

Dear Stockholders:

EnteroMedics was founded to develop a first-in-class platform for treating a range of diseases mediated by the vagus nerve. This resulted in the development of VBLOC™ Vagal Blocking Therapy, which intermittently blocks nerve signaling carried by the vagus between the brain and stomach. VBLOC Therapy, delivered via the Maestro™ System, is the key to the Company's first target, obesity therapy. In 2008, our first full year as a publicly traded company, we achieved clinical milestones that validated the goals we set forth for our pivotal study in obese patients, EMPOWER; supported two new areas of study in obesity-related co-morbidities; and raised the capital necessary to permit us to reach the first of our U.S. commercialization goals.

EnteroMedics' VBLOC Therapy has the potential to become a revolutionary new treatment for the tens of millions of individuals worldwide plagued by obesity. Our technology is the only treatment designed to provide significant excess weight loss while controlling the feelings that cause weight loss failure: hunger and a lack of feeling full. Those implanted with the Maestro System do not have to accept compromises to address their obesity. They are not subjected to the side effects, nutrient deprivation, severe dietary restrictions and anatomical disfiguration of other procedures. We believe that our therapy is "non-punitive" in that it promotes positive behavior modification without inducing punitive physical restrictions that physically force a limitation of food intake while supporting a healthy diet with adequate intake of protein, vitamins and minerals.

VBLOC Therapy continues to demonstrate meaningful results in the clinic. Our feasibility study, being conducted outside of the United States, has demonstrated an average excess weight loss of 37.6% for the first nine patients to reach 18 months of treatment with a positive safety record to date, including no deaths and no medically serious adverse events related to the device or therapy. In sub-group analyses of our studies we looked at VBLOC Therapy's effect on two co-morbidities associated with obesity, diabetes and hypertension. We noted that diabetic patients saw a reduction in mean HbA1c (a measure of blood glucose levels) of up to 1.7 percentage points and hypertensive patients saw a return to normal-range blood pressures, while those patients with blood pressure in the normal range were unaffected. These results were observable at one, three and six months of evaluation and occurred independent of, and prior to, substantial weight loss. While based on small cohorts, the results were, nonetheless, statistically significant, and clinically meaningful. We believe that the combination of the weight loss and co-morbidity data demonstrates that VBLOC Therapy will become a meaningful tool to patients and healthcare administrators worldwide.

Our clinical results to date supported the successful raising of over \$35 million in late 2008 and early 2009, through a \$20 million debt agreement, of which \$15 million has been funded, and a \$15.9 million equity offering. This capital was secured during a period of almost unprecedented economic dislocation, signaling a strong vote of confidence for the Company's achievements to date and goals. The added funds give us the ability to support our clinical programs in obesity, hypertension and diabetes, as well as complete a regulatory submission for U.S. approval of the Maestro System in the treatment of obesity in the fourth quarter of 2009, assuming a positive outcome for the EMPOWER study.

Since becoming a public company, we continue to deliver on our committed milestones and expand our reach into new study areas. Before the end of this year, we will release top-level results from the EMPOWER study in obesity and advance our feasibility trials in diabetes and hypertension. Our commercialization strategy, which has already begun to unfold with the receipt of CE Mark certification in the European Economic Area, will take its first step toward U.S. approval in the fourth quarter of 2009.

Our success to date could not have been achieved without the ongoing commitment of our stockholders. We thank you for this support, as we thank those who have contributed to our efforts in the clinic and research lab, including our employees, the study subjects, the physicians and surgeons who care for people with obesity and the many top-tier institutions behind VBLOC Therapy's development. As always, we look forward to delivering on the promise of this exciting new treatment.

Yours very truly,



Mark B. Knudson
President and CEO, EnteroMedics Inc.