



August 7, 2012

EnteroMedics Reports Second Quarter 2012 Financial Results

Company to Host Conference Call Today, August 7, 2012, at 11:00 AM ET

ST. PAUL, MN -- (Marketwire) -- 08/07/12 -- 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 six months ended June 30, 2012.

For the three months ended June 30, 2012, the Company reported a net loss of \$4.9 million, or \$0.13 per share, including research and development expenses of \$2.2 million and general and administrative expenses of \$2.5 million. For the six months ended June 30, 2012, the Company reported a net loss of \$10.6 million, or \$0.28 per share. Operating expenses were primarily associated with the cost of supporting the Company's multiple ongoing clinical trials, including the ReCharge Study, international commercialization efforts, and the continued development of VBLOC® vagal blocking therapy delivered through the Company's Maestro® Rechargeable System. On June 30, 2012, the Company's cash, cash equivalents, restricted cash and short-term investments totaled \$27.8 million.

"Taking the initial tranche of \$10.0 million from the \$20.0 million growth capital loan combined with the \$5.0 million equity offering and the \$3.6 million added to the balance sheet from warrant exercises through mid-July of this year significantly strengthens our long range capital plan," said Greg S. Lea, Senior Vice President and Chief Financial Officer. "Our cash and investments of \$27.8 million at the end of June puts us in a comfortable position to reach beyond key clinical and regulatory milestones for the U.S. market, including a Premarket Approval application with the Food and Drug Administration, which we anticipate submitting in the first half of 2013 with the data from the ReCharge Study pivotal trial."

Conference Call Details

The conference call may be accessed by dialing (877) 280-7473 (U.S. and Canada) or (707) 287-9370 (international), and entering passcode 11943595. A replay of the call will be available from August 7, 2012 at 2:00 PM Eastern Time through December 7, 2012 at 11:59 PM Eastern Time by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (international) and entering passcode 11943595.

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 Maestro® Rechargeable (RC) System

The Maestro RC 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. The Maestro RC System is powered by an internal, rechargeable battery. The battery is recharged via an external mobile charger and transmit coil that the patient uses for a short time each week. The Maestro RC System has received CE Mark and has been listed on the Australian Register of Therapeutic Goods.

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.

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 has received CE Mark and is listed on the Australian Register of Therapeutic Goods.

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™ pivotal trial; 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 15, 2012. 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)

| Three Months Ended | | Six Months Ended | |
|--------------------|-------|------------------|-------|
| June 30, | | June 30, | |
| ----- | | ----- | |
| 2012 | 2011 | 2012 | 2011 |
| ----- | ----- | ----- | ----- |

| | | | | |
|--|------------|------------|-------------|-------------|
| Sales | \$ 188 | \$ - | \$ 312 | \$ - |
| Cost of goods sold | 146 | - | 232 | - |
| | ----- | ----- | ----- | ----- |
| Gross profit | 42 | - | 80 | - |
| | ----- | ----- | ----- | ----- |
| Operating expenses: | | | | |
| Research and development | 2,230 | 3,315 | 4,940 | 6,104 |
| Selling, general and administrative | 2,542 | 2,066 | 5,356 | 4,134 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 4,772 | 5,381 | 10,296 | 10,238 |
| | ----- | ----- | ----- | ----- |
| Operating loss | (4,730) | (5,381) | (10,216) | (10,238) |
| Other income (expense), net | (224) | (176) | (371) | (405) |
| | ----- | ----- | ----- | ----- |
| Net loss | \$ (4,954) | \$ (5,557) | \$ (10,587) | \$ (10,643) |
| | ===== | ===== | ===== | ===== |
| Net loss per share - basic and diluted | | | | |
| | \$ (0.13) | \$ (0.20) | \$ (0.28) | \$ (0.38) |
| | ===== | ===== | ===== | ===== |
| Shares used to compute basic and diluted net loss per share | | | | |
| | 38,668 | 27,893 | 37,712 | 27,893 |
| | ===== | ===== | ===== | ===== |

ENTEROMEDICS INC.

(A Development Stage Company)

Condensed Consolidated Balance Sheets (unaudited)

(in thousands)

| | June 30, | December 31, |
|---|-----------|--------------|
| | 2012 | 2011 |
| | ----- | ----- |
| ASSETS | | |
| Cash, cash equivalents and short-term investments | \$ 27,552 | \$ 29,493 |
| Restricted cash | 200 | 200 |
| Inventory | 1,088 | 1,069 |
| Prepaid expenses and other current assets | 652 | 805 |
| Property and equipment, net | 650 | 630 |
| Other assets | 382 | 289 |
| | ----- | ----- |
| Total assets | \$ 30,524 | \$ 32,486 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

| | | |
|--|-----------|-----------|
| Accounts payable | \$ 99 | \$ 434 |
| Debt | 9,584 | 5,188 |
| Other liabilities | 3,649 | 6,823 |
| | ----- | ----- |
| Total liabilities | 13,332 | 12,445 |
| Stockholders' equity | 17,192 | 20,041 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 30,524 | \$ 32,486 |
| | ===== | ===== |

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Source: EnteroMedics

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