

RITA Medical Systems Announces Second Quarter, Six-Month Results; U.S. Sales Up 100 Percent Over Year-Earlier Period

MOUNTAIN VIEW, Calif., July 25 /PRNewswire-FirstCall/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced results for its second quarter and six months ended June 30, 2002. U.S. sales for this year's second quarter continued to show strong growth, increasing 100 percent when compared to the year earlier period and 11 percent over the first quarter of 2002, while worldwide sales increased 28 percent and 9 percent, respectively.

Sales for the second quarter of 2002 increased to \$4.8 million with a net loss of \$3.7 million, or a loss per share of \$0.25, compared to sales in the prior year's second quarter of \$3.8 million with a net loss of \$3.0 million, or a loss per share of \$0.21. U.S. sales for the second quarter were 73 percent of total sales, up from 46 percent of sales for the same period in 2001 and 72 percent of sales for the 2002 first quarter. Disposable sales for the second quarter of this year represented 71 percent of total sales, compared to 73 percent in the first quarter.

Barry Cheskin, President and Chief Executive Officer, said the strong results in the U.S. during the second quarter of this year were due to growth in the number of hospitals using RITA's product as well as continued usage in its existing customer base. Cheskin added, "The market also continued to respond favorably to our new generation StarBurst XLi family of devices as well as our newest Model 1500X radiofrequency generator, which has increased power capacity and is field-software upgradeable, leading to the potential for continuing performance improvement and increased ease of use."

Gross margin in the second quarter of 2002 increased to 58 percent from 56 percent in the same period last year. This increase was principally due to higher margin U.S. sales, higher average selling prices of the Company's disposable devices and manufacturing efficiencies attained through higher volume production of the Company's disposable devices. Gross margin continued to be restrained, as expected, primarily due to the continuing write-off of inventory of older generation disposable devices caused by faster than expected acceptance of the StarBurst (5 centimeter) and StarBurst XLi (5 and 7 centimeter) families of devices. Such write-offs are now essentially complete.

Cheskin continued, "We are enthusiastic about our progress during the quarter. We presented the results of a multi-center study at the Annual Meeting of the American Society of Clinical Oncology (ASCO) which showed that RITA's products provide cancer patients with effective, rapid and lasting relief from the pain that often occurs when cancer spreads to the bone. These data formed the core of our 510(k) submission to FDA for a specific bone indication, which was submitted on schedule this past quarter. We also presented very favorable results at the American College of Obstetricians and Gynecologists (ACOG) Annual Clinical Meeting showing that RITA's products appear to be effective in treating uterine fibroids, which are benign tumors of the uterus. Further, we completed market acceptance testing and officially launched our Model 1500X generator this past quarter."

The balance sheet at June 30, 2002, showed cash, equivalents, and marketable securities of \$17.5 million, a current ratio of 7.0:1, total assets of \$29.5 million, shareholders' equity of \$25.7 million and no long-term debt.

Forward Looking Guidance

The following statements are based on the Company's expectations as of the date of this release. Actual results may differ materially from the Company's expectations. The Company undertakes no obligation to provide updates to these expectations.

The Company believes that sales for the third quarter of 2002 will be between \$4.8 million and \$5.1 million with a loss per share of between \$0.17 and \$0.19.

The Company believes that sales for the full year 2002 will be between \$19 and \$21 million with a loss per share of between \$0.75 and \$0.80. The Company expects to achieve profitability around mid-2003 and continues to project that it has sufficient cash (or equivalents) on hand to reach that point.

Webcast Information

Management will host a conference call to be broadcast live on the Internet today at 11:30 a.m. EDT (Eastern). Those interested in listening to the live webcast may do so by going to the Investors/Calendar of Events section of the Company's website at www.ritamedical.com or at www.viaavid.com.

About RITA Medical Systems, Inc.

RITA Medical Systems develops, manufactures and markets innovative products for patients with solid cancerous or benign tumors. The proprietary RITA system uses radiofrequency energy to heat tissue to a high enough temperature to ablate it or cause cell death. While the Company's current focus is on liver cancer, the Company believes that its minimally invasive technology may in the future be applied to other types of tumors, including tumors of the lung, bone, breast, uterus, prostate and kidney. The Company has received regulatory clearance in major markets worldwide, including the United States. In March 2000, RITA became the first radiofrequency ablation company to receive specific FDA clearance for unresectable liver lesions in addition to its previous general FDA clearance for the ablation of soft tissue. The Company has sold approximately 40,000 of its disposable devices throughout the world.

The statements in this news release related to the Company's sales and earnings guidance for 2002 and 2003, including the Company's expectation regarding its projected cash position as well as statements related to the Company's plan to extend the technology to applications beyond the liver are forward-looking statements involving risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Potential risks and uncertainties could include, but are not limited to, the Company's dependence on timely market acceptance of the RITA system, the outcome of current patent actions, the Company's history of operating losses and expectation that it will continue to incur significant operating expenses over the next several years, significant competition in the Company's industry, alternative therapies which could prove to be superior to the RITA system, the Company's lack of long-term clinical data, the Company's reliance on clinical data developed independently by third party physicians, the Company's inability to protect its intellectual property, potential intellectual property lawsuits, the Company's dependence on international revenues, the Company's dependence on third-party distributors including two primary international distributors, relationships with third-party distributors that could negatively affect the Company's sales and the need to establish reimbursement from payors in the United States and internationally. Further information regarding these and other risks is included in the Company's filings with the Securities and Exchange Commission.

RITA and StarBurst are trademarks of RITA Medical Systems, Inc.

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RITA MEDICAL SYSTEMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Sales	\$4,806	\$3,769	\$9,224	\$7,073
Cost of goods sold	2,040	1,670	4,042	3,439
Gross profit	2,766	2,099	5,182	3,634
Operating expenses				
Research and development	1,329	1,744	2,663	3,210
Selling, general and administrative	5,304	3,776	10,527	7,523
Total operating expenses	6,633	5,520	13,190	10,733
Loss from operations	(3,867)	(3,421)	(8,008)	(7,099)
Interest income and other expense, net	134	428	282	984
Net loss	\$(3,733)	\$(2,993)	\$(7,726)	\$(6,115)
Net loss per share, basic and diluted	\$(0.25)	\$(0.21)	\$(0.52)	\$(0.43)
Shares used in computing basic and diluted net loss				

per share	14,835	14,320	14,725	14,244
Financial data exclusive of amortization of deferred stock-based compensation:				
Sales	\$4,806	\$3,769	\$9,224	\$7,073
Gross Profit	2,788	2,245	5,238	4,010
Net Loss	(3,618)	(2,469)	(7,444)	5,095

RITA MEDICAL SYSTEMS, INC.
CONDENSED BALANCE SHEETS
(In thousands, unaudited)

	June 30, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$5,355	\$7,297
Marketable securities	12,176	11,887
Accounts receivable, net	4,964	5,056
Inventories, net	3,211	3,645
Prepaid assets and other current assets	844	1,282
Total current assets	26,550	29,167
Investments	--	4,353
Property and equipment, net	1,853	1,934
Other assets	1,117	380
Total Assets	\$29,520	\$35,834
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$3,716	\$3,497
Current portion of long term obligations	74	192
Total current liabilities	3,790	3,689
Long term obligations	--	--
Stockholders' equity	25,730	32,145
Total liabilities and stockholders' equity	\$29,520	\$35,834

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Web site: <http://www.ritamedical.com>

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