RNS Number : 9592L
PureTech Health PLC
25 April 2024

**25 April 2024**

**PureTech Health plc**

# PureTech Announces Annual Results for Year Ended December 31, 2023

*Significant operational and clinical progress in 2023 and early 2024 with maturation of Internal Programs,[1] launch of two new Founded Entities,[2] including a $100 million Series A financing for Seaport, and the $14 billion acquisition of Karuna by Bristol Myers Squibb*

*Robust balance sheet with PureTech level cash, cash equivalents and short-term investments of $326.0 million[3] and consolidated cash, cash equivalents and short-term Investments of $327.1 million[4] as of December 31, 2023*

*As of March 31, 2024, PureTech level cash, cash equivalents and short-term investments were $573.3 million,[5] enabling the support of Internal Programs and Founded Entities, future innovations, shareholder returns and operational runway into at least 2027*

*Company to host a webcast and conference call today at 9:00am EDT / 2:00pm BST*

PureTech Health plc (Nasdaq: PRTC, LSE: PRTC) ("PureTech" or the "Company") today announces its results for the year ended December 31, 2023, as well as its cash balance as of the first quarter ended March 31, 2024. The following information represents select highlights from the full UK Annual Report and Accounts, except as noted herein, a portion of which will be filed as an exhibit to PureTech's Annual Report on Form 20-F for the fiscal year ended December 31, 2023, to be filed with the United States Securities and Exchange Commission (the "SEC") and will also available later today at https://investors.puretechhealth.com/financials-filings/reports.

**Webcast and conference call details**

Members of the PureTech management team will host a conference call at 9:00am EDT / 2:00pm BST today, April 25, 2024, to discuss these results. A live webcast and presentation slides will be available on the investors section of PureTech's website under the Events and Presentations tab. To join by phone, please dial:

**United Kingdom (Local):** 020 3936 2999
**United States (Local):** 1 646 787 9445
**All other locations**
**Access Code:** 561143

For those unable to listen to the call live, a replay will be available on the PureTech website.

**Commenting on the annual results, Bharatt Chowrira, Ph.D., J.D., Chief Executive Officer of PureTech, said:**

"2023 was a landmark year for PureTech, in which we made strong strategic and clinical progress. We've carried this momentum into 2024, with our hub-and-spoke R&D model continuing to deliver value for both patients and shareholders. Through this model we are able to ambitiously pursue our mission of giving life to science by developing therapies that make a meaningful difference to patients with devastating diseases.

"PureTech pioneered the hub-and-spoke model, and we believe this novel approach has never been more important than in recent years. The capital markets have been challenging, yet PureTech has not needed to raise money from them in over six years, while still identifying and developing cutting-edge technologies at pace. This is because we have been able to bring in non-dilutive capital from our Founded Entities to fuel the development of the next generation of promising therapeutic candidates. It's a self-sustaining R&D model

that is not only proven but scalable and repeatable.

"We take great pride in our track record of clinical success, which is six times the industry average.[6] Our R&D engine has generated 29 new therapeutics and therapeutic candidates to date, with two taken from inception at PureTech to both U.S. FDA clearance and European marketing authorization and a third currently undergoing review with the FDA - Karuna's KarXT. The success of Karuna is a prime example of our approach. Invented and initially advanced by PureTech, with $18.5 million of funding, KarXT is poised to significantly improve the way schizophrenia is managed after a dearth of innovation for 50 years. At the same time, PureTech has been able to generate over $1 billion in cash from Karuna's progression as a Founded Entity, which culminated in its sale to Bristol Myers Squibb for $14 billion just last month. We are pleased to return certain portions of proceeds from successes like this to our shareholders, including through our proposed capital return of $100 million by way of a Tender Offer[7] and our recently completed $50 million share buyback program, and to reinvest a portion back into our R&D engine.

"We also continue to progress candidates internally, including LYT-100 (deupirfenidone), which could transform the treatment landscape for idiopathic pulmonary fibrosis (IPF). LYT-100 is currently being evaluated in a fully enrolled Phase 2b trial, which we expect to read out in the fourth quarter of 2024. LYT-100 is a great example of our internal R&D focus on therapeutic candidates with established biology that we believe we can unlock their full potential with our innovation.

"Once internally-developed candidates reach a critical juncture, we have a range of options to advance them in a capital-efficient manner, including progressing them in Founded Entities or through partnerships, that allows us to focus on new opportunities, be more capital efficient and reduce the risks that are inherent in biotech for our shareholders. We recently announced the formation of two new Founded Entities, Seaport Therapeutics and Gallop Oncology. Having successfully completed an oversubscribed Series A financing of $100 million, and with Ms. Daphne Zohar at the helm, Seaport is looking to advance first and best-in-class medicines for the treatment of neuropsychiatric disorders using the Glyph™ platform. Additionally, Gallop will be advancing the LYT-200 program for hematological malignancies and metastatic solid tumors.

"The work that we do at PureTech is transformational and full of purpose, and I'd like to thank all colleagues past and present who have built this remarkable business into what is it today. PureTech has a very bright future thanks to the passion of its people and the strength of its science, and I'm proud and humbled to be leading the company into an exciting new phase of growth, with multiple catalysts that can deliver significant value."

## 2023 and Early 2024 Operational Highlights

**Generated significant value with momentum across Internal Programs and Founded Entities, validating hub-and-spoke model. Key highlights include the following:**

- **LYT-100 (deupirfenidone)** is currently being developed internally by PureTech for the treatment of IPF, which is a rare, progressive, and fatal disease.
    - PureTech presented expanded data at the CHEST Annual Meeting from a completed trial of LYT-100 in healthy older adults, which informed the two doses selected for the ongoing Phase 2b trial (ELEVATE IPF).
    - In the 2024 post-period, PureTech completed enrollment in ELEVATE IPF. Topline results are expected in Q4 2024.
- **Seaport Therapeutics (Seaport):**
    - PureTech launched Seaport Therapeutics with a $100 million oversubscribed Series A financing in the 2024 post-period to progress the development of neuropsychiatric therapeutic candidates enabled by its Glyph platform. Seaport will be led by PureTech founding CEO and co-founder Daphne Zohar with Steven M. Paul, former CEO and Chair of Karuna, leading the Board of Directors as Chair.
- **Gallop Oncology (Gallop):**
    - Puretech launched Gallop Oncology to advance LYT-200 (anti-galectin-9 mAb) for the treatment of hematological malignancies, such as acute myeloid leukemia (AML) and high-risk myelodysplastic syndromes, and metastatic/locally advanced solid tumors, including head and neck cancers.
    - LYT-200 has demonstrated a favorable safety and tolerability profile in two ongoing Phase 1b clinical trials - one in AML and another in combination with BeiGene's tislelizumab in head and neck cancers.

- In the 2024 post-period, the FDA granted LYT-200 Orphan Drug designation for the treatment of AML as well as Fast Track designation for the treatment of head and neck cancers.

- **Karuna Therapeutics (Karuna):**[8]
  - Karuna announced positive topline results from its second Phase 3 trial of its lead investigational therapy, KarXT (xanomeline-trospium) in adults with schizophrenia.
  - The U.S. Food and Drug Administration accepted its New Drug Application for KarXT and a decision is expected by September 26, 2024. If approved, KarXT will be the first new mechanism in over 50 years for patients with schizophrenia.
  - Bristol Myers Squibb (NYSE: BMY) acquired Karuna for $330.00 per share in cash, for a total equity value of $14.0 billion in the 2024 post-period. PureTech received approximately $293 million gross proceeds from its equity position in Karuna and is eligible to receive further milestones and royalty payments based on KarXT regulatory and commercial successes.
  - PureTech entered into a royalty agreement with Royalty Pharma for KarXT royalties worth up to $500 million with $100 million up front in cash and a further $400 million in milestone payments.
- **Vedanta Biosciences (Vedanta):**
  - Vedanta raised $106.5 million to support pivotal-stage development of its lead candidate, VE303, for the prevention of recurrent *Clostridioides difficile* infection, and a Phase 2 study of VE202 for ulcerative colitis, among other development activities. The syndicate was co-led by new investors AXA IM and The AMR Action Fund along with existing investors including The Bill & Melinda Gates Foundation and PureTech.
  - Vedanta announced the publication of Phase 2 study results from its lead program, VE303, in the Journal of the American Medical Association (JAMA).
- **Akili (Nasdaq: AKLI):**
  - Akili announced positive data from a pivotal trial of EndeavorRx®[9] in adolescents aged 13-17 with attention-deficit/hyperactivity disorder (ADHD) and subsequently received authorization from the U.S. Food and Drug Administration (FDA) to expand the label for EndeavorRx® to include this age group. This increased age range is expected to more than double the number of pediatric patients with ADHD who are now eligible for EndeavorRx.
  - Akili released EndeavorOTC®[10] and submitted a 510(k) application to the FDA for EndeavorOTC as an over-the-counter treatment for adults with ADHD.
  - Akili announced plans to pursue regulatory approval for over-the-counter labeling of its treatment products and expects that both EndeavorOTC and EndeavorRx will remain on the market as the company pursues these plans.
- **Vor (Nasdaq: VOR)**
  - Presented updated clinical data from patients treated in VBP101, its Phase 1/2a multicenter, open-label, first-in-human study of trem-cel (VOR33) in patients with AML at the ASTCT/EBMT 6th International Conference on Relapse After Transplant and Cellular Therapy (HSCT²). The additional data demonstrated successful engraftment of trem-cel in all seven patients treated to date with trem-cel. All three patients treated with Mylotarg experienced hematologic protection and CD33-negative donor cell enrichment with multiple cycles.

**Strengthened senior team with post-period personnel appointments**[11]

- Bharatt Chowrira, Ph.D., J.D., a core member of the Senior Leadership Team, current Executive Director and PureTech President since 2017 was appointed Chief Executive Officer (CEO).
- Eric Elenko, Ph.D., Co-founder and formerly Chief Innovation Officer at PureTech, was appointed President.
- Charles Sherwood, J.D., was promoted to General Counsel at PureTech. Prior to joining PureTech in August 2021, Charles was Vice President, Corporate Legal Counsel at Anika Therapeutics.
- Sven Dethlefs, Ph.D., a global pharmaceutical executive with over 25 years of experience, joins PureTech from Teva Pharmaceuticals, where he held numerous leadership roles, as an entrepreneur-in-residence. He will work with the PureTech leadership team on the development of LYT-100 and PureTech's corporate strategy.

## Financial Highlights

- PureTech level cash, cash equivalents and short-term investments were $326.0 million[3] as of December 31, 2023.
- Consolidated cash, cash equivalents and short-term investments were $327.1 million[4] as of December 31, 2023.
- PureTech's Founded Entities raised $578.4 million in 2023,[12] almost entirely from third parties.

- PureTech level cash, cash equivalents and short-term investments were $573.3 million,[5] based on consolidated cash, cash equivalents and short-term investments of $574.4 million, as of March 31, 2024. These figures do not account for PureTech's $32 million contribution to the Seaport Series A financing, its proposed $100 million Tender Offer[7] or any taxes that may be due on the BMS-Karuna acquisition proceeds received by PureTech.
- PureTech continued to execute a $50 million share buyback program during the period, which was completed in the February 2024 post-period.
- PureTech proposed a capital return of $100 million by way of a Tender Offer at 250 pence per ordinary share in the March 2024 post-period. The Company expects to launch the Tender Offer in early May, subject to market conditions and shareholder approval.
- PureTech has operational runway into at least 2027.

PureTech Health will release its Annual Report for the year ended December 31, 2023, on April 25, 2024, later today. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents will be submitted to the National Storage Mechanism today and be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

- Annual Report and Accounts for the year ended December 31, 2023; and
- Notice of 2024 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy will be posted to shareholders in accordance with applicable UK rules. The Company will provide a hard copy of the Annual Report containing its audited financial statements, free of charge, to its shareholders upon request in accordance with Nasdaq requirements. Requests should be directed in writing by email to ir@puretechhealth.com. Copies will also be available electronically on the Investor Relations section of the Company's website at https://investors.puretechhealth.com/financials-filings/reports.

PureTech's 2024 AGM will be held on June 13, 2024, at 4:00pm BST /11:00am EDT at the offices of FTI Consulting at 200 Aldersgate, 200 Aldersgate Street, London EC1A 4HD, United Kingdom.

Shareholders are strongly encouraged to submit a proxy vote in advance of the meeting and to appoint the Chair of the meeting to act as their proxy. If a shareholder wishes to attend the meeting in person, we ask that the shareholder notify the Company by email to ir@puretechhealth.com to assist us in planning and implementing arrangements for this year's AGM.

Any specific questions on the business of the AGM and resolutions can be submitted ahead of the meeting by e-mail to ir@puretechhealth.com (marked for the attention of Mr. Charles Sherwood).

Shareholders are encouraged to complete and return their votes by proxy, and to do so no later than 4:00 pm (BST) on June 11, 2024. This will appoint the chair of the meeting as proxy and will ensure that votes will be counted even though attendance at the meeting is restricted and you are unable to attend in person. Details of how to appoint a proxy are set out in the notice of AGM.

PureTech will keep shareholders updated of any changes it may decide to make to the current plans for the AGM. Please visit the Company's website at www.puretechhealth.com for the most up to date information.

**About PureTech Health**

PureTech is a clinical-stage biotherapeutics company dedicated to giving life to new classes of medicine to change the lives of patients with devastating diseases. The Company has created a broad and deep pipeline through its experienced research and development team and its extensive network of scientists, clinicians and industry leaders that is being advanced both internally and through its Founded Entities. PureTech's R&D engine has resulted in the development of 29 therapeutics and therapeutic candidates, including two that have received both U.S. FDA clearance and European marketing authorization and a third (KarXT) that has been filed for FDA approval. A number of these programs are being advanced by PureTech or its Founded Entities in various indications and stages of clinical development, including registration enabling studies. All of the underlying programs and platforms that resulted in this pipeline of therapeutic candidates were initially identified or discovered and then advanced by the PureTech team through key validation points.

For more information, visit www.puretechhealth.com or connect with us on X (formerly Twitter) @puretechh.

**Cautionary Note Regarding Forward-Looking Statements**

This press release contains statements that are or may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation those statements that relate

historical fact should be considered forward-looking statements, including without limitation those statements that relate to expectations regarding PureTech's and its Founded Entities' future prospects, development plans and strategies, including the success and scalability of the Company's R&D model, the progress and timing of clinical trials and data readouts, the timing of potential regulatory submissions, and the sufficiency of available resources and expected operational runway. The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other important factors that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, the following: our history of incurring significant operating losses since our inception; our ability to realize value from our Founded Entities; our need for additional funding to achieve our business goals, which may not be available and which may force us to delay, limit or terminate certain of our therapeutic development efforts; our limited information about and limited control or influence over our Non-Controlled Founded Entities; the lengthy and expensive process of preclinical and clinical drug development, which has an uncertain outcome and potential for substantial delays; potential difficulties with enrolling patients in clinical trials, which could delay our clinical development activities; side effects, adverse events or other safety risks which could be associated with our therapeutic candidates and delay or halt their clinical development; our ability to obtain regulatory approval for and commercialize our therapeutic candidates; our ability to compete with companies currently marketing or engaged in the development of treatments for indications within our programs are designed to target; our ability to realize the benefits of our collaborations, licenses and other arrangements; the impact of government laws and regulations; our ability to maintain and protect our intellectual property rights; our reliance on third parties, including clinical research organizations, clinical investigators and manufacturers; our vulnerability to natural disasters, global economic factors, geo-political actions and unexpected events; and those additional important factors described under the caption "Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2023, to be filed with the SEC and in our other regulatory filings. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this press release. Except as required by law and regulatory requirements, we disclaim any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.


**Contact:**
**PureTech**

Public Relations
publicrelations@puretechhealth.com
Investor Relations
IR@puretechhealth.com

**EU/UK media**

Ben Atwell, Rob Winder
+44 (0) 20 3727 1000
puretech@fticonsulting.com

**U.S. media**

Nichole Bobbyn
+1 774 278 8273
nichole@tenbridgecommunications.com


1 Internal Programs represent the Company's current and future therapeutic candidates and technologies that are wholly owned and have not been announced as a Founded Entity.

2 As of the date of this release, Founded Entities represent companies founded by PureTech in which PureTech maintains ownership of an equity interest and, in certain cases, is eligible to receive sublicense income and royalties on product sales. References to Founded Entities include PureTech's Seaport Therapeutics, Inc., Gallop Oncology, Inc., Entrega, Inc., Akili Interactive Labs, Inc., Vor Bio, Inc., Sonde Health, Inc., Vedanta Biosciences, Inc., for all dates prior to March 18, 2024, Karuna Therapeutics, Inc., for all dates prior to October 30, 2023, Gelesis, Inc., for all dates prior to December 21, 2023, Follica, Incorporated, and for all dates prior to December 18, 2019, resTORbio. For references and definitions related to PureTech's Viability Statement, Financial Review, and Financial Statements and related footnotes, please see Footnote 4 to the Consolidated Financial Statements.

3 PureTech level cash, cash equivalents and short-term investments is a non-IFRS measure. For more information in relation to the PureTech level cash, cash equivalents and short-term investments measure, please see below under the heading "Financial Review."

4 For more information in relation to the Consolidated cash, cash equivalents and short-term investments measure, please see below under the heading "Financial Review."

5 This figure does not account for PureTech's $32 million contribution to the Seaport Series A financing on April 8, 2024, the proposed $100 million Tender Offer, which is expected to be launched in early May, subject to market conditions and shareholder approval, or any taxes that may be due on the BMS-Karuna acquisition proceeds received by PureTech.

6 Calculated based on the aggregate PureTech data including all therapeutic candidates advanced through at least Phase 1 by PureTech or its Founded Entities from 2009 onward and the industry average data. Industry average data measures the probability of clinical trial success of therapeutics by calculating the number of programs progressing to the next phase vs. the number progressing and suspended (Phase 1=52%, Phase 2=29%, Phase 3=52%). BIO, PharmaIntelligence, QLS (2021) Clinical Development Success Rates 2011-2020. This study did not include therapeutics regulated as devices.

7 The Tender Offer is expected to be launched in early May, subject to market conditions and shareholder approval.

8 As of March 18, 2024, Karuna Therapeutics is a wholly owned subsidiary of Bristol Myers Squibb

9 EndeavorRx is a digital therapeutic indicated to improve attention function as measured by computer-based testing in

children ages 8-17 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Patients who engage with EndeavorRx demonstrate improvements in a digitally assessed measure Test of Variables of Attention (TOVA®) of sustained and selective attention and may not display benefits in typical behavioral symptoms, such as hyperactivity. EndeavorRx should be considered for use as part of a therapeutic program that may include clinician-directed therapy, medication, and/or educational programs, which further address symptoms of the disorder. EndeavorRx is available by prescription only. It is not intended to be used as a stand-alone therapeutic and is not a substitution for a child's medication. The most common side effect observed in children in EndeavorRx's clinical trials was a feeling of frustration, as the game can be quite challenging at times. No serious adverse events were associated with its use. EndeavorRx is recommended to be used for approximately 25 minutes a day, 5 days a week, over initially at least 4 consecutive weeks, or as recommended by your child's health care provider. To learn more about EndeavorRx, please visit EndeavorRx.com.

10 EndeavorOTC is a digital therapeutic indicated to improve attention function, ADHD symptoms and quality of life in adults 18 years of age and older with primarily inattentive or combined-type ADHD. EndeavorOTC utilizes the same proprietary technology underlying EndeavorRx, a prescription digital therapeutic indicated to improve attention function in children ages 8 - 17. EndeavorOTC is available under the U.S. Food and Drug Administration's current Enforcement Policy for Digital Health Devices for Treating Psychiatric Disorders During the Coronavirus Disease 2019 (COVID-19) Public Health Emergency. EndeavorOTC has not been cleared or authorized by the U.S. Food and Drug Administration for its indications. It is recommended that patients speak to their health care provider before starting EndeavorOTC treatment. No serious adverse events have been reported in any of our clinical studies. To learn more, visit EndeavorOTC.com.

11 Julie Krop, M.D., left her role as Chief Medical Officer, effective March 31, 2024.

12 Funding figure includes private convertible notes and public offerings. Funding figure excludes future milestone considerations received in conjunction with partnerships and collaborations. Funding figure does not include gross proceeds due to PureTech following the 2024 post-period acquisition of Karuna by BMS.

## Letter from the Chair

Since I joined the PureTech Board of Directors, I have witnessed the Company mature its hub-and-spoke business model with a commitment to deliver value to patients and shareholders.

Consistent with our founding strategy, the Company has progressed promising programs in various therapeutic areas to inflection points and advanced them either internally or via Founded Entities. This uniquely efficient approach to R&D has enabled the development of a robust pipeline of new medicines, including two that have received FDA clearance and a third that has been filed for FDA approval, all without raising money from the capital markets in six years. This is a true testament to our model.

PureTech's exceptional productivity and capital discipline was exemplified in 2023. The Company embarked on a new phase of clinical expansion by creating two new Founded Entities from its internal work. The launches of Seaport Therapeutics and Gallop Oncology mark an exciting next chapter for PureTech, adding new de-risked specialist opportunities or "spokes" to the PureTech hub-and-spoke model. PureTech's self-sustaining engine has enabled this continued operational progress despite adverse macroeconomic factors for the industry whilst also providing capital for the Company to return $50 million to shareholders via a share buyback program in addition to the recently proposed $100 million tender offer.

I would like to personally thank all of our shareholders for supporting us as we seek to improve patients' lives. Every decision we make is anchored in our mission to advance treatments for patients that simultaneously create shareholder value, and I'm confident we will see continued success in both areas.

On behalf of the Board, I would like to thank Daphne Zohar for her vision, leadership and dedication in founding and building PureTech. Daphne pioneered the hub-and-spoke model to create cutting-edge medicines, assembled a leading team and positioned PureTech for an exciting future and continued growth, and I am confident that our Founded Entity, Seaport Therapeutics, will thrive with her at the helm as Chief Executive Officer. I would also like to welcome Bharatt Chowrira, Ph.D. J.D., into the Chief Executive Officer role at PureTech. A 30-year veteran of the biotech industry, Bharatt has held leadership roles including Chief Executive Officer, Chief Operating Officer and General Counsel in multiple biotech companies, including Auspex Pharmaceuticals Inc., which was acquired by Teva Pharmaceuticals for $3.5 billion, and Sirna Therapeutics, which was acquired by Merck & Co. for $1.1 billion. Bharatt has been a driving force behind PureTech's achievements since 2017, serving as the Company's President and Chief Business, Finance and Operating Officer and as a member of the board of directors, and I know our organization will continue to deliver value to patients and shareholders alike under his seasoned leadership.

Sincerely,

Raju Kucherlapati, Ph.D.
Interim Chair of the Board of Directors

April 25, 2024

## Letter from the Chief Executive Officer

PureTech made remarkable progress in 2023 as we continued to deliver on our mission to give life to new classes of medicine that have the potential to change the lives of patients with devastating diseases. In 2023, we made significant strategic and clinical advancements across our hub-and-spoke R&D model, setting up the Company for growth in 2024 and beyond.

**Our strategy: A hub-and-spoke model that manages risk in advancing novel medicines for patients and generates value for shareholders**

At PureTech we pioneered the hub-and-spoke model in biotech. Our "hub" is our core group of people, our proven, innovative R&D engine, and our capabilities at PureTech that are at the center of everything we do. It enables us to identify promising technologies and therapeutic opportunities; unlock their value through innovation; progress them through key de-risking milestones; and then develop them further - either internally or through the creation of a Founded Entity. The Founded Entities are our "spokes," and they allow us to continue advancing candidates via a focused vehicle while sharing development costs with outside partners. These sector specialists not only enable cost efficiencies by investing capital in the Founded Entities, but also serve as external validation for the programs that we have until then developed in-house. This model ensures that promising new medicines are progressed to patients efficiently while we continue to generate and develop the next wave of novel candidates. It also yields a diversified portfolio, enabling us to have multiple shots on goal for creating shareholder value. Our distinctive approach is powered by three guiding principles: validated efficacy, clear patient benefit and an efficient de-risked path.

This R&D model allows us to be more capital efficient, ensures that our interests are aligned with our shareholders and incentivizes us to move our resources to the programs with the greatest probability of success. It also brings in non-dilutive capital, which has resulted in PureTech not needing to raise money from the capital markets in over six years. In fact, nearly $3.8 billion has been raised by our Founded Entities since July 2018, of which 96 percent was from third parties.[1] In that time, we have generated tremendous value, including through the monetization of our stakes in Founded Entities, and have reinvested proceeds in further growing PureTech's hub-and-spoke business. We have also returned $50 million to shareholders through our share buyback program and recently proposed an additional $100 million return to shareholders via a Tender Offer.[2] The Board is committed to evaluating our capital allocation regularly (see page 8 for further details), including assessing opportunities for capital returns to shareholders, subject to future monetization events and the Company's operational needs.

We consistently maintain one of the most impressive track records in the biopharma industry, with a probability of clinical success that is six times higher than the industry average[3]. More than 80 percent[4] of our clinical trials have demonstrated success, and we take great pride in this track record. Across our programs, this has delivered a robust pipeline of new medicines that are poised for growth. This includes 29 new therapeutics and therapeutic candidates generated to date, with two taken from inception at PureTech to U.S. Food and Drug Administration (FDA) and EU regulatory clearances and one - Karuna's KarXT (xanomeline-trospium) - that has been filed for FDA approval.

Our model makes biopharma accessible both to generalist investors compelled by the meaningfulness of medical innovation and upside of cutting-edge R&D as well as to specialists comfortable with evaluating therapeutic opportunities. The former sees aligned incentives within PureTech's internal activity and broader equity portfolio, through which they are shielded from the volatility of single asset binary outcomes so common in our industry.

We have followed our model to success as our programs have matured and our internal capabilities have grown. Importantly, our R&D strategy is not only proven, but it is also scalable and repeatable. Consistent with our founding strategy, we have progressed several programs to inflection points, having sufficiently de-risked their core assets, and at the end of 2023, we added two new Founded Entity "spokes" to the PureTech "hub." Our newly launched Seaport Therapeutics builds on the success of our Glyph platform and related therapeutic candidates to accelerate the development of new neuropsychiatric medicines in areas of high unmet need. I am also delighted that PureTech has indicated the launch  Gallop Oncology™, which builds on the promising clinical and preclinical data generated from our LYT-200 program in hematological malignancies and solid tumors. In creating these focused entities, we continue to deliver on our fundamental goal: advance

novel therapeutic solutions to patients battling serious, devastating conditions.

## Case study

**The KarXT journey at PureTech**

Karuna's KarXT, invented and advanced by PureTech, is a hallmark for how we create value. Patients living with schizophrenia need new treatment options as current standard-of-care antipsychotics have significant side effects and poor adherence rates. Xanomeline, originally discovered by Eli Lilly, demonstrated clinical efficacy but was shelved due to its side effect profile. PureTech's team invented and filed patents for a synergistic agonist and antagonist concept (e.g., xanomeline + trospium chloride) that would unlock the efficacy of xanomeline and allow for improved tolerability. Following an exceptionally successful clinical journey, FDA approval for KarXT is anticipated in 2024. If approved, KarXT will deliver the first new mechanism for treating schizophrenia in over 50 years, and - as a result of KarXT's remarkable innovation story - Bristol Myers Squibb (BMS) acquired Karuna for $14 billion in the March 2024 post-period.

In addition to transforming the treatment landscape for patients with schizophrenia, Karuna's success has allowed us to generate approximately $1.1 billion in cash to date[5] to fund our operations and fuel our next wave of innovation. This has been realized through the monetization of a portion of our holdings in Karuna, gross proceeds from BMS' acquisition valued at $293 million as well as a strategic royalty agreement for KarXT with Royalty Pharma. The $500 million transaction with Royalty Pharma, which was announced in March 2023, included $100 million in cash received up front in 2023 and up to $400 million in additional payments contingent on the achievement of certain regulatory and commercial milestones. As part of this transaction, we sold PureTech's rights to receive a 3 percent royalty from Karuna to Royalty Pharma on sales up to $2 billion annually, after which Royalty will receive 33 percent and PureTech will retain 67 percent of the royalty payments.[6]

This agreement supplied us with non-dilutive capital in the short-term and has great potential for long-term earnings based on KarXT's future regulatory and commercial milestones, as well as product sales.

We believe KarXT's journey to regulators benefited from our creation of Karuna as a Founded Entity focused on a specialized asset. Initially, KarXT was part of a diversified portfolio undergoing de-risking within PureTech. Eventually its potential and the forecasted demands of its later-stage clinical journey informed our decision to house Karuna as a stand-alone Founded Entity that could draw the right mix of investors, including specialists, and dedicated personnel and expertise to effectively and efficiently drive its progress. The KarXT story therefore showcases both sides of our value proposition: de-risked portfolio development in-house and specialized asset advancement via Founded Entities.

**Internal Programs: Effective identification and de-risking of the most promising technologies**

Most of the candidates that we advance internally are centered around a strategy that focuses on established biological principles to promptly progress therapeutics with validated efficacy and clinical signals.

This strategy is exemplified through our lead Internal Program, LYT-100, a deuterated form of pirfenidone. Pirfenidone (Esbriet®) is approved for the treatment of idiopathic pulmonary fibrosis (IPF) in the US and other countries, having been shown to slow the decline of lung function and extend life by an average of 2.5 years.[7] It is one of two standard of care treatments for IPF, with nintedanib (OFEV®) being the other, yet - despite the proven efficacy - only about 25 percent of IPF patients with this rare, progressive and fatal disease are currently being treated with either standard of care drug, largely due to tolerability issues.

LYT-100 is designed to retain the beneficial pharmacology and clinically-validated efficacy of pirfenidone with a highly differentiated pharmacokinetic profile that has translated into favorable tolerability in multiple clinical studies. In fact, we have demonstrated an approximately 50 percent reduction in participants experiencing gastro-intestinal (GI) and central nervous system (CNS)-related adverse events (AEs) in a crossover study of LYT-100 vs. pirfenidone. We believe this profile has the potential to keep patients on treatment longer, enabling more optimal disease management and patient outcomes.

Beyond this promising profile, we have also shown that LYT-100 is well-tolerated at exposure levels higher than the FDA-approved dose of pirfenidone, which may enable enhanced efficacy given Phase 3 data with pirfenidone that showed a dose-response effect on forced vital capacity and survival in people with IPF.[8]

Our goal with the ongoing Phase 2b ELEVATE IPF trial is to validate the ability of LYT-100 to deliver a more tolerable treatment with comparable efficacy to pirfenidone at one dose while also exploring the potential for enhanced efficacy at a higher dose. The trial is fully enrolled, and we look forward to sharing topline results in the fourth quarter of 2024.

results in the fourth quarter of 2024.

**Founded Entities: Launch of two new Founded Entities; KarXT seeking FDA approval; clinical and commercial progress across the Group**

We are constantly evaluating our Internal Programs for candidates that can follow the KarXT "playbook", and in 2023 we made the decision to advance several into new Founded Entities.

Seaport Therapeutics was born from our Glyph technology platform, which has demonstrated clinical proof-of-concept and has been prolific in producing new therapeutic candidates. The proprietary Glyph platform is designed to enable and enhance oral bioavailability, bypass first-pass metabolism and reduce hepatotoxicity and other side effects to advance active drugs that were previously held back by those limitations. With this technology and candidate portfolio, including SPT-300 (Glyph allopregnanolone; formerly LYT-300), SPT-320 (Glyph agomelatine; formerly LYT-320), and SPT 348 (a prodrug of a non-hallucinogenic neuroplastogen) Seaport's mission, similar to Karuna's, is to advance first-and-best-in class therapeutics for patients with anxiety, depression and other neuropsychiatric disorders. The Seaport programs made important advancements at PureTech in 2023, with topline Phase 2a data announced from a proof-of-concept study of SPT-300, a grant received from the U.S. Department of Defense of up to $11.4 million to advance SPT-300 in Fragile X-associated Ataxia Syndrome, and the nomination of SPT-320. In the 2024 post-period, we announced the launch of Seaport with a $100 million[9] oversubscribed Series A financing with participation from top tier biotech investors ARCH Venture Partners, Sofinnova Investments and Third Rock Ventures. Seaport will be led by PureTech Founding CEO Daphne Zohar. Following the Series A financing, PureTech holds equity ownership in Seaport of 61.5 percent.

We also indicated the intent to launch Gallop Oncology from our LYT-200 (anti-galectin-9) program. We are advancing a differentiated approach to cancer treatment by targeting the pro-tumor mechanisms of galectin-9 for the treatment of hematological malignancies and solid tumors. A large body of preclinical and human data underscores the importance of galectin-9 as a potent oncogenic driver in leukemia cells and an immunosuppressive protein, and LYT-200 has demonstrated direct cytotoxic, anti-leukemic effects through multiple mechanisms as well as anti-tumor efficacy. We're excited by the data generated to date in acute myeloid leukemia (AML) and high-risk myelodysplastic syndrome (MDS), as well as head and neck cancers. We expect additional data from the ongoing Phase 1b clinical trial for the potential treatment of AML and MDS to be presented in a scientific forum in 2024, as well as additional data from the Phase 1b trial in combination with tislelizumab for the potential treatment of advanced solid tumors.

Several of our other Founded Entities have made key progress in 2023 as well. As noted, Karuna submitted a New Drug Application to the FDA for KarXT for the treatment of schizophrenia in adult patients, which was accepted and granted a Prescription Drug User Fee Act (PDUFA) date of September 26, 2024. The company was subsequently acquired by BMS for $14 billion. The clinical program expanding the evidence base for KarXT continued with additional positive data reported and two Phase 3 trial initiations in Alzheimer's disease.

At Vedanta, the team administered the initial dose to the first patient for the company's Phase 2 COLLECTiVE202 clinical trial of VE202 for the management of ulcerative colitis and the program was granted Fast Track designation by the FDA. Vedanta also plans to initiate a Phase 3 clinical trial of VE303 in patients at high risk for recurrent *Clostridioides difficile* infection in the second quarter of 2024. Vor also made progress in the clinic and announced new clinical data from its Phase 1/2a first-in-human study of trem-cel (VOR33) in patients with AML, titled VBP101.

Notably, Akili received U.S. FDA authorization to broaden the label for EndeavorRx®.[10] This expansion now includes children aged 13 to 17 years old with attention-deficit/hyperactivity disorder (ADHD), which will increase the eligibility for this treatment and thus double the number of pediatric patients with ADHD who can benefit. Akili also announced plans to transition from a prescription to a non-prescription business model to further increase access. Further to this strategic plan, Akili launched EndeavorOTC®[11] for adults with ADHD, following positive results from a clinical trial evaluating EndeavorRx in this population.

Finally, Sonde Health increased its sales and growth through establishing partnerships with a variety of providers, health companies, pharmaceutical entities and manufacturers. Entrega also continued its R&D work to advance its core platform for the oral administration of biologics, vaccines and other drugs that are usually not effectively absorbed when administered orally.

**Our future: Crystalizing value**

We have successfully grown a pipeline of therapeutics and candidates, carefully allocated our resources and diligently executed on our mission. We retain substantial holdings in both our public and private Founded Entities; are due certain royalties and milestone payments as some of these programs advance; maintain

a strong balance sheet to support our existing programs, and Founded Entities, and fuel our future innovation; and we will have returned $150 million to shareholders through our recently completed share buyback program and proposed Tender Offer. These achievements underscore the significant value we have created that has not been fully recognized by the market. I am committed to evaluating ways to unlock and crystalize that value for shareholders and look forward to sharing my vision for the Company's future growth in the coming months.

**Thanks to our network of supporters for giving life to science**

After an extremely productive year, I would like to extend my thanks and appreciation to our dedicated teams - both at PureTech and across our Founded Entities - who play an essential role in driving highly innovative and impactful R&D forward. Your commitment to our cause is inspiring, and I am so grateful to work alongside you in the name of serving patients and our shareholders.

I would also like to thank our talented board for their guidance, in addition to our wide network of shareholders, collaborators, and advisors for their continued support of our vision.

I also want to express my sincere gratitude to Daphne Zohar for her remarkable leadership since the inception of PureTech and for guiding the Company into this exciting new phase. I am pleased that we will continue to benefit from her entrepreneurial spirit as she drives further value for PureTech in her new role as CEO of Seaport.

2023 was a banner year for PureTech, and we are already charting an exciting path forward in 2024. I am proud and very humbled to assume the role of CEO at such a remarkable organization, and I look forward to continuing our transformational work for patients and shareholders.

Bharatt Chowrira, Ph.D., J.D.
Chief Executive Officer and Director

April 25, 2024

1 Funding figure includes private equity financings, loans and promissory notes, public offerings or grant awards. Funding figure excludes future milestone considerations received in conjunction with partnerships and collaborations.

2 The Tender Offer is expected to be launched in early May, subject to market conditions and shareholder approval.

3 Calculated based on the aggregate PureTech data including all therapeutic candidates advanced through at least Phase 1 by PureTech or its Founded Entities from 2009 onward and the industry average data. Industry average data measures the probability of clinical trial success of therapeutics by calculating the number of programs progressing to the next phase vs. the number progressing and suspended (Phase 1=52%, Phase 2=29%, Phase 3=52%). BIO, PharmaIntelligence, QLS (2021) Clinical Development Success Rates 2011-2020. This study did not include therapeutics regulated as devices.

4 The percentage includes number of successful trials out of all trials run for all therapeutic candidates advanced through at least Phase 1 by PureTech or its Founded Entities from 2009 onward.

5 Represents cash generated to date through sales of KRTX common stock including gross proceeds due to PureTech following Bristol Myers Squibb's acquisition of Karuna as well as the $100 million in upfront consideration from PureTech's transaction with Royalty Pharma.

6 PureTech's agreement with Royalty Pharma is not impacted by the BMS acquisition of Karuna.

7 Fisher, M., Nathan, S. D., Hill, C., Marshall, J., Dejonckheere, F., Thuresson, P., & Maher, T. M. (2017). Predicting Life Expectancy for Pirfenidone in Idiopathic Pulmonary Fibrosis. Journal of Managed Care & Specialty Pharmacy, 23(3-b Suppl), S17 -S24. https://doi.org/10.18553/jmcp.2017.23.3-b.s17.

8 King, T. E., Bradford, W. Z., Castro-Bernardini, S., Fagan, E. A., Glaspole, I., Glassberg, M. K., Gorina, E., Hopkins, P., Kardatzke, D., Lancaster, L., Lederer, D. J., Nathan, S. D., De Castro Pereira, C. A., Sahn, S. A., Sussman, R., Swigris, J. J., & Noble, P. W. (2014). A Phase 3 Trial of Pirfenidone in Patients with Idiopathic Pulmonary Fibrosis. The New England Journal of Medicine, 370(22), 2083-2092. https://doi.org/10.1056/nejmoa1402582

9 Includes participation by top tier biotech investors ARCH Venture Partners, Sofinnova Investments and Third Rock Ventures alongside PureTech's $32 million cash contribution. Following the Series A financing, PureTech holds equity ownership in Seaport of 61.5 percent on a diluted basis. Additionally, as the founder of Seaport, PureTech also has a right to royalty payments on a percentage of net sales of any commercialized product as well as the right under the terms of the license agreement with Seaport to receive milestone payments upon the achievement of certain regulatory approvals and a percentage of sublicense income.

## Risk management

The execution of the Group's strategy is subject to a range of risks and uncertainties. As a clinical-stage

The execution of the Group's strategy is subject to a range of risks and uncertainties. As a clinical-stage biotherapeutics company, the Group operates in an inherently high-risk environment. The Group's strategic approach seeks to aid the Group's risk management efforts to achieve an effective balancing of risk and reward. Risk assessment, evaluation and mitigation are integral parts of the Group's management process. The Group, however, also recognizes that ultimately no strategy provides an assurance against loss, as we saw in the current year with Gelesis, which ceased operations and filed a voluntary petition for Chapter 7 bankruptcy liquidation in October 2023.

Risks are formally identified by the Board and appropriate internal controls are put in place and tailored to the specific risks to monitor and mitigate them on an ongoing basis. If multiple or an emerging risk event occurs, it is possible that the overall effect of such events would compound the overall effect on the Group. The principal risks that the Board has identified as the key business risks facing the Group are set out in the table below along with the impact and mitigation management plan with respect to each risk. These risks are only a high-level summary of the principal risks affecting our business; any number of these or other risks could have a material adverse effect on the Group or its financial condition, development, results of operations, subsidiary companies and/or future prospects. Further information on the risks facing the Group can be found on pages 186 to 223 which also includes a description of circumstances under which principal and other risks and uncertainties might arise in the course of our business and their potential impact.

| Risk | Impact* | Management Plans/Actions |
|---|---|---|
| 1<br>Risks related to science and technology failure<br>The science and technology being developed or commercialized by some of our businesses may fail and/or our businesses may not be able to develop their intellectual property into commercially viable therapeutics or technologies.<br>There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of our value. | The failure of any of our businesses could decrease our value. A failure of one of the major businesses could also impact the reputation of PureTech as a developer of high value technologies and possibly make additional fundraising by PureTech or any Founded Entity more difficult or unavailable on acceptable terms at all. | Prior to additional steps in the development of any technology, extensive due diligence is carried out that covers all the major business risks, including technological feasibility, competition and technology advances, market size, strategy, adoption and intellectual property protection.<br>A capital efficient approach is employed, which requires the achievement of a level of proof of concept prior to the commitment of substantial capital is committed. Capital deployment is generally tranched to ensure the funding of programs only to their next value milestone. Members of our Board or our management team serve on the board of directors of several of the businesses so as to continue to guide each business's strategy and to oversee proper execution thereof. We use our extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy and the R&D Committee of our Board reviews each program at each stage of development and advises our Board on further actions. Additionally, we have a diversified model with numerous assets such that the failure of any one of our businesses or therapeutic candidates would not result in a failure of all of our businesses. |
| 2 Risks related to clinical trial failure<br>Clinical trials and other tests to assess the commercial viability of a therapeutic candidate are typically expensive, complex and time-consuming, and have uncertain outcomes.<br>Conditions in which clinical trials are conducted differ, and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If our therapeutic candidates fail to achieve successful outcomes in their respective clinical trials, the therapeutics will not receive regulatory approval and in such event cannot be commercialized. In addition, if we fail to complete or experience delays in completing clinical tests for any of our therapeutic candidates, we may not be able to obtain regulatory approval or commercialize our therapeutic candidates on a timely basis, or at all. | A critical failure of a clinical trial may result in termination of the program and a significant decrease in our value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis. | We have a diversified model to limit the impact of clinical trial outcomes on our ability to operate as a going concern. We have dedicated internal resources to establish and monitor each of the clinical programs for the purpose of maximising successful outcomes. We also engage outside experts to help create well-designed clinical programs that provide valuable information and mitigate the risk of failure. Significant scientific due diligence and preclinical experiments are conducted prior to a clinical trial to evaluate the odds of the success of the trial. In the event of the outsourcing of these trials, care and attention are given to assure the quality of the vendors used to perform the work. |
| 3 Risks related to regulatory approval<br>The pharmaceutical industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations governing the testing, approval, manufacturing, labelling and marketing of pharmaceutical therapeutics. Stringent standards are imposed which relate to the quality, safety and efficacy of these therapeutics. These requirements are a major determinant of the commercial viability of developing a drug substance or medical device given the time, expertise and expense which must be invested.<br>We may not obtain regulatory approval for our therapeutic candidates. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if therapeutics are approved, subsequent regulatory difficulties may arise, or the conditions | The failure of one of our therapeutics to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in our value. | We manage our regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of our preclinical and clinical programs. These experts ensure that high-quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organizations with global capabilities are retained to manage the trials. We also engage with experts, including on our R&D Committee, to help design clinical trials to help provide valuable information and maximize the likelihood of regulatory approval. Additionally, we have a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to |

| | | |
|---|---|---|
| regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than we anticipate. | | subsequent regulatory difficulties with respect to any one therapeutic would not adversely impact all of our therapeutics and businesses. |
| 4 Risks related to therapeutic safety<br>There is a risk of adverse reactions with all drugs and medical devices. If any of our therapeutics are found to cause adverse reactions or unacceptable side effects, then therapeutic development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This may occur even after regulatory approval has been obtained, in which case additional trials may be required, the approval may be suspended or withdrawn or require product labels to include additional safety warnings. Adverse events or unforeseen side effects may also potentially lead to product liability claims against us as the developer of the therapeutics and sponsor of the relevant clinical trials. These risks are also applicable to our Founded Entities and any trials they conduct or therapeutic candidates they develop. | Adverse reactions or unacceptable side effects may result in a smaller market for our therapeutics, or even cause the therapeutics to fail to meet regulatory requirements necessary for sale of the therapeutic. This, as well as any claims for injury or harm resulting from our therapeutics, may result in a significant decrease in our value. | Safety is our top priority in the design of our therapeutics. We conduct extensive preclinical and clinical trials which test for and identify any adverse side effects. Despite these steps and precautions, we cannot fully avoid the possibility of unforeseen side effects. To mitigate the risk further we have insurance in place to cover product liability claims which may arise during the conduct of clinical trials. |
| 5<br>Risks related to therapeutic profitability and competition<br>We may be unable to sell our therapeutics profitably if reimbursement from third-party payers - such as private health insurers and government health authorities - is restricted or not available. If, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact.<br>Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical therapeutics and denying or limiting coverage and the level of reimbursement. Moreover, even if the therapeutics can be sold profitably, they may not be adopted by patients and the medical community.<br>Alternatively, our competitors - many of whom have considerably greater financial and human resources - may develop safer or more effective therapeutics or be able to compete more effectively in the markets targeted by us. New companies may enter these markets and novel therapeutics and technologies may become available which are more commercially successful than those being developed by us. These risks are also applicable to our Founded Entities and could result in a decrease in their value. | The failure to obtain reimbursement from third party payers, and competition from other therapeutics, could significantly decrease the amount of revenue we may receive from therapeutic sales for certain therapeutics. This may result in a significant decrease in our value. | We engage reimbursement experts to conduct pricing and reimbursement studies for our therapeutics to ensure that a viable path to reimbursement, or direct user payment, is available. We also closely monitor the competitive landscape for our therapeutics and therapeutic candidates and adapt our business plans accordingly. Not all therapeutics that we are developing will rely on reimbursement. Also, while we cannot control outcomes, we seek to design studies to generate data that will help support potential reimbursement. |
| 6<br>Risks related to intellectual property protection<br>We may not be able to obtain patent protection for some of our therapeutics or maintain the secrecy of their trade secrets and know-how. If we are unsuccessful in doing so, others may market competitive therapeutics at significantly lower prices. Alternatively, we may be sued for infringement of third-party patent rights. If these actions are successful, then we would have to pay substantial damages and potentially remove our therapeutics from the market. We license certain intellectual property rights from third parties. If we fail to comply with our obligations under these agreements, it may enable the other party to terminate the agreement. This could impair our freedom to operate and potentially lead to third parties preventing us from selling certain of our therapeutics. | The failure to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue we may receive from therapeutic sales. Any infringement litigation against us may result in the payment of substantial damages by us and result in a significant decrease in our value. | We spend significant resources in the prosecution of our patent applications and maintenance of our patents, and we have in-house patent counsel and patent group to help with these activities. We also work with experienced external attorneys and law firms to help with the protection, maintenance and enforcement of our patents. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both our own and information belonging to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in our employment and advisory contracts. Licenses are monitored for compliance with their terms. |
| 7 Risks related to enterprise profitability<br>We expect to continue to incur substantial expenditure in further research and development activities. There is no guarantee that we will become operationally profitable, and, even if we do so, we may be unable to sustain operational profitability. | The strategic aim of the business is to generate profits for our shareholders through the commercialization of technologies through therapeutic sales, strategic partnerships and sales of businesses or parts thereof. The timing and size of these potential inflows are uncertain. Should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain our business. | We retain significant cash in order to support funding of our Founded Entities and our Internal Programs. We have close relationships with a wide group of investors and strategic partners to ensure we can continue to access the capital markets and additional monetization and funding for our businesses. Additionally, our Founded Entities are able to raise money directly from third party investors and strategic partners. |
| 8<br>Risks related to hiring and retaining qualified employees and key personnel | The failure to attract highly effective personnel or the loss of | The Board regularly seeks external expertise to assess the competitiveness of the compensation |

| | | |
|---|---|---|
| We operate in complex and specialized business domains and require highly qualified and experienced management to implement our strategy successfully. We and many of our businesses are located in the United States which is a highly competitive employment market.<br>Moreover, the rapid development which is envisaged by us may place unsupportable demands on our current managers and employees, particularly if we cannot attract sufficient new employees. There is also the risk that we may lose key personnel. | key personnel would have an adverse impact on our ability to continue to grow and may negatively affect our competitive advantage. | packages of its senior management. Senior management continually monitors and assesses compensation levels to ensure we remain competitive in the employment market. We maintain an extensive recruiting network through our Board members, advisors and scientific community involvement. We also employ an executive as a full-time in-house recruiter and retain outside recruiters when necessary or advisable. Additionally, we are proactive in our retention efforts and include incentive-based compensation in the form of equity awards and annual bonuses, as well as a competitive benefits package. We have a number of employee engagement efforts to strengthen our PureTech community. |
| 9<br>Risks related to business, economic or public health disruptions<br>Business, economic, financial or geopolitical disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses. | Broad-based business, economic, financial or geopolitical disruptions could adversely affect our ongoing or planned research and development activities. Global health concerns, such as a further pandemic, or geopolitical events, like the ongoing consequences of the armed conflicts, could also result in social, economic, and labor instability in the countries in which we operate or the third parties with whom we engage. We consider the risk to be increasing since the prior year and note further risks associated with the banking system and global financial stability. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage, including the suppliers, clinical trial sites, regulators, providers of financial services and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted. It is also possible that global health concerns or geopolitical events such as these ones could disproportionately impact the hospitals and clinical sites in which we conduct any of our current and/or future clinical trials, which could have a material adverse effect on our business and our results of operation and financial impact. | We regularly review the business, economic, financial and geopolitical environment in which we operate. It is possible that we may see further impact as a result of current geopolitical tensions. We monitor the position of our suppliers, clinical trial sites, regulators, providers of financial services and other third parties with whom we conduct business. We develop and execute contingency plans to address risks where appropriate. |

# Financial Review

**Reporting Framework**

You should read the following discussion and analysis together with our Consolidated Financial Statements, including the notes thereto, set forth elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business and financing our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including the risks set forth on pages 60 to 64 and in the Additional Information section from pages 186 to 223, our actual results could differ materially from the results described in or implied by these forward-looking statements.

Our audited Consolidated Financial Statements as of December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021, have been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRSs"). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board ("IASB").

The following discussion contains references to the Consolidated Financial Statements of PureTech Health plc (the "Parent") and its consolidated subsidiaries, together "the Group". These financial statements consolidate PureTech Health plc's subsidiaries and include the Group's interest in associates by way of equity method, as well as investments held at fair value. Subsidiaries are those entities over which the Group maintains control. Associates are those entities in which the Group does not have control for financial accounting purposes but

maintains significant influence over financial and operating policies. Where the Group has neither control nor significant influence for financial accounting purposes, or when the investment in associates is not in instruments that would be considered equity for accounting purposes, we recognize our holdings in such entity as an investment at fair value with changes in fair value being recorded in the Consolidated Statement of Comprehensive Income/(Loss). For purposes of our Consolidated Financial Statements, each of our Founded Entities[1] are considered to be either a "subsidiary", an "associate" or an "investment held at fair value" depending on whether the Group controls or maintains significant influence over the financial and operating policies of the respective entity at the respective period end date, and depending on the form of the investment. For additional information regarding the accounting treatment of these entities, see Note 1. Material Accounting Policies to our Consolidated Financial Statements included in this report. For additional information regarding our operating structure, see "Basis of Presentation and Consolidation" below.

**Business Background and Results Overview**

The business background is discussed above from pages 1 to 21, which describes the business development of our Wholly-Owned Programs[3] and Founded Entities.

Our ability to generate product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialization of one or more therapeutic candidates of our wholly-owned or Controlled Founded Entities[2], which may or may not occur. Historically, certain of our Founded Entities' therapeutics received marketing authorization from the FDA, but our Wholly-Owned Programs have not generated revenue from product sales to date.

Furthermore, our ability to achieve profitability will largely rely on successfully monetizing our investment in founded entities, including the sale of rights to royalties, entering into strategic partnerships, and other related business development activities.

We deconsolidated a number of our Founded Entities, specifically Vedanta Biosciences, Inc. ("Vedanta") in March 2023, Sonde Health Inc. ("Sonde") in 2022, Karuna Therapeutics, Inc. ("Karuna"), Vor Biopharma Inc. ("Vor") and Gelesis in 2019, and Akili in 2018.

Any deconsolidation affects our financials in the following manner:

- our ownership interest does not provide us with a controlling financial interest;
- we no longer control the Founded Entity's assets and liabilities, and as a result, we derecognize the assets, liabilities and non-controlling interests related to the Founded Entity from our Consolidated Statement of Financial Position;
- we record our retained investment in the Founded Entity at fair value; and
- the resulting amount of any gain or loss is recognized in our Consolidated Statement of Comprehensive Income/(Loss).

We anticipate our expenses to continue to increase proportionally in connection with execution of our strategy around creating and supporting Founded Entities, as well as the ongoing development activities related mostly to the advancement into late-stage studies of the clinical programs within our Wholly-Owned Programs. We also expect that our expenses and capital requirements will increase in the near to mid-term as we:

- continue our research and development efforts;
- seek regulatory approvals for any therapeutic candidates that successfully complete clinical trials; and
- add clinical, scientific, operational, financial and management information systems and personnel, including personnel to support our therapeutic development and potential future commercialization claims.

More specifically, we anticipate that our internal research and development spend will increase in the foreseeable future as we may initiate additional clinical studies for our existing therapeutic candidates, evaluate new therapeutic candidates for investment and further development, progress additional therapeutic candidates into the clinic, as well as advance our technology platforms.

1. Founded Entities are comprised of the entities which the Company incorporated and announced the incorporation as a Founded Entity externally. It includes certain of the Company's wholly-owned subsidiaries which have been announced by the Company as Founded Entities, Controlled Founded Entities2 and deconsolidated Founded Entities. As of December 31, 2023, deconsolidated Founded Entities included Akili Interactive Labs, Inc., Karuna Therapeutics, Inc., Vor Bio, Inc., Gelesis, Inc., Sonde Health, Inc., and Vedanta Biosciences, Inc.
2. Controlled Founded Entities are comprised of the Company's consolidated operational subsidiaries that currently have already raised third-party dilutive capital. As of December 31, 2023, Entrega was the only entity under this definition.
3. Wholly-Owned Programs are comprised of the Company's current and future therapeutic candidates and technologies

that are developed by the Company's wholly-owned subsidiaries, whether they were announced as a Founded Entity or not, and will be advanced through with either the Company's funding or non-dilutive sources of financing. As of December 31, 2023, Wholly-Owned Programs were developed by the wholly-owned subsidiaries Alivio Therapeutics, Inc., PureTech LYT, Inc., PureTech LYT 100, Inc. and included primarily the programs LYT-100, LYT-200, LYT-300, and the Glyph platform.

In addition, with respect to our Founded Entities' programs, we anticipate that we will continue to fund a small portion of development costs by strategically participating in such companies' financings when we believe participation in such financings is in the best interests of our shareholders. The form of any such participation may include investment in public or private financings, collaboration, partnership arrangements, and/or licensing arrangements, among others. Our management and strategic decision makers consider the future funding needs of our Founded Entities and evaluate the needs and opportunities for returns with respect to each of these Founded Entities routinely and on a case-by-case basis.

As a result, we need substantial additional funding in the future, following the period described below in the Funding Requirement section, to support our continuing operations and pursue our growth strategy until such time as we can generate sufficient revenue from product sales to support our operations, if ever. Until such time, we expect to finance our operations through a combination of monetization of our interests in our Founded Entities, collaborations with third parties, or other sources. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements, as and when needed, we may have to delay, scale back or discontinue the development and commercialization of one or more of our wholly-owned therapeutic candidates.

**Measuring Performance**

The Financial Review discusses our operating and financial performance, our cash flows and liquidity as well as our financial position and our resources. The results for each period are compared primarily with the results of the comparative period in the prior year.

Reported Performance
Reported performance considers all factors that have affected the results of our business, as reflected in our Consolidated Financial Statements.

Core Performance
Core performance measures are alternative performance measures which are adjusted and non-IFRS measures. These measures cannot be derived directly from our Consolidated Financial Statements. We believe that these non-IFRS performance measures, when provided in combination with reported performance, will provide investors, analysts and other stakeholders with helpful complementary information to better understand our financial performance and our financial position from period to period. The measures are also used by management for planning and reporting purposes. The measures are not substitutable for IFRS financial information and should not be considered superior to financial information presented in accordance with IFRS.

| **Cash flow and liquidity** | |
|---|---|
| PureTech Level cash, cash equivalents and short-term investments | **Measure type:** Core performance<br>**Definition:** Cash and cash equivalents and short-term investments held at PureTech Health plc and our wholly-owned subsidiaries.<br>**Why we use it:** PureTech Level cash, cash equivalents and short-term investments is a measure that provides valuable additional information with respect to cash, cash equivalents and short-term investments available to fund the Wholly-Owned Programs and make certain investments in Founded Entities. |

**Recent Developments (subsequent to December 31, 2023**

The Group has evaluated subsequent events after December 31, 2023 up to the date of issuance, April 25, 2024, of the Consolidated Financial Statements, and has not identified any recordable or disclosable events not otherwise reported in these Consolidated Financial Statements or notes thereto, except for the following:

In January 2024, the Group established two new clinical-stage entities: Seaport Therapeutics ("Seaport") and Gallop Oncology ("Gallop"). Seaport will advance certain central nervous system programs and relevant Glyph intellectual property. Gallop will advance LYT-200 and other galectin-9 intellectual property. As of December 31, 2023, the financial results of these programs were included in the Wholly-Owned Programs segment in the footnotes to the Consolidated Financial Statements. Upon raising dilutive third-party financing, the financial results of these two entities will be included in the Controlled Founded Entities segment to the extent that the Group maintains control over these entities.

On May 9, 2022, the Group announced the commencement of a $50.0 million share repurchase program the ("Program") of its ordinary shares of one pence each. In February 2024, the Group completed the Program and has repurchased an aggregate of 20,182,863 ordinary shares under the Program. These shares have been held as treasury shares and are being used to settle the vesting of restricted stock units or exercise of options.

In March 2024, Karuna was acquired by Bristol Myers Squibb ("BMS") in accordance with a definitive merger agreement signed in December 2023. The Group received total proceeds of $292.7 million before income tax in exchange for its holding of 886,885 shares of Karuna common stock.

In March 2024, the Group announced a proposed capital return of $100.0 million to its shareholders by way of a tender offer (the "Tender Offer"). The Tender Offer is expected to be launched in early May, subject to market conditions and shareholder approval. If the full $100.0 million is not returned, then the Group intends to return any remainder following the completion of the Tender Offer, by way of a special dividend.

In April 2024, Seaport Therapeutics, the Group's latest Founded Entity, raised $100 million in a Series A financing, out of which $32 million was invested by the Group. Following the Series A financing, the Group holds equity ownership in Seaport of 61.5 percent on a diluted basis.

In April 2024, the Gelesis' Chapter 7 Trustee provided notice that a third party bid to purchase the assets subject to the bankruptcy had been accepted as a stalking horse bid, subject to Bankruptcy Court approval. If such sale of the assets is ultimately approved by the Bankruptcy Court and consummated, it is expected that PureTech could recover a portion of its investment in Gelesis senior secured convertible promissory notes. The ultimate resolution of this matter, any potential recovery, and the associated timing remain uncertain. The Group has not recorded any amount in its Consolidated Financial Statements related to amounts that may be received as a result of the bankruptcy process.

**Financial Highlights**

The following is the reconciliation of the amounts appearing in our Consolidated Statement of Financial Position to the Alternative Performance Measure described above:

| (in thousands) | **December 31 2023** | December 31 2022 |
|---|---|---|
| Cash and cash equivalents | **191,081** | 149,866 |
| **Short-term investments** | **136,062** | 200,229 |
| **Consolidated cash, cash equivalents and short-term investments** | **327,143** | 350,095 |
| **Less: cash and cash equivalents held at non-wholly owned subsidiaries** | **(1,097)** | (10,622) |
| **PureTech Level cash, cash equivalents and short-term investments** | **$326,046** | $339,473 |

**Basis of Presentation and Consolidation**

Our Consolidated Financial Information consolidates the financial information of PureTech Health plc, as well as its subsidiaries, and includes our interest in associates and investments held at fair value.

**Basis for Segmentation**

Our Directors are our strategic decision-makers. Our operating segments are determined based on the financial information provided to our Directors periodically for the purposes of allocating resources and assessing performance. During the second half of 2023, we changed the financial information that was regularly reviewed by the Directors to allocate resources and assess performance. We have determined each of our Wholly-Owned Programs represents an operating segment, and we have aggregated each of these operating segments into one reportable segment, the Wholly-Owned Programs segment, given the high level of operational and financial similarities across our Wholly-Owned Programs. Each of our Controlled Founded Entities represents an operating segment. We aggregate each Controlled Founded Entity operating segment into one reportable segment, the Controlled Founded Entities segment. For our entities that do not meet the definition of an operating segment, we present this information in the Parent Company & Other column in our segment footnote to reconcile the information in this footnote to our Consolidated Financial Statements. Substantially all of our revenue and profit generating activities are generated within the United States and, accordingly, no geographical disclosures are provided.

Following is the description of our reportable segments:

Wholly-Owned Programs

The Wholly-Owned Programs segment is advancing Wholly-Owned Programs which are focused on treatments for patients with devastating diseases. The Wholly-Owned Programs segment is comprised of the technologies that are wholly-owned and will be advanced through with either the Group's funding or non-dilutive sources of financing. The operational management of the Wholly-Owned Programs segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development.

Controlled Founded Entities

The Controlled Founded Entities segment is comprised of the Group's consolidated operational subsidiaries as of December 31, 2023 that either have, or have plans to hire, independent management teams and currently have already raised third-party dilutive capital. These subsidiaries have active research and development programs and either have entered into or plan to seek an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the company.

The Group's entities that were determined not to meet the definition of an operating segment are included in the Parent Company and Other column to reconcile the segment information to the financial statements. This column captures activities not directly attributable to the Group's operating segment and includes the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This column also captures the operating results for our deconsolidated entities through the date of deconsolidation (e.g. Vedanta in 2023 and Sonde in 2022), and accounting for our holdings in Founded Entities for which control has been lost, which primarily represents: the activity associated with deconsolidating an entity when we no longer control the entity (e.g. Vedanta in 2023 and Sonde in 2022), the gain or loss on our investments accounted for at fair value (e.g. our ownership stakes in Karuna, Vor and Akili) and our net income or loss of associates accounted for using the equity method.

In January 2024, the Group launched two new Founded Entities (Seaport Therapeutics and Gallop Oncology) to advance certain programs from the Wholly-Owned Programs. Seaport Therapeutics will advance certain central nervous system programs and relevant Glyph intellectual property. Gallop Oncology will advance LYT-200 and other galectin-9 intellectual property. The financial results of these programs were included in the Wholly-Owned Programs segment in the footnotes to the Consolidated Financial Statements as of December 31, 2023 and 2022, and for the three years ended December 31, 2023, 2022 and 2021, respectively. Upon raising dilutive third-party financing, the financial results of these two entities will be included in the Controlled Founded Entities segment to the extent that the Group maintains control over these entities.

The table below summarizes the entities that comprised each of our segments as of December 31, 2023:

| **Wholly-Owned Programs Segment** | Ownership Percentage |
|---|---|
| PureTech LYT | 100.0% |
| PureTech LYT-100, Inc. | 100.0% |
| Alivio Therapeutics, Inc. | 100.0% |
| **Controlled Founded Entities Segment** | |
| Entrega, Inc. | 77.3% |
| **Parent Company and Other**[3] | |
| Follica, LLC | 85.4% |
| Gelesis, Inc. | -% |
| Sonde Health, Inc.[1] | 40.2% |
| Vedanta Biosciences, Inc.[2] | 47.0% |
| PureTech Health plc | 100.0% |
| PureTech Health LLC | 100.0% |
| PureTech Securities Corporation | 100.0% |
| PureTech Securities II Corporation | 100.0% |
| PureTech Management, Inc. | 100.0% |

1 Sonde Health, Inc was deconsolidated on May 25, 2022.

2 Vedanta Biosciences, Inc. was deconsolidated on March 1, 2023.

3 Includes dormant, inactive and shell entities as well as Founded Entities that were deconsolidated prior to 2023.

**Components of Our Results of Operations**

Revenue

To date, we have not generated any meaningful revenue from product sales and we do not expect to generate any meaningful revenue from product sales in the near future. We derive our revenue from the following:

*Contract revenue*

We generate revenue primarily from licenses, services and collaboration agreements, including amounts that are recognized related to upfront payments, milestone payments, royalties and amounts due to us for research and development services. In the future, revenue may include additional milestone payments and royalties on any net product sales under our licensing agreements. We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of license, research and development services and milestone and other payments.

*Grant Revenue*

Grant revenue

Grant revenue is derived from grant awards we receive from governmental agencies and non-profit organizations for certain qualified research and development expenses. We recognize grants from governmental agencies and non-profit organizations as grant revenue in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that we will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. We evaluate the conditions of each grant as of each reporting date to ensure that we have reasonable assurance of meeting the conditions of each grant arrangement, and it is expected that the grant payment will be received as a result of meeting the necessary conditions.

Operating Expenses

*Research and Development Expenses*

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our wholly-owned and our Controlled Founded Entities' therapeutic candidates, which include:

- employee-related expenses, including salaries, related benefits and equity-based compensation;
- expenses incurred in connection with the preclinical and clinical development of our wholly-owned and our Founded Entities' therapeutic candidates, including our agreements with contract research organizations;
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs.

We expense all research costs in the periods in which they are incurred and development costs are capitalized only if certain criteria are met. For the periods presented, we have not capitalized any development costs since we have not met the necessary criteria required for capitalization.

Research and development activities are central to our business model. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future related to our Wholly-Owned Programs and our existing, newly established and future Founded Entities. The successful development of our wholly-owned and our Founded Entities' therapeutic candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these therapeutic candidates through our funding or in conjunction with our external partners. We are also unable to predict when, if ever, material net cash inflows will commence from our wholly-owned or our Founded Entities' therapeutic candidates. This is due to the numerous risks and uncertainties associated with developing therapeutics, including the uncertainty of:

- progressing research and development of our Wholly-Owned Programs and Founded Entities and continuing to progress our various technology platforms and other potential therapeutic candidates based on previous human efficacy and clinically validated biology within our Wholly-Owned Programs and Founded Entities;
- establishing an appropriate safety profile with investigational new drug application;
- the success of our Founded Entities and their need for additional capital;
- identifying new therapeutic candidates to add to our Wholly-Owned Programs or Founded Entities;
- successful enrollment in, and the initiation and completion of, clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- addressing any competing technological and market developments, as well as any changes in governmental regulations;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how, as well as obtaining and maintaining regulatory exclusivity for our wholly-owned and our Founded Entities' therapeutic candidates;
- continued acceptable safety profile of our therapeutics, if any, following approval; and

- attracting, hiring and retaining qualified personnel.

A change in the outcome of any of these variables with respect to the development of a therapeutic candidate could mean a significant change in the costs and timing associated with the development of that therapeutic candidate. For example, the FDA, the EMA, or another comparable foreign regulatory authority may require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a therapeutic candidate, or we may experience significant trial delays due to patient enrollment or other reasons, in which case we would be required to expend significant additional financial resources and time on the completion of clinical development. In addition, we may obtain unexpected results from our clinical trials, and we may elect to discontinue, delay or modify clinical trials of some therapeutic candidates or focus on others. Identifying potential therapeutic candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our wholly-owned and our Founded Entities' therapeutic candidates, if approved, may not achieve commercial success.

*General and Administrative Expenses*

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses also include professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we support our increased number of consolidated Founded Entities, continued research and development to support our Wholly-Owned Programs and our technology platforms, as well as potential commercialization of our Controlled Founded Entities' portfolio of therapeutic candidates.

Total Other Income/(Expense)

*Gain on Deconsolidation of Subsidiary*

Upon losing control over a subsidiary, the assets and liabilities are derecognized along with any related non-controlling interest ("NCI"). Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognized as profit or loss in the Consolidated Statement of Comprehensive Income/(Loss).

*Gain/(Loss) on Investments Held at Fair Value*

Investments held at fair value include both unlisted and listed securities held by us, which include investments in Akili, Karuna, Vor, Vedanta and Sonde and other insignificant investments. We account for investments in convertible preferred shares in accordance with IFRS 9 as investments held at fair value when the preferred shares do not provide their holders with access to returns associated with a residual equity interest. Under IFRS 9, the preferred share investments are categorized as debt instruments that are presented at fair value through profit and loss because the amounts receivable do not represent solely payments of principal and interest.

*Realized Gain/(Loss) on Sale of Investments*

Realized gain/(loss) on sale of investments held at fair value relates to realized differences in the per share disposal price of a listed security as compared to the per share exchange quoted price at the time of disposal. The realized loss in 2021 is attributable to a block sale discount, due to a variety of market factors, primarily the number of shares being transacted was significantly larger than the daily trading volume of the security. The realized loss in 2022 is attributable to the settlement of call options written by the Group on Karuna stock. The amount in 2023 is not significant.

*Gain/(Loss) on Investments in Notes from Associates*

Gain/(loss) on investments in notes from associates relates to our investment in the notes from Gelesis and Vedanta. We account for these notes in accordance with IFRS 9 as investments held at fair value, with changes in fair value recognized through the Consolidated Statement of Comprehensive Income/(Loss). The amount in 2023 is primarily attributable to a decrease in the fair value of our notes from Gelesis. On October 30, 2023, Gelesis ceased operations and filed a voluntary petition for relief under the United States bankruptcy code.

*Other Income (Expense)*

Other income (expense) consists primarily of gains and losses on financial instruments. In 2022, it relates primarily to the Backstop agreement with Gelesis.

Finance Income/(Costs)

Finance costs consist of loan interest expense, interest expense due to accretion of and adjustment to the

sale of future royalties liability as well as the changes in the fair value of certain liabilities associated with financing transactions, mainly preferred share liabilities in respect of preferred shares issued by our non-wholly owned subsidiaries to third parties. Finance income consists of interest income on funds invested in money market funds and U.S. treasuries.

Share of Net Income (Loss) of Associates Accounted for Using the Equity Method, Gain on Dilution of Ownership Interest and Impairment of Investment in Associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation, they are initially recorded at fair value at the date of deconsolidation. The Consolidated Financial Statements include our share of the total comprehensive income/(loss) of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the share of losses exceeds the net investment in the investee, including the investment considered long-term interests, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee.

We compare the recoverable amount of the investment to its carrying amount on a go-forward basis and determine the need for impairment.

When our share in the equity of the investee changes as a result of equity transactions in the investee (related to financing events of the investee), we calculate a gain or loss on such change in ownership and related share in the investee's equity. During the year ended December 31, 2022, we recorded a gain on dilution of our ownership interest in Gelesis.

In 2023, we recorded our share of the net loss of Gelesis which reduced the carrying amount of our investment to zero. On October 30, 2023, Gelesis ceased operations and our significant influence in Gelesis ceased.

Income Tax

The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are not recorded if we do not assess their realization as probable. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our financial statements in the period that includes the substantive enactment date or the change in tax status.

**Results of Operations**

The following table, which has been derived from our audited financial statements for the years ended December 31, 2023, 2022 and 2021, included herein, summarizes our results of operations for the periods indicated, together with the changes in those items:

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| (in thousands) | **2023** | 2022 | 2021 | Change (2022 to 2023) | Change (2021 to 2022) |
| Contract revenue | **$750** | $2,090 | $9,979 | $(1,340) | $(7,889) |
| Grant revenue | **2,580** | 13,528 | 7,409 | (10,948) | 6,119 |
| **Total revenue** | **3,330** | 15,618 | 17,388 | (12,288) | (1,770) |
| Operating expenses: | | | | | |
| General and administrative expenses | **(53,295)** | (60,991) | (57,199) | 7,696 | (3,792) |
| Research and development expenses | **(96,235)** | (152,433) | (110,471) | 56,199 | (41,962) |
| **Operating income/(loss)** | **(146,199)** | (197,807) | (150,282) | 51,607 | (47,524) |
| Other income/(expense): | | | | | |
| Gain/(loss) on deconsolidation of subsidiary | **61,787** | 27,251 | - | 34,536 | 27,251 |
| Gain/(loss) on investments held at fair value | **77,945** | (32,060) | 179,316 | 110,006 | (211,377) |
| Realized gain/(loss) on sale of investments | **(122)** | (29,303) | (20,925) | 29,180 | (8,378) |
| Gain/(loss) on investments in notes from associates | **(27,630)** | - | - | (27,630) | - |
| Other income/(expense) | **(908)** | 8,131 | 1,592 | (9,038) | 6,539 |
| **Other income/(expense)** | **111,072** | (25,981) | 159,983 | 137,053 | (185,965) |
| **Net finance income/(costs)** | **5,078** | 138,924 | 5,050 | (133,846) | 133,875 |
| Share of net income/(loss) of associates accounted for using the equity method | **(6,055)** | (27,749) | (73,703) | 21,695 | 45,954 |
| Gain/(loss) on dilution of ownership interest in associate | - | 28,220 | - | (28,220) | 28,220 |
| Impairment of investment in associates | - | (8,390) | - | 8,390 | (8,390) |

| | | | | | |
|---|---|---|---|---|---|
| **Income/(loss) before income taxes** | **(36,103)** | (92,783) | (58,953) | 56,680 | (33,830) |
| Taxation | **(30,525)** | 55,719 | (3,756) | (86,243) | 59,475 |
| **Net income/(loss) including non-controlling interest** | **(66,628)** | (37,065) | (62,709) | (29,563) | 25,644 |
| **Net income/(loss) for the year attributable to the Owners of the Group** | **$(65,697)** | $(50,354) | $(60,558) | $(15,342) | $10,204 |

**Comparison of the Years Ended December 31, 2023 and 2022**

Total Revenue

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | **2023** | 2022 | Change |
| Contract Revenue: | | | |
| Controlled Founded Entities | **$750** | $1,500 | $(750) |
| Parent Company and Other | **-** | 590 | (590) |
| **Total Contract Revenue** | **750** | 2,090 | (1,340) |
| Grant Revenue: | | | |
| Wholly-Owned Programs | **853** | 2,826 | (1,973) |
| Parent Company and Other | **1,727** | 10,702 | (8,975) |
| **Total Grant Revenue** | **2,580** | 13,528 | (10,948) |
| **Total Revenue** | **$3,330** | $15,618 | $(12,288) |

Our total revenue was $3.3 million for the year ended December 31, 2023, a decrease of $12.3 million, or 79 percent compared to the year ended December 31, 2022. The decrease was primarily attributable to a decrease of $10.9 million in grant revenue, mainly as a result of inclusion of Vedanta's activities only for a part of the year through its deconsolidation in March 2023, and a decrease of $2.0 million as a result of decreased grant-related activities. The decrease was also attributed to a decrease of $1.3 million in contract revenue due to the conclusion of certain collaboration agreements, as well as a decrease of $0.6 million due primarily to the discontinuation of royalty revenue from Gelesis as Gelesis ceased operations in October 2023.

Research and Development Expenses

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | **2023** | 2022 | Change |
| Research and Development Expenses: | | | |
| Wholly-Owned Programs | **$(89,495)** | $(116,054) | $(26,559) |
| Controlled Founded Entities | **(672)** | (1,051) | (379) |
| Parent Company and Other | **(6,068)** | (35,328) | (29,260) |
| **Total Research and Development Expenses:** | **$(96,235)** | $(152,433) | $(56,199) |

Our research and development expenses were $96.2 million for the year ended December 31, 2023, a decrease of $56.2 million, or 37 percent compared to the year ended December 31, 2022. The change was primarily attributable to a decrease of $26.6 million in research and development expenses incurred by the Wholly-Owned Programs, out of which $13.1 million is due to prioritization of research and development projects, whereby the Group elected to focus on programs where it believes it has the highest probability of success and reduced efforts in research and clinical stage projects where such probability of success is lower. The program prioritization and reduction in the research activities further resulted in a decrease of $6.3 million in payroll and headcount related costs, and $1.3 million of impairment cost of fixed assets related to write down of lab equipment that was previously used by the research team. In addition, there was a decrease of $12.4 million, mainly in contract manufacturing expenses in the year ended December 31, 2023, as compared to the year ended December 31, 2022, due to the ramp up of clinical manufacturing efforts in the year ended December 31, 2022, in preparation of the start of new clinical studies. These decreases in research and development expenses were partially offset with increases of $4.7 million in consulting fee and outside services. The decrease in research and development expenses was also attributable to a decrease of $29.3 million in the Parent Company and Other as a result of inclusion of Vedanta's activities only for a part of the year 2023 through its deconsolidation in March 2023, as compared with inclusion of the results for the full year in the year ended December 31, 2022.

General and Administrative Expenses

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | **2023** | 2022 | Change |
| General and Administrative Expenses: | | | |
| Wholly-Owned Programs | **$(14,020)** | $(8,301) | $5,720 |
| Controlled Founded Entities | **(562)** | (419) | 143 |
| Parent Company and Other | **(38,713)** | (52,272) | (13,559) |
| **Total General and Administrative Expenses** | **$(53,295)** | $(60,991) | $(7,696) |

Our general and administrative expenses were $53.3 million for the year ended December 31, 2023, a decrease of $7.7 million, or 13 percent compared to the year ended December 31, 2022. The change was attributable to a decrease of $13.6 million in Parent Company and Other offset by increases of $5.7 million, and $0.1 million in the Wholly-Owned Programs segment and the Controlled Founded Entities segment,

respectively. The decrease in the Parent Company and Other in 2023 was primarily attributable to the inclusion of Vedanta's activities only for a part of the year 2023 through its deconsolidation in March 2023, as compared with inclusion of the results for the full year in the year ended December 31, 2022, partially offset with an increase in consulting fees related to project evaluation and employee compensation costs. The increases in the Wholly-Owned Programs segment and the Controlled Founded Entities segments were primarily driven by increases, in management fees, charged by the Parent Company during the year ended December 31, 2023 as compared to the year ended December 31, 2022.

Total Other Income/(Expense)

Total other income was $111.1 million for the year ended December 31, 2023 compared to a loss of $26.0 million for the year ended December 31, 2022, reflecting a change of $137.1 million, or 528%. The increase in other income was primarily attributable to the following:

- a gain from investments held at fair value of $77.9 million primarily attributed to an increase in fair value of Karuna shares for the year ended December 31, 2023, compared to a loss of $32.1 million for the year ended December 31, 2022, reflecting an increase in other income of $110.0 million.
- a gain from deconsolidation of Vedanta of $61.8 million for the year ended December 31, 2023, compared to a gain from deconsolidation of Sonde of $27.3 million for the year ended December 31, 2022, reflecting an increase in other income of $34.5 million.
- a decrease of $29.2 million in realized loss from the sale of investments.

These increases in total other income were partially offset by a loss from investments in notes from associates of $27.6 million primarily due to Gelesis ceasing operations in October 2023, for the year ended December 31, 2023, while no such loss occurred during the year ended December 31, 2022, as well as a decrease in other income of $9.0 million due to a gain of $7.6 million in respect of the Gelesis back-stop agreement recorded during the year ended December 31, 2022.

Net Finance Income/(Costs)

Net finance income was $5.1 million for the year ended December 31, 2023, compared to net finance income of $138.9 million for the year ended December 31, 2022, reflecting a decrease of $133.8 million or 96 percent in net finance Income. The decrease was primarily attributable to the net change in fair value of subsidiaries' financial instrument liabilities: during the year ended December 31, 2023, net change in fair value of subsidiaries' preferred shares, warrant and convertible note liabilities was an income of $2.6 million, while for the year ended December 31, 2022, such change was an income of $137.1 million, primarily related to change in fair value of Vedanta preferred share liabilities, leading to decrease in income of $134.4 million. In addition, the decrease in net finance income is attributable to non-cash interest expenses in the amount of $10.2 million recorded on the sale of future royalties liability, during the year ended December 31, 2023, with no such corresponding expense, or liability, in the year ended December 31, 2022. This decrease in net finance income was partially offset by an increase in interest income in the amount of $10.2 million due to higher interest rates and yields earned on financial assets and a decrease of $0.5 million in contractual interest expense during the year ended December 31, 2023, as compared to the year ended December 31, 2022.

Share of Net Income/(loss) of Associates Accounted for Using the Equity Method

For the year ended December 31, 2023, the share in net loss of associates reported under the equity method was $6.1 million as compared to the share in net loss of associates of $27.7 million for the year ended December 31, 2022, resulting in a net decrease in loss of $21.7 million. The decrease was primarily attributable to a decrease in Gelesis losses incurred in the year ended December 31, 2023, due to the reduction in the carrying value of our investment to zero.

Gain/(Loss) on Dilution of Ownership Interest in Associates and Impairment of Investment in Associates

During the year ended December 31, 2022, the Group recorded a gain on dilution of its equity ownership interest in Gelesis of $28.2 million as a result of the completion of the merger with CapStar on January 13, 2022. In addition, during the year ended December 31, 2022, the Group recorded an impairment loss of $8.4 million in respect of its investment in Gelesis. No such gains or impairment was incurred in the year ended December 31, 2023.

Taxation

Income tax expense was an expense of $30.5 million for the year ended December 31, 2023, as compared to a benefit of $55.7 million for the year ended December 31, 2022, reflecting an increase in income tax expense of $86.2 million. The increase in the income tax expense in the year ended December 31, 2023, was primarily attributable to lower pre-tax loss in the tax consolidated U.S. group, the tax in respect of the sale of future royalties to Royalty Pharma and the impact of derecognizing previously recognized deferred tax assets that are no longer expected to be utilized. For the year ended December 31, 2022, the Group recorded an income

tax benefit, primarily attributable to the increase in gains that are non-taxable. For a full reconciliation from the statutory tax rate to the effective tax rate, see Note 27. Taxation to our Consolidated Financial Statements.

**Comparison of the Years Ended December 31, 2022 and 2021**

For the comparison of 2022 to 2021, refer to Part I, Item 5 "Operating and Financial Review and Prospects" of our Annual Report on Form 20-F for the year ended December 31, 2022.

**Material Accounting Policies and Significant Judgments and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRSs"). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board ("IASB"). In the preparation of these financial statements, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions or conditions.

Our estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

While our significant accounting policies are described in more detail in the notes to our Consolidated Financial Statements appearing at the end of this report, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements. See Note 1. Material Accounting Policies to our Consolidated Financial Statements for a further detailed description of our significant accounting policies.

Financial instruments

We account for our financial instruments according to IFRS 9. In accordance with IFRS 9, we carry certain financial assets and financial liabilities at fair value, with changes in fair value through profit and loss ("FVTPL"). Valuation of these financial instruments includes determining the appropriate valuation methodology and making certain estimates such as the future expected returns on the financial instrument in different scenarios, appropriate discount rate, volatility, and term to exit.

In accordance with IFRS 9, when issuing preferred shares in our subsidiaries, we determine the classification of financial instruments in terms of liability or equity. Such determination involves judgement. These judgements include an assessment of whether the financial instruments include any embedded derivative features, whether they include contractual obligations upon us to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party at any point in the future prior to liquidation, and whether that obligation will be settled by exchanging a fixed amount of cash or other financial assets for a fixed number of the Group's equity instruments.

Consolidation

The Consolidated Financial Statements include the financial statements of the Group and the entities it controls. Based on the applicable accounting rules, we control an investee when we are exposed, or have rights, to variable returns from our involvement with the investee and have the ability to affect those returns through our power over the investee. Therefore an assessment is required to determine whether we have (i) power over the investee; (ii) exposure, or rights, to variable returns from our involvement with the investee; and (iii) the ability to use our power over the investee to affect the amount of our returns. Judgement is required to perform such assessment and it requires that we consider, among others, activities that most significantly affect the returns of the investee, our voting shares, representation on the board, rights to appoint board members and management, shareholders agreements, de facto power and other contributing factors.

Sale of Future Royalties Liability

We account for the sale of future royalties liability as a financial liability, as we continue to hold the rights under the royalty bearing licensing agreement and have a contractual obligation to deliver cash to an investor for a portion of the royalty we receive. Interest on the sale of future royalties liability is recognized using the effective interest rate over the life of the related royalty stream.

The sale of future royalties liability and the related interest expense are based on our current estimates of future royalties expected to be paid over the life of the arrangement. Forecasts are updated periodically as new data is obtained. Any increases, decreases or a shift in timing of estimated cash flows require us to re-calculate the amortized cost of the sale of future royalties liability as the present value of the estimated future contractual cash flows that are discounted at the liability's original effective interest rate. The

adjustment is recognized immediately in profit or loss as income or expense.

In determining the appropriate accounting treatment for the Royalty Purchase Agreement, management applied significant judgement.

Investment in Associates

When we do not control an investee but maintain significant influence over the financial and operating policies of the investee, the investee is an associate. Significant influence is presumed to exist when we hold 20 percent or more of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. We evaluate if we maintain significant influence over associates by assessing if we have the power to participate in the financial and operating policy decisions of the associate.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation, they are initially recorded at fair value at the date of deconsolidation. The Consolidated Financial Statements include our share of the total comprehensive income or loss of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When our share of losses exceeds the net investment in an equity accounted investee, including investments considered to be long-term interests ("LTI"), the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee. To the extent we hold interests in associates that are not providing access to returns underlying ownership interests, the instrument held by us is accounted for in accordance with IFRS 9.

Judgement is required in order to determine whether we have significant influence over financial and operating policies of investees. This judgement includes, among others, an assessment whether we have representation on the board of the investee, whether we participate in the policy-making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee, and if there are any transactions between us and the investee.

Judgement is also required to determine which instruments we hold in the investee form part of the investment in associates, which is accounted for under IAS 28 and scoped out of IFRS 9, and which instruments are separate financial instruments that fall under the scope of IFRS 9. This judgement includes an assessment of the characteristics of the financial instrument of the investee held by us and whether such financial instrument provides access to returns underlying an ownership interest.

Where the Group has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute long-term interests for the purposes of IAS 28. This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments.

**Recent Accounting Pronouncements**

For information on recent accounting pronouncements, see Note 2. New Standards and Interpretations to our Consolidated Financial Statements.

**Cash Flow and Liquidity**

Our cash flows may fluctuate and are difficult to forecast and will depend on many factors, including:

- the expenses incurred in the development of wholly-owned and Controlled Founded Entities' therapeutic candidates;
- the revenue, if any, generated by wholly-owned and Controlled-Founded Entities' therapeutic candidates;
- the revenue, if any, generated from licensing and royalty agreements with Founded Entities;
- the financing requirements of the Wholly-Owned Programs and our Founded Entities; and
- the investing activities including the monetization, through sale, of shares held in our public Founded Entities.

As of December 31, 2023, we had cash and cash equivalents of $191.1 million and short-term investments of $136.1 million. As of December 31, 2023, we had PureTech Level cash, cash equivalents and short-term investments of $326.0 million. PureTech Level cash, cash equivalents and short-term investments is a non-IFRS measure (for a definition of PureTech Level cash, cash equivalents and short-term investments and a reconciliation with the IFRS number, see the section Measuring Performance earlier in this Financial Review). In March 2024, we received total proceeds of $292.7 million before income tax in exchange for our holding of 886,885 shares of Karuna common stock as a result of the completion of Karuna acquisition by Bristol Myers Squibb ("BMS").

Cash Flows

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | **2023** | 2022 | 2021 |
| Net cash used in operating activities | **$(105,917)** | $(178,792) | $(158,274) |
| Net cash provided by (used in) investing activities | **68,991** | (107,223) | 197,375 |
| Net cash provided by (used in) financing activities | **78,141** | (29,827) | 22,727 |
| **Net increase (decrease) in cash and cash equivalents** | **$41,215** | $(315,842) | $61,827 |

*Operating Activities*

Net cash used in operating activities was $105.9 million for the year ended December 31, 2023, as compared to $178.8 million for the year ended December 31, 2022, resulting in a decrease of $72.9 million in net cash used in operating activities. The decrease in outflows is primarily attributable to our lower operating loss mainly due to a decrease in research and development activities in the Wholly-Owned Programs and Controlled Founded Entities and a decrease of operating cash flows as a result of the deconsolidation of Vedanta on March 1, 2023.

Net cash used in operating activities was $178.8 million for the year ended December 31, 2022, as compared to $158.3 million for the year ended December 31, 2021, resulting in an increase of $20.5 million in net cash used in operating activities. The increase in outflows is primarily attributable to our higher operating loss mainly due to an increase in research and development activities in the Wholly-Owned Programs segment, partially offset by the timing of receipts and payments in the normal course of business.

*Investing Activities*

Net cash provided by investing activities was $69.0 million for the year ended December 31, 2023, as compared to net cash outflow of $107.2 million for the year ended December 31, 2022, resulting in an increase of $176.2 million in net cash from investing activities. The increase in net cash from investing activities was primarily attributable to increased cash inflow from short-term investment activities (redemptions, net of purchases) amounting to $264.4 million, partially offset by a reduction in proceeds from the sale of investments held at fair value of $85.4 million.

Net cash used in investing activities was $107.2 million for the year ended December 31, 2022, as compared to cash inflows of $197,375 for the year ended December 31, 2021, resulting in a decrease of $304.6 million in net cash resulting from investing activities. The decrease in the net cash resulting from investing activities was primarily attributed to a decrease in proceeds from the sale of investments held at fair value of $99.4 million and to the purchase of short-term investments, net of redemptions amounted to $198.7 million for the year ended December 31, 2022.

*Financing Activities*

Net cash provided by financing activities was $78.1 million for the year ended December 31, 2023, as compared to net cash used in financing activities of $29.8 million for the year ended December 31, 2022, resulting in an increase of $108.0 million in the net cash provided by financing activities. The increase in the net cash provided by financing activities was primarily attributable to the receipts of $100.0 million upfront payment from Royalty Pharma upon execution of Royalty Purchase Agreement in March 2023, and a $6.8 million decrease in treasury stock purchase in 2023 as compared to 2022.

Net cash used in financing activities was $29.8 million for the year ended December 31, 2022, as compared to net cash provided by financing activities of $22.7 million for the year ended December 31, 2021, resulting in a decrease of $52.6 million in the net cash resulting from financing activities. The decrease in the net cash resulting from financing activities was primarily attributable to the fact that in the year ended December 31, 2021, there was an issuance of subsidiary preferred shares of $37.6 million while for the year ended December 31, 2022, there was no such issuance, and due to the treasury share purchases of $26.5 million for the year ended December 31, 2022 while there were no such purchases for the year ended December 31, 2021. This decrease was partially offset by the fact that during the year ended December 31, 2021, there were payments to settle stock based awards of $13.3 million, while for the year ended December 31, 2022, there were no such payments made.

Funding Requirements

We have incurred operating losses since inception. Based on our current plans, we believe our existing financial assets as of December 31, 2023, will be sufficient to fund our operations and capital expenditure requirements into at least 2027. We expect to incur substantial additional expenditures in the near term to support our ongoing and future activities. We anticipate to continue to incur net operating losses for the foreseeable future to support our existing Founded Entities and newly launched Founded Entities (Seaport Therapeutics and Gallop Oncology), and our strategy around creating and supporting other Founded Entities, should they require it, to reach significant development milestones over the period of the assessment in conjunction with our external partners. We also expect to incur significant costs to advance our Wholly-

Owned Programs, to continue research and development efforts, to discover and progress new therapeutic candidates and to fund the Group's operating costs into at least 2027. Our ability to fund our therapeutic development and clinical operations as well as ability to fund our existing, newly founded and future Founded Entities, will depend on the amount and timing of cash received from planned financings, monetization of shares of public Founded Entities and potential business development activities. Our future capital requirements will depend on many factors, including:

- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our wholly-owned therapeutic candidates;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property related claims;
- the emergence of competing technologies and products and other adverse marketing developments;
- the effect on our therapeutic and product development activities of actions taken by the U.S. Food and Drug Administration ("FDA"), the European Medicines Agency ("EMA") or other regulatory authorities;
- the number and types of future therapeutics we develop and support with the goal of commercialization;
- The costs, timing and outcomes of identifying, evaluating, and investing in technologies and drug candidates to develop as Wholly-Owned Programs or as Founded Entities; and
- the success of our Founded Entities and their need for additional capital.

A change in the outcome of any of these or other variables with respect to the development of any of our wholly-owned therapeutic candidates could significantly change the costs and timing associated with the development of that therapeutic candidate.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. We currently have no credit facility or other committed sources of capital beyond our existing financial assets. Because of the numerous risks and uncertainties associated with the development and commercialization of our wholly-owned therapeutic candidates, we have only a general estimate of the amounts of increased capital outlays and operating expenditures associated with our current and anticipated therapeutic development programs and these may change in the future.

**Financial Position**

Summary Financial Position

| | As of December 31, | | |
|---|---|---|---|
| (in thousands) | **2023** | 2022 | Change |
| Investments held at fair value | **$317,841** | $251,892 | $65,949 |
| Other non-current assets | **28,930** | 64,562 | (35,632) |
| **Non-current assets** | **346,771** | 316,454 | 30,317 |
| Cash and cash equivalents, and short-term investments | **327,143** | 350,095 | (22,952) |
| Other current assets | **20,059** | 36,097 | (16,039) |
| **Current assets** | **347,201** | 386,192 | (38,991) |
| **Total assets** | **693,973** | 702,647 | (8,674) |
| Lease liability | **18,250** | 24,155 | (5,906) |
| Deferred tax liability | **52,462** | 19,645 | 32,817 |
| Sale of future royalties liability | **110,159** | - | 110,159 |
| Other non-current liabilities | **3,501** | 14,372 | (10,871) |
| **Non-current liabilities** | **184,371** | 58,172 | 126,199 |
| Trade and other payables | **44,107** | 54,840 | (10,733) |
| Notes payable | **3,699** | 2,345 | 1,354 |
| Preferred shares | **169** | 27,339 | (27,170) |
| Other current liabilities | **3,394** | 12,361 | (8,967) |
| **Current liabilities** | **51,370** | 96,885 | (45,516) |
| **Total liabilities** | **235,741** | 155,057 | 80,684 |
| **Net assets** | **458,232** | 547,589 | (89,358) |
| **Total equity** | **$458,232** | $547,589 | $(89,358) |

Investments Held at Fair Value

Investments held at fair value increased by $65.9 million to $317.8 million as of December 31, 2023. As of December 31, 2023, Investments held at fair value consist primarily of our common share investment in Karuna, Vor and Akili (Akili was in the form of preferred shares until August 2022) and our preferred share investment in Sonde (from May 2022) and Vedanta (from March 2023). The increase is primarily attributed to an increase of $73.5 million in the value of Karuna shares as well as the Group recognizing its investment in the convertible preferred shares of Vedanta in the amount of $20.5 million subsequent to Vedanta being deconsolidated from the Group's financial statements, partially offset by decreases in fair value of various

investments.

Cash, Cash Equivalents, and Short-Term Investments

Consolidated cash, cash equivalents and short-term investments decreased by $23.0 million to $327.1 million as of December 31, 2023. The decrease is primarily attributed to net cash used in operating activities of $105.9 million, purchase of treasury stock of $19.6 million, purchase of convertible note from associate of $16.9 million, and cash derecognized upon loss of control over Vedanta of $13.8 million, partially offset by proceeds of $33.3 million from sale of Karuna shares during the year ended December 31, 2023, and receipts of $100.0 million upfront payment from Royalty Pharma upon execution of Royalty Purchase Agreement in March 2023.

Non-Current Liabilities

Non-current liabilities increased by $126.2 million to $184.4 million as of December 31, 2023. The increase was driven by the Group receiving a $100.0 million non-refundable initial payment at the execution of the Royalty Purchase Agreement with Royalty Pharma, which is accounted for as a non-current sale of future royalties liability, as well as the accretion of non-cash interest expense on the sale of future royalties liability, and a $32.8 million increase in our deferred tax liabilities, partially offset by a $10.2 million decrease in long-term loan due to Vedanta being deconsolidated in 2023.

Trade and Other Payables

Trade and other payables decreased by $10.7 million to $44.1 million as of December 31, 2023. The decrease reflected primarily the deconsolidation of Vedanta and the timing of payments as of December 31, 2023.

Preferred Shares

Preferred share liability in subsidiaries decreased by $27.2 million as of December 31, 2023. The decrease in the preferred share liability primarily relates to a decrease of $24.6 million due to the deconsolidation of Vedanta during the year ended December 31, 2023.

**Quantitative and Qualitative Disclosures about Financial Risks**

Interest Rate Sensitivity

As of December 31, 2023, we had cash and cash equivalents of $191.1 million and short-term investments of $136.1 million, while we had PureTech Level cash, cash equivalents and short-term investments of $326.0 million. PureTech Level cash, cash equivalents and short-term investments is a non-IFRS measure (for a definition of PureTech Level cash, cash equivalents and short-term investments and a reconciliation with the IFRS number, see the section Measuring Performance earlier in this Financial review). Our exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. We have not entered into investments for trading or speculative purposes. Due to the conservative nature of our investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and related money market accounts, we do not believe a change in interest rates would have a material effect on the fair market value of our portfolio, and therefore, we do not expect our operating results or cash flows to be significantly affected by changes in market interest rates.

Foreign Currency Exchange Risk

We maintain our consolidated financial statements in our functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods.

Controlled Founded Entity Investments

We maintain investments in certain Controlled Founded Entities. Our investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. We are exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. The liability of preferred shares is maintained at fair value through profit and loss. We view our exposure to third-party preferred share liability as low as of December 31, 2023 as the liability is not significant. Please refer to Note 16. Subsidiary Preferred Shares to our Consolidated Financial Statements for further information regarding our exposure to Controlled Founded Entity investments.

Deconsolidated Founded Entity Investments

We maintain certain debt or equity holdings in Founded Entities which have been deconsolidated. These holdings are deemed either as investments carried at fair value under IFRS 9 with changes in fair value recorded through profit and loss or as associates accounted for under IAS 28 using the equity method. Our exposure to investments held at fair value and investments in notes from associates was $217.8 million and

exposure to investments held at fair value and investments in notes from associates was $317.8 million and $4.6 million, respectively, as of December 31, 2023, and we may or may not be able to realize the value in the future. Accordingly, we view the risk as high. Our exposure to investments in associates is limited to the carrying amount of the investment. We are not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of December 31, 2023, Sonde was the only associate, and the carrying amount of the investments in Sonde accounted for under the equity method was $3.2 million. Accordingly, we do not view this risk as high.

Equity Price Risk

As of December 31, 2023, we held 886,885 common shares of Karuna, 2,671,800 common shares of Vor, and 12,527,477 common shares of Akili. The fair value of our investments in the common shares of Karuna, Vor and Akili was $280.7 million, $6.0 million, and $6.1 million, respectively.

The investments in Karuna, Vor and Akili are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna, Vor and Akili common shares as of December 31, 2023, would cause a loss of $29.3 million to be recognized as a component of other income (expense) in our Consolidated Statement of Comprehensive Income/(Loss). However, we view exposure to equity price risk as low due to the definitive merger agreement Karuna entered into with Bristol Myers Squibb ("BMS") in December 2023 under which Karuna common shares were acquired by BMS for $330 per share in March 2024. See Note 28. Subsequent Events.

Liquidity Risk

We do not believe we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. While we believe our cash and cash equivalents and short-term investments do not contain excessive risk, we cannot provide absolute assurance that in the future, our investments will not be subject to adverse changes or decline in value based on market conditions.

Credit Risk

We maintain an investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity and meet operating needs. Although our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. We do not own derivative financial instruments. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments.

Credit risk is also the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We are potentially subject to concentrations of credit risk in accounts receivable. Concentrations of credit risk with respect to receivables is owed to the limited number of companies comprising our receivable base. However, our exposure to credit losses is currently low due to relatively low receivable balance, a small number of counterparties and the high credit quality or healthy financial conditions of these counterparties.

**Foreign Private Issuer Status**

Owing to our U.S. listing on the Nasdaq Global Market, we report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. As long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

## Consolidated Statement of Comprehensive Income/(Loss)

**For the years ended December 31**

| | Note | **2023 $000s** | 2022 $000s | 2021 $000s |
|---|---|---|---|---|
| Contract revenue | 3 | **750** | 2,090 | 9,979 |
| Grant revenue | 3 | **2,580** | 13,528 | 7,409 |

| | | | | |
|---|---|---|---|---|
| **Total revenue** | | **3,330** | 15,618 | 17,388 |
| Operating expenses: | | | | |
| General and administrative expenses | 8 | **(53,295)** | (60,991) | (57,199) |
| Research and development expenses | 8 | **(96,235)** | (152,433) | (110,471) |
| **Operating income/(loss)** | | **(146,199)** | (197,807) | (150,282) |
| Other income/(expense): | | | | |
| Gain/(loss) on deconsolidation of subsidiary | 5 | **61,787** | 27,251 | - |
| Gain/(loss) on investments held at fair value | 5 | **77,945** | (32,060) | 179,316 |
| Realized gain/(loss) on sale of investments | 5 | **(122)** | (29,303) | (20,925) |
| Gain/(loss) on investments in notes from associates | 7 | **(27,630)** | - | - |
| Other income/(expense) | | **(908)** | 8,131 | 1,592 |
| **Other income/(expense)** | | **111,072** | (25,981) | 159,983 |
| Finance income/(costs): | | | | |
| Finance income | 10 | **16,012** | 5,799 | 214 |
| Finance costs - contractual | 10 | **(3,424)** | (3,939) | (4,771) |
| Finance income/(costs) - fair value accounting | 10 | **2,650** | 137,063 | 9,606 |
| Finance costs - non cash interest expense related to sale of future royalties | 17 | **(10,159)** | - | - |
| **Net finance income/(costs)** | | **5,078** | 138,924 | 5,050 |
| Share of net income/(loss) of associates accounted for using the equity method | 6 | **(6,055)** | (27,749) | (73,703) |
| Gain/(loss) on dilution of ownership interest in associates | 6 | **-** | 28,220 | - |
| Impairment of investment in associates | 6 | **-** | (8,390) | - |
| **Income/(loss) before taxes** | | **(36,103)** | (92,783) | (58,953) |
| Taxation | 27 | **(30,525)** | 55,719 | (3,756) |
| **Income/(loss) for the year** | | **(66,628)** | (37,065) | (62,709) |
| **Other comprehensive income/(loss):** | | | | |
| Items that are or may be reclassified as profit or loss | | | | |
| Equity-accounted associate - share of other comprehensive income (loss) | 6 | **92** | (166) | - |
| Reclassification of foreign currency differences on dilution of interest | | **-** | (213) | - |
| Total other comprehensive income/(loss) | | **92** | (379) | - |
| **Total comprehensive income/(loss) for the year** | | **(66,535)** | (37,444) | (62,709) |
| **Income/(loss) attributable to:** | | | | |
| Owners of the Group | | **(65,697)** | (50,354) | (60,558) |
| Non-controlling interests | | **(931)** | 13,290 | (2,151) |
| | | **(66,628)** | (37,065) | (62,709) |
| **Comprehensive income/(loss) attributable to:** | | | | |
| Owners of the Group | | **(65,604)** | (50,733) | (60,558) |
| Non-controlling interests | | **(931)** | 13,290 | (2,151) |
| | | **(66,535)** | (37,444) | (62,709) |
| | | **$** | $ | $ |
| **Earnings/(loss) per share:** | | | | |
| Basic earnings/(loss) per share | 11 | **(0.24)** | (0.18) | (0.21) |
| Diluted earnings/(loss) per share | 11 | **(0.24)** | (0.18) | (0.21) |

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Financial Position

**As of December 31,**

| | Note | **2023 $000s** | 2022 $000s |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment, net | 12 | **9,536** | 22,957 |
| Right of use asset, net | 23 | **9,825** | 14,281 |
| Intangible assets, net | 13 | **906** | 831 |
| Investments held at fair value | 5 | **317,841** | 251,892 |
| Investment in associates - equity method | 6 | **3,185** | 9,147 |
| Investments in notes from associates | 7 | **4,600** | 16,501 |
| Lease receivable - long-term | 23 | **-** | 835 |
| Other non-current assets | | **878** | 10 |
| Total non-current assets | | **346,771** | 316,454 |
| **Current assets** | | | |
| Trade and other receivables | 24 | **2,376** | 11,867 |
| Income tax receivable | 27 | **11,746** | 10,040 |
| Prepaid expenses | | **4,309** | 11,617 |
| Lease receivable - short-term | 23 | **-** | 450 |
| Other financial assets | 14 | **1,628** | 2,124 |

| | Note | 2023 $000s | 2022 $000s |
|---|---|---|---|
| Short-term investments | 24 | **136,062** | 200,229 |
| Cash and cash equivalents | 24 | **191,081** | 149,866 |
| Total current assets | | **347,201** | 386,192 |
| **Total assets** | | **693,973** | 702,647 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | **5,461** | 5,455 |
| Share premium | | **290,262** | 289,624 |
| Treasury stock | | **(44,626)** | (26,492) |
| Merger reserve | | **138,506** | 138,506 |
| Translation reserve | | **182** | 89 |
| Other reserve | | **(9,538)** | (14,478) |
| Retained earnings | | **83,820** | 149,516 |
| **Equity attributable to the owners of the Group** | 15 | **464,066** | 542,220 |
| Non-controlling interests | 20 | **(5,835)** | 5,369 |
| **Total equity** | | **458,232** | 547,589 |
| **Non-current liabilities** | | | |
| Sale of future royalties liability | 17 | **110,159** | - |
| Deferred tax liability | 27 | **52,462** | 19,645 |
| Lease liability, non-current | 23 | **18,250** | 24,155 |
| Long-term loan | 22 | **-** | 10,244 |
| Liability for share-based awards | 9 | **3,501** | 4,128 |
| Total non-current liabilities | | **184,371** | 58,172 |
| **Current liabilities** | | | |
| Deferred revenue | 3 | **-** | 2,185 |
| Lease liability, current | 23 | **3,394** | 4,972 |
| Trade and other payables | 21 | **44,107** | 54,840 |
| Notes payable | 19 | **3,699** | 2,345 |
| Warrant liability | 18 | **-** | 47 |
| Preferred shares | 16, 18 | **169** | 27,339 |
| Current portion of long-term loan | 22 | **-** | 5,156 |
| Total current liabilities | | **51,370** | 96,885 |
| **Total liabilities** | | **235,741** | 155,057 |
| **Total equity and liabilities** | | **693,973** | 702,647 |

Please refer to the accompanying Notes to the consolidated financial information. Registered number: 09582467.

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issuance on April 25, 2024 and signed on its behalf by:

**Bharatt Chowrira**
Chief Executive Officer
April 25, 2024

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

**For the years ended December 31**

| | | Share Capital | | | Treasury Shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Shares | Amount $000s | Share premium $000s | Shares | Amount $000s | Merger reserve $000s | Translation reserve $000s | Other reserve $000s | Retained earnings/ (accumulated deficit) $000s | Total Parent equity $000s | Non-controlling interests $000s | Total Equity $000s |
| Balance January 1, 2021 | | 285,885,025 | 5,417 | 288,978 | - | - | 138,506 | 469 | (24,050) | 260,429 | 669,748 | (16,209) | 653,539 |
| Net income/(loss) | | - | - | - | - | - | - | - | - | (60,558) | (60,558) | (2,151) | (62,709) |
| **Total comprehensive income/(loss) for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(60,558)** | **(60,558)** | **(2,151)** | **(62,709)** |
| Exercise of stock options | 9 | 1,911,560 | 27 | 326 | - | - | - | - | - | - | 352 | - | 352 |
| Revaluation of deferred tax assets related to share-based awards | | - | - | - | - | - | - | - | 615 | - | 615 | - | 615 |
| Equity-settled share-based awards | 9 | - | - | - | - | - | - | - | 7,109 | - | 7,109 | 6,252 | 13,361 |
| Settlement of restricted stock units | 9 | - | - | - | - | - | - | - | (10,749) | - | (10,749) | - | (10,749) |
| Reclassification of | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| equity settled awards to liability awards | | - | - | - | - | - | - | - | (6,773) | - | (6,773) | - | (6,773) |
| Vesting of share-based awards and net share exercise | 9 | - | - | - | - | - | - | - | (2,582) | - | (2,582) | - | (2,582) |
| Acquisition of subsidiary non-controlling interest | | - | - | - | - | - | - | - | (9,636) | - | (9,636) | 8,668 | (968) |
| NCI exercise of share options in subsidiaries | 9 | - | - | - | - | - | - | - | 5,988 | - | 5,988 | (5,922) | 66 |
| Other | | - | - | - | - | - | - | - | - | - | - | (6) | (6) |
| **Balance December 31, 2021** | | **287,796,585** | **5,444** | **289,303** | **-** | **-** | **138,506** | **469** | **(40,077)** | **199,871** | **593,515** | **(9,368)** | **584,147** |
| Net income/(loss) | | - | - | - | - | - | - | - | - | (50,354) | (50,354) | 13,290 | (37,065) |
| Other comprehensive income/(loss), net | | - | - | - | | | - | (379) | - | - | (379) | - | (379) |
| **Total comprehensive income/(loss) for the year** | | - | - | - | - | - | - | **(379)** | - | **(50,354)** | **(50,733)** | **13,290** | **(37,444)** |
| Deconsolidation of Subsidiary | 5 | - | - | - | - | - | - | - | - | - | - | 11,904 | 11,904 |
| Exercise of stock options | 9 | 577,022 | 11 | 321 | | | - | - | - | - | 332 | - | 332 |
| Purchase of Treasury stock | 15 | - | - | - | (10,595,347) | (26,492) | - | - | - | - | (26,492) | - | (26,492) |
| Revaluation of deferred tax assets related to share-based awards | | - | - | - | - | - | - | - | 45 | - | 45 | - | 45 |
| Equity-settled share-based awards | 9 | - | - | - | - | - | - | - | 8,856 | - | 8,856 | 4,711 | 13,567 |
| Settlement of restricted stock units | 9 | 788,046 | - | - | - | - | - | - | 1,528 | - | 1,528 | - | 1,528 |
| NCI exercise of share options in subsidiaries | 9 | - | - | - | - | - | - | - | 15,171 | - | 15,171 | (15,164) | 7 |
| Other | | - | - | - | - | - | - | - | - | - | - | (4) | (4) |
| **Balance December 31, 2022** | | **289,161,653** | **5,455** | **289,624** | **(10,595,347)** | **(26,492)** | **138,506** | **89** | **(14,478)** | **149,516** | **542,220** | **5,369** | **547,589** |
| Balance January 1, 2023 | | **289,161,653** | **5,455** | **289,624** | **(10,595,347)** | **(26,492)** | **138,506** | **89** | **(14,478)** | **149,516** | **542,220** | **5,369** | **547,589** |
| Net income/(loss) | | - | - | - | - | - | - | - | - | (65,697) | (65,697) | (931) | (66,628) |
| Other comprehensive income/(loss) for the period | | - | - | - | - | - | - | 92 | - | - | 92 | - | 92 |
| **Total comprehensive income/(loss) for the period** | | **-** | **-** | **-** | **-** | **-** | **-** | **92** | **-** | **(65,697)** | **(65,604)** | **(931)** | **(66,535)** |
| Deconsolidation of Subsidiary | 5 | - | - | - | - | - | - | - | - | - | - | (9,085) | (9,085) |
| Exercise of stock options | 9 | 306,506 | 6 | 638 | 239,226 | 530 | - | - | (22) | - | 1,153 | - | 1,153 |
| Purchase of Treasury stock | 15 | - | - | - | (7,683,526) | (19,650) | - | - | - | - | (19,650) | - | (19,650) |
| Equity-settled share-based awards | 9 | - | - | - | - | - | - | - | 3,348 | - | 3,348 | 277 | 3,625 |
| Settlement of restricted stock units | 9 | - | - | - | 425,219 | 986 | - | - | 156 | - | 1,142 | - | 1,142 |
| Expiration of share options in subsidiary | | - | - | - | - | - | - | - | 1,458 | - | 1,458 | (1,458) | - |
| Other | | - | - | - | - | - | - | - | - | - | - | (6) | (6) |
| **Balance December 31, 2023** | | **289,468,159** | **5,461** | **290,262** | **(17,614,428)** | **(44,626)** | **138,506** | **182** | **(9,538)** | **83,820** | **464,066** | **(5,835)** | **458,232** |

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

**For the years ended December 31**

| | Note | **2023 $000s** | 2022 $000s | 2021 $000s |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Income/(loss) for the year | | **(66,628)** | (37,065) | (62,709) |
| Adjustments to reconcile income/(loss) for the period to net cash used in operating activities: | | | | |
| Non-cash items: | | | | |
| Depreciation and amortization | 12, 23 | **4,933** | 8,893 | 7,287 |
| Share-based compensation expense | 9 | **4,415** | 14,698 | 13,950 |
| (Gain)/loss on investment held at fair value | 5 | **(77,945)** | 32,060 | (179,316) |
| Realized loss on sale of investments | 5 | **265** | 29,303 | 20,925 |
| Gain on dilution of ownership interest in associate | 6 | **-** | (28,220) | - |
| Impairment of investment in associates | 6 | **-** | 8,390 | - |
| Gain on deconsolidation of subsidiary | 5 | **(61,787)** | (27,251) | - |
| Share of net loss of associates accounted for using the equity method | 6 | **6,055** | 27,749 | 73,703 |
| Loss on investments in notes from associates | 7 | **27,630** | - | - |
| Fair value gain on other financial instruments | 6, 18 | **-** | (8,163) | (800) |
| Loss on disposal of assets | | **318** | 138 | 53 |
| Impairment of fixed assets | | **1,260** | - | |
| Income taxes, net | 27 | **30,525** | (55,719) | 3,756 |
| Finance (income)/costs, net | 10 | **(5,078)** | (138,924) | (5,050) |
| Changes in operating assets and liabilities: | | | | |
| Trade and other receivables | | **9,750** | (7,734) | (617) |

| | Note | 2023 $000s | 2022 $000s | 2021 $000s |
|---|---|---|---|---|
| Prepaid expenses | | **2,838** | (862) | (5,250) |
| Deferred revenue | | **(285)** | 2,123 | (1,407) |
| Trade and other payables | 21 | **3,844** | 22,033 | 8,338 |
| Other | | **1,374** | 359 | (103) |
| Income taxes paid | | **(150)** | (20,696) | (27,766) |
| Interest received | | **14,454** | 3,460 | 214 |
| Interest paid | | **(1,701)** | (3,366) | (3,382) |
| **Net cash used in operating activities** | | **(105,917)** | (178,792) | (158,274) |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | 12 | **(70)** | (2,176) | (5,571) |
| Proceeds from sale of property and equipment | | **865** | - | 30 |
| Purchases of intangible assets | 13 | **(175)** | - | (90) |
| Investment in associates | 6 | **-** | (19,961) | - |
| Purchase of investments held at fair value | 5 | **-** | (5,000) | (500) |
| Sale of investments held at fair value | 5 | **33,309** | 118,710 | 218,125 |
| Purchase of short-term note from associate | | **-** | - | (15,000) |
| Repayment of short-term note from associate | | **-** | 15,000 | - |
| Purchase of Convertible Note from associate | 7 | **(16,850)** | (15,000) | - |
| Cash derecognized upon loss of control over subsidiary (see table below) | 5 | **(13,784)** | (479) | - |
| Purchases of short-term investments | | **(178,860)** | (248,733) | - |
| Proceeds from maturity of short-term investments | | **244,556** | 50,000 | - |
| Receipt of payment of sublease | | **-** | 415 | 381 |
| **Net cash provided by (used in) investing activities** | | **68,991** | (107,223) | 197,375 |
| Cash flows from financing activities: | | | | |
| Receipt of cash from sale of future royalties | 17 | **100,000** | - | - |
| Issuance of subsidiary preferred Shares | 16 | **-** | - | 37,610 |
| Issuance of Subsidiary Convertible Note | | **-** | 393 | 2,215 |
| Payment of lease liability | 23 | **(3,338)** | (4,025) | (3,375) |
| Exercise of stock options | | **1,153** | 332 | 352 |
| Settlement of restricted stock unit equity awards | | **-** | - | (10,749) |
| Vesting of restricted stock units and net share exercise | | **-** | - | (2,582) |
| NCI exercise of stock options in subsidiary | | **-** | 7 | 66 |
| Purchase of treasury stock | 15 | **(19,650)** | (26,492) | - |
| Acquisition of a non-controlling Interest of a subsidiary | | **-** | - | (806) |
| Other | | **(23)** | (41) | (5) |
| **Net cash provided by (used in) financing activities** | | **78,141** | (29,827) | 22,727 |
| Net increase (decrease) in cash and cash equivalents | | **41,215** | (315,842) | 61,827 |
| Cash and cash equivalents at beginning of year | | **149,866** | 465,708 | 403,881 |
| **Cash and cash equivalents at end of year** | | **191,081** | 149,866 | 465,708 |
| **Supplemental disclosure of non-cash investment and financing activities:** | | | | |
| Purchase of intangible assets not yet paid in cash | | **25** | - | |
| Settlement of restricted stock units through issuance of equity | | **1,142** | 1,528 | - |
| Purchase of property, plant and equipment against trade and other payables | | **-** | - | 1,841 |
| Leasehold improvements purchased through lease incentives (deducted from Right of Use Asset) | | **-** | - | 1,010 |
| Conversion of subsidiary convertible note into preferred share liabilities | | **-** | - | 25,797 |

**Supplemental disclosure of non-cash investment and financing activities (continued):**

Assets, Liabilities and non-controlling interests in deconsolidated subsidiary

| | 2023 $000s | 2022 $000s |
|---|---|---|
| Trade and other receivables | **(702)** | - |
| Prepaid assets | **(3,516)** | - |
| Property, plant and equipment, net | **(8,092)** | - |
| Right of use asset, net | **(2,477)** | - |
| Trade and other Payables | **15,078** | 1,407 |
| Deferred revenue | **1,902** | - |
| Lease liabilities (including current potion) | **4,146** | - |
| Long-term loan (including current portion) | **15,446** | - |
| Subsidiary notes payable | **-** | 3,403 |
| Subsidiary preferred shares and warrants | **24,568** | 15,853 |
| Other assets and liabilities, net | **(323)** | 123 |
| Non-controlling interest | **9,085** | (11,904) |
| | **55,115** | 8,882 |
| Investment retained in deconsolidated subsidiary | **20,456** | 18,848 |
| Gain on deconsolidation | **(61,787)** | (27,251) |
| **Cash in deconsolidated subsidiary** | **13,784** | 479 |

The accompanying notes are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

**(Amounts in thousands, except share and per share data, or exercise price and conversion price)**

## 1. Material Accounting Policies

Description of Business

PureTech Health plc (the "Parent") is a public company incorporated, domiciled and registered in the United Kingdom ("UK"). The registered number is 09582467 and the registered address is 13th Floor, One Angel Court, London, EC2R 7HJ, United Kingdom.

The Parent and its subsidiaries are together referred to as the "Group". The Parent company financial statements present financial information about the Parent as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Basis of Presentation

The consolidated financial statements of the Group (the "Consolidated Financial Statements") are presented as of December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021. The Consolidated Financial Statements have been approved by the Directors on April 25, 2024, and are prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRSs"). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board ("IASB"). UK-adopted IFRSs differs in certain respects from IFRSs as issued by the IASB. However, the differences have no impact for the periods presented.

For presentation of the Consolidated Statement of Comprehensive Income/(Loss), the Group uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice.

Certain amounts in the Consolidated Financial Statements and accompanying notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Basis of Measurement

The Consolidated Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments held at fair value, investments in notes from associates and liabilities classified as fair value through the profit or loss.

Use of Judgments and Estimates

In preparing the Consolidated Financial Statements, management has made judgements, 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 these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

Significant estimation is applied in determining the following:

- Financial instruments valuations (see Note 18. Financial Instruments): In accordance with IFRS 9, the Group carries certain financial assets and financial liabilities at fair value, with changes in fair value through profit and loss ("FVTPL"). Valuation of the aforementioned financial instruments (assets and liabilities) includes making significant estimates, specifically determining the appropriate valuation methodology and making certain estimates such as the future expected returns on the financial instrument in different scenarios, appropriate discount rate, volatility, and term to exit.

Significant judgement is also applied in determining the following:

- Whether financial instruments should be classified as liability or equity (see Note 16. Subsidiary Preferred Shares.). The judgement includes an assessment of whether the financial instruments include contractual obligations of the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether those obligations could be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments.
- Whether the power to control investees exists (see Note 5. Investments Held at Fair Value and Note 6. Investments in Associates and accounting policy with regard to Subsidiaries below). The judgement includes an assessment of whether the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of its own returns. The Group considers among others its voting shares, shareholder agreements, ability to appoint board members, representation on the board, rights to appoint management, de facto control, investee dependence on the Group, etc. If the power to control the investee exists, it consolidates the financial statements of such investee in the Consolidated Financial Statements of the Group. Upon issuance of new shares in an investee and/or a change in any shareholders or governance agreements, the Group reassesses its ability to control the investee based on the revised voting interest, revised board composition and revised subsidiary governance and management structure. When such new circumstances result in the Group losing its power to control the investee, the investee is deconsolidated. On March 1 2023 Vedanta was deconsolidated. Although the Group holds 47% of the voting rights and the other shareholders are widely dispersed, the Group does not have de facto control because the investor rights agreement stipulates that the relevant activities of Vedanta are directed by Vedanta's Board and the Group does not control Vedanta's Board decision making. Voting rights are not the dominant

factor for directing Vedanta's relevant activities.

- Whether the Group has significant influence over financial and operating policies of investees in order to determine if the Group should account for its investment as an associate based on IAS 28 or a financial instrument based on IFRS 9. (refer to Note 5. Investments Held at Fair Value and Note 6. Investments in Associates ). This judgement includes, among others, an assessment whether the Group has representation on the board of directors of the investee, whether the Group participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Group and the investee.
- Upon determining that the Group does have significant influence over the financial and operating policies of an investee, if the Group holds more than a single instrument issued by its equity-accounted investee, judgement is required to determine whether the additional instrument forms part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, or it is a separate financial instrument that falls in the scope of IFRS 9. This judgement includes an assessment of the characteristics of the financial instrument of the investee held by the Group and whether such financial instrument provides access to returns underlying an ownership interest.
- When the Group has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute long-term interests ("LTI") for the purposes of IAS 28. This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments. After considering the individual facts and circumstances of the Group's investment in its associate's preferred stock in the manner described above, including the long-term nature of such investment, the ability of the Group to convert its preferred stock investment to an investment in common shares and the likelihood of such conversion, the Group concluded that such investment was considered a long term interest.
- In determining the appropriate accounting treatment for the Royalty Purchase Agreement, management applied significant judgement (refer to Note 17. Sale of Future Royalties Liability).

As of December 31, 2023, the Group had cash and cash equivalents of $191,081 and short-term investments of $136,062. Considering the Group's financial position as of December 31, 2023, and its principal risks and opportunities, the Group prepared a going concern analysis covering a period of at least the twelve-month period from the date of signing the Consolidated Financial Statements ("the going concern period") utilizing realistic scenarios and applying a severe but plausible downside scenario. Even under the downside scenario, the analysis demonstrates the Group continues to maintain sufficient liquidity headroom and continues to comply with all financial obligations. The Board of Directors believe the Group and the Parent is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the Consolidated Financial Statements. Accordingly, the Board of Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements and the PureTech Health plc Financial Statements.

Basis of consolidation

The Consolidated Financial Statements as of December 31, 2023 and 2022, and for each of the years ended December 31, 2023, 2022 and 2021, comprises PureTech Health plc and its consolidated subsidiaries. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Subsidiaries

As used in these financial statements, the term subsidiaries refers to entities that are controlled by the Group. Under applicable accounting rules, 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. In assessing control, the Group takes into consideration potential voting rights, board representation, shareholders' agreements, ability to appoint board of directors and management, de facto control and other related factors. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all current and former subsidiaries organized with respect to classification as of December 31, 2023, and the Group's total voting percentage, based on outstanding voting common and preferred shares as of December 31, 2023, 2022 and 2021, is outlined below. All current subsidiaries are domiciled within the United States and conduct business activities solely within the United States.

| | Voting percentage at December 31, through the holdings in | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | 2022 | | 2021 | |
| Subsidiary | **Common** | **Preferred** | Common | Preferred | Common | Preferred |
| **Subsidiary operating companies** | | | | | | |
| Alivio Therapeutics, Inc.[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |
| Entrega, Inc. (indirectly held through Enlight)[2] | **-** | **77.3** | - | 77.3 | - | 77.3 |
| PureTech LYT, Inc. (formerly Ariya Therapeutics, Inc.)[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |
| PureTech LYT 100, Inc.[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |
| PureTech Management, Inc.[3] | **100.0** | **-** | 100.0 | - | 100.0 | - |
| PureTech Health LLC[3] | **100.0** | **-** | 100.0 | - | 100.0 | - |
| **Deconsolidated former subsidiary operating companies** | | | | | | |
| Sonde Health, Inc.[2,5] | **-** | **40.2** | - | 40.2 | - | 51.8 |
| Akili Interactive Labs, Inc.[2,6] | **14.6** | **-** | 14.7 | - | - | 26.7 |
| Gelesis, Inc.[1,2] | **-** | **-** | 22.8 | - | 4.8 | 19.7 |
| Karuna Therapeutics, Inc.[2,6] | **2.3** | **-** | 3.1 | - | 5.6 | - |
| Vedanta Biosciences, Inc.[2, 4] | **-** | **47.0** | - | 47.0 | - | 48.6 |
| Vedanta Biosciences Securities Corp. (indirectly held through Vedanta)[2, 4] | **-** | **47.0** | - | 47.0 | - | 48.6 |
| Vor Biopharma Inc[2,6] | **3.9** | **-** | 4.1 | - | 8.6 | - |
| **Nontrading holding companies** | | | | | | |
| Endra Holdings, LLC (held indirectly through Enlight)[2] | **86.0** | **-** | 86.0 | - | 86.0 | - |
| Ensof Holdings, LLC (held indirectly through Enlight)[2] | **86.0** | **-** | 86.0 | - | 86.0 | - |
| PureTech Securities Corp.[2] | **100.0** | **-** | 100.0 | - | 100.0 | - |
| PureTech Securities II Corp.[2] | **100.0** | **-** | 100.0 | - | 100.0 | - |
| **Inactive subsidiaries** | | | | | | |
| Appeering, Inc.[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |
| Commense Inc.[2] | **-** | **99.1** | - | 99.1 | - | 99.1 |
| Enlight Biosciences, LLC[2] | **86.0** | **-** | 86.0 | - | 86.0 | - |
| Ensof Biosystems, Inc. (held indirectly through Enlight)[2] | **57.7** | **28.3** | 57.7 | 28.3 | 57.7 | 28.3 |
| Follica, LLC[2] | **28.7** | **56.7** | 28.7 | 56.7 | 28.7 | 56.7 |
| Knode Inc. (indirectly held through Enlight)[2] | **-** | **86.0** | - | 86.0 | - | 86.0 |
| Libra Biosciences, Inc.[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |
| Mandara Sciences, LLC[2] | **98.3** | **-** | 98.3 | - | 98.3 | - |
| Tal Medical, Inc.[2] | **-** | **100.0** | - | 100.0 | - | 100.0 |

1 On October 30, 2023, Gelesis ceased operations and filed a voluntary petition for relief under the United States bankruptcy code. See Note 6. Investments in Associates for details.

2 Registered address is Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801, USA.

3 Registered address is 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, USA.

4 On March 1, 2023, the Group lost control over Vedanta and Vedanta was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Vedanta through the deconsolidation date being included in the Group's Consolidated Statement of Comprehensive Income/(Loss). See Notes 5. Investments Held at Fair Value for further details about the accounting for the investments in Vedanta subsequent to deconsolidation.

5 On May 25, 2022, the Group lost control over Sonde and Sonde was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Sonde through the deconsolidation date being included in the Group's Consolidated Statement of Comprehensive Income/(Loss). See Notes 5. Investments Held at Fair Value and 6. Investments in Associates for further details about the accounting for the investments in Sonde subsequent to deconsolidation.

6 See Notes 5. Investments Held at Fair Value and 6. Investments in Associates for additional discussion on the Group's investment held in Akili, Karuna and Vor.

7 Follica became inactive during 2023.

Change in Subsidiary Ownership and 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.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognized along with any related non-controlling interest ("NCI"). Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognized as profit or loss in the Consolidated Statement of Comprehensive Income/(Loss).

Associates

As used in these financial statements, the term associates are those entities in which the Group has no control but maintains significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. The Group evaluates if it maintains significant influence over associates by assessing if the Group has the power to participate in the financial and operating policy decisions of the associate.

Application of the Equity Method to Associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation, they are initially recorded at fair value at the date of deconsolidation. The Consolidated Financial Statements include the Group's share of the total comprehensive income or loss of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests, the instrument is accounted for in accordance with IFRS 9 as investments held at fair value.

When the Group's share of losses exceeds its equity method investment in the investee, losses are applied against long-term interests, which are investments accounted for under IFRS 9. Investments are determined to be long-term interests when they are long-term in nature and in substance they form part of the Group's net investment in that associate. This determination is impacted by many factors, among others, whether settlement by the investee through redemption or repayment is planned or likely in the foreseeable future, whether the investment can be converted and/or is likely to be converted to common stock or other equity instrument and other factors regarding the nature of the investment. Whilst this assessment is dependent on many specific facts and circumstances of each investment, typically conversion features whereby the investment is likely to convert to common stock or other equity instruments would point to the investment being a long-term interest. Similarly, where the investment is not planned or likely to be settled through redemption or repayment in the foreseeable future, this would indicate that the investment is a long-term interest. When the net investment in the associate, which includes the Group's investments in other long-term interests, is reduced to nil, recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

The Group has adopted the amendments to IAS 28 Investments in Associates that addresses the dual application of IAS 28 and IFRS 9 when equity method losses are applied against long-term interests. The amendments provide the annual sequence in which both standards are to be applied in such a case. The Group has applied the equity method losses to the long-term interests presented as part of Investments held at fair value subsequent to remeasuring such investments to their fair value at balance sheet date.

Sale of Future Royalties Liability

The Group accounts for the sale of future royalties liability as a financial liability, as it continues to hold the rights under the royalty bearing licensing agreement and has a contractual obligation to deliver cash to an investor for a portion of the royalty it receives. Interest on the sale of future royalties liability is recognized using the effective interest rate over the life of the related royalty stream.

The sale of future royalties liability and the related interest expense are based on the Group's current estimates of future royalties expected to be paid over the life of the arrangement. Forecasts are updated periodically as new data is obtained. Any increases, decreases or a shift in timing of estimated cash flows require the Group to re-calculate the amortized cost of the sale of future royalties liability as the present value of the estimated future contractual cash flows that are discounted at the liability's original effective interest rate. The adjustment is recognized immediately in profit or loss as income or expense.

Financial Instruments

*Classification*

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income "FVOCI", or through profit or loss "FVTPL", and
- Those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses are recorded in profit or loss.

*Measurement*

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

*Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the

receivables.

*Financial Assets*

The Group's financial assets consist of cash and cash equivalents, investments in debt securities, trade and other receivables, notes, restricted cash deposits and investments in equity securities. The Group's financial assets are virtually all classified into the following categories: investments held at fair value, notes, trade and other receivables, short-term investments and cash and cash equivalents. The Group determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

Investments held at fair value are investments in equity instruments. Such investments consist of the Group's minority interest holdings where the Group has no significant influence or preferred share investments that are not providing access to returns underlying ownership interests and are categorized as debt instruments that are presented at fair value through profit and loss because the amounts receivable do not represent solely payments of principal and interest. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Group has elected to record the changes in fair values for the financial assets falling under this category through profit and loss. Please refer to Note 5. Investments Held at Fair Value.

Changes in the fair value of financial assets at FVTPL are recognized in other income/(expense) in the Consolidated Statement of Comprehensive Income/(Loss) as applicable.

The notes from an associate, since their contractual terms do not consist solely of cash flow payments of principal and interest on the principal amount outstanding, are initially and subsequently measured at fair value, with changes in fair value recognized through profit and loss.

Cash and cash equivalents consist of demand deposits with banks and other financial institutions and highly liquid instruments with original maturities of three months or less at the date of purchase. Cash and cash equivalents are carried at cost, which approximates their fair value.

Short-term investments consist of short-term US treasury bills that are held to maturity. The contractual terms consist solely of payment of the principal and interest and the Group's business model is to hold the treasury bills to maturity. As such, such short-term investments are recorded at amortized cost. As of balance sheet date, amortized cost approximated the fair value of such short-term investments.

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 expected lifetime losses. Such losses are determined taking into account previous experience, credit rating and economic stability of counterparty and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision. As of balance sheet date, the Group did not record any such expected lifetime losses related to the outstanding trade and other receivable balances. Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

*Financial Liabilities*

The Group's financial liabilities primarily consist of trade and other payables, and preferred shares.

The majority of the Group's subsidiaries have preferred shares and certain notes payable with embedded derivatives, which are classified as current liabilities. When the Group has preferred shares and notes with embedded derivatives that qualify for bifurcation, the Group has elected to account for the entire instrument as FVTPL after determining under IFRS 9 that the instrument qualifies to be accounted for under such FVTPL method.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Equity Instruments Issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions, in accordance with IAS 32:

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 unfavorable to the Group; and
2. Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group 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 Group's own shares, the amounts presented in the Group's shareholders' equity exclude amounts in relation to those shares.

Changes in the fair value of liabilities at FVTPL are recognized in net finance income /(costs) in the Consolidated Statement of Comprehensive Income/(Loss) as applicable.

IFRS 15, Revenue from Contracts with Customers
The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognizing an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's contract revenue is generated from licenses and services, some of which are part of collaboration arrangements.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, the Group has entered into transactions that generate revenue and meet the scope of either IFRS 15 or IAS 20 Accounting for Government Grants. Contract revenue is recognized at either a point-in-time or over time, depending on the nature of the performance obligations.

The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

- Identify the contract(s) with a customer - A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.
- Identify the performance obligations in the contract - Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.
- Determine the transaction price - The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.
- Allocate the transaction price to the performance obligations in the contract - If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis.
- Recognize revenue when (or as) the Group satisfies a performance obligation - The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

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

It was determined that the Group has contracts that meet criteria (a), since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Therefore revenue is recognized over time using the input method based on costs incurred to date as compared to total contract costs. The Group believes that in research and development service type agreements using costs incurred to date represents the most faithful depiction of the entity's performance towards complete satisfaction of a performance obligation.

Revenue from licenses that are not part of a combined performance obligation are recognized at a point in time due to the licenses relating to intellectual property that has significant stand-alone functionality and as such represent a right to use the entity's intellectual property as it exists at the point in time at which the license is granted.

Royalty income received in respect of licensing agreements when the license of intellectual property is the predominant item in the arrangement is recognized as the related third-party sales in the licensee occur.

Amounts that are receivable or have been received per contractual terms but have not been recognized as revenue since performance has not yet occurred or has not yet been completed are recorded as deferred revenue. The Group classifies as non-current deferred revenue amounts received for which performance is expected to occur beyond one year or one operating cycle.

*Grant Revenue*

The Group recognizes grants from governmental agencies as grant revenue in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that the Group will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. The Group evaluates the conditions of each grant as of each reporting date to ensure that the Group has reasonable assurance of meeting the conditions of each grant arrangement and that it is expected that the grant payment will be received as a result of meeting the necessary conditions.

The Group submits qualifying expenses for reimbursement after the Group has incurred the research and development expense. The Group records an unbilled receivable upon incurring such expenses. In cases in which the grant revenue is received prior to the expenses being incurred or recognized, the amounts received are deferred until the related expense is incurred and/or recognized. Grant revenue is recognized in the Consolidated Statement of Comprehensive Income/(Loss) at the time in which the Group recognizes the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

The Consolidated Financial Statements are presented in United States dollars ("US dollars"). The functional currency of all members of the Group is the U.S. dollar. The Group's share in foreign exchange differences in associates were reported in other comprehensive income/(loss).

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognized in the Consolidated Statement of Comprehensive Income/(Loss). Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Share Capital

Ordinary shares are classified as equity. The Group's equity is comprised of share capital, share premium, merger reserve, other reserve, translation reserve, and retained earnings/accumulated deficit.

Treasury Shares

Treasury shares are recognized at cost and are deducted from shareholders' equity. No gain or loss is recognized in profit and loss for the purchase, sale, re-issue or cancellation of the Group's own equity shares.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under construction represent leasehold improvements and machinery and equipment to be used in operations or research and development activities. 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 life of the related asset:

| | |
|---|---|
| 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 each balance sheet date.

Intangible Assets

Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortization, if amortization has commenced. Intangible assets with finite

historical cost less accumulated amortization, if amortization has commenced. Intangible assets with finite lives are amortized from the time they are available for their intended use. Amortization is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives.

Research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are presented as In-Process Research and Development (IPR&D). The cost of IPR&D represents upfront payments as well as additional contingent payments based on development, regulatory and sales milestones related to certain license agreement where the Group licenses IP from a third party. These milestones are capitalized as the milestone is triggered. See Note 25. Commitments and Contingencies. IPR&D is not amortized since it is not yet available for its intended use, but it is evaluated for potential impairment on an annual basis or more frequently when facts and circumstances warrant.

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 are indicators of impairment. If any such indicators of impairment exist, 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.

The Group's IPR&D intangible assets are not yet available for their intended use. As such, they are tested for impairment at least annually.

An impairment loss is recognized 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 recognized in the Consolidated Statement of Comprehensive Income/(Loss).

Investments in associates are considered impaired if, and only if, objective evidence indicates that one or more events, which occurred after the initial recognition, have had an impact on the future cash flows from the net investment and that impact can be reliably estimated. If an impairment exists, the Group measures an impairment by comparing the carrying value of the net investment in the associate to its recoverable amount and recording any excess as an impairment loss. See Note 6. Investments in Associates for impairment recorded in respect of an investment in associate during the year ended December 31, 2022.

Employee Benefits

*Short-Term Employee Benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation due to past service provided by the employee, and the obligation can be estimated reliably.

*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 recognized as an employee benefit expense in the periods during which related services are rendered by employees.

*Share-based Payments*

Share-based payment arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions (except certain restricted stock units - see below) in accordance with IFRS 2, regardless of how the equity instruments are obtained by the Group. The grant date fair value of employee share-based payment awards is recognized as an expense with a corresponding increase in equity over the requisite service period related to the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Certain restricted stock units are treated as liability settled awards starting in 2021. Such awards are remeasured at every reporting date until settlement date and are recognized as compensation expense over the requisite service period. Differences in remeasurement are recognized in profit and loss. The cumulative cost that will ultimately be recognized in respect of these awards will equal to the amount at settlement.

The fair value of the awards is measured using option pricing models and other appropriate models, which take into account the terms and conditions of the awards granted.

Development Costs

Expenditures on research activities are recognized as incurred in the Consolidated Statement of Comprehensive Income/(Loss). In accordance with IAS 38, development costs are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group can demonstrate its ability to use or sell the intangible asset, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is, generally, when regulatory approval has been received where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving meaningful recurring sales. Otherwise, the development expenditure is recognized as incurred in the Consolidated Statement of Comprehensive Income/(Loss). As of balance sheet date, the Group has not capitalized any development costs.

Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation due to a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

The Group leases real estate for use in operations. These leases have lease terms of approximately 10 years. The Group includes options that are reasonably certain to be exercised as part of the determination of the lease term. The group determines if an arrangement is a lease at inception of the contract in accordance with guidance detailed in IFRS 16. Right-of-use (ROU) assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. As most of the Group's leases do not provide an implicit rate, the Group used its estimated incremental borrowing rate, based on information available at commencement date, in determining the present value of future payments.

The Group's leases are virtually all leases of real estate.

The Group has elected to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than $5,000.

The right-of-use asset is depreciated on a straight-line basis and the lease liability gives rise to an interest charge.

Finance Income and Finance Costs

Finance income consists of interest income on funds invested in money market funds and U.S. treasuries. Finance income is recognized as it is earned. Finance costs consist mainly of loan, notes and lease liability interest expenses, interest expense due to accretion of and adjustment to sale of future royalties liability as well as the changes in the fair value of financial liabilities carried at FVTPL (such changes can consist of finance income when the fair value of such financial liabilities decreases).

Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. In accordance with IAS 12, tax is recognized in the Consolidated Statement of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

Current income 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 recognized due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized 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 with respect to investments in associates are recognized only to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. 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 realized.

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.

reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Fair Value Measurements

The Group's accounting policies require that certain financial assets and certain financial liabilities be measured at their fair value.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying amount of cash and cash equivalents, accounts receivable, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's Consolidated Statement of Financial Position approximates their fair value because of the short maturities of these instruments.

Operating Segments

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

**2. New Standards and Interpretations**

The Group has applied the following amendments for the first time for its annual reporting period commencing January 1, 2023:

- IFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Deferred Tax related to Assets and Liabilities Arising from a Single Transaction* (Amendments to IAS 12)

The amendments listed above did not have any impact on the amounts recognized in prior and current periods and are not expected to significantly affect the future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**3. Revenue**

Revenue recorded in the Consolidated Statement of Comprehensive Income/(Loss) consists of the following:

| For the years ended December 31, | **2023** $ | 2022 $ | 2021 $ |
|---|---|---|---|
| Contract revenue | **750** | 2,090 | 9,979 |
| Grant revenue | **2,580** | 13,528 | 7,409 |
| **Total revenue** | **3,330** | 15,618 | 17,388 |

All amounts recorded in contract revenue were generated in the United States.

For the years ended December 31, 2023, 2022 and 2021, contract revenue includes royalties received from an associate in the amounts of zero, $509 and $231, respectively.

Substantially all of the Group's contracts related to contract revenue for the years ended December 31, 2023, 2022 and 2021 were determined to have a single performance obligation which consists of a combined deliverable of license of intellectual property and research and development services. Therefore, for such contracts, revenue is recognized over time based on the input method which the Group believes is a faithful depiction of the transfer of goods and services. Progress is measured based on costs incurred to date as compared to total projected costs. Payments for such contracts are primarily made up-front on a periodic basis.

basis.

During the year ended December 31, 2021, the Group received a $6,500 payment from Imbrium Therapeutics, Inc. following the exercise of the option to acquire an exclusive license for the Initial Product Candidate, as defined in the agreement. Since the license transferred was a right to use license, revenue from the option exercise was recognized at a point in time upon transfer of the license, which occurred during the year ended December 31, 2021.

Disaggregated Revenue

The Group disaggregates contract revenue in a manner that depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on contract revenue or grant revenue, and further disaggregates contract revenue based on the transfer of control of the underlying performance obligations.

| Timing of contract revenue recognition<br>For the years ended December 31, | **2023**<br>**$** | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Transferred at a point in time - Licensing Income | **-** | 527 | 6,809 |
| Transferred over time | **750** | 1,563 | 3,171 |
| | **750** | 2,090 | 9,979 |

| Customers over 10% of revenue | **2023**<br>**$** | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Customer A | **750** | 1,500 | 1,500 |
| Customer B | **-** | - | 7,250 |
| Customer C | **-** | 509 | - |
| | **750** | 2,009 | 8,750 |

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced amount. Accounts receivables are included within trade and other receivables on the Consolidated Statement of Financial Position. The accounts receivables related to contract revenue were $555 and $606 as of December 31, 2023 and 2022, respectively.

**4. Segment Information**

Basis for Segmentation

The Directors are the Group's chief operating decision-makers. The Group's operating segments are determined based on the financial information provided to the Board of Directors periodically for the purposes of allocating resources and assessing performance. During the second half of 2023, the Group changed the financial information that was regularly reviewed by the Board of Directors to allocate resources and assess performance. The Group has determined each of its Wholly-Owned Programs represents an operating segment and the Group has aggregated each of these operating segments into one reportable segment, the Wholly-Owned Programs segment, given the high level of operational and financial similarities across its Wholly-Owned Programs. Each of the Group's Controlled Founded Entities represents an operating segment. The Group aggregates each Controlled Founded Entity operating segment into one reportable segment, the Controlled Founded Entities segment. For the Group's entities that do not meet the definition of an operating segment, the Group presents this information in the Parent & Other column in its segment footnote to reconcile the information in this footnote to the Consolidated Financial Statements. Substantially all of the Group's revenue and profit generating activities are generated within the United States and, accordingly, no geographical disclosures are provided.

The Group has retroactively recast its fiscal year 2022 and 2021 results on the new basis for comparability.

Following is the description of the Group's reportable segments:

Wholly-Owned Programs

The Wholly-Owned Programs segment is advancing Wholly-Owned Programs which are focused on treatments for patients with devastating diseases. The Wholly-Owned Programs segment is comprised of the technologies that are wholly-owned and will be advanced through with either the Group's funding or non-dilutive sources of financing. The operational management of the Wholly-Owned Programs segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development.

Controlled Founded Entities

The Controlled Founded Entities segment is comprised of the Group's consolidated operational subsidiaries as of December 31, 2023 that either have, or have plans to hire, independent management teams and

currently have already raised third-party dilutive capital. These subsidiaries have active research and development programs and either have entered into or plan to seek an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the entity.

The Group's entities that were determined not to meet the definition of an operating segment are included in the Parent Company and Other column to reconcile the information in this footnote to the financial statements. This column captures activities not directly attributable to the Group's operating segments and includes the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This column also captures the operating results for the deconsolidated entities through the date of deconsolidation (e.g. Vedanta in 2023 and Sonde in 2022) and accounting for the Group's holdings in Founded Entities for which control has been lost, which primarily represents: the activity associated with deconsolidating an entity when the Group no longer controls the entity (e.g. Vedanta in 2023 and Sonde in 2022), the gain or loss on the Group's investments accounted for at fair value (e.g. the Group's ownership stakes in Karuna, Vor and Akili) and the Group's net income or loss of associates accounted for using the equity method.

(The term "Founded Entities" refers to entities which the Company incorporated and announced the incorporation as a Founded Entity externally. It includes certain of the Company's wholly-owned subsidiaries which have been announced by the Company as Founded Entities, Controlled Founded Entities and deconsolidated Founded Entities.)

In January 2024, the Group launched two new Founded Entities to advance certain programs from the Wholly-Owned Programs segment. Refer to Note 28. Subsequent Events for detail. The financial results of these programs were included in the Wholly-Owned Programs segment as of December 31, 2023 and 2022 and for the three years ended December 31, 2023, 2022 and 2021, respectively. Upon raising dilutive third-party financing, the financial results of these two entities will be included in the Controlled Founded Entities segment to the extent that the Group maintains control over these entities.

The Group's Board of Directors reviews segment performance and allocates resources based upon revenue and operating loss as well as the funds available for each segment. The Board of Directors do not review any other information for purposes of assessing segment performance or allocating resources.

| | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Wholly-Owned Programs $ | Controlled Founded Entities $ | Parent Company & Other $ | Consolidated $ |
| Contract revenue | - | 750 | - | 750 |
| Grant revenue | 853 | - | 1,727 | 2,580 |
| **Total revenue** | 853 | 750 | 1,727 | 3,330 |
| General and administrative expenses | (14,020) | (562) | (38,713) | (53,295) |
| Research and development expenses | (89,495) | (672) | (6,068) | (96,235) |
| **Total operating expense** | (103,516) | (1,233) | (44,781) | (149,530) |
| **Operating income/(loss)** | (102,662) | (483) | (43,054) | (146,199) |
| Income/expenses not allocated to segments | | | | |
| Other income/(expense): | | | | |
| Gain on deconsolidation of subsidiary | | | | 61,787 |
| Gain/(loss) on investment held at fair value | | | | 77,945 |
| Realized loss on sale of investments | | | | (122) |
| Gain/(loss) on investment in notes from associates | | | | (27,630) |
| Other income/(expense) | | | | (908) |
| Total other income/(expense) | | | | 111,072 |
| Net finance income/(costs) | | | | 5,078 |
| Share of net income/(loss) of associates accounted for using the equity method | | | | (6,055) |
| **Income/(loss) before taxes** | | | | (36,103) |
| | As of December 31, 2023 | | | |
| **Available Funds** | | | | |
| Cash and cash equivalents | 2,140 | 675 | 188,266 | 191,081 |
| Short-term Investments | - | - | 136,062 | 136,062 |
| Consolidated cash, cash equivalents and short-term investments | 2,140 | 675 | 324,328 | 327,143 |

| | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Wholly-Owned Programs $ | Controlled Founded Entities $ | Parent Company & Other $ | Consolidated $ |
| Contract revenue | - | 1,500 | 590 | 2,090 |

| | | | | |
|---|---|---|---|---|
| Grant revenue | 2,826 | - | 10,702 | 13,528 |
| Total revenue | 2,826 | 1,500 | 11,292 | 15,618 |
| General and administrative expenses | (8,301) | (419) | (52,272) | (60,991) |
| Research and development expenses | (116,054) | (1,051) | (35,328) | (152,433) |
| Total Operating expenses | (124,355) | (1,470) | (87,600) | (213,425) |
| Operating income/(loss) | (121,529) | 30 | (76,308) | (197,807) |
| Income/expenses not allocated to segments | | | | |
| Other income/(expense): | | | | |
| Gain on deconsolidation | | | | 27,251 |
| Gain/(loss) on investment held at fair value | | | | (32,060) |
| Realized loss on sale of investments | | | | (29,303) |
| Other income/(expense) | | | | 8,131 |
| Total other income/(expense) | | | | (25,981) |
| Net finance income/(costs) | | | | 138,924 |
| Share of net income/(loss) of associate accounted for using the equity method | | | | (27,749) |
| Gain on dilution of ownership interest in associate | | | | 28,220 |
| Impairment of investment in associates | | | | (8,390) |
| Income/(loss) before taxes | | | | (92,783) |

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| Available Funds | | | | |
| Cash and cash equivalents | 7,306 | 823 | 141,737 | 149,866 |
| Short-term Investments | - | - | 200,229 | 200,229 |
| Consolidated cash, cash equivalents and short-term investments | 7,306 | 823 | 341,966 | 350,095 |

| | For the year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | Wholly-Owned Programs $ | Controlled Founded Entities $ | Parent Company & Other $ | Consolidated $ |
| Contract revenue | 8,129 | 1,500 | 350 | 9,979 |
| Grant revenue | 1,253 | - | 6,156 | 7,409 |
| Total revenue | 9,382 | 1,500 | 6,506 | 17,388 |
| General and administrative expenses | (8,673) | (365) | (48,161) | (57,199) |
| Research and development expenses | (65,444) | (918) | (44,108) | (110,471) |
| Total operating expense | (74,118) | (1,284) | (92,269) | (167,671) |
| Operating income/(loss) | (64,736) | 216 | (85,763) | (150,282) |
| Income/expenses not allocated to segments | | | | |
| Other income/(expense): | | | | |
| Gain/(loss) on investment held at fair value | | | | 179,316 |
| Realized loss on sale of investments | | | | (20,925) |
| Other income/(expense) | | | | 1,592 |
| Other income/(expense) | | | | 159,983 |
| Net finance income/(costs) | | | | 5,050 |
| Share of net income/(loss) of associate accounted for using the equity method | | | | (73,703) |
| Income/(loss) before taxes | | | | (58,953) |

### 5. Investments Held at Fair Value

Investments held at fair value include both unlisted and listed securities held by the Group. These investments, which include interests in Akili, Vor, Karuna, Sonde, Vedanta, Gelesis and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date with changes in the fair value recorded through profit and loss. Activities related to such investments during the periods are shown below:

| Investments held at fair value | $ |
|---|---|
| Balance as of January 1, 2022 | 493,888 |
| Investment in Sonde preferred shares - Sonde deconsolidation | 11,168 |
| Sale of Karuna and Vor shares | (118,710) |
| Loss realised on sale of investments as a result of written call option | (29,303) |
| Investment in Akili common shares | 5,000 |
| Gelesis Earn-out Shares received in the SPAC exchange | 14,214 |
| Exchange of Gelesis preferred shares to Gelesis common shares | (92,303) |
| Loss - change in fair value through profit and loss | (32,060) |
| Balance as of December 31, 2022 and January 1, 2023 | 251,892 |
| Investment in Vedanta preferred shares - Vedanta deconsolidation | 20,456 |
| Investment in Gelesis 2023 Warrants | 1,121 |
| Sale of Karuna shares | (33,309) |

| | |
|---|---|
| Loss realised on sale of investments | (265) |
| Gain - change in fair value through profit and loss | 77,945 |
| **Balance as of December 31, 2023** | **317,841** |

Vedanta

On March 1, 2023, Vedanta issued convertible debt to a syndicate of investors. The Group did not participate in this round of financing. As part of the issuance of the debt, the convertible debt holders were granted representation on Vedanta's Board of Directors and the Group lost control over the Vedanta Board of Directors and the power to direct the relevant Vedanta activities. Consequently, Vedanta was deconsolidated on March 1, 2023 and its results of operations are included in the Consolidated Financial Statements through the date of deconsolidation.

Following deconsolidation, the Group has significant influence over Vedanta through its voting interest in Vedanta and its remaining representation on Vedanta's Board of Directors. However, the Group only holds convertible preferred shares in Vedanta that do not provide their holders with access to returns associated with a residual equity interest, and as such are accounted for under IFRS 9, as investments held at fair value with changes in fair value recorded in profit and loss. Under IFRS 9, the preferred share investments are categorized as debt instruments that are presented at fair value through profit and loss because the amounts receivable do not represent solely payments of principal and interest.

Upon deconsolidation, the Group derecognized its assets, liabilities and non-controlling interest in respect of Vedanta and recorded its aforementioned investment in Vedanta at fair value. The deconsolidation resulted in a gain of $61,787. As of the date of deconsolidation, the investment in Vedanta convertible preferred shares held at fair value amounted to $20,456.

During the year ended December 31, 2023, the Group recognized a loss of $6,303 for the changes in the fair value of the investment in Vedanta that was included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the Group's investment in Vedanta is $14,153 as of December 31, 2023.

Karuna

Karuna was deconsolidated in March 2019. During 2019, Karuna completed its IPO and the Group lost its significant influence in Karuna. The shares held in Karuna are accounted for as an investment held at fair value under IFRS 9.

*2021*

On February 9, 2021, the Group sold 1,000,000 common shares of Karuna for $118,000. On November 9, 2021, the Group sold an additional 750,000 common shares of Karuna for $100,125. As a result of the aforementioned sales, the Group recorded a loss of $20,925, attributable to blockage discount included in the sales price, in realized gain/(loss) on sale of investments within the Consolidated Statement of Comprehensive Income/(Loss).

*2022*

On August 8, 2022, the Group sold 125,000 shares of Karuna common stock. In addition, the Group wrote a series of call options entitling the holders thereof to purchase up to 477,100 Karuna common stock at a set price, which were exercised in full in August and September 2022. Aggregate proceeds to the Group from all aforementioned transactions amounted to $115,457, net of transaction fees. As a result of the aforementioned sales, the Group recorded a loss of $29,303, attributable to the exercise of the aforementioned call options, in realized gain/(loss) on sale of investment within the Consolidated Statement of Comprehensive Income/(Loss).

*2023*

During the three months ended December 31, 2023, the Group sold 167,579 shares of Karuna common stock with aggregate proceeds of $33,309, net of transaction fees.

During the years ended December 31, 2023, 2022, and 2021 the Group recorded gains of $107,079, $134,952, $109,987, respectively for the changes in the fair value of the Karuna investment that were included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). As of December 31, 2023, the Group held 886,885 shares or 2.3 percent of total outstanding Karuna common stock. In December 2023, Karuna entered into a definitive merger agreement with Bristol Myers Squibb ("BMS") under which Karuna common shares were acquired by Bristol Myers Squibb for $330 per share in March 2024. See Note 28. Subsequent Events. The fair value of the Group's investment in Karuna is $280,708 as of December 31, 2023.

Vor

Vor was deconsolidated in February 2019. As the Group did not hold common shares in Vor upon

deconsolidation and the preferred shares it held did not have equity-like features. Therefore, the preferred shares held by the Group fell under the guidance of IFRS 9 and were treated as a financial asset held at fair value with changes in fair value recorded in the Consolidated Statement of Comprehensive Income/(Loss).

*2021*

On January 8, 2021, the Group participated in the second closing of Vor's Series B preferred share financing. For consideration of $500, the Group received an additional 961,538 Series B preferred shares.

On February 9, 2021, Vor closed its initial public offering (the "IPO") of 9,828,017 shares of its common stock at a price of $18.00 per share. Subsequent to the closing, the Group held 3,207,200 shares of Vor common stock, representing 8.6 percent of Vor common stock.

*2022*

In August and December 2022, the Group sold an aggregate of 535,400 shares of Vor common stock for aggregate proceeds of $3,253.

During the years ended December 31, 2023, 2022 and 2021, the Group recognized a loss of $11,756, a loss of $16,247, and a gain of $3,903, respectively, for the changes in the fair value of the investment that were included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the Group's investment in Vor is $6,012 as of December 31, 2023.

Gelesis

Gelesis was deconsolidated in July 2019. The common stock held in Gelesis was accounted for under the equity method, while the preferred shares and warrants held by the Group fell under the guidance of IFRS 9 and were treated as financial assets held at fair value, with changes to the fair value of the instruments recorded through the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 6. Investments in Associates for information regarding the Group's investment in Gelesis as an associate.

*2021*

During the year ended December 31, 2021, as the equity method based investment in Gelesis was reduced to zero previously, the Group allocated a portion of its share in the net loss in Gelesis of $73,703, to its preferred share and warrant investments in Gelesis, which were considered to be long-term interests in Gelesis.

*2022*

On January 13, 2022, Gelesis completed its business combination with Capstar Special Purpose Acquisition Corp ("Capstar"). As part of the business combination, all shares in Gelesis, common and preferred, including the shares held by the Group, were exchanged for common shares of the merged entity and unvested common shares that will vest upon the stock price of the new combined entity reaching certain target prices (hereinafter "Gelesis Earn-out Shares"). In addition, the Group invested $15,000 in the class A common shares of Capstar as part of the Private Investment in Public Equity ("PIPE") transaction that took place immediately prior to the closing of the business combination and an additional approximately $4,961, as part of the Backstop agreement signed with Capstar on December 30, 2021 (See Note 6. Investments in Associates). Pursuant to the business combination, Gelesis became a wholly-owned subsidiary of Capstar and Capstar changed its name to Gelesis Holdings, Inc., which began trading on the New York Stock Exchange under the ticker symbol "GLS" on January 14, 2022. The exchange of the preferred stock (including warrants) for common stock (including common stock warrants) represents an additional investment in Gelesis equity investment. The Group recorded the changes in fair value of the preferred stock and warrants through the date of the exchange upon which the preferred shares and warrants were derecognized and recorded as an additional investment in Gelesis equity interest. All equity method losses allocated in prior periods against the investment in Gelesis held at fair value were reclassified to include within the equity method investment in Gelesis and were offset against the gain on dilution of interest.

As part of the aforementioned exchange, the Group received 4,526,622 Gelesis Earn-out Shares, which were valued on the date of the exchange at $14,214. The Group accounted for such Gelesis Earn-out Shares under IFRS 9 as investments held at fair value with changes in fair value recorded through profit and loss.

*2023*

In February and May 2023, as part of Gelesis' issuance of senior secured promissory notes to the Group, Gelesis also issued to the Group (i) warrants to purchase 23,688,047 shares of Gelesis common stock with an exercise price of $0.2744 per share (ii) warrants to purchase 192,307,692 shares of Gelesis common stock at an exercise price of $0.0182 per share and (iii) warrants to purchase 43,133,803 shares of Gelesis common stock at an exercise price of $0.0142 per share. These warrants expire five years after issuance and are collectively referred to as the Gelesis 2023 Warrants.

The Gelesis 2023 Warrants were recorded at their initial fair value of $1,121 and then subsequently re-measured to fair value through the profit and loss. As of December 31, 2023, the fair value of the Gelesis 2023

measured to fair value through the profit and loss. As of December 31, 2023, the fair value of the Gelesis 2023 Warrants was $0 as Gelesis ceased operations in October 2023.

During the years ended December 31, 2023, 2022 and 2021, the Group recognized a loss of $1,264, a loss of $18,476 and a gain of $34,566, respectively, related to the change in the fair value of these instruments that was included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss).

Sonde

On May 25, 2022, Sonde completed a Series B preferred share financing, which resulted in the Group losing control over Sonde and the deconsolidation of Sonde. Therefore, the results of operations of Sonde are included in the Consolidated Financial Statements through the date of deconsolidation.

Upon deconsolidation, the Group derecognized its assets and liabilities and non-controlling interest in respect of Sonde and recorded its aforementioned investments in Sonde at fair value. The deconsolidation resulted in a gain of $27,251. As of the date of deconsolidation, the investment in Sonde preferred shares held at fair value amounted to $11,168.

Following deconsolidation, the Group had significant influence in Sonde through its 48.2% voting interest in Sonde and its remaining representation on Sonde's Board of Directors. The Group holds Preferred A-1, A-2 and B shares. The Preferred A-1 shares have the same terms as common stock and provide their shareholders with access to returns associated with a residual equity ownership in Sonde. Consequently, the investment in Preferred A-1 shares is accounted for under the equity method. The convertible Preferred A-2 and B shares do not provide their shareholders with access to returns associated with a residual equity interest and as such are accounted for under IFRS 9, as investments held at fair value with changes in fair value recorded in profit and loss. Under IFRS 9, the A-2 and B preferred share investments are categorized as debt instruments that are presented at fair value through profit and loss because the amounts receivable do not represent solely payments of principal and interest.

During the years ended December 31, 2023 and 2022, the Group recognized a loss of $994, and a gain of $235, respectively, for the changes in the fair value of the investment in Sonde that were included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the Group's investment in Sonde is $10,408 as of December 31, 2023.

Akili

Akili was deconsolidated in 2018. At time of deconsolidation, as the Group did not hold common shares in Akili and the preferred shares it held did not have equity-like features. Therefore, the preferred shares held by the Group fell under the guidance of IFRS 9 and were treated as a financial asset held at fair value and changes to the fair value of the preferred shares were recorded through the Consolidated Statement of Comprehensive Income/(Loss), in accordance with IFRS 9.

On May 25, 2021, Akili completed its Series D financing for gross proceeds of $110,000 in which Akili issued 13,053,508 Series D preferred shares. The Group did not participate in this round of financing and as a result, the Group's interest in Akili was reduced from 41.9 percent to 27.5 percent.

On August 19, 2022, Akili Interactive merged with Social Capital Suvretta Holdings Corp. I, a special purpose acquisition company. The combined company's securities began trading on August 22, 2022 on the Nasdaq Stock Market under the ticker symbol "AKLI". As part of this transaction, the Akili Interactive shares held by the Group were exchanged for the common stock of the combined company's securities as well as unvested common stock ("Akili Earnout Shares") that will vest when the share price exceeds certain thresholds. In addition, as part of a PIPE transaction that took place concurrently with the closing of the transaction, the Group purchased 500,000 shares for a total consideration of $5,000. Following the closing of the aforementioned transactions, the Group holds 12,527,477 shares of the combined entity and 1,433,914 Akili Earn-out Shares, with fair value amounted to $6,422 as of December 31, 2023.

During the years ended December 31, 2023, 2022 and 2021, the Group recognized a loss of $8,681, a loss of $131,419, and a gain of $32,151, respectively, for the changes in the fair value of the investment in Akili that were included in gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss).

**6. Investments in Associates**

Gelesis

Gelesis was founded by the Group and raised funding through preferred shares financings as well as issuances of warrants and loans. As of July 1, 2019, Gelesis was deconsolidated from the Group's financial statements. Upon deconsolidation, the preferred shares and warrants held by the Group fell under the guidance of IFRS 9 *Financial Instruments* and were treated as financial assets held at fair value and the investment in common shares of Gelesis was subject to IAS 28 *Investment in Associates* as the Group had significant influence over

Gelesis.

*2021*

Due to the Group's share in the losses of Gelesis, in 2020, the Group's investment in Gelesis accounted for under the equity method was reduced to zero. Since the Group had investments in Gelesis warrants and preferred shares that were deemed to be long-term interests, the Group continued recognizing its share in Gelesis losses while applying such losses to its preferred share and warrant investment in Gelesis accounted for as an investment held at fair value. In 2021, total investment in Gelesis, including the long-term interests, was reduced to zero. Since the Group did not incur legal or constructive obligations or made payments on behalf of Gelesis, the Group discontinued recognizing equity method losses in 2021. As of December 31, 2021, unrecognized equity method losses amounted to $38,101, which included $709 of unrecognized other comprehensive loss.

During 2021, due to exercise of stock options into common shares in Gelesis, the Group's equity interest in Gelesis was reduced from 47.9 percent at December 31, 2020 to 42.0 percent as of December 31, 2021. The gain resulting from the issuance of shares to third parties and the resulting reduction in the Group's share in the accumulated deficit of Gelesis under the equity method was fully offset by the unrecognized equity method losses.

*Backstop agreement - 2022 and 2021*

On December 30, 2021, the Group signed a Backstop agreement with Capstar and had committed to acquire Capstar class A common shares at $10 per share immediately prior to the closing of the business combination between Gelesis and Capstar, in case, the Available Funds, as defined in the agreement, were less than $15,000. According to the Backstop agreement, if the Group had to acquire any shares under the agreement, the Group would receive an additional 1,322,500 class A common shares of Capstar at no additional consideration.

The Group determined that such agreement meets the definition of a derivative under IFRS 9 and as such should be recorded at fair value with changes in fair value recorded through profit and loss. The derivative was initially recorded at fair value adjusted to defer the day 1 gain equal to the difference between the fair value of $11,200 and transaction price of zero on the effective date of the Backstop agreement and as such was initially recorded at zero. The deferred gain was amortized over the period from the effective date until settlement date, January 13, 2022. During the years ended December 31, 2022 and 2021, the Group recognized income of $10,400 and $800, respectively, for the amortization of the deferred gain. During the year ended December 31, 2022, the Group recognized a loss of $2,776 in respect of the decrease in the fair value of the derivative until the settlement date, resulting in a net gain of $7,624 recorded during the year ended December 31, 2022 in respect of the Backstop agreement. The gain was included in other Income/(expense) in the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the derivative on the settlement date in the amount of $8,424 represents an additional investment in Gelesis as part of the SPAC transaction described below.

On January 13, 2022, as part of the conclusion of the aforementioned Backstop agreement, the Group acquired 496,145 class A common shares of Capstar for $4,961 and received an additional 1,322,500 class A common shares of Capstar for no additional consideration.

*2022*

*Share exchange - Capstar*

On January 13, 2022, Gelesis completed its business combination with Capstar. As part of the business combination, all shares in Gelesis, common and preferred, including the shares held by the Group, were exchanged for common shares of the merged entity and unvested common shares that will vest upon the stock price of the new combined entity reaching certain target prices (the "Gelesis Earn-out Shares"). In addition, the Group invested $15,000 in the class A common shares of Capstar as part of the PIPE transaction that took place immediately prior to the closing of the business combination and an additional $4,961, as part of the Backstop agreement described above. Pursuant to the business combination, Gelesis became a wholly-owned subsidiary of Capstar and Capstar changed its name to Gelesis Holdings, Inc., which began trading on the New York Stock Exchange under the ticker symbol "GLS" on January 14, 2022. Following the closing of the business combination, the PIPE transaction, the settlement of the aforementioned Backstop agreement with Capstar, and the exchange of all preferred shares in Gelesis to common shares in the new combined entity, the Group holds 16,727,582 common shares of Gelesis Holdings Inc., which was equal to approximately 23.2% of Gelesis Holdings Inc's outstanding common shares at the time of the exchange. Due to the Group's significant equity holding and voting interest in Gelesis, the Group continued to maintain significant influence in Gelesis and as such continued to account for its Gelesis equity investment under the equity method.

Gelesis was deemed to be the acquirer in Gelesis Holdings Inc. and the financial assets and financial liabilities

Gelesis was deemed to be the acquirer in Gelesis Holdings Inc. and the financial assets and financial liabilities in Capstar were deemed to be acquired by Gelesis in consideration for the shares held by Capstar legacy shareholders. As such, the Group did not revalue the retained investment in Gelesis but rather treated the exchange as a dilution of its equity interest in Gelesis from 42.0 percent as of December 31, 2021 to 22.8 percent as of January 13, 2022 (including warrants that provide its holders access to returns associated with equity holders). After considering the aforementioned additional investments, the exchange of the preferred stock, previously accounted for as an investment held at fair value, to common stock (and representing an additional equity investment in Gelesis), the earn-out shares received in Gelesis (see Note 5. Investments Held at Fair Value) and the offset of previously unrecognized equity method losses, the net gain recorded on the dilution of interest amounted to $28,255.

*Impairment*

Following Gelesis' decline in its market price in 2022 and its lack of liquidity, the Group recorded an impairment loss of $8,390 as of December 31, 2022 in respect of its investment in Gelesis. The recoverable amount of the investment in Gelesis was $4,910 as of December 31, 2022, which was determined based on fair value less costs to sell (which were estimated to be insignificant). Fair value was determined based on level 1 of the fair value hierarchy as Gelesis shares were traded on an active market as of December 31, 2022.

The impairment loss was presented separately in the Consolidated Statement of Comprehensive Income/(loss) for the year ended December 31, 2022 in the line item impairment of investment in associates.

*2023*

During the year ended December 31, 2023, the Group entered into agreements with Gelesis to purchase senior secured convertible promissory notes and warrants for shares of Gelesis common stock (see Note 7. Investment in Notes from Associates). The warrants to purchase shares of Gelesis common stock represented potential voting rights to the Group and it is therefore necessary to consider whether they were substantive. If these potential voting rights were substantive and the Group had the practical ability to exercise the rights and take control of greater than 50% of Gelesis common stock, the Group would be required to consolidate Gelesis under the accounting standards.

In February 2023, the Group obtained warrants to purchase 23,688,047 shares of Gelesis common stock (the "February Warrants") at an exercise price of $0.2744 per share. The exercise of the February Warrants was subject to the approval of the Gelesis stockholders until May 1, 2023. On May 1, 2023, stockholder approval was no longer required for the Group to exercise the February Warrants. The potential voting rights associated with the February Warrants were not substantive as the exercise price of the February Warrants was at a significant premium to the fair value of the Gelesis common stock.

In May 2023, the Group obtained warrants to purchase 235,441,495 shares of Gelesis common stock (the "May Warrants"). The May Warrants were exercisable at the option of the Group and had an exercise price of either $0.0182 or $0.0142. The May Warrants were substantive as the Group would have benefited from exercising such warrants since their exercise price was at the money or at an insignificant premium over the fair value of the Gelesis common stock. However, that benefit from exercising the May Warrants only existed for a short period of time because in June 2023, the potential voting rights associated with the May Warrants were impacted by the terms and conditions of the Merger Agreement as described below and were no longer substantive.

In October 2023, the Group terminated the Merger Agreement with Gelesis and the potential voting rights associated with the May Warrants were not substantive. Also, in October 2023, Gelesis ceased operations and filed a voluntary petition for relief under the provisions of Chapter 7 of Title 11 of the United States Bankruptcy Code. A Chapter 7 trustee has been appointed by the Bankruptcy Court who has control over the assets and liabilities of Gelesis, effectively eliminating the authority and powers of the Board of Directors of Gelesis and its executive officers to act on behalf of Gelesis. The assets of Gelesis will be liquidated and Gelesis no longer has any officers or employees. The Group ceased accounting for Gelesis as an equity method investment as it no longer had significant influence in Gelesis. During the year ended December 31, 2023, the Group recorded $4,910 as its share in the losses of Gelesis and the Group's balance in this equity method investment was zero as of December 31, 2023.

*Merger Agreement*

On June 12, 2023, PureTech Health LLC and Caviar Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of PureTech ("Merger Sub"), entered into an agreement (the "Merger Agreement"), pursuant to which Gelesis would merge with and into Merger Sub, with Merger Sub continuing as the surviving company ( the "Merger"). If the Merger had been completed, PureTech would have acquired all issued and outstanding shares of common stock of Gelesis not otherwise held by PureTech, and Gelesis would have become an indirect wholly-owned subsidiary of PureTech. On October 12, 2023, the Group terminated the Merger Agreement.

Sonde

On May 25, 2022, Sonde completed a Series B preferred share financing. As a result of the aforementioned financing, the Group's voting interest was reduced below 50% and the Group lost its control over Sonde and as such ceased to consolidate Sonde on the date the round of financing was completed.

Following deconsolidation, the Group has significant influence in Sonde through its voting interest in Sonde and its remaining representation on Sonde's Board of Directors. The Group's voting interest at date of deconsolidation and as of December 31, 2022 was 48.2% and 40.17%, respectively. The Group holds Preferred A-1, A-2 and B shares. The Preferred A-1 shares, in substance, have the same terms as common stock and as such provide their shareholders with access to returns associated with a residual equity ownership in Sonde. Consequently, the investment in Preferred A-1 shares is accounted for under the equity method. The Preferred A-2 and B shares, however, do not provide their shareholders with access to returns associated with a residual equity interest and as such are accounted for under IFRS 9, as investments held at fair value.

The fair value of the Preferred A-1 shares on the date of deconsolidation amounted to $7,716, which is the initial value of the equity method investment in Sonde.

During the years ended December 31, 2023 and 2022, the Group recorded losses of $1,052 and $3,443, respectively, related to Sonde's equity method of accounting. As of December 31, 2023, the Sonde equity method investment has a balance of $3,185.

The following table summarizes the activity related to the investment in associates balance for the years ended December 31, 2023 and 2022.

| Investment in Associates | $ |
|---|---|
| **As of January 1, 2022** | - |
| Cash investment in associates | 19,961 |
| Additional investment as a result of settling the Backstop agreement (see above) | 8,424 |
| Gain on dilution of interest in associate (*) | 13,793 |
| Investment in Sonde - deconsolidation | 7,680 |
| Share in net loss of associates | (27,749) |
| Reversal of equity method losses recorded against LTI (due to decrease in the fair value of such LTI): | (4,406) |
| Share in other comprehensive loss of associates | (166) |
| Impairment | (8,390) |
| **As of December 31, 2022 and January 1, 2023** | 9,147 |
| Share in net loss of associates | (6,055) |
| Share in other comprehensive income of associates | 92 |
| **As of December 31, 2023** | **3,185** |

* Gain on dilution of interest was further increased due to the receipt of Gelesis Earn-out Shares accounted for as investments held at fair value (see above).

Summarized financial information

The following table summarizes the financial information of Gelesis as of December 31, 2022 and for the years ended December 31, 2022 and 2021, as included in its own financial statements, adjusted for fair value adjustments at deconsolidation and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Gelesis. As of December 31, 2023, the Group's investment in Gelesis is $0 and Gelesis does not represent a significant equity method investment. As a result, such a disclosure for Gelesis is not presented for the year ended December 31, 2023.

| As of and for the year ended December 31, | 2022 $ |
|---|---|
| Percentage ownership interest | 22.5% |
| Non-current assets | 333,040 |
| Current assets | 23,495 |
| Non-current liabilities | (99,053) |
| Current liabilities | (80,010) |
| Non-controlling interests and options issued to third parties | (46,204) |
| Net assets (deficit) attributable to shareholders of Gelesis Inc. | 131,268 |
| Group's share of net assets (net deficit) | 29,504 |
| Goodwill | 3,858 |
| Impairment | (28,452) |
| **Investment in associates** | 4,910 |

| | 2022 $ | 2021 $ |
|---|---|---|
| Revenue | 25,767 | 11,185 |
| Loss from continuing operations (100%) | (111,567) | (271,430) |
| Total comprehensive loss (100%) | (112,285) | (273,005) |
| **Group's share in net losses - limited to net investment amount (*)** | (24,306) | (73,703) |
| **Group's share of total comprehensive loss - limited to net investment amount** | (24,472) | (73,703) |

* For the year ended December 31, 2022, the amount includes $4,406 reversal of equity method losses recorded against long-term Interests ("LTI") due to the decrease in fair value of such LTI.

**7. Investment in Notes from Associates**

Gelesis

*Unsecured Promissory Note*

On July 27, 2022, the Group, as a lender, entered into an unsecured promissory note (the "Junior Note") with Gelesis, as a borrower, in the amount of $15,000. The Junior Note bears an annual interest rate of 15% per annum. The maturity date of the Junior Note is the earlier of December 31, 2023 or five business days following the consummation of a qualified financing by Gelesis. Based on the terms of the Junior Note, due to the option to convert to a variable amount of shares at the time of default, the Junior Note is required to be measured at fair value with changes in fair value recorded through profit and loss.

As of December 31, 2023 and December 31, 2022 the fair value of the Junior Note was $0 and $16,501, respectively. In the year ended December 31, 2023, the Group recorded a loss of $16,501 for the change in the fair value of the Junior Note which was included in gain/(loss) on investments in notes from associates within the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the Junior Note was determined to be $0 as of December 31, 2023 as Gelesis has ceased operations and filed for bankruptcy. In the year ended December 31, 2022, the Group recorded interest income of $963 and a gain of $539 for the change in the fair value of the Junior Note which was included in other income/(expense) in the Consolidated Statement of Comprehensive Income/(Loss).

*Senior Secured Convertible Promissory Notes*

During the year ended December 31, 2023, the Group entered into multiple agreements with Gelesis to purchase for $11,850 senior secured convertible promissory notes (the "Senior Notes") and warrants for share of Gelesis common stock. The initial fair value of the Senior Notes was determined to be $10,729 while $1,121 was determined to be the initial fair value of the warrants. The Senior Notes represent debt instruments that are presented at fair value through profit and loss as the amounts receivable do not solely represent payments of principal and interest as the Senior Notes are convertible into Gelesis common stock.

The Senior Notes are secured by a first-priority lien on substantially all assets of Gelesis and the guarantors (other than the equity interests in, and assets held by Gelesis s.r.l., a subsidiary of Gelesis, and certain other exceptions).

In October 2023, Gelesis ceased operations and filed a voluntary petition for relief under the provisions of Chapter 7 of Title 11 of the United States Bankruptcy Code. Therefore, the Group determined that the fair value of the Senior Notes was $0 as of December 31, 2023 and the Group recorded a loss of $10,729 for the changes in the fair value of the Senior Notes. The loss was included in gain/(loss) on investments in notes from associates in the Consolidated Statement of Comprehensive Income/(Loss).

Vedanta

On April 24, 2023, Vedanta closed the second tranche of its convertible debt for additional proceeds of $18,000, of which $5,000 were invested by the Group. The convertible debt carries an interest rate of 9 percent per annum. The debt has various conversion triggers and the conversion price is established at the lower of 80% of the equity price of the last financing round, or a certain pre-money valuation cap established in the agreement. If the convertible debt is not earlier converted or repaid, the entire outstanding amount of the convertible debt shall be due and payable upon the earliest to occur of (a) the later of (x) November 1, 2025 and (y) the date which is sixty (60) days after all amounts owed under, or in connection with, the loan Vedanta received from a certain investor have been paid in full, or (b) the consummation of a Deemed Liquidation Event (as defined in Vedanta's Amended and Restated Certificate of Incorporation).

Due to the terms of the convertible debt, the investment in such convertible debt is measured at fair value with changes in the fair value recorded through profit and loss. During the years ended December 31, 2023, the Group recorded a loss of $400 for the changes in the fair value of the Vedanta convertible debt which was included in gain/(loss) on investments in notes from associates in the Consolidated Statement of Comprehensive Income/(Loss).

Following is the activity in respect of investments in notes from associates during the periods. The fair value of the $4,600 note from associate as of December 31, 2023 is determined using unobservable Level 3 inputs. See Note 18. Financial Instruments for additional information.

| Investment in notes from associates | $ |
|---|---|
| Balance as of January 1, 2022 | - |
| Investment In Gelesis notes | 15,000 |
| Changes in the fair value of the notes | 1,501 |
| Balance as of December 31, 2022 and January 1, 2023 | 16,501 |

| | |
|---|---|
| Investment In Gelesis notes | 10,729 |
| Investment in Vedanta convertible debt | 5,000 |
| Changes in the fair value of the notes and convertible debt | (27,630) |
| **Balance as of December 31, 2023** | **4,600** |

## 8. Operating Expenses

Total operating expenses were as follows:

| For the years ending December 31, | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| General and administrative | **53,295** | 60,991 | 57,199 |
| Research and development | **96,235** | 152,433 | 110,471 |
| **Total operating expenses** | **149,530** | 213,425 | 167,671 |

The average number of persons employed by the Group during the year, analyzed by category, was as follows:

| For the years ending December 31, | **2023** | 2022 | 2021 |
|---|---|---|---|
| General and administrative | **40** | 57 | 52 |
| Research and development | **56** | 144 | 119 |
| **Total** | **96** | 201 | 171 |

The aggregate payroll costs of these persons were as follows:

| For the years ending December 31, | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| General and administrative | **24,586** | 25,322 | 26,438 |
| Research and development | **21,102** | 36,321 | 28,950 |
| **Total** | **45,688** | 61,643 | 55,388 |

Detailed operating expenses were as follows:

| For the years ending December 31, | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| Salaries and wages | **37,084** | 41,750 | 36,792 |
| Healthcare and other benefits | **2,599** | 2,908 | 2,563 |
| Payroll taxes | **1,590** | 2,286 | 2,084 |
| Share-based payments | **4,415** | 14,699 | 13,950 |
| **Total payroll costs** | **45,688** | 61,643 | 55,388 |
| Amortization | **1,979** | 3,048 | 2,940 |
| Depreciation | **2,955** | 5,845 | 4,347 |
| **Total amortization and depreciation expenses** | **4,933** | 8,893 | 7,287 |
| Other general and administrative expenses | **25,180** | 31,600 | 26,714 |
| Other research and development expenses | **73,729** | 111,288 | 78,282 |
| **Total other operating expenses** | **98,909** | 142,888 | 104,996 |
| **Total operating expenses** | **149,530** | 213,425 | 167,671 |

Please refer to Note 9. Share-based Payments for further disclosures related to share-based payments and Note 26. Related Parties Transactions for management's remuneration disclosures.

Auditor's remuneration:

| For the years ending December 31, | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| Audit of these financial statements | **2,241** | 1,716 | 1,183 |
| Audit of the financial statements of subsidiaries | **-** | 132 | 312 |
| Audit of the financial statements of associate** | **-** | 814 | 571 |
| Audit-related assurance services* | **445** | 1,157 | 1,868 |
| Non-audit related services | **9** | - | - |
| **Total** | **2,695** | 3,819 | 3,934 |

* 2023 - this amount represents assurance service relating to SOX controls work for purposes of the ICFR audit of Form 20-F; 2021 - $468 represents prepaid expenses related to an expected initial public offering of a subsidiary.

** Audit fees of $-, $720 and $500 in respect of financial statements of Gelesis for the years ended December 31, 2023, 2022, and 2021 respectively, are not included within the Consolidated Financial Statements. Fees related to the audit of the financial statements of Gelesis have been disclosed in respect of 2023, 2022, and 2021 as these fees went towards supporting the audit opinion on the Group accounts.

## 9. Share-based Payments

Share-based payments includes stock options, time-based restricted stock units ("RSUs") and performance-based RSUs in which the expense is recognized based on the grant date fair value of these awards, except for performance-based RSUs to executives that are treated as liability awards where expense is recognized based on reporting date fair value up until settlement date.

Share-based Payment Expense

Share-based Payment Expense

The Group's share-based payment expense for the years ended December 31, 2023, 2022 and 2021, was $4,415, $14,699, and $13,950 respectively. The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the Consolidated Statement of Income/(Loss):

| Year ended December 31, | **2023** $ | 2022 $ | 2021 $ |
|---|---|---|---|
| General and administrative | **3,185** | 8,862 | 9,310 |
| Research and development | **1,230** | 5,837 | 4,640 |
| **Total** | **4,415** | 14,699 | 13,950 |

The Performance Share Plan

In June 2015, the Group adopted the Performance Stock Plan (the "2015 PSP"). Under the 2015 PSP and subsequent amendments, awards of ordinary shares may be made to the Directors, senior managers and employees, and other individuals providing services to the Group up to a maximum authorized amount of 10.0 percent of the total ordinary shares outstanding. The shares have various vesting terms over a period of service between one and four years, provided the recipient remains continuously engaged as a service provider. The options awards expire 10 years from the grant date.

In June 2023 the Group adopted a new Performance Stock Plan (the "2023 PSP") that has the same terms as the 2015 PSP but instituted for all new awards a limit of 10.0 percent of the total ordinary shares outstanding over a five-year period.

The share-based awards granted under the PSPs are generally equity-settled (see cash settlements below). As of December 31, 2023, the Group had issued 27,384,777 units of share-based awards under these plans.

RSUs

RSU activity for the years ended December 31, 2023, 2022 and 2021 is detailed as follows:

| | Number of Shares/Units | Weighted Average Grant Date Fair Value (GBP) (*) |
|---|---|---|
| **Outstanding (Non-vested) at January 1, 2021** | 3,422,582 | 2.46 |
| RSUs Granted in Period | 2,195,133 | 2.15 |
| Vested | (1,176,695) | 2.93 |
| Forfeited | (808,305) | 2.25 |
| **Outstanding (Non-vested) at December 31, 2021 and January 1, 2022** | 3,632,715 | 1.91 |
| RSUs Granted in Period | 4,309,883 | 1.76 |
| Vested | (696,398) | 2.80 |
| Forfeited | (1,155,420) | 2.67 |
| **Outstanding (Non-vested) at December 31, 2022 and January 1, 2023** | **6,090,780** | **1.74** |
| RSUs Granted in Period | 3,679,669 | 1.28 |
| Vested | (716,029) | 2.00 |
| Forfeited | (1,880,274) | 1.94 |
| **Outstanding (Non-vested) at December 31, 2023** | **7,174,146** | **1.10** |

* For liability awards - based on fair value at reporting date.

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are generally based on a vesting schedule over a one to three-year requisite service period in which the Group recognizes compensation expense for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs.

RSUs granted to the non-executive directors are time-based and equity-settled. The grant date fair value on such RSUs is recognized over the vesting term.

RSUs granted to executives are performance-based and vesting of such RSUs is subject to the satisfaction of both performance and market conditions. The performance condition is based on the achievement of the Group's strategic targets. The market conditions are based on the achievement of the absolute total shareholder return ("TSR"), TSR as compared to the FTSE 250 Index, and TSR as compared to the MSCI Europe Health Care Index. The RSU award performance criteria have changed over time as the criteria are continually evaluated by the Group's Remuneration Committee.

The Group recognizes the estimated fair value of performance-based awards with non-market conditions as share-based compensation expense over the performance period based upon its determination of whether it is probable that the performance targets will be achieved. The Group assesses the probability of achieving the performance targets at each reporting period. Cumulative adjustments, if any, are recorded to reflect subsequent changes in the estimated outcome of performance-related conditions.

The fair value of the performance-based awards with market conditions is based on the Monte Carlo simulation analysis utilizing a Geometric Brownian Motion process with 100,000 simulations to value those

shares. The model considers share price volatility, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

*Liability settled RSUs classification*

The RSUs to executives are treated as liability awards as the Group has a historical practice of settling these awards in cash, and as such adjusted to fair value at every reporting date until settlement with changes in fair value recorded in earnings as stock based compensation expense.

The Group incurred share-based payment expenses for RSUs of $827 (including $402 expense in respect of RSU liability awards), $1,637 (including $1,131 expense in respect of RSU liability awards), and $1,540 (including $589 expense in respect of RSU liability awards) for the years ended December 31, 2023, 2022 and 2021, respectively. The decrease in the share-based compensation expense in respect of the RSUs for the year ended December 31, 2023, as compared to the year ended December 31, 2022 is due to reduction in the fair value of the liability awards.

As of December 31, 2023, the carrying amount of the RSU liability awards was $4,782, $1,281 current; $3,501 non current, out of which $1,283 related to awards that have met all their performance and market conditions.

Stock Options

Stock option activity for the years ended December 31, 2023, 2022 and 2021, is detailed as follows:

| | Number of Options | Wtd Average Exercise Price (GBP) | Wtd Average of remaining contractual term (in years) | Wtd Average Stock Price at Exercise (GBP) |
|---|---|---|---|---|
| **Outstanding at January 1, 2021** | 10,916,086 | 1.81 | 8.38 | |
| Granted | 5,424,000 | 3.34 | | |
| Exercised | (2,238,187) | 0.70 | | 3.63 |
| Forfeited and expired | (687,781) | 2.53 | | |
| **Options Exercisable at December 31, 2021 and January 1, 2022** | 4,773,873 | 1.42 | 6.50 | |
| **Outstanding at December 31, 2021 and January 1, 2022** | 13,414,118 | 2.58 | 8.29 | |
| Granted | 8,881,000 | 2.04 | | |
| Exercised | (577,022) | 0.50 | | 2.43 |
| Forfeited and expired | (3,924,215) | 2.89 | | |
| **Options Exercisable at December 31, 2022 and January 1, 2023** | **6,185,216** | **2.03** | **6.21** | |
| **Outstanding at December 31, 2022 and January 1, 2023** | **17,793,881** | **2.31** | **8.03** | |
| Granted | 3,120,975 | 2.22 | | |
| Exercised | (534,034) | 1.71 | | 2.46 |
| Forfeited and expired | (3,424,232) | 2.40 | | |
| **Options Exercisable at December 31, 2023** | **9,065,830** | **2.19** | **6.01** | |
| **Outstanding at December 31, 2023** | **16,956,590** | **2.29** | **7.20** | |

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

| At December 31, | **2023** | 2022 | 2021 |
|---|---|---|---|
| Expected volatility | **43.69%** | 41.70% | 41.05% |
| Expected terms (in years) | **6.16** | 6.11 | 6.16 |
| Risk-free interest rate | **4.04%** | 2.13% | 1.06% |
| Expected dividend yield | **-** | - | - |
| Exercise price (GBP) | **2.22** | 2.04 | 3.34 |
| Underlying stock price (GBP) | **2.22** | 2.04 | 3.34 |

These assumptions resulted in an estimated weighted-average grant-date fair value per share of stock options granted during the years ended December 31, 2023, 2022 and 2021 of $1.37 ,$1.15 and $1.87, respectively.

The Group incurred share-based payment expense for the stock options of $3,310, $8,351 and $6,158 for the years ended December 31, 2023, 2022 and 2021, respectively.

For shares outstanding as of December 31, 2023, the range of exercise prices is detailed as follows:

| **Range of Exercise Prices (GBP)** | Options Outstanding | Wtd Average Exercise Price (GBP) | Wtd Average of remaining contractual term (in years) |
|---|---|---|---|
| 0.01 | 439,490 | - | 5.76 |
| 1.00 to 2.00 | 4,989,572 | 1.54 | 5.64 |
| 2.00 to 3.00 | 6,664,028 | 2.25 | 8.55 |
| 3.00 to 4.00 | 4,863,500 | 3.33 | 7.10 |
| **Total** | **16,956,590** | **2.29** | **7.20** |

Subsidiary Plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of stock option activity by number of shares in these subsidiaries is presented in the following table:

| | **Outstanding as of January 1, 2023** | **Granted During the Year** | **Exercised During the Year** | **Expired During the Year** | **Forfeited During the Year** | **Deconsolidation During the Year** | **Outstanding as of December 31, 2023** |
|---|---|---|---|---|---|---|---|
| Entrega | **344,500** | **-** | **-** | **-** | **-** | **-** | **344,500** |
| Follica | **2,776,120** | **-** | **-** | **(2,170,547)** | **(605,573)** | **-** | **-** |
| Vedanta | **1,824,576** | **-** | **-** | **(1,313)** | **(29,607)** | **(1,793,656)** | **-** |

| | Outstanding as of January 1, 2022 | Granted During the Year | Exercised During the Year | Expired During the Year | Forfeited During the Year | Deconsolidation During the Year | Outstanding as of December 31, 2022 |
|---|---|---|---|---|---|---|---|
| Entrega | 349,500 | 45,000 | - | (50,000) | - | - | 344,500 |
| Follica | 2,686,120 | 90,000 | - | - | - | - | 2,776,120 |
| Sonde | 2,049,004 | - | - | - | - | (2,049,004) | - |
| Vedanta | 1,991,637 | 490,506 | (400,000) | (65,235) | (192,332) | - | 1,824,576 |

| | Outstanding as of January 1, 2021 | Granted During the Year | Exercised During the Year | Expired During the Year | Forfeited During the Year | Deconsolidation During the Year | Outstanding as of December 31, 2021 |
|---|---|---|---|---|---|---|---|
| Alivio | 3,888,168 | 197,398 | (2,373,750) | (506,260) | (1,205,556) | - | - |
| Entrega | 962,000 | - | (525,000) | (87,500) | - | - | 349,500 |
| Follica | 1,309,040 | 1,383,080 | - | (6,000) | - | - | 2,686,120 |
| Sonde | 2,192,834 | - | - | (51,507) | (92,323) | - | 2,049,004 |
| Vedanta | 1,741,888 | 451,532 | (52,938) | (76,491) | (72,354) | - | 1,991,637 |

The weighted-average exercise prices and remaining contractual life for the options outstanding as of December 31, 2023, were as follows:

| Outstanding at December 31, 2023 | **Number of options** | **Weighted-average exercise price $** | **Weighted-average contractual life outstanding** |
|---|---|---|---|
| Entrega | **344,500** | **1.91** | **3.92** |

There were no grants in 2023 under any of the subsidiary option plans. The weighted average exercise prices for the options granted for the years ended December 31, 2022 and 2021, were as follows:

| For the years ended December 31, | 2022 $ | 2021 $ |
|---|---|---|
| Entrega | 0.02 | - |
| Follica | 1.86 | 1.86 |
| Vedanta | 14.94 | 19.69 |

The weighted average exercise prices for options forfeited during the year ended December 31, 2023, were as follows:

| Forfeited during the year ended December 31, 2023 | **Number of options** | **Weighted-average exercise price $** |
|---|---|---|
| Follica | **605,573** | **1.86** |
| Vedanta | **29,607** | **17.06** |

The weighted average exercise prices for options exercisable as of December 31, 2023, were as follows:

| Exercisable at December 31, 2023 | **Number of Options** | **Weighted-average exercise price $** | **Exercise Price Range $** |
|---|---|---|---|
| Entrega | **329,500** | **1.99** | **0.02-2.36** |

There were no subsidiary options exercised during the year ended December 31, 2023.

For the years ended December 31, 2023, 2022 and 2021, the subsidiaries incurred share-based payment expense of $277, $4,711 and $6,252, respectively.

### 10. Finance Income/(Costs), net

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

| For the years ended December 31, | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| **Finance income** | | | |
| Interest income from financial assets | **16,012** | 5,799 | 214 |
| **Total finance income** | **16,012** | 5,799 | 214 |
| **Finance costs** | | | |
| Contractual interest expense on notes payable | **(1,422)** | (212) | (1,031) |
| Interest expense on other borrowings | **(363)** | (1,759) | (1,502) |
| Interest expense on lease liability | **(1,544)** | (1,982) | (2,181) |
| Gain/(loss) on foreign currency exchange | **(94)** | 14 | (56) |

| | | | |
|---|---|---|---|
| **Total finance cost - contractual** | **(3,424)** | (3,939) | (4,771) |
| Gain/(loss) from change in fair value of warrant liability | **33** | 6,740 | 1,419 |
| Gain/(loss) from change in fair value of preferred shares | **2,617** | 130,825 | 8,362 |
| Gain/(loss) from change in fair value of convertible debt | **-** | (502) | (175) |
| **Total finance income/(costs) - fair value accounting** | **2,650** | 137,063 | 9,606 |
| **Total finance costs - non cash interest expense related to sale of future royalties** | **(10,159)** | - | - |
| **Finance income/(costs), net** | **5,078** | 138,924 | 5,050 |

## 11. Earnings/(Loss) per Share

Basic earnings/(loss) per share is calculated by dividing the Group's net income or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, net of treasury shares.

Diluted EPS is calculated by dividing the Group's net income or loss for the year by the weighted average number of ordinary shares outstanding, net of treasury shares, plus the weighted average number of ordinary shares that would be issued at conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive effects arise from equity-settled shares from the Group's share-based plans.

For the years ended December 31, 2023, 2022 and 2021, the Group incurred a net loss and therefore all outstanding potential securities were considered anti-dilutive. The amount of potential securities that were excluded from the diluted calculation amounted to 1,509,900, 3,134,131 and 6,553,905 shares, respectively.

Earnings/(Loss) Attributable to Owners of the Group:

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| | **Basic $** | **Diluted $** | Basic $ | Diluted $ | Basic $ | Diluted $ |
| Income/(loss) for the year, attributable to the owners of the Group | **(65,697)** | **(65,697)** | (50,354) | (50,354) | (60,558) | (60,558) |

Weighted-Average Number of Ordinary Shares:

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| | **Basic** | **Diluted** | Basic | Diluted | Basic | Diluted |
| Issued ordinary shares at January 1, | **278,566,306** | **278,566,306** | 287,796,585 | 287,796,585 | 285,885,025 | 285,885,025 |
| Effect of shares issued & treasury shares purchased | **(2,263,773)** | **(2,263,773)** | (3,037,150) | (3,037,150) | 705,958 | 705,958 |
| Weighted average number of ordinary shares at December 31, | **276,302,533** | **276,302,533** | 284,759,435 | 284,759,435 | 286,590,983 | 286,590,983 |

Earnings/(Loss) per Share:

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| | **Basic $** | **Diluted $** | Basic $ | Diluted $ | Basic $ | Diluted $ |
| Basic and diluted earnings/(loss) per share | **(0.24)** | **(0.24)** | (0.18) | (0.18) | (0.21) | (0.21) |

## 12. Property and Equipment

| Cost | Laboratory and Manufacturing Equipment $ | Furniture and Fixtures $ | Computer Equipment and Software $ | Leasehold Improvements $ | Construction in process $ | Total $ |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2022 | 11,733 | 1,452 | 1,329 | 18,485 | 8,116 | 41,115 |
| Additions, net of transfers | 390 | - | 11 | 412 | 1,362 | 2,176 |
| Disposals | (118) | - | - | - | (77) | (195) |
| Deconsolidation of subsidiaries | - | - | (58) | - | - | (58) |
| Reclassifications | 1,336 | 58 | 137 | 5,067 | (6,598) | - |
| Balance as of December 31, 2022 | 13,341 | 1,510 | 1,419 | 23,964 | 2,803 | 43,037 |
| Additions, net of transfers | - | - | - | - | 87 | 87 |
| Disposals/Impairment | (2,886) | - | (137) | - | - | (3,023) |
| Deconsolidation of subsidiaries | (5,092) | (438) | (365) | (8,799) | (2,871) | (17,565) |
| Reclassifications | - | - | - | - | (18) | (18) |
| **Balance as of December 31, 2023** | **5,363** | **1,072** | **917** | **15,165** | **1** | **22,518** |

| Accumulated depreciation and impairment loss | Laboratory and Manufacturing Equipment $ | Furniture and Fixtures $ | Computer Equipment and Software $ | Leasehold Improvements $ | Construction in process $ | Total $ |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2022 | (5,686) | (663) | (1,190) | (6,806) | - | (14,344) |
| Depreciation | (2,082) | (212) | (107) | (3,444) | - | (5,845) |
| Disposals | 57 | - | - | - | - | 57 |
| Deconsolidation of subsidiaries | - | - | 53 | - | - | 53 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance as of December 31, 2022 | (7,711) | (875) | (1,244) | (10,250) | - | (20,080) |
| Depreciation | (892) | (162) | (45) | (1,856) | - | (2,955) |
| Disposals | 543 | - | 38 | - | - | 581 |
| Deconsolidation of subsidiaries | 3,917 | 339 | 357 | 4,858 | - | 9,472 |
| **Balance as of December 31, 2023** | **(4,142)** | **(698)** | **(894)** | **(7,248)** | **-** | **(12,982)** |

| Property and Equipment, net | Laboratory and Manufacturing Equipment $ | Furniture and Fixtures $ | Computer Equipment and Software $ | Leasehold Improvements $ | Construction in process $ | Total $ |
|---|---|---|---|---|---|---|
| Balance as of December 31, 2022 | 5,630 | 635 | 174 | 13,714 | 2,803 | 22,957 |
| **Balance as of December 31, 2023** | **1,221** | **375** | **23** | **7,917** | **1** | **9,536** |

Depreciation of property and equipment is included in the general and administrative expenses and research and development expenses in the Consolidated Statement of Comprehensive Income/(Loss). The Group recorded depreciation expense of $2,955, $5,845 and $4,347 for the years ended December 31, 2023, 2022 and 2021, respectively.

**13. Intangible Assets**

Intangible assets consist of licenses of intellectual property acquired by the Group through various agreements with third parties and are recorded at the value of the consideration transferred. Information regarding the cost and accumulated amortization of intangible assets is as follows:

| Cost | Licenses $ |
|---|---|
| Balance as of January 1, 2022 | 990 |
| Additions | 25 |
| Impairment | (163) |
| Deconsolidation of subsidiary | (21) |
| Balance as of December 31, 2022 | 831 |
| Additions | 200 |
| Impairment | (105) |
| Deconsolidation of subsidiaries | (19) |
| **Balance as of December 31, 2023** | **906** |

| Accumulated amortization | Licenses $ |
|---|---|
| Balance as of January 1, 2022 | (3) |
| Amortization | (1) |
| Deconsolidation of subsidiary | 4 |
| Balance as of December 31, 2022 | - |
| Amortization | - |
| Deconsolidation of subsidiary | - |
| **Balance as of December 31, 2023** | **-** |

| Intangible assets, net | Licenses $ |
|---|---|
| Balance as of December 31, 2022 | 831 |
| **Balance as of December 31, 2023** | **906** |

Substantially all the intangible asset licenses represent in-process-research-and-development assets since they are still being developed and not ready for their intended use. As such, these assets are not amortized but tested for impairment annually.

During the year ended December 31, 2023, the Group wrote off two of its research intangible assets for which research was ceased in the amount of $105.

During the year ended December 31, 2023, Vedanta , Inc. was deconsolidated and as such, $19 net in intangible assets were derecognized.

During the year ended December 31,2022, the Group wrote off one of its research intangible assets for which research was ceased in the amount of $163.

During the year ended December 31, 2022, Sonde Health, Inc. was deconsolidated and as such, $18 net intangible assets were derecognized.

The Group tested all intangible assets for impairment as of the balance sheet date and concluded that none of such assets were impaired.

The Group had negligible amortization expense for the years ended December 31, 2022 and 2021 and no

amortization expense for the year ended December 31, 2023.

**14. Other Financial Assets**

Other financial assets consist primarily of restricted cash reserved as collateral against a letter of credit with a bank that is issued for the benefit of a landlord in lieu of a security deposit for office space leased by the Group. The restricted cash was $1,628 and $2,124 as of December 31, 2023 and 2022, respectively.

**15. Equity**

Total equity for the Group as of December 31, 2023, and 2022, was as follows:

| Equity | **December 31, 2023 $** | December 31, 2022 $ |
|---|---|---|
| Share capital, £0.01 par value, issued and paid 271,853,731 and 278,566,306 as of December 31, 2023 and 2022, respectively | **5,461** | 5,455 |
| Share premium | **290,262** | 289,624 |
| Treasury shares, 17,614,428 and 10,595,347 as of December 31, 2023 and 2022, respectively | **(44,626)** | (26,492) |
| Merger Reserve | **138,506** | 138,506 |
| Translation reserve | **182** | 89 |
| Other reserves | **(9,538)** | (14,478) |
| Retained earnings/(accumulated deficit) | **83,820** | 149,516 |
| Equity attributable to owners of the Group | **464,066** | 542,220 |
| Non-controlling interests | **(5,835)** | 5,369 |
| **Total equity** | **458,232** | 547,589 |

Changes in share capital and share premium relate primarily to incentive options exercises during the period.

Shareholders are entitled to vote on all matters submitted to shareholders for a vote. Each ordinary share is entitled to one vote and is entitled to receive dividends when and if declared by the Group's Directors.

On June 18, 2015, the Group acquired the entire issued share capital of PureTech LLC in return for 159,648,387 ordinary shares. This was accounted for as a common control transaction at cost. It was deemed that the share capital was issued in line 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.

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognized through Consolidated Statement of Comprehensive Income/(Loss), settlements of vested stock awards as well as other additions that flow directly through equity such as the excess or deficit from changes in ownership of subsidiaries while control is maintained by the Group.

On May 9, 2022, the Group announced the commencement of a $50,000 share repurchase program (the "Program") of its ordinary shares of one pence each (the "Ordinary Shares"). The Group executed the Program in two equal tranches. The Group entered into an irrevocable non-discretionary instruction with Jefferies International Limited ("Jefferies") in relation to the purchase by Jefferies of the Ordinary Shares for an aggregate consideration (excluding expenses) of no greater than $25,000 for each tranche, and the simultaneous on-sale of such Ordinary Shares by Jefferies to the Group, subject to certain volume and price restrictions. Jefferies made its trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Group. Purchases could continue during any close period to which the Group was subject. The instruction to Jeffries could be amended or withdrawn so long as the Group was not in a close period or otherwise in possession of inside information.

Any purchases of the Ordinary Shares under the Program were carried out on the London Stock Exchange and could be carried out on any other UK recognized investment exchange in accordance with pre-set parameters and subject to limits prescribed by the Group's general authority to repurchase the Ordinary Shares granted by its shareholders at its annual general meeting on May 27, 2021, and relevant Rules and Regulations. All Ordinary Shares repurchased under the Program are held in treasury and re-issued for settlement of share-based awards. As of December 31, 2023, the Group had repurchased an aggregate of 18,278,873 Ordinary Shares under the share repurchase program with 7,683,526 shares repurchased in 2023. The Program was completed during the month ended February 2024.

As of December 31, 2023, the Group's issued share capital was 289,468,159 shares, including 17,614,428 shares repurchased under the Program and were held by the Group in treasury. The Group does not have a limited amount of authorized share capital.

**16. Subsidiary Preferred Shares**

Preferred shares issued by subsidiaries often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument. This balance represents subsidiary preferred shares issued to third parties.

The subsidiary preferred shares are redeemable upon the occurrence of a contingent event, other than full

liquidation of the Group, that is not considered to be within the control of the Group. Therefore these subsidiary preferred shares are classified as liabilities. These liabilities are measured at fair value through profit and loss. The preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holders and are mandatorily convertible into ordinary shares under certain circumstances. Under certain scenarios, the number of ordinary shares receivable on conversion will change and therefore, the number of shares that will be issued is not fixed. As such the conversion feature is considered to be an embedded derivative that normally would require bifurcation. However, since the preferred share liabilities are measured at fair value through profit and loss, as mentioned above, no bifurcation is required.

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

The fair value of all subsidiary preferred shares as of December 31, 2023 and December 31, 2022, is as follows:

| As of December 31, | **2023 $** | 2022 $ |
|---|---|---|
| Entrega | **169** | 169 |
| Follica | **-** | 350 |
| Vedanta Biosciences | **-** | 26,820 |
| **Total subsidiary preferred share balance** | **169** | 27,339 |

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares which are outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary immediately before the transaction 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.

As of December 31, 2023 and December 31, 2022, the minimum liquidation preference reflecting the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, is as follows:

| As of December 31, | **2023 $** | 2022 $ |
|---|---|---|
| Entrega | **2,216** | 2,216 |
| Follica | **6,405** | 6,405 |
| Vedanta Biosciences | **-** | 149,568 |
| **Total minimum liquidation preference** | **8,621** | 158,189 |

For the years ended December 31, 2023 and 2022, the Group recognized the following changes in the value of subsidiary preferred shares:

| | $ |
|---|---|
| Balance as of January 1, 2022 | 174,017 |
| Decrease in value of preferred shares measured at fair value - finance costs (income) | (130,825) |
| Deconsolidation of subsidiary - (Sonde) | (15,853) |
| Balance as of December 31, 2022 | 27,339 |
| Decrease in value of preferred shares measured at fair value - finance costs (income) | (2,617) |
| Deconsolidation of subsidiary - (Vedanta) | (24,554) |
| **Balance as of December 31, 2023** | **169** |

### 17. Sale of Future Royalties Liability

On March 4, 2011, the Group entered into a license agreement with Karuna Therapeutics, Inc. ("Karuna") according to which the Group granted Karuna an exclusive license to research, develop and sell KarXT in exchange for a royalty on annual net sales, development and regulatory milestones and a fixed portion of sublicensing income, if any (hereinafter "License Agreement").

On March 22, 2023, the Group signed an agreement with Royalty Pharma (hereinafter "Royalty Purchase Agreement"), according to which the Group sold Royalty Pharma a partial right to receive royalty payments made by Karuna in respect of net sales of KarXT, if and when received. According to the Royalty Purchase Agreement, all royalties due to the Group under the License Agreement will be paid to Royalty Pharma up until an annual threshold of $60,000, while all royalties above such annual threshold in a given year will be split 33% to Royalty Pharma and 67% to the Group. Under the terms of the Royalty Purchase Agreement, the Group received a non-refundable initial payment of $100,000 at the execution of the Royalty Purchase Agreement and is eligible to receive additional payments in the aggregate of up to an additional $400,000 based on the achievement of certain regulatory and commercial milestones

based on the achievement of certain regulatory and commercial milestones.

The Group continues to hold the rights under the License Agreement and has a contractual obligation to deliver cash to Royalty Pharma for a portion of the royalties it receives. Therefore, the Group will continue to account for any royalties and regulatory milestones due to the Group under the License Agreement as revenue in its Consolidated Statement of Comprehensive Income/(Loss) and record the proceeds from the Royalty Purchase Agreement as a financial liability on its Consolidated Statement of Financial Position. In determining the appropriate accounting treatment for the Royalty Purchase Agreement, management applied significant judgement.

The acquisition of Karuna by Bristol Meyers Squibb (NYSE: BMY), which closed on March 18, 2024, had no impact on the Group's rights or obligations under the License Agreement or Royalty Purchase Agreement, each of which remains in full force and effect.

In order to determine the amortized cost of the sale of future royalties liability, management is required to estimate the total amount of future receipts from and payments to Royalty Pharma under the Royalty Purchase Agreement over the life of the agreement. The $100,000 liability, recorded at execution of the Royalty Purchase Agreement, will be accreted to the total of these receipts and payments as interest expense over the life of the Royalty Purchase Agreement. These estimates contain assumptions that impact both the amortized cost of the liability and the interest expense that will be recognized in future periods.

Additional proceeds received from Royalty Pharma will increase the Group's financial liability. As royalty payments are made to Royalty Pharma, the balance of the liability will be effectively repaid over the life of the Royalty Purchase Agreement. The estimated timing and amount of royalty payments to and proceeds from Royalty Pharma are likely to change over the life of the Royalty Purchase Agreement. A significant increase or decrease in estimated royalty payments, or a significant shift in the timing of cash flows, will materially impact the sale of future royalties liability, interest expense and the time period for repayment. The Group will periodically assess the expected payments to, or proceeds from, Royalty Pharma, and any such changes in amount or timing of cash flows will require the Group to re-calculate the amortized cost of the sale of future royalties liability as the present value of the estimated future cash flows from the Royalty Purchase Agreement that are discounted at the liability's original effective interest rate. The adjustment is recognized immediately in profit or loss as income or expense.

The following shows the activity in respect of the sale of future royalties liability:

| Sale of future royalties liability | $ |
|---|---|
| Balance as of January 1, 2023 | - |
| Amounts received at closing | 100,000 |
| Non cash interest expense recognized | 10,159 |
| **Balance as of December 31, 2023** | **110,159** |

### 18. Financial Instruments

The Group's financial instruments consist of financial assets in the form of notes, convertible notes and investment in shares, and financial liabilities, including preferred shares. Many of these financial instruments are presented at fair value, with changes in fair value recorded through profit and loss.

Fair Value Process

For financial instruments measured at fair value under IFRS 9, the change in the fair value is reflected through profit and loss. Using the guidance in IFRS 13, the total business enterprise value and allocable equity of each entity being valued can be determined using a market backsolve approach through a recent arm's length financing round (or a future probable arm's length transaction), market/asset probability-weighted expected return method ("PWERM") approach, discounted cash flow approach, or hybrid approaches. The approaches, in order of strongest fair value evidence, are detailed as follows:

| Valuation Method | Description |
|---|---|
| Market - Backsolve | The market backsolve approach benchmarks the original issue price (OIP) of the company's latest funding transaction as current value. |
| Market/Asset - PWERM | Under a PWERM, the company value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise. Possible future outcomes can include IPO scenarios, potential SPAC transactions, merger and acquisition transactions as well as other similar exit transactions of the investee. |
| Income Based - DCF | The income approach is used to estimate fair value based on the income streams, such as cash flows or earnings, that an asset or business can be expected to generate. |

At each measurement date, investments held at fair value (that are not publicly traded) as well as the fair value of preferred share liabilities, including embedded conversion rights that are not bifurcated, were determined using the following allocation methods: option pricing model ("OPM"), PWERM, or hybrid allocation framework. The methods are detailed as follows:

| Allocation Method | Description |
|---|---|

| | |
|---|---|
| OPM | The OPM model treats preferred stock as call options on the enterprise's equity value, with exercise prices based on the liquidation preferences of the preferred stock. |
| PWERM | Under a PWERM, share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class. |
| Hybrid | The hybrid method is a combination of the PWERM and OPM. Under the hybrid method, multiple liquidity scenarios are weighted based on the probability of the scenario's occurrence, similar to the PWERM, while also utilizing the OPM to estimate the allocation of value in one or more of the scenarios. |

Valuation policies and procedures are regularly monitored by the Group. Fair value measurements, including those categorized within Level 3, are prepared and reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS accounting standards. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

| Fair Value Hierarchy Level | Description |
|---|---|
| Level 1 | Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3 | Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. |

Whilst the Group considers the methodologies and assumptions adopted in fair value measurements as supportable and reasonable, 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.

Subsidiary Preferred Shares Liability and Subsidiary Convertible Notes

The following table summarizes the changes in the Group's subsidiary preferred shares and convertible notes liabilities measured at fair value, which were categorized as Level 3 in the fair value hierarchy:

| | Subsidiary Preferred Shares $ | Subsidiary Convertible Notes $ |
|---|---|---|
| Balance at January 1, 2021 | 118,972 | 25,000 |
| Value at issuance | 37,610 | 2,215 |
| Conversion to subsidiary preferred shares | 25,797 | (25,797) |
| Accrued interest - contractual | - | 867 |
| Change in fair value | (8,362) | 175 |
| Balance at December 31, 2021 and January 1, 2022 | 174,017 | 2,461 |
| Value at issuance | - | 393 |
| Accrued interest - contractual | - | 48 |
| Deconsolidation - Sonde | (15,853) | (3,403) |
| Change in fair value | (130,825) | 502 |
| Balance at December 31, 2022 and January 1, 2023 | 27,339 | - |
| Change in fair value | (2,617) | - |
| Deconsolidation - Vedanta | (24,554) | - |
| **Balance at December 31, 2023** | **169** | **-** |

The change in fair value of preferred shares and convertible notes liabilities are recorded in finance income/(costs) - fair value accounting in the Consolidated Statement of Comprehensive Income/(Loss).

Investments Held at Fair Value

*Karuna, Vor and Akili Valuation*

Karuna (Nasdaq: KRTX), Vor (Nasdaq: VOR), Akili (Nasdaq: AKLI) and additional immaterial investments are listed entities on an active exchange, and as such, the fair value as of December 31, 2023, was calculated utilizing the quoted common share price which is categorized as Level 1 in the fair value hierarchy.

*Vedanta and Sonde*

As of December 31, 2023, the Group accounts for the following investments under IFRS 9 as investments held at fair value with changes in fair value through the profit and loss: Sonde preferred A-2 and B shares and Vedanta convertible preferred shares (subsequent to the date of deconsolidation). The valuation of the aforementioned investments is categorized as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs to value such assets. During the year ended December 31, 2023, the Group recorded such investments at fair value and recognized a loss of $7,298 for the change in fair value of the investments. In addition, the Group determined that the fair value of its investment in the Gelesis 2023 Warrants was $0 as Gelesis ceased operations in October 2023.

The following table summarizes the changes in all the Group's investments held at fair value, which were categorized as Level 3 in the fair value hierarchy:

| | $ |
|---|---|
| Balance at January 1, 2021 | 206,892 |

| | |
|---|---|
| Cash purchase of Vor preferred shares | 500 |
| Reclassification of Vor from level 3 to level 1 | (33,365) |
| Gain/(loss) on change in fair value | 65,505 |
| Balance at December 31, 2021 | 239,533 |
| Deconsolidation of Sonde | 11,168 |
| Gelesis Earn-out Shares received in the SPAC exchange | 14,214 |
| Exchange of Gelesis preferred shares to Gelesis common shares | (92,303) |
| Reclassification of Akili to level 1 investment | (128,764) |
| Gain/(loss) on change in fair value | (31,253) |
| **Balance at December 31, 2022** | 12,593 |
| Deconsolidation of Vedanta - new investment in Vedanta preferred shares | 20,456 |
| Investment in Gelesis 2023 Warrants | 1,121 |
| Gain/(loss) on changes in fair value | (9,299) |
| **Balance as of December 31, 2023** | **24,872** |

The change in fair value of investments held at fair value is recorded in gain/(loss) on investments held at fair value in the Consolidated Statement of Comprehensive Income/(Loss).

At December 31, 2023, the Group's material investments held at fair value categorized as Level 3 in the fair value hierarchy include the preferred shares of Sonde and Vedanta, with fair value of $10,408 and $14,153, respectively. The significant unobservable inputs used at December 31, 2023 in the fair value measurement of these investments and the sensitivity of the fair value measurements for these investments to changes to these significant unobservable inputs are summarized in the table below.

| As of December 31, 2023 | | Investment (Sonde) Measured through Market Backsolve & OPM | |
|---|---|---|---|
| Unobservable Inputs | Input Value | Sensitivity Range | **Investment Fair Value Increase/(Decrease) $** |
| Equity Value | 53,242 | -5% | (464) |
| | | +5% | 463 |
| Time to Liquidity | 2.00 | -6 Months | 39 |
| | | + 6 Months | (42) |
| Volatility | 60% | -10% | 19 |
| | | +10% | (35) |

| As of December 31, 2023 | | Investment (Vedanta) Measured through Market Backsolve that Leverages a Monte Carlo Simulation | |
|---|---|---|---|
| Unobservable Inputs | Input Value | Sensitivity Range | Investment Fair Value Increase/(Decrease) $ |
| Equity Value | 127,883 | -5% | (1,416) |
| | | +5% | 1,069 |
| Time to Liquidity | 1.23 | - 6 Months | (3,907) |
| | | + 6 Months | 1,261 |
| Volatility | 120% | -10% | (954) |
| | | +10% | 474 |

Investments in Notes from Associates

As of December 31, 2022, the investment in notes from associates was $16,501 and represents investments the Group made in convertible promissory notes of Gelesis. During the year ended December 31, 2023, the Group invested $10,729 in convertible promissory notes of Gelesis and $5,000 in a convertible note of Vedanta. The Group recorded a loss of $27,630 for the change in fair value of the notes from associates in the gain/(loss) on investments in notes from associates within the Consolidated Statement of Comprehensive Income/Loss. The loss was driven by a reduction in the fair value of the Gelesis convertible promissory notes of $27,230 as Gelesis filed for bankruptcy in October 2023 and a change in the fair value of the Vedanata convertible note of $400.

The convertible debt issued by Vedanta was valued using a market backsolve approach that leverages a Monte Carlo simulation. The significant unobservable inputs categorized as Level 3 in the fair value hierarchy used at December 31, 2023, in the fair value measurement of the convertible debt are the same as the inputs disclosed above for Vedanta preferred shares.

Fair Value Measurement and Classification

The fair value of financial instruments by category as of December 31, 2023 and 2022:

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | Fair Value | | | |
| | Financial Assets $ | Financial Liabilities $ | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
| **Financial assets[3]:** | | | | | | |
| [illegible][1,2] | 156,705 | | 156,705 | | | 156,705 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Money Markets[1,2] | **156,705** | **-** | **156,705** | **-** | **-** | **156,705** |
| Investment in notes from associates | **4,600** | **-** | **-** | **-** | **4,600** | **4,600** |
| Investments held at fair value | **317,841** | **-** | **292,970** | **-** | **24,872** | **317,841** |
| **Total financial assets** | **479,146** | **-** | **449,675** | **-** | **29,472** | **479,146** |
| **Financial liabilities:** | | | | | | |
| Subsidiary preferred shares | **-** | **169** | **-** | **-** | **169** | **169** |
| Share-based liability awards | **-** | **4,782** | **-** | **-** | **4,782** | **4,782** |
| **Total financial liabilities** | **-** | **4,951** | **-** | **-** | **4,951** | **4,951** |

1 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.

2 Included within cash and cash equivalents.

3. Excluded from the table above are short-term investments of $136,062 that are classified at amortized cost as of December 31, 2023. The cost of these short-term investments approximates current fair value.

The Group has a number of financial instruments that are not measured at fair value in the Consolidated Statement of Financial Position. For these instruments the fair values are not materially different from their carrying amounts.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | Fair Value | | | |
| | Financial Assets $ | Financial Liabilities $ | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
| Financial assets: | | | | | | |
| Money Markets[1,2] | 95,249 | - | 95,249 | - | - | 95,249 |
| Short-term investments[1] | 200,229 | - | 200,229 | - | - | 200,229 |
| Note from associate | 16,501 | - | - | - | 16,501 | 16,501 |
| Investments held at fair value | 251,892 | - | 239,299 | - | 12,593 | 251,892 |
| Trade and other receivables[3] | 11,867 | - | - | 11,867 | - | 11,867 |
| Total financial assets | 575,738 | - | 534,777 | 11,867 | 29,094 | 575,738 |
| Financial liabilities: | | | | | | |
| Subsidiary warrant liability | - | 47 | - | - | 47 | 47 |
| Subsidiary preferred shares | - | 27,339 | - | - | 27,339 | 27,339 |
| Subsidiary notes payable | - | 2,345 | - | 2,097 | 248 | 2,345 |
| Share-based liability awards | - | 5,932 | 4,396 | - | 1,537 | 5,932 |
| Total financial liabilities | - | 35,664 | 4,396 | 2,097 | 29,171 | 35,664 |

1 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.

2 Included within cash and cash equivalents.

3 Outstanding receivables are owed primarily by government agencies and large corporations, virtually all of which are investment grade.

## 19. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. As of December 31, 2023 and December 31, 2022, the loan in Follica and the convertible notes for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortized cost. The notes payable consist of the following:

| As of December 31, | **2023 $** | 2022 $ |
|---|---|---|
| Loans | **3,439** | 2,097 |
| Convertible notes | **260** | 248 |
| **Total subsidiary notes payable** | **3,699** | 2,345 |

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loan is secured by Follica's assets, including Follica's intellectual property and bears interest at a rate of 5.0 percent in the interest only period and 12.0 percent in the repayment period.

Convertible Notes

Convertible Notes outstanding were as follows:

| | Knode $ | Appeering $ | Sonde $ | Total $ |
|---|---|---|---|---|
| January 1, 2022 | 94 | 141 | 2,461 | 2,696 |
| Gross principal - issuance of notes - financing activity | - | - | 393 | 393 |
| Accrued interest on convertible notes - finance costs | 5 | 8 | 48 | 60 |
| Change in fair value - finance costs | - | - | 502 | 502 |
| Deconsolidation | - | - | (3,403) | (3,403) |
| December 31, 2022 and January 1, 2023 | 99 | 149 | - | 248 |

| | | | | |
|---|---|---|---|---|
| Accrued interest on convertible notes - finance costs | 5 | 8 | - | 13 |
| **December 31, 2023** | **104** | **156** | **-** | **260** |

On April 6, 2021, and on November 24, 2021, Sonde issued unsecured convertible promissory notes to its existing shareholders for a combined total of $4,329, of which $2,215 were issued to third-party shareholders (and $2,113 were issued to the Group and eliminated in consolidation). In addition, in March 2022, Sonde issued an additional amount of $921, of which $393 were issued to third parties (and $528 issued to the Group and eliminated in consolidation). The notes bore interest at an annual rate of 6.0 percent and were to mature on the second anniversary of the issuance. The notes were to mandatorily convert in a Qualified Financing, as defined in the note purchase agreement, at a discount of 20.0 percent from the price per share in the Qualified Financing. In addition, the notes allowed for optional conversion concurrently with a discount of 20.0 percent from the price per share in the Non Qualified Equity Financing. Upon the completion of the Preferred B round of financing in Sonde on May 25, 2022, the Group lost control in Sonde and all convertible notes were derecognized as part of the deconsolidation - See Note 5. Investments Held at Fair Value.

For Sonde convertible notes, since these notes contained embedded derivatives, the notes were assessed under IFRS 9 and the entire financial instruments were elected to be accounted for as FVTPL. The Sonde notes were deconsolidated in May 2022 as described above.

**20. Non-Controlling Interest**

As of December 31, 2023, non-controlling interests include Entrega and Follica. Ownership interests of the non-controlling interests in these entities as of December 31, 2023 were 11.7 percent, and 19.9 percent, respectively. As of December 31, 2022, non-controlling interests include Entrega, Follica, and Vedanta. Ownership interests of the non-controlling interests in these entities were 11.7 percent , 19.9 percent, and 12.2 percent, respectively. As of December 31, 2021, non-controlling interests include Entrega, Follica, Sonde, and Vedanta. Ownership interests of the non-controlling interests in these entities were 11.7 percent, 19.9 percent, 6.2 percent and 3.7 percent, respectively. During the year ended December 31, 2023, Vedanta Biosciences, Inc was deconsolidated. During the year ended December 31, 2022, Sonde Health, Inc was deconsolidated. See Note 5. Investments Held at Fair Value.

Non-controlling interests include the amounts recorded for subsidiary stock options.

On June 11, 2021, the Group acquired the remaining 17.1 percent of the minority non-controlling interests of Alivio (after exercise of all in the money stock options) increasing its ownership to 100.0 percent of Alivio. The consideration for such non-controlling interests amounted to $1,224, to be paid in three equal installments, with the first installment of $408 paid at the effective date of the transaction and two additional installments to be paid upon the occurrence of certain contingent events. The Group recorded a contingent consideration liability of $560 at fair value for the two additional installments, resulting in a total acquisition cost of $968. The excess of the consideration paid over the book value of the non-controlling interest of approximately $9,636 was recorded directly as a charge to shareholders' equity. The second installment of $408 was paid in July 2021, upon the occurrence of the contingent event specified in the agreement. The contingent consideration liability was adjusted to fair value at the end of each reporting period with changes in fair value recorded in earnings. Changes in fair value of the aforementioned contingent consideration liability were not material. As of December 31, 2022, the remaining contingent liability was reduced to zero as the second contingent event did not occur.

On December 1, 2021, option holders in Entrega exercised options into shares of common stock, increasing the NCI interest held from 0.2 percent to 11.7 percent. During 2021, option holders in Vedanta exercised options and increased the NCI interest to 3.7 percent. The exercise of the options resulted in an increase in the NCI share in Entrega and Vedanta shareholder's deficit of $5,887. The amount together with the consideration paid by NCI ($101) amounted to $5,988 and was recorded as a gain directly in shareholders' equity.

On February 15, 2022, option holders in Vedanta exercised options into shares of common stock, increasing the NCI interest held from 3.7 percent to 12.2 percent. The exercise of the options resulted in an increase in the NCI share in Vedanta shareholder's deficit of $15,171. The amount together with the consideration paid by NCI ($7) amounted to $15,171 and was recorded as a gain directly in shareholders' equity.

**21. Trade and Other Payables**

Information regarding Trade and other payables was as follows:

| As of December 31, | **2023** **$** | 2022 $ |
|---|---|---|
| Trade payables | **14,637** | 26,504 |
| Accrued expenses | **28,187** | 24,518 |
| Income tax payable | **-** | 57 |

| | | |
|---|---|---|
| Income tax payable | | 37 |
| Liability for share-based awards | **1,281** | 1,805 |
| Other | **3** | 1,957 |
| **Total trade and other payables** | **44,107** | 54,840 |

## 22. Long-term loan

In September 2020, Vedanta entered into a $15,000 loan and security agreement with Oxford Finance LLC. The loan is secured by Vedanta's assets, including equipment, inventory and intellectual property. The loan bears a floating interest rate of 7.7 percent plus the greater of (i) 30 day U.S. Dollar LIBOR reported in the Wall Street Journal or (ii) 0.17 percent. The loan matures September 2025 and requires interest-only payments prior to 2023. The loan also carries a final fee upon full repayment of 7.0 percent of the original principal, or $1,050. As part of the loan agreement, Vedanta also issued Oxford Finance LLC 12,886 Series C-2 preferred share warrants with an exercise price of $23.28 per share, expiring September 2030. The outstanding loan balance totaled approximately $15,400 as of December 31, 2022. On March 1, 2023, the Group derecognized the loan in connection with Vedanta's deconsolidation. Refer to Note 5. Investments Held at Fair Value.

The following table summarizes long-term loan activity for the years ended December 31, 2023 and 2022:

| | Long-term loan | |
|---|---|---|
| | **2023** $ | 2022 $ |
| Balance at January 1, | **15,400** | 15,118 |
| Accrued interest | **363** | 1,755 |
| Interest paid | **(300)** | (1,436) |
| Other | **(17)** | (38) |
| Deconsolidation of subsidiary | **(15,446)** | - |
| **Balance at December 31,** | **-** | 15,400 |

The long-term loan is presented as follows in the Statement of Financial Position as of December 31, 2023 and 2022:

| | Long-term loan | |
|---|---|---|
| | **2023** $ | 2022 $ |
| Current portion of long-term loan | **-** | 5,156 |
| Long-term loan | **-** | 10,244 |
| **Total Long-term loan** | **-** | 15,400 |

## 23. Leases and subleases

The activity related to the Group's right of use asset and lease liability for the years ended December 31, 2023 and 2022 is as follows:

| | Right of use asset, net | |
|---|---|---|
| | **2023** $ | 2022 $ |
| Balance at January 1, | **14,281** | 17,166 |
| Additions | **-** | 163 |
| Depreciation | **(1,979)** | (3,047) |
| Deconsolidated | **(2,477)** | - |
| **Balance at December 31,** | **9,825** | 14,281 |

| | Total lease liability | |
|---|---|---|
| | **2023** $ | 2022 $ |
| Balance at January 1, | **29,128** | 32,990 |
| Additions | **-** | 163 |
| Cash paid for rent - principal - financing cash flow | **(3,338)** | (4,025) |
| Cash paid for rent - interest | **(1,544)** | (1,982) |
| Interest expense | **1,544** | 1,982 |
| Deconsolidated | **(4,146)** | - |
| **Balance at December 31,** | **21,644** | 29,128 |

Depreciation of the right-of-use assets, which virtually all consist of leased real estate, is included in the general and administrative expenses and research and development expenses line items in the Statement of Comprehensive Income/(Loss). The Group recorded depreciation expense of $1,979, $3,047 and $2,938 for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table details the short-term and long-term portion of the lease liability as of December 31, 2023 and 2022:

| | Total lease liability | |
|---|---|---|
| | **2023** $ | 2022 $ |
| Short-term portion of lease liability | **3,394** | 4,972 |
| Long-term portion of lease liability | **18,250** | 24,155 |
| **Total lease liability** | **21,644** | 29,128 |

The following table details the future maturities of the lease liability, showing the undiscounted lease payments to be paid after the reporting date:

| | **2023** $ |
|---|---|
| Less than one year | **4,689** |
| One to two years | **4,644** |
| Two to three years | **4,419** |
| Three to four years | **4,551** |
| Four to five years | **4,687** |
| More than five years | **2,796** |
| **Total undiscounted lease maturities** | **25,785** |
| Interest | **4,141** |
| **Total lease liability** | **21,644** |

During the year ended December 31, 2019, the Group entered into a lease agreement for certain premises consisting of 50,858 rentable square feet of space located at 6 Tide Street, Boston, Massachusetts. The lease commenced on April 26, 2019 for an initial term consisting of ten years and three months, and there is an option to extend the lease for two consecutive periods of five years each. The Group assessed at the lease commencement date whether it was reasonably certain to exercise the extension options, and deemed such options were not reasonably certain to be exercised. The Group will reassess whether it is reasonably certain to exercise the options only if there is a significant event or significant change in circumstances within its control.

On June 26, 2019, the Group executed a sublease agreement with Gelesis. The lease is for 9,446 rentable square feet located on the sixth floor of the Group's former office at 501 Boylston Street, Boston, Massachusetts. The sublease was set to expire on August 31, 2025, and was determined to be a finance lease. Gelesis ceased operations and filed for bankruptcy on October 30, 2023. As a result, the Group wrote off its receivable in the lease of $1,266 in 2023.

On January 23, 2023, the Group executed a sublease agreement with Allonnia, LLC ("Allonnia"). The sublease is for approximately 11,000 rentable square feet located on the third floor of the 6 Tide Street building where the Group's offices are currently located. Allonnia obtained possession of the premises on February 17, 2023 with a rent commencement date of May 17, 2023. The lease term is two years from the rent commencement date, and Allonnia has the option to extend the sublease for an additional year at the same terms. The annual lease fee is $1,111 per year. The sublease was determined to be an operating lease, and as such, the total lease payments under the sublease agreement are recognized over the lease term on a straight-line basis. In February 2024, Allonnia exercised the option and extended the lease term through May 31, 2026.

Rental income recognized by the Group during the year ended December 31, 2023 was $781 which was included in the other income/(expense) line item in the Consolidated Statement of Comprehensive Income/(Loss). In the year ended December 31, 2022, the Group did not recognize any rental income.

**24. Capital and Financial Risk Management**

Capital Risk Management

The Group's capital and financial risk management policy is to maintain a strong capital base to support its strategic priorities, maintain investor, creditor and market confidence as well as sustain the future development of the business. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or incur new debt. The Group has no material externally imposed capital requirements. The Group's share capital is set out in Note 15. Equity.

Management continuously monitors the level of capital deployed and available for deployment in the Wholly-Owned Programs segment and at Founded Entities. 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 the establishment and oversight of the Group's capital

and 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 development and commercialization of intellectual property through the raising and investing of funds for this purpose. 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 as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain minimal exposure to other financial risks.

The Group has exposure to the following risks arising from financial instruments:

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 concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and trade and other receivables. The Group held the following balances (not including the income tax receivable resulting from overpayment of income taxes as of December 31, 2022. See Note 27. Taxation):

| As of December 31 | **2023** **$** | 2022 $ |
|---|---|---|
| Cash and cash equivalents | **191,081** | 149,866 |
| Short-term investments | **136,062** | 200,229 |
| Trade and other receivables | **2,376** | 11,867 |
| **Total** | **329,518** | 361,961 |

The Group invests its excess cash in U.S. Treasury Bills (presented as short-term investments), and money market accounts, which the Group believes are of high credit quality. Further, the Group's cash and cash equivalents and short-term investments are held at diverse, investment-grade financial institutions.

The Group assesses the credit quality of customers on an ongoing basis. The credit quality of financial assets is assessed by historical and recent payment history, counterparty financial position, and reference to credit ratings (if available) or to historical information about counterparty default rates. The Group does not have expected credit losses due to the high credit quality or healthy financial conditions of these counterparties. As of December 31, 2023 and 2022, none of the trade and other receivables were impaired.

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 liquidity risk 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. Due to the nature of these financial liabilities, the funds are available on demand to provide optimal financial flexibility.

The table below summarizes the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of December 31, 2023 and 2022, based on contractual undiscounted payments:

| | **2023** | | | | |
|---|---|---|---|---|---|
| As of December 31 | **Carrying Amount** **$** | **Within Three Months** **$** | **Three to Twelve Months** **$** | **One to Five Years** **$** | **Total** **$ (*)** |
| Subsidiary notes payable | **3,699** | **3,699** | **-** | **-** | **3,699** |
| Trade and other payables | **44,107** | **44,107** | **-** | **-** | **44,107** |
| Subsidiary preferred shares (Note 16)[1] | **169** | **169** | **-** | **-** | **169** |
| **Total** | **47,975** | **47,975** | **-** | **-** | **47,975** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| As of December 31 | Carrying Amount $ | Within Three Months $ | Three to Twelve Months $ | One to Five Years $ | Total $ (*) |
| Long-term loan | 15,400 | 1,838 | 5,281 | 11,413 | 18,531 |
| Subsidiary notes payable | 2,345 | 2,345 | - | - | 2,345 |
| Trade and other payables | 54,840 | 54,840 | - | - | 54,840 |
| Warrants[2] | 47 | 47 | - | - | 47 |
| Subsidiary preferred shares (Note 16)[1] | 27,339 | 27,339 | - | - | 27,339 |
| Total | 99,971 | 86,409 | 5,281 | 11,413 | 103,103 |

1 Redeemable only upon a liquidation or deemed liquidation event, as defined in the applicable shareholder documents.

2 Warrants issued by subsidiaries to third parties to purchase preferred shares.

* Does not include payments in respect of lease obligations. For the contractual future payments related to lease obligations, see Note 23. Leases and subleases.

Interest Rate Sensitivity

As of December 31, 2023, the Group had cash and cash equivalents of $191,081, and short-term investments of $136,062. The Group's exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. The Group has not entered into investments for trading or speculative purposes. Due to the conservative nature of the Group's investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and related money market accounts, a change in interest rates would not have a material effect on the fair market value of the Group's portfolio, and therefore, the Group does not expect operating results or cash flows to be significantly affected by changes in market interest rates.

Controlled Founded Entity Investments

The Group maintains investments in certain Controlled Founded Entities. The Group's investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. The Group is, however, exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. As discussed in Note 16. Subsidiary Preferred Shares, 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, including in the event of "deemed liquidation" as defined in the incorporation documents of the entities, which shall be paid out of the assets of the subsidiary available for distribution to shareholders, and before any payment shall be made to holders of ordinary shares. The liability of preferred shares is maintained at fair value through the profit and loss. The Group's cash position supports the business activities of the Controlled Founded Entities. Accordingly, the Group views exposure to the third party preferred share liability as low.

Deconsolidated Founded Entity Investments

The Group maintains certain debt or equity holdings in Founded Entities that are deconsolidated. These holdings are deemed either as investments and accounted for as investments held at fair value, or as associates and accounted for under the equity method. The Group's exposure to investments held at fair value is $317,841 as of December 31, 2023, and the Group may or may not be able to realize the value in the future. Accordingly, the Group views the risk as high. The Group's exposure to investments in associates is limited to the carrying amount of the investment in an associate. The Group is not exposed to further contractual obligations or contingent liabilities beyond the value of the initial investments. Accordingly, the Group does not view this as a high risk. As of December 31, 2023, Sonde is the only associate, and the carrying amount of the investment as associate is $3,185.

Equity Price Risk

As of December 31, 2023, the Group held 886,885 common shares of Karuna, 2,671,800 common shares of Vor and 12,527,477 common shares of Akili. The fair value of these investments in Karuna, Vor and Akili was $292,831, of which approximately 96% is related to the Karuna common shares.

The investments in Karuna, Vor and Akili are exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna, Vor and Akili common shares would cause a loss of approximately $29,283 to be recognized as a component of other income (expense) in the Consolidated Statement of Comprehensive Income/(Loss). However, the Group views exposure to equity price risk as low due to the definitive merger agreement Karuna entered into with Bristol Myers Squibb "BMS") in December 2023 under which Karuna common shares were acquired by Bristol Myers Squibb for $330 per share in March 2024.

Foreign Exchange Risk

The Group maintains consolidated financial statements in the Group's functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods.

The Group does not currently engage in currency hedging activities since its foreign currency risk is limited, but the Group may begin to do so in the future if and when its foreign currency risk exposure changes.

**25. Commitments and Contingencies**

The Group is a party to certain licensing agreements where the Group is licensing IP from third parties. In consideration for such licenses, the Group has made upfront payments and may be required to make additional contingent payments based on developmental and sales milestones and/or royalty on future sales.

As of December 31, 2023, certain milestone events have not yet occurred, and therefore, the Group does not have a present obligation to make the related payments in respect of the licenses. Such milestones are dependent on events that are outside of the control of the Group, and many of these milestone events are remote of occurring. As of December 31, 2023 and December 31, 2022, payments in respect of developmental milestones that are dependent on events that are outside the control of the Group but are reasonably possible to occur amounted to approximately $7,371 and $8,666, respectively. These milestone amounts represent an aggregate of multiple milestone payments depending on different milestone events in multiple agreements. The probability that all such milestone events will occur in the aggregate is remote. Payments made to license IP represent the acquisition cost of intangible assets.

The Group was a party to certain sponsored research arrangements and is a party to arrangements with contract manufacturing and contract research organizations, whereby the counterparty provides the Group with research and/or manufacturing services. As of December 31, 2023 and 2022, the noncancellable commitments in respect of such contracts amounted to approximately $16,422 and $11,288, respectively.

In March 2024, a complaint was filed in Massachusetts District Court against the Group alleging breach of contract with respect to certain payments alleged to be owed to a previous employee of a Group subsidiary based on purported terms of a contract between such individual and the Group. The Group intends to defend itself vigorously though the ultimate outcome of this matter and the timing for resolution remains uncertain. No determination has been made that a loss, if any, arising from this matter is probable or that the amount of any such loss, or range of loss, is reasonably estimable.

The Group is involved from time-to-time in various legal proceedings arising in the normal course of business. Although the outcomes of these legal proceedings are inherently difficult to predict, the Group does not expect the resolution of such legal proceedings to have a material adverse effect on its financial position or results of operations. The Group did not book any provisions and did not identify any contingent liabilities requiring disclosure for any legal proceedings other than already included above for the years ended December 31, 2023 and 2022.

**26. Related Parties Transactions**

Related Party Subleases and Royalties

During 2019, the Group executed a sublease agreement with a related party, Gelesis. As of December 31, 2022, the sublease receivable amounted to $1,285. During 2023, the sublease receivable was written down to $0 as Gelesis ceased operations and filed for bankruptcy.

The Group recorded $23, $89 and $113 of interest income with respect to the sublease during the years ended December 31, 2023, 2022, and 2021, respectively, which is presented within finance income in the Consolidated Statement of Comprehensive Income/(Loss).

The Group received royalties from Gelesis on its product sales. The Group recorded zero, $509, and $231 of royalty revenue during the years ended December 31, 2023, 2022, 2021, respectively, which is presented in contract revenue in the Consolidated Statement of Comprehensive Income/(Loss).

Key Management Personnel Compensation

Key management includes executive directors and members of the executive management team of the Group (not including non-executive directors). The key management personnel compensation of the Group was as follows for the years ended December 31:

| As of December 31 | **2023** $ | 2022 $ | 2021 $ |
|---|---|---|---|
| Short-term employee benefits | **9,714** | 4,162 | 4,612 |
| Post-employment benefits | **41** | 55 | 54 |
| Termination Benefits | **417** | 152 | - |
| Share-based payment expense | **599** | 2,741 | 4,045 |
| **Total** | **10,772** | 7,109 | 8,711 |

Short-term employee benefits include salaries, health care and other non-cash benefits. Post-employment benefits include 401K contributions from the Group. Termination benefits include severance pay. Share-based payments are generally subject to vesting terms over future periods. See Note 9. Share-based Payments. As of 12/31/2023, the payable due to the key management employees was $4,732.

In addition the Group paid remuneration to non-executive directors in the amounts of $475, $655 and $605 for the years ended December 31, 2023, 2022 and 2021, respectively. Also, the Group incurred $373, $365, and $161 of stock based compensation expense for such non-executive directors for the years ended December 31, 2023, 2022, and 2021, respectively.

During the years ended December 31, 2023 and 2022, the Group incurred $46, and $51, respectively, of expenses paid to related parties.

Convertible Notes Issued to Directors

Certain related parties of the Group have invested in convertible notes issued by the Group's subsidiaries. As of December 31, 2023 and December 31, 2022, the outstanding related party notes payable totaled $104 and $99, respectively, including principal and interest. 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.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as of December 31, 2023:

| | Business name (share class) | Number of shares held as of December 31, 2023 | Number of options held as of December 31, 2023 | Number of RSUs held as of December 31, 2023 | Ownership interest[1] |
|---|---|---|---|---|---|
| **Directors:** | | | | | |
| Dr Robert Langer | Entrega (Common) | **250,000** | **82,500** | **-** | **4.09%** |
| Dr Raju Kucherlapati | Enlight (Class B Common) | **-** | **30,000** | **-** | **3.00%** |
| Dr John LaMattina[2] | Akili (Common) | **56,554** | **-** | **-** | **0.07%** |
| | Vedanta Biosciences (Common) | **25,000** | **15,000** | **-** | **0.24%** |
| **Senior Managers:** | | | | | |
| Dr Bharatt Chowrira | Karuna (Common) | **5,000** | **-** | **-** | **0.01%** |

1 Ownership interests as of December 31, 2023 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorized to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

2 Dr John LaMattina holds convertible notes issued by Appeering in the aggregate principal amount of $50,000.

Directors and senior managers hold 23,547,554 ordinary shares and 11.5 percent voting rights of the Group as of December 31, 2023. This amount excludes options to purchase 2,262,500 ordinary shares. This amount also excludes 7,301,547 shares, which are issuable based on the terms of performance based RSU awards granted to certain senior managers covering the financial years 2023, 2022 and 2021, and 102,732 shares, which are issuable to directors immediately prior to the Group's 2024 Annual General Meeting of Stockholders, based on the terms of the RSU awards granted to non-executive directors in 2023. Such shares will be issued to such senior managers and non-executive directors in future periods provided that performance and/or service conditions are met, and certain of the shares will be withheld for payment of customary withholding taxes.

Other

See Note 7. Investment in Notes from Associates for details on the notes issued by Gelesis and Vedanta to the Group.

As of December 31, 2023, the Group has a receivable from Sonde and Vedanta in the amount of $1,569.

See Note 6. Investments in Associates for details on the execution and termination of Merger Agreement with Gelesis.

**27. Taxation**

Tax on the profit or loss for the year comprises current and deferred income tax. Tax is recognized in the Consolidated Statement of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

For the years ended December 31, 2023, 2022 and 2021, the Group filed a consolidated U.S. federal income tax return which included all subsidiaries in which the Group owned greater than 80 percent of the vote and value. For the years ended December 31, 2023, 2022 and 2021, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Group owned greater than 50 percent of the vote and value. The remaining subsidiaries file separate U.S. tax returns.

Amounts recognized in Consolidated Statement of Comprehensive Income/(Loss):

| For the year ended December 31 | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| Income/(loss) for the year | **(66,628)** | (37,065) | (62,709) |
| Income tax expense/(benefit) | **30,525** | (55,719) | 3,756 |
| **Income/(loss) before taxes** | **(36,103)** | (92,783) | (58,953) |

Recognized Income Tax Expense/(Benefit):

| For the year ended December 31 | **2023 $** | 2022 $ | 2021 $ |
|---|---|---|---|
| Federal - current | **(2,246)** | 13,065 | 22,138 |
| State - current | **(46)** | 1,336 | 109 |
| Total current income tax expense/(benefit) | **(2,292)** | 14,401 | 22,247 |
| Federal - deferred | **29,294** | (48,240) | (15,416) |
| State - deferred | **3,523** | (21,880) | (3,075) |

| | | | |
|---|---|---|---|
| State - deferred | **3,523** | (21,880) | (3,073) |
| Total deferred income tax expense/(benefit) | **32,817** | (70,120) | (18,491) |
| **Total income tax expense/(benefit), recognized** | **30,525** | (55,719) | 3,756 |

The income tax expense/(benefit) was $30,525, $(55,719) and $3,756 in 2023, 2022 and 2021 respectively. The increase in tax expense for the year ended December 31, 2023 was primarily attributable to a lower pre-tax loss in the tax consolidated U.S. group, the tax in respect of the sale of future royalties to Royalty Pharma and the tax impact of derecognizing previously recognized deferred tax assets that are no longer expected to be utilized.

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the U.S. A reconciliation of the U.S. federal statutory tax rate to the effective tax rate is as follows:

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| For the year ended December 31 | **$** | **%** | $ | % | $ | % |
| US federal statutory rate | **(7,573)** | **21.00** | (19,486) | 21.00 | (12,380) | 21.00 |
| State taxes, net of federal effect | **(3,974)** | **11.01** | (8,043) | 8.67 | (4,484) | 7.61 |
| Tax credits | **(9,167)** | **25.39** | (6,876) | 7.41 | (5,056) | 8.58 |
| Stock-based compensation | **589** | **(1.63)** | 788 | (0.85) | 555 | (0.94) |
| Finance income/(costs) - fair value accounting | **(556)** | **1.54** | (28,783) | 31.02 | (2,017) | 3.42 |
| Loss with respect to associate for which no deferred tax asset is recognized | **249** | **(0.69)** | 1,413 | (1.52) | 11,542 | (19.58) |
| Revaluation of deferred due to rate change | **-** | **0.00** | (8,856) | 9.54 | - | - |
| Nondeductible compensation | **872** | **(2.42)** | 300 | (0.32) | 746 | (1.27) |
| Recognition of deferred tax assets and tax benefits not previously recognized | **(433)** | **1.20** | (184) | 0.20 | (414) | 0.70 |
| Unrecognized deferred tax asset | **83,984** | **(232.63)** | 17,287 | (18.63) | 14,375 | (24.38) |
| Deconsolidation of subsidiary | **(17,506)** | **48.49** | (3,572) | 3.85 | - | - |
| Other | **1,321** | **(3.65)** | 293 | (0.32) | 889 | (1.51) |
| Worthless stock deduction | **(17,281)** | **47.87** | - | - | - | - |
| | **30,525** | **(84.52)** | (55,719) | 60.05 | 3,756 | (6.37) |

The Group is also subject to taxation in the UK, but to date, no taxable income has been generated in the UK. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit).

Deferred Tax Assets and Liabilities

Deferred tax assets have been recognized in the U.S. jurisdiction in respect of the following items:

| For the year ended December 31 | **2023 $** | 2022 $ |
|---|---|---|
| Operating tax losses | **3,849** | 48,317 |
| Tax credits | **2,425** | 11,101 |
| Share-based payments | **5,210** | 8,423 |
| Capitalized research & development expenditures | **39,422** | 36,084 |
| Investment in Associates | **-** | 13,036 |
| Lease liability | **5,133** | 7,143 |
| Sale of future royalties | **35,920** | - |
| Other temporary differences | **1,770** | 2,957 |
| Deferred tax assets | **93,729** | 127,061 |
| Investments held at fair value | **(53,411)** | (47,877) |
| Right of use assets | **(2,330)** | (3,519) |
| Property and equipment, net | **(1,637)** | (2,348) |
| Investment in Associates | **(755)** | - |
| Deferred tax liabilities | **(58,133)** | (53,744) |
| Deferred tax assets (liabilities), net | **35,596** | 73,317 |
| Deferred tax liabilities, net, recognized | **(52,462)** | (19,645) |
| Deferred tax assets (liabilities), net, not recognized | **88,058** | 92,962 |

The Group has recognized deferred tax assets due to future reversals of existing taxable temporary differences that will be sufficient to recover the deferred tax assets. Our unrecognized deferred tax assets of $88,058 are primarily related to tax credits, capitalized research & development expenditures and deferred tax asset related to the sale of future royalties to Royalty Pharma. The Group does not believe it is probable that future taxable profit will be available to support the realizability of these unrecognized deferred tax assets.

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following carryforward losses, credits and temporary differences, because it is not probable that future taxable profit will be available against which the

Group can use the benefits therefrom.

| For the year ended December 31 | 2023 $ Gross Amount | 2023 $ Tax Effected | 2022 $ Gross Amount | 2022 $ Tax Effected |
|---|---|---|---|---|
| Deductible temporary difference | **353,323** | **83,741** | 132,145 | 33,544 |
| Tax losses | **13,681** | **3,849** | 219,466 | 48,317 |
| Tax credits | **468** | **468** | 11,101 | 11,101 |
| Total | **367,472** | **88,058** | 362,712 | 92,962 |

Tax Losses and Tax Credits Carryforwards

Tax losses and tax credits for which no deferred tax asset was recognized are presented below:

| As of December 31 | 2023 $ Gross Amount | 2023 $ Tax Effected | 2022 $ Gross Amount | 2022 $ Tax Effected |
|---|---|---|---|---|
| Tax losses expiring: | | | | |
| Within 10 years | **4,741** | **1,284** | 23,930 | 5,387 |
| More than 10 years | **6,635** | **1,455** | 42,822 | 10,509 |
| Available Indefinitely | **2,305** | **1,110** | 152,714 | 32,421 |
| **Total** | **13,681** | **3,849** | 219,466 | 48,317 |
| Tax credits expiring: | | | | |
| Within 10 years | **43** | **43** | 43 | 43 |
| More than 10 years | **425** | **425** | 11,058 | 11,058 |
| Available indefinitely | **-** | **-** | - | - |
| **Total** | **468** | **468** | 11,101 | 11,101 |

The Group had U.S. federal net operating losses carry forwards ("NOLs") of $13,681, $219,466 and $215,400 as of December 31, 2023, 2022 and 2021, respectively, which are available to offset future taxable income. These NOLs expire through 2037 with the exception of $2,305 which is not subject to expiration. The Group had U.S. federal research and development tax credits of approximately $1,396, $4,500 and $3,900 as of December 31, 2023, 2022 and 2021, respectively, which are available to offset future taxes that expire at various dates through 2043. The Group also had Federal Orphan Drug credits of approximately $930 and $6,100 as of December 31, 2023, and 2022, which are available to offset future taxes that expire at various dates through 2043. A portion of these federal NOLs and credits can only be used to offset the profits from the Group's subsidiaries who file separate federal tax returns. These NOLs and credits are subject to review and possible adjustment by the Internal Revenue Service.

The Group had state net operating losses carry forwards ("NOLs") of approximately $111,446, $71,700 and $27,900 for the years ended December 31, 2023, 2022 and 2021, respectively, which are available to offset future taxable income. These NOLs expire at various dates beginning in 2030. The Group had Massachusetts research and development tax credits of approximately $98, $600 and $1,300 for the years ended December 31, 2023, 2022 and 2021, respectively, which are available to offset future taxes and expire at various dates through 2038. These NOLs and credits are subject to review and possible adjustment by state taxing authority.

Utilization of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. The Group has performed a Section 382 analysis through December 31, 2023. The results of this analysis concluded that certain net operating losses were subject to limitation under Section 382 of the Internal Revenue Code. None of the Group's net operating losses which are subject to a Section 382 limitation has been recognized in the financial statements.

Tax Balances

The tax related balances presented in the Statement of Financial Position are as follows:

| For the year ended December 31 | 2023 $ | 2022 $ |
|---|---|---|
| Income tax receivable - current | **11,746** | 10,040 |
| Trade and other payables | **-** | (57) |

Uncertain Tax Positions

The Group has no uncertain tax positions as of December 31, 2023. U.S. corporations are routinely subject to audit by federal and state tax authorities in the normal course of business.

**28. Subsequent Events**

The Group has evaluated subsequent events after December 31, 2023, up to the date of issuance, April 25, 2024, of the Consolidated Financial Statements, and has not identified any recordable or disclosable events not otherwise reported in these Consolidated Financial Statements or notes thereto, except for the

not otherwise reported in these Consolidated Financial Statements or notes thereto, except for the following:

In January 2024, the Group launched two new Founded Entities (Seaport Therapeutics and Gallop Oncology) to advance certain programs from the Wholly-Owned Programs segment. Seaport Therapeutics ("Seaport") will advance certain central nervous system programs and relevant Glyph intellectual property. Gallop Oncology will advance LYT-200 and other galectin-9 intellectual property. The financial results of these programs were included in the Wholly-Owned Programs segment in the footnotes to the Consolidated Financial Statements, as of December 31, 2023 and 2022, and for the three years ended December 31, 2023, 2022 and 2021, respectively. Upon raising dilutive third-party financing, the financial results of these two entities will be included in the Controlled Founded Entities segment to the extent that the Group maintains control over these entities.

On May 9, 2022, the Group announced the commencement of a $50,000 share repurchase program (the "Program") of its ordinary shares of one pence each. In February 2024, the Group completed the Program and has repurchased an aggregate of 20,182,863 ordinary shares under the Program. These shares have been held as treasury shares and are being used to settle the vesting of restricted stock units or exercise of options.

In March 2024, Karuna was acquired by Bristol Myers Squibb ("BMS") in accordance with a definitive merger agreement signed in December 2023. As a result of this transaction, the Group received total proceeds of $292,672 before income tax in exchange for its holding of 886,885 shares of Karuna common stock.

In March 2024, the Group announced a proposed capital return of $100,000 to its shareholders by way of a tender offer (the "Tender Offer"). The Tender Offer is expected to be launched in early May, subject to market conditions and shareholder approval. If the full $100,000 is not returned, then the Group intends to return any remainder following the completion of the Tender Offer, by way of a special dividend.

In April 2024, Seaport Therapeutics, the Group's latest Founded Entity, raised $100,000 in a Series A financing, out of which $32,000 was invested by the Group. Following the Series A financing, the Group holds equity ownership in Seaport of 61.5 percent on a diluted basis.

In April 2024, the Gelesis' Chapter 7 Trustee provided notice that a third party bid to purchase the assets subject to the bankruptcy had been accepted as a stalking horse bid, subject to Bankruptcy Court approval. If such sale of the assets is ultimately approved by the Bankruptcy Court and consummated, it is expected that PureTech could recover a portion of its investment in Gelesis senior secured convertible promissory notes. The ultimate resolution of this matter, any potential recovery, and the associated timing remain uncertain. The Group has not recorded any amount in its Consolidated Financial Statements related to amounts that may be received as a result of the bankruptcy process.

## Parent Company Statement of Financial Position

**For the years ended December 31**

| | Note | **2023 $000s** | 2022 $000s |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in subsidiary | 2 | **456,864** | 452,374 |
| **Total non-current assets** | | **456,864** | 452,374 |
| **Current assets** | | | |
| Other receivables | | **-** | 57 |
| Cash and cash equivalents | | **20,425** | 38,503 |
| **Total current assets** | | **20,425** | 38,560 |
| **Total assets** | | **477,289** | 490,934 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 3 | **5,461** | 5,455 |
| Share premium | 3 | **290,262** | 289,624 |
| Treasury stock | | **(44,626)** | (26,492) |
| Merger reserve | 3 | **138,506** | 138,506 |
| Other reserve | 3 | **21,596** | 18,114 |
| Retained earnings - (loss of $3,178 and income of $59,198 for 2023 and 2022, respectively) | 3 | **41,997** | 45,175 |
| **Total equity** | | **453,196** | 470,382 |
| **Current liabilities** | | | |
| Trade and other payables | | **2,033** | 2,475 |
| Intercompany payables | 4 | **22,061** | 18,078 |
| **Total current liabilities** | | **24,093** | 20,553 |

| | | |
|---|---|---|
| **Total equity and liabilities** | **477,289** | 490,934 |

Please refer to the accompanying notes to the PureTech Health plc financial information ("Notes"). Registered number: 09582467.

The PureTech Health plc financial statements were approved by the Board of Directors and authorized for issuance on April 25, 2024 and signed on its behalf by:

**Bharatt Chowrira**
Chief Executive Officer

April 25, 2024

The accompanying Notes are an integral part of these financial statements.

## Parent Company Statement of Cash Flows

**For the years ended December 31**

| | **2023 $000s** | 2022 $000s |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | **(3,178)** | 59,198 |
| **Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:** | | |
| **Non-cash items:** | | |
| Changes in operating assets and liabilities: | | |
| Other receivables | **57** | (57) |
| Intercompany payable | **5,135** | 5,236 |
| Accounts payable and accrued expenses | **(442)** | 619 |
| **Net cash provided by (used in) operating activities** | **1,572** | 64,995 |
| **Cash flows from investing activities:** | | |
| **Net cash provided by (used in) investing activities** | **-** | - |
| **Cash flows from financing activities:** | | |
| Purchase of treasury stocks | **(19,650)** | (26,492) |
| **Net cash provided by (used in) financing activities** | **(19,650)** | (26,492) |
| Net increase (decrease) in cash and cash equivalents | **(18,078)** | 38,503 |
| Cash and cash equivalents at beginning of year | **38,503** | - |
| **Cash and cash equivalents at end of year** | **20,425** | 38,503 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Increase (decrease) in investment against share-based awards | **4,489** | 10,384 |
| Conversion of intercompany receivable (net of a portion of intercompany payable) into investment | **-** | 293,904 |
| Exercise of share-based awards against intercompany receivable/payable | **1,153** | 332 |

The accompanying notes are an integral part of these financial statements.

## Parent Company Statement of Changes in Equity

**For the years ended December 31**

| | Share Capital | | | Treasury Shares | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount $000s | Share Premium $000s | Shares | Amount $000s | Merger Reserve $000s | Other Reserve $000s | Retained earnings/ (Accumulated deficit) $000s | Total equity $000s |
| **Balance January 1, 2022** | **287,796,585** | **5,444** | **289,303** | **-** | **-** | **138,506** | **7,730** | **(14,022)** | **426,961** |
| **Total comprehensive income (loss) for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Exercise of stock options | 577,022 | 11 | 321 | - | - | - | - | - | 332 |
| Equity-settled share-based payments | - | - | - | - | - | - | 8,856 | - | 8,856 |
| Settlement of restricted stock units | 788,046 | - | - | - | - | - | 1,528 | - | 1,528 |
| Purchase of treasury stock | - | - | - | (10,595,347) | (26,492) | - | - | - | (26,492) |
| Net Income (loss) | - | - | - | - | - | - | - | 59,198 | 59,198 |
| **Balance December 31, 2022** | **289,161,653** | **5,455** | **289,624** | **(10,595,347)** | **(26,492)** | **138,506** | **18,114** | **45,175** | **470,382** |
| **Total comprehensive income (loss) for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Exercise of stock options | 306,506 | 6 | 638 | 239,226 | 530 | - | (22) | - | 1,153 |
| Equity-settled share-based payments | - | - | - | - | - | - | 3,348 | - | 3,348 |
| Settlement of restricted stock units | - | - | - | 425,219 | 986 | - | 156 | - | 1,142 |
| Purchase of treasury stock | - | - | - | (7,683,526) | (19,650) | - | - | - | (19,650) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net income (loss) | - | - | - | - | - | - | - | (3,178) | (3,178) |
| **Balance December 31, 2023** | **289,468,159** | **5,461** | **290,262** | **(17,614,428)** | **(44,626)** | **138,506** | **21,596** | **41,997** | **453,196** |

The accompanying Notes are an integral part of these financial statements.

# Notes to the Financial Statements

**(amounts in thousands, except share and per share data)**

**1. Accounting policies**

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") are presented as of December 31, 2023 and 2022, and for the years ended December 31, 2023 and 2022, and have been prepared under the historical cost convention in accordance with international accounting standards in conformity with the requirements of UK-adopted International Financial Reporting Standards ("IFRSs"). The financial statements of PureTech Health plc also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Certain amounts in the Parent Company Financial Statements and accompanying notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Functional and Presentation Currency

The functional currency of the Parent is United States ("U.S.") Dollars and the financial statements are presented in U.S. Dollars.

Investments

Investments are stated at historical cost less any provision for impairment in value, and are held for long-term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred, such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates, or a deterioration in general market conditions.

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of fair value less cost to sell and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to its recoverable amount with a corresponding charge recognized in the profit and loss statement.

Dividend Income

Dividend received from the Parent's subsidiary is recorded as dividend income in the profit and loss statement.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognized and cease to be recognized on the basis of when the related titles pass to or from the Parent company.

Share-Based Payments

Share-based payment awards granted in subsidiaries to employees, Board of Directors and consultants to be settled in Parent's equity instruments are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. Restricted stock units granted in subsidiaries to the executives are accounted for as share-based liability awards in accordance with IFRS 2 as they can be cash-settled at PureTech's discretion and have a history of being cash-settled. The grant date fair value of equity-settled share-based payment awards and the settlement date fair value of the share-based liability awards are recognized as an increase to the investment with a corresponding increase in equity. For equity-settled restricted stock units, the grant date fair value is the grant date share price. For share-based liability awards, the fair value at each reporting date is measured using the Monte Carlo simulation analysis considering share price volatility, risk-free rate, and other covariance of comparable public companies and other market data to predict distribution of relative share performance. For stock options, the fair value is measured using an option pricing model, which takes into account the terms and conditions of the options granted. When the subsidiary settles the equity awards other than by the Parent's equity, the settlement is recorded as a decrease in equity against a corresponding decrease to the investment account.

**2. Investment in subsidiary**

| | $000s |
|---|---|
| **Balance at December 31, 2020** | **161,082** |
| Decrease due to equity-settled share-based payments granted to employees and service providers in subsidiaries | (12,996) |
| **Balance at December 31, 2021** | **148,086** |
| Increase due to equity-settled share-based payments granted to employees and service providers in subsidiaries | 10,384 |
| Conversion of intercompany receivable (net of a portion of intercompany payable) into investment | 293,904 |
| **Balance at December 31, 2022** | **452,374** |
| Increase due to equity-settled share-based payments granted to employees and service providers in subsidiaries | 4,489 |
| **Balance at December 31, 2023** | **456,864** |

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the U.S. as a US-focused scientifically-driven research and development company that conceptualizes, sources, validates and commercializes different approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries, please refer to Note 1 of the Consolidated Financial Statements of the Group.

The Parent recognizes in its investment in its operating subsidiary PureTech LLC, share-based payments granted to employees, executives, non-executive directors and service providers in its subsidiary. The decrease in 2021 and increases in investment in subsidiary in 2022 and 2023, respectively, are due to such share-based payments results from the expenses related to the grant of equity-settled share-based awards, as well as settlements and payments of these equity awards by the subsidiary, or settlement of share-based payments through equity by PureTech.

**3. Share capital and reserves**

PureTech Health plc was incorporated with the Companies House under the Companies Act 2006 as a public company on May 8, 2015.

On June 24, 2015, the Group authorized 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorization of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for $159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 percent of the total number of new ordinary shares. The stabilization manager provided notice to exercise in full its over-allotment option on July 2, 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

On March 12, 2018, the Group raised approximately $100.0 million, before issuance costs and other expenses, by way of a placing of 45,000,000 placing shares.

During the years ended December 31, 2023 and 2022, other reserves increased by $3,482 and $10,384, respectively, primarily due to equity-settled share-based payments granted to employees, the Board of Directors and service providers in subsidiaries. See Note 2 above.

Treasury stock

On May 9, 2022, the Group announced the commencement of a $50,000 share repurchase program (the "Program") of its ordinary shares of one pence each (the "Ordinary Shares"). The Group executed the Program in two equal tranches. The Group entered into an irrevocable non-discretionary instruction with Jefferies International Limited ("Jefferies") in relation to the purchase by Jefferies of the Ordinary Shares for an aggregate consideration (excluding expenses) of no greater than $25,000 for each tranche, and the simultaneous on-sale of such Ordinary Shares by Jefferies to the Group. Jefferies made its trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Group. Purchases could continue during any close period to which the Group was subject. The instruction to Jeffries could be amended or withdrawn so long as the Group was not in a close period or otherwise in possession of inside information.

Any purchases of the Ordinary Shares under the Program were carried out on the London Stock Exchange and could be carried out on any other UK recognized investment exchange in accordance with pre-set parameters and subject to limits prescribed by the Group's general authority to repurchase the Ordinary Shares granted by its shareholders at its annual general meeting on May 27, 2021, and relevant Rules and Regulations. All Ordinary Shares repurchased under the Program are held in treasury.

As of December 31, 2023, the Group repurchased an aggregate of 18,278,873 Ordinary Shares under the share repurchase program. The Program was completed during the month ended February 2024.

**4. Intercompany payables**

The Parent had a balance due to its operating subsidiary PureTech LLC of $22,061 as of December 31, 2023, which is related to IPO costs and operating expenses. These intercompany payables do not bear any interest and are repayable upon demand.

**5. Profit and loss account**

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $3,178.

**6. Directors' remuneration, employee information and share-based payments**

The remuneration of the executive Directors of the Parent company is disclosed in Note 26. Related Parties Transactions, of the Group's Consolidated Financial Statements. Full details of Directors' remuneration can be found in the audited sections of the Directors' Remuneration Report. Full detail of the share-based payment charge and the related disclosures can be found in Note 9. Share-based Payments, of the Group's Consolidated Financial Statements.

The Parent had no employees during 2023 or 2022.