



October 31, 2013

EnteroMedics Reports Third Quarter 2013 Financial Results

Company to Host Conference Call Today, October 31, 2013, at 11:00 AM ET

ST. PAUL, MN -- (Marketwired) -- 10/31/13 -- EnteroMedics Inc. (NASDAQ: ETRM), the developer of medical devices using neuroblocking technology to treat obesity, metabolic diseases and other gastrointestinal disorders, today announced financial results for the three and nine months ended September 30, 2013.

For the three months ended September 30, 2013, the Company reported a net loss of \$6.3 million, or \$0.11 per share. Research and development expenses were \$2.8 million, and general and administrative expenses were \$3.2 million. For the nine months ended September 30, 2013, the Company reported a net loss of \$19.2 million, or \$0.36 per share. Operating expenses were primarily associated with the cost of supporting multiple ongoing clinical trials, including the ReCharge Study, the Company's Premarket Approval (PMA) application for FDA approval of VBLOC® vagal blocking therapy in obesity, and the continued development of VBLOC Therapy delivered through the Company's Maestro® Rechargeable System. On September 30, 2013, the Company's cash, cash equivalents, restricted cash and short-term investments totaled \$21.3 million, which includes approximately \$3.6 million raised through the Company's "at-the-market" (ATM) equity facility. As of October 28, 2013 the Company has raised a total of \$6.3 million under its \$20.0 million ATM equity facility.

"EnteroMedics achieved several key milestones during the third quarter, including strengthening our balance sheet, acceptance of our premarket approval application (PMA) in July, and receiving a timely, formal response from the FDA," said Greg S. Lea, Senior Vice President, Chief Financial Officer and Chief Operating Officer. "We continue to prepare, in consultation with experts in both process and content, for an anticipated Advisory Committee panel meeting, which remains on-track for the first quarter of 2014. Panel approval could then be followed by an FDA approval decision in the first half of 2014."

Conference Call Details

The third quarter conference call may be accessed by dialing (877) 280-7473 (U.S. and Canada) or (707) 287-9370 (international), and entering passcode 86494901. A replay of the call will be available from October 31, 2013 at 2:00 PM Eastern Time through January 21, 2014 at 11:59 PM Eastern Time by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (international) and entering passcode 86494901.

To access the live webcast, visit the events page of the investor relations section of EnteroMedics' website at www.enteromedics.com. A replay of the webcast will be available immediately after the conference call.

About EnteroMedics Inc.

EnteroMedics is a medical device company focused on the development and commercialization of its neuroscience based technology to treat obesity and metabolic diseases. EnteroMedics' proprietary technology, VBLOC® vagal blocking therapy, delivered by a pacemaker-like device called the Maestro® Rechargeable System, is designed to intermittently block the vagus nerves using high-frequency, low-energy, electrical impulses. VBLOC allows people with obesity to take a positive path towards weight loss, addressing the lifelong challenge of obesity and its comorbidities without sacrificing wellbeing or comfort. EnteroMedics' Maestro Rechargeable System has received CE Mark and is listed on the Australian Register of Therapeutic Goods.

About Maestro® System

The Maestro® System delivers VBLOC® vagal blocking therapy via two small electrodes that are laparoscopically implanted and placed in contact with the trunks of the vagus nerve just above the junction between the esophagus and the stomach.

About VBLOC® Therapy

EnteroMedics developed VBLOC® vagal blocking therapy to offer bariatric surgeons and their patients a less invasive alternative to existing surgical weight loss procedures that may present significant risks and alter digestive system anatomy, lifestyle and food choices. VBLOC Therapy is delivered via the Maestro® System through laparoscopically implanted leads to intermittently block the vagus nerves using high-frequency, low-energy electrical impulses. VBLOC Therapy is designed to

target the multiple digestive functions under control of the vagus nerves and to affect the perception of hunger and fullness.

Forward-Looking Safe Harbor Statement:

This press release contains forward-looking statements about EnteroMedics Inc. Our actual results could differ materially from those discussed due to known and unknown risks, uncertainties and other factors including our limited history of operations; our losses since inception and for the foreseeable future; our lack of commercial regulatory approval for our Maestro® System for the treatment of obesity in the United States or in any foreign market other than Australia and the European Community; our preliminary findings from our EMPOWER™ and ReCharge pivotal trials; our ability to comply with the Nasdaq continued listing requirements; our ability to commercialize our Maestro System; our dependence on third parties to initiate and perform our clinical trials; the need to obtain regulatory approval for any modifications to our Maestro System; physician adoption of our Maestro System and VBLOC® vagal blocking therapy; our ability to obtain third party coding, coverage or payment levels; ongoing regulatory compliance; our dependence on third party manufacturers and suppliers; the successful development of our sales and marketing capabilities; our ability to raise additional capital when needed; international commercialization and operation; our ability to attract and retain management and other personnel and to manage our growth effectively; potential product liability claims; potential healthcare fraud and abuse claims; healthcare legislative reform; and our ability to obtain and maintain intellectual property protection for our technology and products. These and additional risks and uncertainties are described more fully in the Company's filings with the Securities and Exchange Commission, particularly those factors identified as "risk factors" in the annual report on Form 10-K filed March 7, 2013. We are providing this information as of the date of this press release and do not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

Caution - Investigational device. Limited by Federal (United States) law to investigational use.

The implantation procedure and usage of the Maestro® System carry some risks, such as the risks generally associated with laparoscopic procedures and those related to treatment as described in the ReCharge clinical trial informed consent.

(See attached tables)

ENTEROMEDICS INC.

(A Development Stage Company)

Condensed Consolidated Statements of Operations (unaudited)

(in thousands, except per share data)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Sales	\$ -	\$ -	\$ -	\$ 312
Cost of goods sold	-	-	-	232
Gross profit	-	-	-	80
Operating expenses:				
Research and development	2,762	2,581	8,207	7,521
Selling, general and administrative	3,208	2,992	10,153	8,347
Total operating expenses	5,970	5,573	18,360	15,868
Operating loss	(5,970)	(5,573)	(18,360)	(15,788)
Other income (expense), net	(333)	(274)	(847)	(645)
Net loss	<u>\$ (6,303)</u>	<u>\$ (5,847)</u>	<u>\$ (19,207)</u>	<u>\$ (16,433)</u>
Net loss per share - basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.14)</u>	<u>\$ (0.36)</u>	<u>\$ (0.42)</u>
Shares used to compute basic and diluted net loss per share	<u>55,978</u>	<u>40,984</u>	<u>52,864</u>	<u>38,811</u>

ENTEROMEDICS INC.

(A Development Stage Company)

Condensed Consolidated Balance Sheets (unaudited)

(in thousands)

	<i>September 30,</i>	<i>December 31,</i>
	<i>2013</i>	<i>2012</i>

ASSETS

Cash, cash equivalents and short-term investments	\$	21,142	\$	22,309
Restricted cash		200		200
Inventory		1,172		1,271
Prepaid expenses and other current assets		624		624
Property and equipment, net		632		610
Other assets		894		1,082
Total assets	\$	<u>24,664</u>	\$	<u>26,096</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:				
Accounts payable	\$	180	\$	341
Debt		7,828		9,684
Other liabilities		<u>4,255</u>		<u>4,196</u>
Total liabilities		12,263		14,221
Stockholders' equity		<u>12,401</u>		<u>11,875</u>
Total liabilities and stockholders' equity	\$	<u>24,664</u>	\$	<u>26,096</u>

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