Seres Therapeutics Reports Second Quarter Financial Results and Provides Operational Progress Update

August 11, 2016

- Comprehensive review of initial SER-109 Phase 2 study data underway -

- Strong cash position to support operations well into 2018, and through the anticipated Phase 1b study read-outs for SER-287 and SER-262 –

- Conference call at 8:30 AM ET today -

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Aug. 11, 2016-- Seres Therapeutics Inc., (NASDAQ:MCRB), a leading microbiome therapeutics platform company, today reported second quarter financial results and provided an update on multiple clinical programs, including three clinical-stage candidates addressing multiple medical indications.

“Following our announcement of initial eight-week data from our SER-109 Phase 2 study, we continue to gather further data and have begun an intense review of all available information so that we can fully understand the results, and apply our learnings to SER-109, as well as our other R&D efforts,” said Roger Pomerantz, M.D., President, CEO and Chairman of Seres. “We made important progress in advancing our multiple clinical stage programs, including our Phase 1b study of SER-287 in patients with mild-to-moderate ulcerative colitis, and our recently initiated Phase 1b study of SER-262 for primary *C. difficile* infection, the first synthetic microbiome therapeutic candidate to reach clinical development. We remain confident in our microbiome therapeutics approach, and we are committed to achieving our goal of developing meaningful new microbiome treatments for patients suffering from serious diseases.”

Recent Highlights and Events:

- **Interim results of SER-109 Phase 2 clinical study announced (July 2016):** Seres announced 8 week results from the ongoing SER-109 Phase 2 ECOSPOR™ clinical study for the prevention of multiply recurrent *Clostridium difficile* infection (CDI). The study did not achieve its primary endpoint of reducing the relative risk of CDI recurrence at 8 weeks. Multiple sub-group analyses are being deeply analyzed to further help clarify the initial findings in this trial. The company expects to continue to gather and analyze study data throughout the coming months, and will consult with the FDA to make appropriate adjustments to its SER-109 development plans.
- **Initiation of a Phase 1b clinical trial of SER-262 (July 2016):** Seres initiated a Phase 1b clinical trial evaluating SER-262 in patients with primary CDI. SER-262, an Ecobiotic®, rationally-designed, fermented microbiome therapeutic is the first synthetically-derived and designed microbiome therapeutic to reach clinical-stage development. The 24-week, randomized, placebo-controlled dose escalation study is expected to enroll approximately 60 patients who have experienced a first episode of CDI. The primary endpoint will compare the CDI recurrence rate between the SER-262 and placebo groups at up to 8 weeks after dosing. Study results are expected in 2017.
- **Ongoing progress with SER-287 Phase 1b study execution:** Seres continued to advance the SER-287 Phase 1b study in subjects with mild-to-moderate ulcerative colitis. Additional study clinical sites continued to be activated and increasing numbers of study subjects were enrolled. Study results are expected in 2017.
- **Research collaboration with Mayo Clinic to identify new microbiome therapeutics for liver diseases (June 2016):** The company initiated a sponsored research agreement with Mayo Clinic’s Center for Individualized Medicine focused on identifying new microbiome therapeutic candidates for liver diseases, including primary sclerosing cholangitis and non-alcoholic steatohepatitis (NASH).
- **Collaboration agreement with Massachusetts General Hospital to identify microbiome therapeutics for obesity and metabolic syndrome (June 2016):** Seres will help fund a placebo-controlled, proof-of concept clinical study to evaluate the impact of fecal microbiota transplantation derived from lean individuals, on the body weight and glycemic control of adults suffering from clinically significant obesity and metabolic disorders. The company will analyze patient samples to determine metagenomics signatures, metabolic markers and other key clinical biomarkers that may inform the design of microbiome therapeutics for obesity and associated metabolic disease.
- **Collaboration with Emulate (July 2016):** Seres initiated a collaboration with Emulate, Inc., a private company commercializing Organs-on-Chips technology, to further advance Emulate’s Intestine-Chip platform, a micro-engineered, living-tissue-based system that models the human intestine. Seres intends to use the technology to identify novel bacteria

compositions with therapeutic potential for inflammatory bowel disease and other serious conditions

Financial Results:

Seres reported a net loss of $27.9 million for the second quarter of 2016, as compared to a net loss of $12.6 million for the same period in 2015. The increase in net loss was driven primarily by continued growth in clinical and development expenses as well as increased headcount, and ongoing development of our microbiome therapeutics platform.

Research and development expenses for the second quarter were $22.2 million, as compared to $8.8 million for the same period in 2015. The increase in R&D expense was primarily due to expenses related to our microbiome therapeutics platform, and the clinical development of SER-109, SER-262 and SER-287.

General and administrative expenses for the second quarter were $9.0 million, as compared to $3.6 million for the same period in the prior year. The increase in G&A expense was primarily due to increased headcount and facility expansion to support overall growth, as well as other costs associated with operating as a public company.

The decrease in cash balance during the quarter was $30.8 million. Seres ended the second quarter with approximately $272.4 million in cash, cash equivalents and investments. The company continues to expect that our existing cash, cash equivalents and investments will enable support of operating expenses and capital expenditure requirements well into 2018. This estimate excludes net cash flows from future business development activities. The specifics of future SER-109 related activities could impact capital requirements, and cash projections.

Conference Call Information

Seres management will host a conference call today, August 11, 2016, at 8:30 AM ET. A webcast of the conference call may be accessed in the Investors & Media section of Seres' website at www.serestherapeutics.com. To access the conference call, please dial 844-277-9450 (domestic) or 336-525-7139 (international) and reference the conference ID number 60863839.

About Seres Therapeutics

Seres Therapeutics, Inc. is a leading microbiome therapeutics platform company developing a novel class of biological drugs that are designed to treat disease by restoring the function of a dysbiotic microbiome, where the natural state of bacterial diversity and function is imbalanced. Seres' program SER-109 continues to be evaluated in a Phase 2 study in multiply recurrent CDI. Seres' second clinical candidate, SER-287, is being evaluated in a Phase 1b study in patients with mild-to-moderate ulcerative colitis (UC). Seres is also developing SER-262, the first ever synthetic microbiome therapeutic candidate, in a Phase 1b study in patients with primary CDI. For more information, please visit www.serestherapeutics.com. Follow us on Twitter @SeresTx.

Forward-looking Statements

This press release contains 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 statements regarding the analysis and potential application of SER-109's Phase 2 clinical study and related data, adjustments to our SER-109 development plans, the timing and results of our clinical trials including the SER-262 and SER-287 clinical trials, identification and development of microbiome therapeutic candidates, including those for inflammatory bowel disease, liver diseases, obesity, metabolic syndrome or other indications, available cash to fund operations in the future, the potential of SER-109 to treat CDI and fundamentally change the management of CDI, and dysbiosis of the microbiome as an underlying cause of CDI.

These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following: we have incurred significant losses, are not currently profitable and may never become profitable; our need for additional funding, which may not be available; our limited operating history; the unpredictable nature of our early stage development efforts for marketable drugs; the unproven approach to therapeutic intervention of our microbiome therapeutics; the lengthy and expensive process of clinical drug development, which has an uncertain outcome; potential delays in enrollment of patients which could affect the receipt of necessary regulatory approvals; potential delays in regulatory approval, which would impact the ability to commercialize our product candidates and affect our ability to generate revenue; any fast track or Breakthrough Therapy designation may not lead to faster development, regulatory approval or marketing approval; our possible inability to receive orphan drug designation should we choose to seek it; our reliance on third parties to conduct our clinical trials and the potential for those third parties to not perform satisfactorily; our reliance on third parties to manufacture our product candidates, which may delay, prevent or impair our development and commercialization efforts; our lack of experience in manufacturing our product candidates; the potential failure of our product candidates to be accepted on the market by the medical community; our lack of experience selling, marketing and distributing products and our lack of internal capability to do so; failure to compete successfully against other drug companies; potential competition from biosimilars; failure to obtain marketing approval internationally; post-marketing restrictions or withdrawal from the market; anti-kickback, fraud, abuse, and other healthcare laws and regulations exposing us to potential criminal sanctions; recently enacted or future legislation; compliance with environmental, health, and safety laws and regulations; protection of our proprietary technology; protection of the confidentiality of our trade secrets; changes in United States patent law; potential lawsuits for infringement of third-party intellectual property; our patents being found invalid or unenforceable; compliance with patent regulations; claims challenging the inventorship or ownership of our patents and other intellectual property; claims asserting that we or our employees misappropriated a third-party's intellectual property or otherwise claiming ownership of what we regard as our intellectual property; adequate protection of our trademarks; ability to attract and retain key executives; managing our growth could result in difficulties; risks associated with international operations; potential system failures; the price of our common stock may fluctuate substantially; our executive officers, directors, and principal stockholders have the ability to control all matters submitted to the stockholders; a significant portion of our total outstanding shares are eligible to be sold into the market; unfavorable or lacking analyst research or reports; and we may be subject to securities class action litigation. These and other important factors discussed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, or SEC, on May 16, 2016 and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this press release. Any such forward-looking statements represent management's estimates as of the date of this press release. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation

to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

SERES THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share data)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 59,824	$ 73,933
Investments	152,032	131,149
Prepaid expenses and other current assets	5,247	2,528
Total current assets	217,103	207,610
Property and equipment, net	26,985	7,751
Long-term investments	60,589	-
Restricted cash	1,540	1,539
Total assets	$ 306,217	$ 216,900
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,454	$ 5,397
Accrued expenses and other current liabilities	10,865	5,523
Deferred revenue - related party	12,012	—
Total current liabilities	27,331	10,920
Lease incentive obligation	9,119	586
Deferred revenue, net of current portion - related party	102,371	—
Total liabilities	138,821	11,506
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized at June 30, 2016 and December 31, 2015; no shares issued and outstanding at June 30, 2016 and December 31, 2015	—	—
Common stock, $0.001 par value; 200,000,000 shares authorized at June 30, 2016 and December 31, 2015; 39,859,155 and 39,082,017 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	40	39
Additional paid-in capital	297,502	287,937
Accumulated other comprehensive income	83	30
Accumulated deficit	(130,229)	(82,612)
Total stockholders' equity	167,396	205,394
Total liabilities and stockholders' equity	$ 306,217	$ 216,900

SERES THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Collaboration revenue - related party	$ 3,004	$ —	$ 5,714	$ —
Total revenue	3,004	—	5,714	—
Operating expenses:				
Research and development expenses	22,174	8,784	37,590	14,345
General and administrative expenses	8,970	3,556	16,180	6,162
Total operating expenses	31,144	12,340	53,770	20,507
Loss from operations	(28,140)	(12,340)	(48,056)	(20,507)
Other income (expense):				
Interest income	495	151	763	199
Interest expense	(268)	(146)	(324)	(211)
Revaluation of preferred stock warrant liability	—	(220)	—	(7)
Total other income (expense), net	227	(215)	439	(19)

Net loss	$ (27,913)	$ (12,555)	$ (47,617)	$ (20,526)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.70)	$ (1.45)	$ (1.21)	$ (2.64)
Weighted average common shares outstanding, basic and diluted	39,600,344	8,640,218	39,393,238	7,777,679
Other comprehensive income:				
Unrealized gain/(loss) on investments, net of tax of $0	$ (25)	$ (8)	$ 53	$ 23
Total other comprehensive income	(25)	(8)	53	23
Comprehensive loss	$ (27,938)	$ (12,563)	$ (47,564)	$ (20,503)

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