Biostage awarded $1.1 million Phase II NIH SBIR Fast-Track grant to develop Cellspan™ Esophageal Implant (CEI) as a novel treatment for pediatric esophageal atresia

- These nondilutive funds support development, testing and IND submission of the Company's pediatric esophageal implant candidate

HOLLISTON, Mass., Nov. 6, 2018 /PRNewswire/ -- Biostage, Inc. (OTCQB: BSTG), a biotechnology company developing bioengineered organ implants to treat life-threatening conditions of the esophagus, bronchus and trachea, today announced it has been awarded $1.1 million from Phase II of its previously-announced Fast-Track Small Business Innovation Research (SBIR) grant by the *Eunice Kennedy Shriver* National Institute of Child Health and Human Development of the National Institutes of Health. The grant funding will support Biostage's development and testing of its Cellspan™ Esophageal Implant (CEI) for treatment of neonatal esophageal atresia. Biostage's Sumati Sundaram, PhD and Christine Finck, MD, FACS, and Surgeon-In-Chief at Connecticut Children's Medical Center are the principle investigators on this grant.

Jim McGorry, CEO of Biostage, commented, "There is a tremendous unmet medical need in children suffering from esophageal atresia. Children born with a gap between their upper and lower esophagus face multiple complications and a reduced quality of life. Biostage's Cellframe™ technology has the potential to be a transforming alternative for these kids where there currently exists no standard of care. Our scientific advisory board, comprised of esteemed pediatric surgeons, believes our technology will provide a novel approach to treating these underserved kids. Biostage has been granted orphan designation in esophageal atresia and continues to work with the FDA and our investigators to advance our technology to the clinic. We are delighted for this scientific and financial validation."

Dr. Christine Finck, Surgeon-In-Chief, Connecticut Children's, stated, "Our hospital is committed to translating this novel technology to the clinic to address esophageal atresia in children. There is a tremendous unmet medical need for children suffering with esophageal atresia in the United States and across the world. This technology has the potential to dramatically improve their care and condition. This grant supports scientific investigation as we optimize and get ready for FDA submission."

Biostage recently completed Phase I of the SBIR Fast-Track grant of $225,000 that was awarded in March 2018. The Phase II award totaling $1.1 million will support development and testing through September 2019. An additional $0.5 million award is potentially available for the following year subject to availability of NIH funds at that time.

About Biostage, Inc.

Biostage is a biotechnology company developing bioengineered organ implants based on the Company's Cellframe™ technology which combines a proprietary biocompatible scaffold with a patient's own stem cells to stimulate tissue regeneration in certain organs. Cellspan™ implants are being developed to treat life-threatening conditions of the esophagus, bronchus or trachea with the hope of dramatically improving the treatment paradigm for patients. Based on its preclinical data, Biostage plans to address life-threatening conditions of the esophagus with the initial clinical applications of its technology.

For more information, please visit www.biostage.com and connect with the Company on Twitter and LinkedIn.

Forward-Looking Statements:

Some of the statements in this press release are "forward-looking" and are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These "forward-looking" statements in this press release include, but are not limited to, statements relating to development expectations and regulatory approval of any of Biostage's products, including those utilizing its Cellframe™ technology, by the U.S. Food and Drug Administration, the European Medicines Agency or otherwise, which expectations or approvals may not be achieved or obtained on a timely basis or at all; or success with respect to any collaborations, clinical trials and other development and commercialization efforts of Biostage's products, including those utilizing its Cellframe™ technology, which such success may not be achieved or obtained on a timely basis or at all. These statements involve risks and uncertainties that may cause results to differ materially from the statements set forth in this press release, including, among other things, Biostage's ability to obtain and maintain regulatory approval for its products; Biostage's ability to expand into foreign markets, including China; plus other factors described

under the heading "Item 1A. Risk Factors" in Biostage's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 or described in its other public filings. Biostage's results may also be affected by factors of which Biostage is not currently aware. The forward-looking statements in this press release speak only as of the date of this press release. Biostage expressly disclaims any obligation or undertaking to release publicly any updates or revisions to such statements to reflect any change in its expectations with regard thereto or any changes in the events, conditions or circumstances on which any such statement is based.

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