
- (iii) *Anti-dilution arrangements.* Pursuant to the Entrega Charter, each series of Entrega preferred stock carries standard weighted-average anti-dilution protection from future issuances at a price lower than the issuance price of an applicable series of equity.
- (iv) *Drag-along rights.* There is no contractual or statutory drag-along right, however, in the absence of such right, PureTech may still be able to compel a sale of Entrega pursuant to statutory merger provided it retains control.
- (v) *Registration rights.* There are currently no contractual or statutory registration rights for any stockholder of Entrega.

12.8 Material agreements relating to Follica

12.8.1 Penn Patent License Agreement

Follica entered into a patent license agreement with Penn, dated 15 May 2006 (as amended) (the "Penn License Agreement"). Pursuant to the Penn License Agreement, Penn has granted Follica an exclusive, worldwide, royalty-bearing, sub-licensable (without the right to further sub-license) license (the "Penn License") to make, have made, use, import, offer for sale and sell products ("Penn Licensed Products") that incorporate certain patent rights covering the generation and modulation of new hair follicles (the "Penn Intellectual Property"). The Penn License is subject to Penn's right to use and to permit other non-commercial entities to use, the Penn Intellectual Property for educational and research purposes. The Penn License is subject to the provisions of the Bayh-Dole Act, including a non-exclusive, non-transferrable, irrevocable, paid-up license to practise the Penn Intellectual Property worldwide. Any products using or embodying the Penn Intellectual Property which are sold in the US must be substantially manufactured in the US. Follica is obligated to use commercially reasonable efforts to develop and commercialise Penn Licensed Products and is required to commit certain funding amounts into the development and commercialisation of such products prior to the first sale of such products. Follica is obligated to make the following types of payments under the Penn License Agreement:

- (i) a one-time upfront license initiation fee;
- (ii) an annual license maintenance fee until the first sale of a Licensed Product (such maintenance fees to be credited against the next applicable milestone payment);
- (iii) milestone payments relating to certain development and commercialisation targets;
- (iv) royalties on net sales of Licensed Products; and
- (v) a percentage of any sub-license income. Penn controls the maintenance, preparation and prosecution of the patents underlying the Penn Intellectual Property, provided that Follica

has the option to enter into a patent management agreement with Penn to manage the maintenance, preparation and prosecution of such patent rights. Follica has the first right, but not the obligation, to prosecute any infringement of the Penn Intellectual Property, subject to Penn's right to approve settlements of such litigation that affect Penn's rights under the Penn Intellectual Property.

The term of the Penn License agreement ends upon the earlier of the expiration or abandonment of the last patent rights included in the Penn Intellectual Property or Follica's failure to achieve a Penn Term Milestone.

The Penn License Agreement may be terminated earlier:

- (i) by Follica on 45 days' notice if it has ceased to use the Penn License, has terminated any sub-licenses granted thereunder and has paid all amounts owed to Penn under the Penn License Agreement;
- (ii) by Penn on demand if Follica is more than 60 days late in paying to Penn any amounts owed under the Penn License Agreement;
- (iii) by Penn if Follica is in breach of the Penn License Agreement and has failed to cure such breach after 45 days' notice by Penn; or
- (iv) by Penn if Follica files for bankruptcy or becomes subject to bankruptcy proceedings.

The Penn License Agreement is subject to the laws of the Commonwealth of Pennsylvania.

12.8.2 PureTech LLC Royalty Agreement

Follica entered into a royalty agreement with PureTech LLC dated 23 July 2013 (the "Follica/PureTech Royalty Agreement"). Pursuant to the Follica/PureTech Royalty Agreement, Follica is obligated to make the following types of payment to PureTech in consideration of certain management services and intellectual property provided by PureTech to Follica:

- (i) two per cent royalties on net sales by Follica of any products, processes or services that involve the treatment of hair follicles or other dermatological disorders commercialised by Follica (the "Follica Products, Processes and Services"); and
- (ii) a percentage of any sub-license income received by Follica related to the Follica Products, Processes and Services. The Follica/PureTech Royalty Agreement terminates upon the 20th anniversary of the first sale of a Follica Product, Process or Service.

The Follica/PureTech Royalty Agreement is governed by the laws of the Commonwealth of Massachusetts.

12.8.3 Lighthouse Loan Agreement

Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. ("Lighthouse Capital") dated 25 October 2010 (the "Lighthouse Loan Agreement"). The Lighthouse Loan Agreement has been amended multiple times, and on 23 July 2013, the Lighthouse Loan Agreement was amended in connection with the conversion of \$1,770,200 million of outstanding debt into 100 shares of Follica mezzanine preferred stock (such mezzanine preferred stock is non-voting, non-convertible and non-participating preferred stock which has a \$17,702 per share liquidation preference over all other shares of Follica capital stock). There are currently multiple notes outstanding under the Lighthouse Loan Agreement for an aggregate amount of \$1,462,000, accruing interest at 5 per cent per annum. The Lighthouse Loan Agreement is secured by all of Follica's assets, including Follica's intellectual property.

12.8.4 Shareholder arrangements

- (i) *Third party voting arrangements.* Pursuant to the terms set out in the fourth amended and restated certificate of incorporation of Follica (the "4th Follica A&R Charter") and Delaware corporate law, any action that requires the approval of the Follica stockholders must be approved by the affirmative vote or consent of the holders of a majority of the equity of Follica. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech has a 59.3 per cent ownership interest in Follica.

Pursuant to the terms of an amended and restated voting agreement dated 23 July 2013 between Follica and certain Follica shareholders, the Follica shareholders party thereto agree to vote to:

- (a) set the number of board members at four;
 - (b) elect up to three persons designated by PureTech; and
 - (c) elect up to one director designated by the holders of a majority of the outstanding voting capital stock of Follica on an as-converted basis.
- (ii) *Pre-emptive rights.* Pursuant to the terms of an amended and restated investors' rights agreement ("Follica A&R IRA") each Follica stockholder or member holding at least 2,750,000 shares of Follica common stock (on an as-converted basis) (the "Follica Major Holders") has the pre-emptive right, subject to certain standard exclusions, to purchase its *pro rata* share of any new capital securities which Follica may from time to time sell and/or issue. PureTech is a Follica Major Holder and therefore has pre-emptive rights.
- (iii) *Right of first refusal and co-sale agreement.* Pursuant to the terms of an amended and restated right of first refusal and co-sale agreement, certain holders, including PureTech, of Follica common stock (and options and warrants to purchase Follica common stock) (the "Follica Key Holders"), are subject to a primary right of first refusal in favour of Follica in the event they desire to transfer capital stock of Follica. In the event Follica does not elect to purchase all shares which are proposed to be transferred, certain Follica stockholders or members have a secondary right of refusal to purchase all or any portion of the remaining shares. If shares remain after the primary and secondary rights of refusal, then certain Follica stockholders have a right of co-sale on a *pro rata* basis with respect to the remaining shares to be sold.
- (iv) *Anti-dilution arrangements.* Pursuant to the 4th Follica A&R Charter, each series of convertible Follica preferred stock carries standard weighted-average anti-dilution protection from future issuances at a price lower than the issuance price of an applicable series of equity.
- (v) *Drag-along rights.* There is no contractual or statutory drag-along right, however, in the absence of such right, PureTech may still be able to compel a sale of Follica pursuant to a statutory merger provided it retains control.
- (vi) *Observer and information rights.* Pursuant to the Lighthouse Loan Agreement, Lighthouse Capital has the right to appoint one person to attend Follica board meetings in a non-voting observer capacity. Pursuant to the Follica A&R IRA, Follica is obligated to provide certain financial information to stockholders upon request, subject to confidentiality restrictions.
- (vii) *Third party purchase rights.* In addition to certain of Follica's employees, directors and other service providers who have been issued options to purchase shares of Follica common stock pursuant to Follica's equity incentive plan, Follica has entered into the following arrangements:
- (a) PureTech LLC and Follica entered into warrant arrangements on 17 April 2008 and 17 July 2008. Pursuant to the terms of the warrants, PureTech LLC has the right to purchase up to 261,216 shares of Follica common stock.
 - (b) Lighthouse Capital and Follica entered into warrant arrangements on 25 October 2010 and 30 November 2011. Pursuant to the terms of the warrants, Lighthouse Capital has the right to purchase up to 18,661 shares of Follica common stock.
 - (c) Lighthouse Capital and Follica entered into warrant arrangements on 23 July 2013, 29 August 2013, 10 January 2014, and 17 October 2014. Pursuant to the terms of the warrants, Lighthouse Capital has the right to purchase up to 2,796,251 shares of Follica Series A-1 preferred stock.

- (viii) *Registration rights.* Pursuant to the Follica A&R IRA, at any time after the earlier of 23 July 2018 or six months after the effective date of the registration document for an initial public offering:
- (a) the holders of at least 50 per cent of Follica's registrable securities (as defined below) may request registration of at least 20 per cent of their aggregate registrable securities (or such lesser number of shares resulting in aggregate proceeds of at least \$5 million) on Form S-1; and
 - (b) the holders of at least ten per cent of the registrable securities whose outstanding registrable securities have an anticipated aggregate offering price of at least \$1 million may request registration of all or any portion of their registrable securities on Form S-3.

Registrable securities shall mean issued shares of Follica common stock or Follica common stock issuable upon conversion of Follica's preferred stock. As stated in Part VIII (*Information on the Group's Operating Companies and Product Candidates*), PureTech LLC has a 59.3 per cent of the ownership interest in Follica; therefore, unless the equity ownership of Follica by PureTech LLC is diluted to or below 50 per cent, PureTech LLC controls this right. Pursuant to the Follica A&R IRA, if Follica proposes to register any of its securities (other than pursuant to a demand registration), Follica must provide notice to certain of Follica shareholders or members, including PureTech, that hold registrable securities of its intent to effect such registration. The holders of registrable securities then have 20 days to request inclusion of their registrable securities in such registration.

13. LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the 12 months preceding the date of this document, which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

14. ENVIRONMENTAL ISSUES

As far as the Directors are aware, there are no material environmental issues that may affect the Group or the Group's utilisation of its tangible assets.

15. WORKING CAPITAL

The Company is of the opinion that the working capital available to it is sufficient for the present requirements of the Group, that is, for at least 12 months from the date of this document.

16. SIGNIFICANT CHANGE

In the first quarter of 2015, PureTech raised \$52.4 million with a post-money valuation of \$352.4 million. In January 2015, Vedanta Biosciences signed a licensing agreement with Janssen with an upfront payment and development and commercialisation milestone payments of up to \$339 million plus tiered royalties from the high single digits to the low teens. In March 2015, Tal and Gelesis closed financing rounds of \$14.5 million and \$22.3 million (each including the conversion of promissory notes), respectively.

Save as disclosed in this paragraph 16, there has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the last audited consolidated financial information of the Group was prepared.

17. THE DISCLOSURE AND TRANSPARENCY RULES

From Admission and for so long as the Company has any of its share capital admitted to trading on the main market of the London Stock Exchange, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules (as amended and varied from time to time) of the FCA Handbook.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below three per cent and each one per cent threshold thereafter up to 100 per

cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

18. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares of the Company.

“Interests in shares” is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

“Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

18.1 Mandatory bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers charged with monitoring compliance with the Takeover Code (“Takeover Panel”), to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

18.2 Squeeze out

Under the Companies Act, if pursuant to a takeover offer an offeror were to acquire 90 per cent of the Ordinary Shares the subject of the takeover offer within four months of making the offer, it could then, subject to satisfying certain other requirements, compulsorily acquire the remaining ten per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

18.3 Sell out

The Companies Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

18.4 Rule 9 disclosures

18.4.1 Overview

For the purposes of Rule 9 of the Takeover Code (which is described in paragraph 18.1 (*Mandatory Bid*) of this Part XVI (*Additional Information*) above), the Company understands that the Takeover Panel may presume (i) Invesco, its parent, subsidiaries and fellow subsidiaries and their associated companies and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent or more of the equity share capital of a company is regarded as the test of associated company status) to be acting in concert with other persons in the same category unless the contrary is established and (ii) the Executive Directors, Senior Managers and all other employees of the Group who hold Shares upon Admission to be acting in concert with other persons in the same category unless the contrary is established.

18.4.2 Whitewash procedure

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Takeover Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent or more but does not hold shares carrying more than 50 per cent of the voting rights of a company, or may become interested in 30 per cent or more on full implementation of the proposed purchase by the company of its own shares. In addition, the Takeover Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent or more, or may be increased to 30 per cent or more on full implementation of the proposed purchase by the company of its own shares.

18.4.3 Other disclosures relating to Shareholders

Other than as described in paragraph 7 (*Significant Shareholders*) of this Part XVI (*Additional Information*) above, the Company is not aware of any persons who, as at 17 June 2015 (being the latest practicable date prior to the publication of this document) and immediately after Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

As of Admission, the Ordinary Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights.

19. GENERAL

- 19.1** The expenses relating to the issue of the shares, including the Underwriters' commissions, the UK Listing Authority listing fee, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £8.9 million (\$14 million) (exclusive of any applicable VAT) and are payable by the Company. Included within this amount are commissions, in relation to the issue, Admission and the Offer of the new Ordinary Shares only which are expected to be approximately £4 million (\$6.3 million) payable to the Underwriters (assuming no exercise of the Over-allotment Option). The total net proceeds accruing to the Company from the Offer after settling fees, expenses and commissions payable by the Company, are expected to amount to approximately £99.3 million (\$157 million).
- 19.2** The auditors of the Group for the period from incorporation of the Company on 8 May 2015 to date are KPMG, whose address is 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom.
- 19.3** KPMG is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report on the historical financial information in Part XII (*Historical Financial Information*) of this document and its report on the unaudited pro forma financial information in Part XIII (*Unaudited Pro Forma Financial Information*) of this document, in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 19.4** The financial information contained in this document does not amount to statutory accounts within the meaning of section 424(3) of the Companies Act.

20. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE, United Kingdom, and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

- the Articles;
- the reports from KPMG set out in Part XII (*Historical Financial Information*) and Part XIII (*Unaudited Pro Forma Financial Information*) of this document;
- evidence of the written consent given by KPMG to the inclusion in this document of its reports set out in Part XII (*Historical Financial Information*) and Part XIII (*Unaudited Pro Forma Financial Information*) of this document; and
- this document.

In addition, copies of this document are available on the Company's website <http://puretechhealth.com>, and through the National Storage Mechanism website located at www.morningstar.co.uk/uk/NSM.

Dated: 19 June 2015

PART XVII—DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

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| 2010 PD Amending Directive . . . | Directive 2010/73/EC |
| 401(k) Plan | the Company's defined contribution pension plan established in accordance with subsection 401(k) of the US Internal Revenue Code of 1986 |
| Admission | the admission of the Ordinary Shares to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities in accordance with the Listing Rules and the London Stock Exchanges standards for admission and disclosure for securities (as amended from time to time) |
| AICPA Guidelines | American Institute of Certified Public Accountants' Guidebook <i>Valuation of Privately-Held-Group Equity Securities Issued as Compensation</i> |
| Akili | Akili Interactive Labs, Inc. a company incorporated in Delaware with the Delaware Secretary of State File Number 5073455 |
| Articles | the articles of association of the Company to be adopted prior to and effective upon Admission |
| Audit Committee | the audit committee of the Company established by the Board |
| Autism Speaks | Autism Speaks Inc. |
| Bayh-Dole Act | US Patent and Trademark Law Amendments Act 1980, commonly known as the Bayh-Dole Act |
| BMEB | BMEB Services LLC, an affiliate of Google |
| Board of Directors | the board of directors of the Company from time to time, including a duly constituted committee thereof |
| Borrowed Shares | 10,139,943 Ordinary Shares that the Stabilising Manager is entitled to borrow from the Lending Shareholder pursuant to the terms of the Securities Lending Agreement |
| CDRH | Center for Devices and Radiological Health, a division of the FDA |
| CFIUS | the Committee on Foreign Investment in the US |
| Code | the Internal Revenue Code of 1986, as amended |
| CommenSe | CommenSe Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 5663361 |
| Commission's Proposal | the proposal published by the European Commission on 14 February 2013 for a Directive for a common financial transaction tax in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain |
| Companies Act | the Companies Act 2006, as amended |
| Company | PureTech Health plc |
| Controlling Shareholder | Invesco Asset Management Limited, acting as agent for and on behalf of its discretionary managed clients |
| CREST | the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear United Kingdom & Ireland Limited is the operator |
| DELSIA | Delivering Scientific Innovation for Autism LLC, a wholly-owned subsidiary of Autism Speaks |

Disclosure and Transparency

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| Rules | the disclosure rules and transparency rules of the FCA made under section 73A(3) and 73A(6) of FSMA |
| Eli Lilly | Eli Lilly and Company |
| EMA | the European Medicines Agency |
| Enlight | Enlight Biosciences, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 3986390 |
| Entrega | Entrega, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4909347 |
| EPO | the European Patent Office |
| Executive Directors | the executive Directors of the Company |
| FATCA | Foreign Account Tax Compliance Act |
| FCA | the Financial Conduct Authority of the UK in its capacity as the competent authority for the purposes of Part VI of the FSMA and the UK Financial Services Act 2012 |
| FDA | the US Food and Drug Administration |
| Follica | Follica, Incorporated, a company incorporated in Delaware with the Delaware Secretary of State File Number 3996776 |
| FSMA | the Financial Services and Markets Act 2000, as amended |
| Gelesis | Gelesis, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4110833 |
| Global Co-ordinator | Jefferies |
| Group | the Company and its consolidated subsidiaries and subsidiary undertakings from time to time |
| growth stage operating company | each of Akili, Entrega, Follica, Gelesis, Karuna, Tal and Vedanta Biosciences |
| HHMI | Howard Hughes Medical Institute |
| IFRS | the International Financial Reporting Standards, as adopted by the European Union |
| Intertrust | Intertrust Trustees (UK) Limited |
| Invesco | see <i>Controlling Shareholder</i> |
| Investment Company Act | the US Investment Company Act of 1940, as amended |
| IRS | the US Internal Revenue Service |
| ISIN | International Securities Identification Number |
| Janssen | Janssen Biotech, Inc., a subsidiary of Johnson & Johnson |
| Jefferies | Jefferies International Limited, a limited company incorporated in England and Wales with registered number 01978621 |
| JJDC | Johnson & Johnson Innovation – JJDC, Inc., a subsidiary of Johnson & Johnson |
| Joint Bookrunners | Jefferies and Peel Hunt |
| Karuna | Karuna Pharmaceuticals, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4713286 |
| Knode | Knode, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4018280 |

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| KPMG | KPMG LLP |
| Lending Shareholder | Zohar LLC, a company formed in Massachusetts with the Massachusetts Secretary of the Commonwealth File Number 043517263 |
| Listing Rules | the listing rules of the FCA made under section 74(4) of FSMA |
| London Stock Exchange | the stock exchange based in the City of London operated by London Stock Exchange plc (a public limited company registered in England and Wales with registered number 02075721) |
| Mandara | Mandara Sciences, LLC, a company incorporated in Delaware with the Delaware Secretary of State File Number 4890735 |
| Member State | member state of the European Union |
| MIT | Massachusetts Institute of Technology |
| NAS | the US National Academy of Sciences |
| NIH | the US National Institutes of Health |
| NIMH | the US National Institute of Mental Health |
| Nomination Committee | the nomination committee of the Company established by the Board |
| Non-Executive Directors | the non-Executive Directors of the Company |
| Offer | the offer of Ordinary Shares to certain institutional and professional investors at the Offer Price in the UK and in other jurisdictions outside the US described in Part XIV (<i>Details of the Offer</i>) of this document |
| Offer Price | 160 pence, being the price at which each Offer Share is to be issued or sold under the Offer |
| Offer Shares | those Ordinary Shares to be issued by the Company pursuant to the Offer as described in Part XIV (<i>Details of the Offer</i>) of this document |
| Official List | the Official List of the FCA |
| operating company | each of Akili, CommenSe, Entrega, Follica, Gelesis, Karuna, Knode, PeerIn, Sonde Health, Tal, The Sync Project and Vedanta Biosciences |
| Ordinary Shares | the ordinary shares of one pence each in the share capital of the Company |
| Over-allotment Option | the option granted to the Stabilising Manager by the Company to subscribe for, or procure subscribers for, up to 15 per cent of the total number of Offer Shares comprised in the Offer further detailed in paragraph 4 (<i>Over-allotment and Stabilisation</i>) of Part XIV (<i>Details of the Offer</i>) of this document |
| Over-allotment Shares | the Ordinary Shares sold pursuant to the exercise of the Over-allotment Option (if it is exercised) |
| participating Member States | Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain |
| Patent Cooperation Treaty | The Patent Cooperation Treaty, under which international patent applications may be filed |
| Peel Hunt | Peel Hunt LLP, a limited liability partnership incorporated in England and Wales with registered number OC357088 |
| PeerIn | Appeering, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 5176818 |
| Penn | University of Pennsylvania |

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| Pfizer | Pfizer, Inc. |
| PureTech Health | PureTech Health plc, a public company incorporated in England and Wales with registered number 9582467 |
| PureTech LLC | PureTech Health LLC (f/k/a PureTech Ventures, LLC) a limited liability company formed in Delaware with Delaware Secretary of State File Number 3309949 |
| project phase operating company | each of CommenSe, Knode, PeerIn, Sonde Health and The Sync Project |
| Prospectus Directive | Directive 2003/71/EC, (and any amendment thereto including Directive 2010/73/EU 2010, to the extent implemented in each relevant member state) and includes any relevant implementing measure in each relevant member state |
| Prospectus Rules | the prospectus rules of the FCA made under section 73A of FSMA |
| PSP | the PureTech Health plc Performance Share Plan |
| Registrar | Computershare Investor Services PLC |
| Regulation S | Regulation S under the Securities Act |
| Reorganisation | the corporate reorganisation described in paragraph 4 (<i>The Reorganisation</i>) of Part XVI (<i>Additional Information</i>) of this document |
| Relationship Agreement | the agreement dated 18 June 2015 entered into between the Company and Invesco described in paragraph 10 (<i>Relationship with Controlling Shareholder</i>) of Part XVI (<i>Additional Information</i>) of this document |
| Remuneration Committee | the remuneration committee of the Company established by the Board |
| RIKEN | Rikagaken Kenkyusho |
| SDRT | UK stamp duty reserve tax |
| SEC | the US Securities and Exchange Commission |
| Securities Act | the US Securities Act of 1933, as amended |
| Securities Lending Agreement | the securities lending agreement dated 19 June 2015 entered into between Jefferies and the Lending Shareholder described in paragraph 12.1.3 (<i>Securities Lending Agreement</i>) of Part XVI (<i>Additional Information</i>) of this document |
| SEDOL | the Stock Exchange Daily Official List |
| Senior Managers | those persons who are set out as senior managers at paragraph 2 (<i>Senior Managers</i>) of Part IX (<i>Directors, Senior Managers and Corporate Governance</i>) of this document |
| Shareholders | the holders of Ordinary Shares in the capital of the Company |
| Shire Pharmaceuticals | Shire plc and its affiliates |
| Sloan Institute | the Memorial Sloan Kettering Cancer Center |
| Sonde Health | Sonde Health, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 5689519 |
| sourcing companies | Enlight and Mandara |
| Sponsor | Jefferies |

Sponsor and Underwriting

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| Agreement | the sponsor and underwriting agreement dated 19 June 2015 entered into between the Company, the Directors, PureTech LLC, the Lending Shareholder and the Underwriters described in paragraph 12.1.1 (<i>Sponsor and Underwriting Agreement</i>) of Part XVI (<i>Additional Information</i>) of this document |
| Stabilising Manager | Jefferies |
| subsidiary company | a subsidiary of the Company as that term is defined in section 1159 of the Companies Act |
| Takeover Code | the UK City Code on Takeovers and Mergers |
| Takeover Panel | the panel charged with monitoring compliance with the Takeover Code |
| Tal | Tal Medical, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4857402 |
| The Sync Project | The Sync Project, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 5663204 |
| UCSB | University of California, Santa Barbara |
| UCSF | University of California, San Francisco |
| UK Corporate Governance Code | the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council |
| UK | the United Kingdom of Great Britain and Northern Ireland |
| Underwriters | Jefferies and Peel Hunt |
| US | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |
| US Exchange Act | US Securities Exchange Act of 1934, as amended |
| USRPHC | US real property holding corporation |
| UTokyo | University of Tokyo |
| VAT | Value Added Tax |
| Vedanta Biosciences | Vedanta Biosciences, Inc., a company incorporated in Delaware with the Delaware Secretary of State File Number 4917947 |
| Yale | Yale University |

PART XVIII—GLOSSARY

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| β-cells | type of cells located in the pancreas that produce, store, and release insulin |
| acetylcholine | organic molecule that acts as a neurotransmitter |
| ADHD | see <i>attention deficit hyperactivity disorder</i> |
| attention deficit hyperactivity disorder | a chronic condition including attention difficulty, hyperactivity, and impulsiveness |
| Alzheimer’s disease | a progressive neurodegenerative disease that causes loss of memory, thinking and language skills, and behavioural changes |
| amyloid plaques | hard, insoluble clumps of beta amyloid fragments that form between neurons and may contribute to Alzheimer’s disease pathology |
| androgenetic alopecia | a genetically determined disorder characterised by the gradual loss of hair in a predefined pattern that affects both men and women |
| antibiotic resistance | loss of efficacy of antibiotic drugs to kill bacteria. This occurs when a microbe acquires a mutation that makes it resistant to an antibiotic that used to be effective |
| antibiotics | a type of antimicrobial used to kill or inhibit the growth of bacteria |
| antipsychotics | a class of psychiatric medication primarily used to manage psychosis, in particular in schizophrenia and bipolar disorder |
| anti-tumour necrosis factor biologics | a biotherapeutic that suppresses response to tumour necrosis factor which is part of the inflammatory response |
| atypical antipsychotics | second generation antipsychotics that function in a similar way to first generation antipsychotics |
| autoimmune diseases | a group of diseases that occur when the body’s own immune system attacks healthy body tissue by mistake |
| autoimmunity | system of immune responses of any organism against its own cells |
| biologics | any medicinal product manufactured in, extracted from, or synthesised from biological sources |
| biomarker | a measurable entity whose presence is indicative of the presence, absence or progression of a disease or disorder |
| biomaterials | synthetic or natural material that is suitable for introduction to a living organism |
| bipolar disorder | a neurological disorder that causes unusual shifts in mood and energy, usually consisting of manic highs and depressive lows |
| BPD | see <i>bipolar disorder</i> |
| calcitonin | calcitonin is a naturally occurring hormone in humans that helps regulate internal calcium and is involved in bone generation |
| CD | see <i>Crohn’s disease</i> |
| CE mark | a mark borne by products that comply with EU product manufacture and marketing laws and regulations |
| central nervous system | nervous system consisting of brain and spinal cord |
| chronic side effects | secondary effects of a drug or treatment that can occur months or even years after treatment initiation |

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| clinical stage | any company with a product or product candidate that has been tested in humans in a clinical setting |
| Clostridium pathogens | species of <i>Clostridium</i> genus that are responsible for causing disease in humans |
| clusters IV and XIVa of the Clostridium genus | bacteria species present in the human intestinal microbiota |
| CNS | see <i>central nervous system</i> |
| cognitive | relating to cognition |
| commensal organism | an organism that derives benefits from another organism without harm caused to that other |
| comorbidities | one or more additional disorders co-occurring with a primary indication |
| conditioned avoidance response . | a behavioural task in which subjects (usually rodents) are trained to avoid rather than escape a negative experience (usually a foot shock) following a stimulus (usually a tone and/or light) |
| corticosteroids | man-made drugs which closely resemble cortisol, a hormone produced naturally in the adrenal gland. Decreases inflammation and the activity of the immune system |
| Crohn's disease | an inflammatory bowel disease in which the digestive tract suffers inflammation |
| deep brain stimulation | neurosurgical procedure wherein electrodes are implanted into the brain and send electrical impulses to treat a variety of neurological conditions |
| delivery platform | technology by which one of any number of drugs is transferred to the body |
| depression | a common but serious mood disorder characterised by feeling sadness, loss of energy and/or loss of interest |
| dermatology | a medical speciality dealing with hair, nails, skin and diseases which affect these |
| double-blind | a condition of a test or trial, especially of a drug, in which both the subject and tester are prevented from knowing any information that may influence the results |
| echo-planar | imaging in which you acquire individual magnetic resonance slices, thus minimising effects of patient motion |
| ECT | see <i>electro-convulsive therapy</i> |
| electro-convulsive therapy | psychiatric treatment in which electrical activity is induced in patients to provide relief from psychiatric diseases |
| enzymes | proteins that catalyse chemical reactions |
| epilepsy | a group of neurological disorders in which neural activity in the brain is abnormal and results in seizures |
| ex vivo | experiments done in or on tissue in an external environment |
| FDA 510(k) | premarket notification clearance submitted to the FDA that indicates a new device is at least as safe and effective as a legally marketed device |
| first-in-man | a trial in which an investigational medical procedure or product is tested for the first time in humans |

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| first loss of weight study | a multi-centre, double-blind, placebo-controlled parallel group, 12-week trial, designed to explore dose ranging and test efficacy, safety and tolerability |
| FLOW study | see <i>first loss of weight</i> |
| fluorodeoxyglucose | radiopharmaceutical used in PET imaging |
| gastrointestinal tract | organ system that encompasses the mouth to the anus and is responsible for digesting food stuffs and processing waste |
| GI tract | see <i>gastrointestinal tract</i> |
| GLOW | Gelesis Loss of Weight |
| glycaemic control | regulation and maintenance of normal ranges of blood glucose |
| “good” Clostridia | commensal species of the Clostridia genus, as compared to pathogenic Clostridia species |
| graft versus host disease | a complication which occurs after an allogeneic stem cell or bone marrow transplant in which the donated cells/bone marrow attack the recipient’s body |
| human immunodeficiency virus . . | a retrovirus that causes the chronic, potentially life-threatening condition called acquired immunodeficiency syndrome (AIDS) |
| host receptor | protein located on a host cell that responds to external signals |
| human host | refers to the human, as opposed to the commensal organism |
| human immune system | the integrated system of organs, tissues, cells, and cell products which is intended to protect the body from potentially pathogenic organisms and/or substances |
| hydrogel | a gel in which the liquid dispersion medium is made of water |
| indication | a disease or condition that may be treated by using a specific drug or therapy |
| immune cells | a huge variety of cells which function as part of the immune system and which originate in the bone marrow. For example, B cells, T cells, phagocytes, and many others |
| immune homeostasis | tightly regulated system in which the body’s immune system does not become over active or under-responsive in the presence of a potential pathogen |
| IBD | see <i>inflammatory bowel disease</i> |
| immune-mediated disease | any one of a group of diseases characterised or triggered by dysregulation of the immune system |
| immunomodulatory effect | the ability to modulate the immune system |
| immunoregulation | regulation of or relating to the regulation of the immune system |
| in vitro | studied outside of the normal biological context |
| in vivo | studied on whole, living organisms |
| infectious diseases | diseases caused by the presence and activity of pathogenic microorganisms (bacteria, fungus, virus, or parasite) |
| inflammatory bowel disease | broad term that covers conditions with chronic, recurring inflammation of the digestive tract. Encompasses two pathologically distinct conditions (Crohn’s Disease and Ulcerative Colitis) |
| inflammatory diseases | diseases in which the body’s inflammatory response is triggered even though there is no pathogen |

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| innate immune signalling | signalling of the innate immune system which leads to activation of immune cells |
| innate immune system | generic, nonspecific defence mechanisms that occur rapidly following the appearance of a potential pathogen. As compared to the adaptive immune system. Includes physical barriers and a variety of immune cells |
| intestinal lumen | the inside space of the intestine surrounded by the intestinal walls |
| invasive | introducing instruments or other objects into the body cavity. For example, perforation, incision, catheterisation. Surgery is usually invasive |
| latent inhibition | the observation that a familiar stimulus takes longer to acquire meaning than a new stimulus |
| LBP | see <i>live biotherapeutic product</i> |
| LFMS | see <i>low field magnetic stimulation</i> |
| live biotherapeutic product | product that contains live microorganisms such as bacteria and that is used in the prevention or treatment of human disease |
| light emitting diode | usually referred to as an LED, emits light when activated |
| low field magnetic stimulation | the use of magnetic fields that are a fraction of the strength but at higher frequency than the electromagnetic fields used in transcranial magnetic stimulation and electroconvulsive therapy to potentially treat mood disorders |
| magnetic resonance imaging | a medical imaging technique used in radiology that uses magnetic fields and radio waves to form detailed images of organs and tissue within a body |
| major depressive disorder | a type of depression characterised by severe depressive episodes |
| MDD | see <i>major depressive disorder</i> |
| mechanism of action | the specific biochemical interaction through which a substance produces its effect |
| medical device | an instrument, apparatus, implant, or similar object used to diagnose, prevent, or treat disease or other conditions, and does not achieve its purposes through chemical action |
| metabolic diseases | any diseases or disorders that disrupt metabolism, the process of converting food to energy |
| metabolic syndrome | a group of risk factors such as high blood pressure, high blood sugar, excess body fat and abnormal cholesterol which puts a person at risk of cardiovascular and metabolic diseases |
| methotrexate | a drug that blocks the metabolism of cells and is used to treat certain cancers (such as breast cancer) |
| microbial metabolites | products discharged by bacteria when they metabolise food |
| microbiome | the microorganisms in a particular environment (for example, the body) |
| monoclonal antibodies | an antibody produced by a single clone of an immune cell, as compared to polyclonal antibodies |
| molecular mechanisms | the understanding of how something works on a molecular level |
| MRI | see <i>magnetic resonance imaging</i> |
| mucoadhesive chemistry | the adhesion between two surfaces, one of which is a mucosal surface |

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| mucoadhesive wafer-based platform | a process by which a drug is delivered from contact between a wafer and a mucosal surface |
| mucosal immunology | portion of the immune system that provides protection to the various mucous membranes |
| muscarinic antagonist | an agent that blocks the activity of the muscarinic acetylcholine receptor |
| muscarinic receptors | membrane bound acetylcholine receptors which mediate parasympathetic effects (such as the stimulation of saliva glands and the secretion of digestive enzymes) |
| nanoparticles | particles between 1 and 100 nm in size |
| neogenesis | regeneration of biological tissue |
| neuromodulation | altering or regulating diverse populations of neurons |
| neuropathic pain | chronic pain, usually resulting from injury, that affects the somatosensory system |
| neuroscience | the study of the nervous system |
| neuro-stimulation | therapeutic activation of the nervous system |
| neurotransmitter receptors | cell surface proteins that react to the presence of neurotransmitters |
| non-caloric | free from calories |
| non-systemic | not affecting the body as a whole |
| normal immune balance | see <i>immune homeostasis</i> |
| optical coherence tomography imaging platform | a medical imaging technique that uses light to capture micrometer-resolution, three-dimensional images from within optical scattering media. Analogous to ultrasound but uses light instead of sound |
| Parkinson's disease | a progressive neurodegenerative disorder that primarily occurs in the basal ganglia and affects movement |
| payload | the disease modifying component of a drug delivery product |
| peptide | compound consisting of two or more amino acids linked in a chain |
| PET | see <i>position emission tomography</i> |
| pharmacodynamic | what a drug does to the body |
| pharmacokinetic | what the body does to a drug |
| photobiomodulation | exposure to low-level laser LEDs to stimulate cellular function and achieve a beneficial health effect |
| pilot study | a small-scale test of the methods to be used on a larger scale in order to test feasibility of a larger study |
| pivotal trial | a clinical trial or study intended to generate data for marketing approval for a drug or therapy from a regulatory authority |
| placebo-adjusted | the difference in the effect of a drug and placebo |
| placebo-controlled | a study in which the effect of a drug is compared to the effect of a placebo (substance with no therapeutic effect) |
| point-of-care diagnostics | diagnostic testing at or near the site of patient care |
| position emission tomography | specialised nuclear medicine procedure used to produce functional images of various body tissues to identify certain conditions |

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| preclinical | any company with a product or product candidate that has not yet been tested in humans in a clinical setting |
| pre-diabetic patients | patients with high blood sugar but who do not yet have diabetes |
| prepulse inhibition | a decrease in the response to a stimulus when another weaker stimulus precedes it closely in time |
| priority date | the date of filing the first patent application on an invention. This date is relevant in considering the novelty of the invention. Most countries follow the so-called first-to-file-system in granting that patent to the one who filed the application first. The Paris Convention for the Protection of Industrial Property provides that once the application is filed in one country party to the Convention, the applicant is entitled to claim priority for a period of twelve months and the filing date of that first application is considered the “priority date” |
| probiotics | microorganisms introduced into the body for beneficial purposes |
| proof-of-concept | early product development conducted to provide initial evidence that a product candidate may be successful |
| psychiatric | relating to mental illness or treatment of mental illness |
| purine analogs | a therapeutic that mimics the chemical structure of a purine |
| read-out | the point at which the results of a clinical study or trial are available |
| receptors | a protein usually located on the cell surface that is capable of receiving an external signal |
| refractory patient | a patient who has failed to respond to at least one treatment |
| regulatory T cell | a subpopulation of T cells with the role of maintaining tolerance to self-antigens |
| regenerative biology | biology relating to the regeneration of organs or tissue |
| salicylic acid derivatives | class of drugs used to treat IBD |
| Schedule IV drugs | drugs falling under the regulation of controlled substances under the US Controlled Substances Act of 1970 |
| schizophrenia | a chronic and severe mental disorder in which there is a fundamental disconnect between thought, behaviour and emotion leading to an abnormal perception of reality |
| sedation | state of calm or sleep |
| sham-controlled | control intervention that omits the step thought to be therapeutically important (analogous to placebo in drug trials) |
| spectroscopic | a means of measuring biochemical changes in the brain |
| systemic immune suppression | prevention or reduction in efficacy of the immune system of the whole body in response to drugs administered to the whole body |
| systemically acting therapies | therapeutics that reach the whole body |
| targeted cutaneous perturbation | targeted, focused physical wounding of the surface of the skin |
| therapeutic drug/device combination | an FDA designated categorisation of a combination of a drug and a medical device |
| technology transfer office | those parts of a university which are dedicated to identifying research which has potential commercial interest, identifying strategies for how to exploit such research and managing the university’s (or other institution’s) holdings of spin-out equity |

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| therapeutics | treatments or therapies |
| TMS | see <i>transcranial magnetic stimulation</i> |
| toxicities | the ways in which a substance can damage an organism |
| toxicology | the study of the adverse effects of a substance |
| transcranial magnetic stimulation | a procedure that uses a magnetic field to induce an electric field, typically strong enough to directly induce neuronal firing, to stimulate groups of neurons to achieve a potential therapeutic effect |
| transdermal analyte detection . . . | a measurement of a specific chemical constituent through the skin |
| transdermal drug delivery | a route of drug administration wherein a drug is delivered across the skin |
| traumatic brain injury | an alteration in brain function, or other evidence of brain pathology, caused by an external force |
| TCP | see <i>targeted cutaneous perturbation</i> |
| T cell | a white blood cell (lymphocyte) which actively participates in the immune response |
| Treg | see <i>regulatory T cell</i> |
| type 1 diabetes mellitus | a chronic autoimmune disease in which the body is unable to produce insulin due to destruction of β -cells |
| UC | see <i>ulcerative colitis</i> |
| ulcerative colitis | an inflammatory bowel disease in which the end of the small bowel and the beginning of the colon suffers inflammation |
| vagus nerve stimulation | stimulation of the vagus nerve through regular, mild pulses of electrical energy to the brain via the vagus nerve |
| virulence factors | molecules produced by pathogens |
| VNS | see <i>vagus nerve stimulation</i> |
| xanomeline | small molecule muscarinic acetylcholine receptor agonist originally developed by Eli Lilly |



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