LEXINGTON, Massachusetts, United States and SYDNEY, Australia – 31 January 2014 – GI Dynamics, Inc. (ASX: GID) (GI Dynamics or the Company), a medical device company developing innovative treatments for type 2 diabetes and obesity, is pleased to provide its financial results for the quarter ended 31 December 2013 (Quarter), as well as a discussion of the full-year 2013 performance. The Appendix 4C, which has been prepared in U.S. dollars, is attached and the results disclosed in the Appendix 4C are unaudited.

“We are pleased with the sales progress we achieved in 2013 with a record US$2.3 million in total revenue based on our strong Fourth Quarter results,” stated Stuart A. Randle, president and chief executive officer of GI Dynamics. “Our dual-markets commercialization strategy in support of both self-pay markets and reimbursed markets continues to guide our efforts. As expected, we increased the number of EndoBarrier Therapy centres in self-pay markets, the near-term revenue driver for GI Dynamics. In parallel, we secured important pillars of longer-term success in reimbursed markets, including OPS codes in Germany and Switzerland, as well as the approval of key, government funded studies in both France and the U.K. ”

Business Review & Highlights

Throughout the Quarter and the year, GI Dynamics continued to execute on its global business strategy for EndoBarrier® Therapy. The Company’s recent major achievements and important milestones are detailed below.

- **Revenues and Centres:** Increased the global revenues and commercial footprint of centres offering EndoBarrier Therapy.
  - Achieved substantial revenue growth for EndoBarrier in 2013 with an increase of 251% in the Quarter over the corresponding quarter in 2012 and an increase of 238% compared to the previous full year. Increases were noted in Germany, Chile, Israel, Australia, and other countries.
  - Recorded significant growth over last year in Australia despite unanticipated logistical challenges, which resulted in four active EndoBarrier centres in 2013; however, the challenges unique to each individual centre are being addressed and GI Dynamics expects to rapidly achieve expanded geographic coverage in Australia enabling broader access in high population areas, which will pave the way for further growth in this important market in 2014.
As of end of the Quarter, a total of 50 centres were offering EndoBarrier Therapy, up from 44 at the end of the third quarter and up from 28 at the end of 2012.

- **Medical Meetings and Congresses:** Data regarding EndoBarrier Therapy was presented in 25 podium or poster presentations at 12 medical meetings, scientific forums and global diabetes/obesity congresses in 2013. In the Quarter, these included:
  - **IDF World Diabetes Congress:** David Maggs, M.D., chief medical officer of GI Dynamics, presented new meta-analysis data describing the increasingly robust efficacy and safety profile of EndoBarrier Therapy at the International Diabetes Federation’s World Diabetes Congress held 2-6 December 2013 in Melbourne.
    - Poster presentation, “Robust Metabolic Improvement Observed with the Endoscopic, Duodenal-Jejunal Bypass Liner: 12 Month Data in Obese Type 2 Diabetics.”
  - **Obesity Week Annual Meeting:** EndoBarrier users and scientific advisors presented data on EndoBarrier Therapy during three sessions at Obesity Week, the combined annual meeting of The Obesity Society and The American Society for Metabolic and Bariatric Surgery, held 11-16 November 2013 in Atlanta, Georgia.
  - **Brazilian Diabetes Society:** Jaime A Davidson, MD, FACP, MACE, Clinical Professor of Medicine, Division of Endocrinology, Diabetes and Metabolism at University of Texas Southwestern Medical School, Dallas, presented a clinical overview of EndoBarrier Therapy at the Congresso da Sociedade Brasileira de Diabetes 2013, held October 9-11 in Florianópolis, Brazil.

- **Published Data:** EndoBarrier users and scientific advisors published multiple, new peer-reviewed studies on EndoBarrier Therapy, including:
  - *Six Months of Treatment with the Endoscopic Duodenal-Jejunal Bypass Liner Does Not Lead to Decreased Systemic Inflammation in Obese Patients with Type 2 Diabetes.* de Jonge C, Rensen SS, D'Agnolo HM, Bouvy ND, Buurman WA, Greve JW. *Obesity Surgery.* December 2013.

- **Patents:** GI Dynamics continued to receive patents covering key aspects of the Company’s EndoBarrier product and technology in the United States and foreign markets, bringing the total patent estate to 29 issued U.S patents and 46 granted foreign patents.
• **The ENDO Trial:** As of 31 December 2013, 20 clinical sites across the U.S. have initiated patient recruitment in the ENDO Trial, GI Dynamics’ pivotal clinical trial evaluating the efficacy and safety of EndoBarrier in the treatment of people with type 2 diabetes and obesity.

“We see growing interest in the clinical profile of EndoBarrier Therapy and increasing support from the physician community, including endocrinologists, diabetologists and bariatric surgeons, as they become more familiar with the compelling results we are seeing in patients with type 2 diabetes and obesity,” stated Dr. Maggs. “Enrollment in our ENDO Trial in the U.S. has been somewhat slower at the commencement of the trial; however, we believe our recent successful negotiations with the FDA to expand entry criteria, coupled with the 21 clinical sites now open, will help accelerate enrollment in 2014.”

**Financial Review**

The Company’s key financial results for the Quarter and year ending 31 December 2013 include the following:

- Revenue increased to US$1.1 million for the Quarter compared to US$0.3 million for the same period last year. For the year ending 31 December 2013, revenue increased to US$2.3 million compared to a US$0.7 million in the prior year. The increase in the Company’s revenue in the Quarter was primarily a result of a 230% increase in revenue from sales in Europe, a 78% increase in revenue from sales in South America and revenue from sales in Australia and Israel with no corresponding sales in these countries in the same period last year. The increase in the Company’s revenue for the year ending 31 December 2013 was primarily a result of a 195% increase in revenue from sales in Europe, a 75% increase in revenue from sales in South America and revenue from sales in Australia and Israel with no corresponding sales in these countries in the prior year.

- The Company also had deferred revenue of US$0.7 million as of 31 December 2013, which is consistent with the deferred revenue at 31 December 2012 and a decrease of US$0.6 million from the prior quarter. The decrease in deferred revenue from the prior quarter reflects changes in how the Company applies its revenue recognition policy, which went into effect October 1, 2013. The Company now recognizes sales in most areas of the world at the time of shipment, and records a corresponding reserve for estimated product returns. This means that sales in those geographies will be recognized earlier than they were previously. As a result, revenue recognized in these geographies from deferred revenue is expected to decrease in subsequent quarters. Sales in certain other geographies will continue to be treated as deferred revenue until all the criteria for revenue recognition are met.
- Cost of revenue for the Quarter was US$1.0 million compared to US$0.4 million for the same period last year. Cost of revenue for the year ending 31 December 2013 was US$2.5 million compared to US$1.4 million in the prior year. The increase in cost of revenue for both the Quarter and the year ending 31 December 2013 reflects increased sales volume in the Quarter and year compared to the same periods last year and the expansion of the Company’s manufacturing operations.

- Operating expenses decreased to US$9.1 million for the Quarter compared to US$9.4 million for the same period last year. Operating expenses increased to US$34.7 million for the year ending 31 December 2013 compared to US$29.5 million for the prior year.
  - Research and development expenses were US$4.1 million for the Quarter compared to US$3.3 million for the same period last year. Research and development expenses were US$14.7 million for the year ending 31 December 2013 compared to US$11.5 million for the same period last year. Research and development expenses increased in the Quarter and the year ending 31 December 2013 compared to the same periods last year primarily as a result of the Company starting to actively enroll study subjects in its U.S. pivotal trial in the first quarter of 2013.
  - Sales and marketing expenses were US$3.1 million for the Quarter compared to US$2.4 million for the same period last year. Sales and marketing expenses were US$11.1 million for the year ending 31 December 2013 compared to US$7.9 million for the same period last year. The Company has been investing in building its commercial infrastructure in the United States, Europe and Australia, which includes sales, training, reimbursement and marketing.
  - General and administrative expenses were US$1.9 million for the Quarter compared to US$3.7 million for the same period last year and US$9.0 million for the year ending 31 December 2013 compared to US$10.1 million for the same period last year. The decrease in general and administrative expenses for the Quarter and year ending 31 December 2013 were primarily the result of lower litigation expenses resulting from the successful settlement of the Company’s lawsuit with W.L. Gore & Associates.

- Other income (expense) for the Quarter was a loss of US$0.1 million compared to a gain of US$0.5 million for the same period last year. Other income (expense) for the year ending 31 December 2013 was a loss of US$0.6 million compared to a gain of US$3.4 million. The decrease in other income (expense) for the Quarter and for the year ending 31 December 2013 was primarily a result of both an increase in foreign exchange loss, due for the most part to changes in the value of the Australian dollar, and the change in the market value of the warrants issued in connection with the Company’s initial public offering.

- As a result, the Company recorded a net loss of US$9.1 million for the Quarter, consistent with the net loss in the same period last year. The Company’s net loss for the
year ending 31 December 2013 was US$35.6 million compared to US$26.8 million for the prior year.

- The Company had cash and cash equivalents of US$58.6 million as of 31 December 2013 compared to US$41.5 million at 31 December 2012, an increase of US$17.1 million. The Company raised US$52.5 million, net of expenses, when it sold 22,585,737 shares of common stock (112,928,685 CDIs) in a private placement during the third quarter.

2014 Outlook

The Company expects to grow its geographic footprint from 50 centres to more than 70 centres offering EndoBarrier Therapy to patients in key markets around the world. The geographic emphasis includes:

- **Self-pay markets**: To continue to drive sales expansion and revenue growth in the near-term, GI Dynamics expects to add approximately 20 centres across Israel, Brazil and Australia, among other self-pay markets, in 2014.

- **Reimbursement markets**: In addition, the Company will continue to establish centres that will help facilitate national reimbursement. These efforts include new clinical study sites in France and a select number of new commercial centres in Germany and other European markets. These centres will generate important data for reimbursement efforts rather than treatment-related sales volume.

- **ENDO Trial**: 21 sites are currently recruiting patients for the ENDO trial and this is expected to increase to as many as 25 sites recruiting patients soon. Sites are actively seeking approval for the amended protocol, which will broaden the inclusion criteria for patients that can be entered into the trial.

*Mr. Randle added: “As we look ahead at 2014, we will continue to focus our market expansion efforts on self-pay markets, including Australia, Israel and Chile. In addition, we expect to receive regulatory approval in Brazil this year, which will open access to EndoBarrier in one of the largest healthcare and robust self-pay markets in the world. Our presence in Europe will remain fairly stable as we execute on our national reimbursement goals, which are key to long-term sales growth in these markets. We firmly believe this dual-pronged commercial strategy will help us continue to drive sales in the near term, while building for the long-term success and significant future growth of EndoBarrier Therapy.”*

***************CONFERENCE CALL & WEBCAST INFORMATION**************

GI Dynamics will host a briefing call and live audio webcast to discuss the Company’s financial results for the fourth quarter ended 31 December 2013 and its business outlook. Stuart Randle, president and chief executive officer, will host the call with Robert Crane, chief financial officer, and Mark Twyman, chief commercial officer.

www.gidynamics.com
Monday, 3 February 2014 at 4:30 PM U.S. EST / Tuesday, 4 February 2014 at 8:30 AM AEDT

LIVE U.S. CALL-IN: 1 (888) 771-4371
LIVE AUSTRALIA CALL-IN: 1 (800) 507-265
LIVE INTERNATIONAL CALL-IN: 1 (847) 585-4405
PASSCODE FOR CALL-IN NUMBERS: 36402358
THE WEBCAST CAN BE DIRECTLY ACCESSED AT:
http://edge.mediaserver.com/m/p/m4pfbapr/lan/en

A REPLAY OF THE WEBCAST WILL BE AVAILABLE ON THE COMPANY’S WEBSITE FOR 30 DAYS FROM THE DATE OF THIS CALL: investor.gidynamics.com

Robert Crane
Chief Financial Officer & Company Secretary

About GI Dynamics
GI Dynamics, Inc. (ASX: GID) is the developer and marketer of EndoBarrier®, a breakthrough device that represents an entirely new class of non-surgical, non-pharmaceutical therapy for the treatment of type 2 diabetes and/or obesity. EndoBarrier is approved and commercially available in multiple countries outside the U.S. EndoBarrier is not approved for sale in the U.S. and is limited by federal law to investigational use only in the United States. GI Dynamics is conducting a pivotal clinical trial of EndoBarrier in the U.S. for the treatment of patients who have uncontrolled type 2 diabetes and are obese. Founded in 2003, GI Dynamics is headquartered in Lexington, Massachusetts. For more information, please visit www.gidynamics.com.

Forward-Looking Statements
This announcement contains forward-looking statements concerning: our development and commercialization plans; our potential revenues, costs, profitability and financial performance; our ability to obtain reimbursement for our products; our clinical trials, and associated regulatory submissions and approvals; the number and location of commercial centres offering the EndoBarrier®; and our intellectual property position. These forward-looking statements are based on the current estimates and expectations of future events by the management of GI Dynamics, Inc. as of the date of this announcement and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those indicated in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks associated with the possibility that clinical trials will not be successful or confirm earlier results; risks associated with obtaining funding from third parties; risks relating to the timing and costs of clinical trials, results of clinical trials, the timing of regulatory submissions, the timing and receipt of regulatory approvals, the timing and amount of other expenses; execution risks; competition; risks related to market acceptance of products; intellectual property risks; and assumptions regarding the size of the available market, benefits of our products, product pricing, timing of product launches, future financial results and other factors. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

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+1 (781) 357-3250

Media Enquiries:
United States/Europe:
Dan Budwick, Pure Communications Inc.
+1 (973) 271-6085
Appendix 4C
Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity
GI Dynamics, Inc.

ABN 151 239 388
Quarter ended ("current quarter") 31 December 2013

Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>Cash flows related to operating activities</th>
<th>Current quarter (Q4) $'000 USD</th>
<th>Year to date (12 months) $'000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Receipts from customers</td>
<td>1,060</td>
<td>2,255</td>
</tr>
<tr>
<td>1.2 Payments for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) staff costs</td>
<td>(2,698)</td>
<td>(11,587)</td>
</tr>
<tr>
<td>(b) advertising and marketing</td>
<td>(1,868)</td>
<td>(5,941)</td>
</tr>
<tr>
<td>(c) research and development</td>
<td>(2,970)</td>
<td>(9,330)</td>
</tr>
<tr>
<td>(d) leased assets</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>(e) other working capital</td>
<td>(478)</td>
<td>(8,853)</td>
</tr>
<tr>
<td>1.3 Dividends received</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1.4 Interest and other items of a similar nature received</td>
<td>46</td>
<td>366</td>
</tr>
<tr>
<td>1.5 Interest and other costs of finance paid</td>
<td>(1)</td>
<td>(5)</td>
</tr>
<tr>
<td>1.6 Income taxes paid</td>
<td>(5)</td>
<td>(69)</td>
</tr>
<tr>
<td>1.7 Other (provide details if material)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net operating cash flows</strong></td>
<td>(6,914)</td>
<td>(33,164)</td>
</tr>
</tbody>
</table>

+ See chapter 19 for defined terms.
## Appendix 4C
Quarterly report for entities admitted on the basis of commitments

<table>
<thead>
<tr>
<th>Current quarter (Q4) $’000 USD</th>
<th>Year to date (12 months) $’000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.8 Net operating cash flows (carried forward)</td>
<td>(6,914)</td>
</tr>
</tbody>
</table>

### Cash flows related to investing activities

1.9 Payment for acquisition of:
- (a) businesses (item 5) — —
- (b) equity investments — —
- (c) intellectual property — —
- (d) physical non-current assets (198) (1,230)
- (e) other non-current assets — —

1.10 Proceeds from disposal of:
- (a) businesses (item 5) — —
- (b) equity investments — —
- (c) intellectual property — —
- (d) physical non-current assets — 1
- (e) other non-current assets — —

1.11 Loans to other entities — —
1.12 Loans repaid by other entities — —
1.13 Other (provide details if material) — —

**Net investing cash flows**

1.14 Total operating and investing cash flows (7,112) (34,393)

### Cash flows related to financing activities

1.15 Proceeds from issues of shares, options, etc. 11 54,654
1.16 Proceeds from sale of forfeited shares — —
1.17 Proceeds from borrowings — —
1.18 Repayment of borrowings (18) (67)
1.19 Dividends paid — —
1.20 Other (share capital raising costs) (18) (2,104)

**Net financing cash flows**

(25) 52,483

### Net increase (decrease) in cash held

(7,137) 18,090

1.21 Cash at beginning of quarter/year to date 66,014 41,481
1.22 Exchange rate adjustments to item 1.20 (261) (955)
1.23 Cash at end of quarter 58,616 58,616

+ See chapter 19 for defined terms.
Appendix 4C
Quarterly report for entities admitted on the basis of commitments

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

<table>
<thead>
<tr>
<th></th>
<th>Current quarter (Q4) $’000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.24</td>
<td>Aggregate amount of payments to the parties included in item 1.2</td>
</tr>
<tr>
<td>1.25</td>
<td>Aggregate amount of loans to the parties included in item 1.11</td>
</tr>
</tbody>
</table>

1.26 Explanation necessary for an understanding of the transactions

Payments represent wages paid to executive director ($105) for services provided during the fourth quarter of 2013 and directors’ fees paid to non-executive directors ($79) for services provided during the fourth quarter of 2013.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

<table>
<thead>
<tr>
<th></th>
<th>Amount available $’000 USD</th>
<th>Amount used $’000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Loan facilities</td>
<td>165</td>
</tr>
<tr>
<td>3.2</td>
<td>Credit standby arrangements</td>
<td>150</td>
</tr>
</tbody>
</table>

+ See chapter 19 for defined terms.
Appendix 4C
Quarterly report for entities admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

<table>
<thead>
<tr>
<th>Current quarter (Q4) $'000 USD</th>
<th>Previous quarter (Q3) $'000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and at bank</td>
<td>13,056</td>
</tr>
<tr>
<td>Deposits at call</td>
<td>45,560</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td></td>
</tr>
<tr>
<td>Other (provide details)</td>
<td></td>
</tr>
<tr>
<td><strong>Total: cash at end of quarter (item 1.23)</strong></td>
<td><strong>58,616</strong></td>
</tr>
</tbody>
</table>

Acquisitions and disposals of business entities

<table>
<thead>
<tr>
<th>Acquisitions (Item 1.9(a))</th>
<th>Disposals (Item 1.10(a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of entity</td>
<td>N/A</td>
</tr>
<tr>
<td>Place of incorporation or registration</td>
<td>N/A</td>
</tr>
<tr>
<td>Consideration for acquisition or disposal</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
</tr>
</tbody>
</table>

Compliance statement

1  This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2  This statement does give a true and fair view of the matters disclosed.

Sign here: .......................................................... Date: 31 January 2014
(Company secretary)

Print name: Robert Crane

+ See chapter 19 for defined terms.
Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.

3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.