

RITA Medical Systems Announces Third Quarter, Nine-Month Results

Sales of \$3.9 Million; Reduced Operating Expenses and Cash Burn Rate; Improved Bottom-Line Results

MOUNTAIN VIEW, Calif., Oct. 20 /PRNewswire-FirstCall/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced that its recent reorganization has resulted in lower operating expense and improved bottom-line results for the Company's third quarter and nine months ended September 30, 2003. Sequentially, operating expenses were reduced 11 percent to \$5.2 million for this year's third quarter from \$5.8 million in the second quarter of 2003. The cash burn rate for the third quarter of 2003 was \$1.6 million, down significantly from \$2.3 million in the year-earlier period and \$2.9 million, excluding patent litigation settlement costs, in the second quarter of 2003. Sales for this year's third quarter were \$3.9 million, down slightly from the \$4.0 million in the second quarter of 2003 and down 13 percent from \$4.5 million in the third quarter of 2002.

The net loss for the third quarter of 2003 was \$2.5 million, or a \$0.14 loss per share, compared to a net loss of \$2.7 million, or \$0.18 loss per share, for the year-earlier period and a net loss of \$3.4 million, or a \$0.19 loss per share, for the second quarter of 2003. Gross margins were 68 percent for the third quarter of 2003, up from 61 percent in the same period of last year and 58 percent for this year's second quarter.

U.S. sales for this year's third quarter were 86 percent of total sales compared to 77 percent for the prior year period. Disposable sales represented 91 percent of total sales in the third quarter of 2003, compared to 79 percent for the 2002 third quarter.

R&D expense in this year's third quarter declined when compared to the prior year period, due to a significant year-to-year reduction in legal expense as a result of the settlement of patent litigation.

President and Chief Executive Officer Joseph M. DeVivo commented, "Operational and organizational changes implemented since the last conference call have reduced our cost structure and have had a positive impact on bottom-line results. Today, we believe the RITA operation is leaner, more efficient and has the necessary talent in place to implement a number of new marketing programs designed to increase share in our target tumor-ablation markets.

"In addition," said Mr. DeVivo, "third quarter sales, while lower than last year's period, in the U.S., we believe we are starting to see a trend of existing customers ordering more disposables. Our goals are to drive top-line growth in the coming periods and to continue improving the quality of those revenues, focusing on procedures as a more accurate measure of core progress."

For the nine months ended September 30, 2003, total sales were \$12.4 million with a net loss of \$8.8 million, or a \$0.50 loss per share, compared to total sales of \$13.7 million with a net loss of \$10.4 million, or \$0.70 loss per share for the prior year period.

The balance sheet at September 30, 2003, showed cash, cash equivalents, and marketable securities of \$10.6 million, a current ratio of 6.8:1, total assets of \$23.3 million, stockholders' equity of \$21.0 million and no debt.

Webcast Information

Management will host a conference call to be broadcast live on the Internet today at 4:30 p.m. EDT (Eastern). Those interested in listening to the live webcast may do so by going to the Investor Relations/Overview section of the Company's website at <http://www.ritamaterial.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 radio frequency 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 and metastatic bone 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, 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. In October 2002, RITA again became the first company to receive specific FDA clearance, this time, for the palliation of pain associated with metastatic lesions involving bone.

The statements in this news release related to the use of the Company's technology and the Company's future financial and operating performance are forward-looking statements involving risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Information regarding these risks is included in the Company's filings with the Securities and Exchange Commission.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Sales	\$3,865	\$4,454	\$12,412	\$13,679
Cost of goods sold	1,253	1,730	4,530	5,773
Gross profit	2,612	2,724	7,882	7,906
Operating expenses				
Research and development	976	1,218	3,395	3,882
Selling, general and administrative	4,182	4,311	13,482	14,837
Total operating expenses	5,158	5,529	16,877	18,719
Loss from operations	(2,546)	(2,805)	(8,995)	(10,813)
Interest income and other expense, net	32	85	157	368
Net loss	\$(2,514)	\$(2,720)	\$(8,838)	\$(10,445)
Net loss per share, basic and diluted	\$(0.14)	\$(0.18)	\$(0.50)	\$(0.70)
Shares used in computing basic and diluted net loss per share	17,807	14,996	17,538	14,816

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

	September 30,	December 31,
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$3,327	\$6,888
Marketable securities	6,132	5,427
Accounts and note receivable, net	2,565	2,798
Inventories, net	2,392	3,521
Prepaid assets and other current assets	1,097	995
Total current assets	15,513	19,629
Long term marketable securities	1,106	520
Long term note receivable, net	372	381

Property and equipment, net	1,268	1,565
Intangibles and other assets	5,001	2,071
Total assets	\$23,260	\$24,166
Liabilities and stockholders' equity		
Current liabilities	\$2,296	\$3,563
Stockholders' equity	20,964	20,603
Total liabilities and stockholders' equity	\$23,260	\$24,166

SOURCE RITA Medical Systems, Inc.