

## RITA Medical Systems Announces Second Quarter Results

MOUNTAIN VIEW, Calif., July 24 /PRNewswire/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced the results of its second quarter ended June 30, 2001. The company reported sales of \$3.8 million for the quarter with a loss of \$0.21 per share.

Sales for the quarter increased 55% over sales of \$2.4 million in the second quarter of 2000 and 14% over sales of \$3.3 million in the first quarter of 2001. Disposable sales increased 22% over the previous quarter and represented 78% of total sales. Domestic sales continued to improve, increasing 11% over the previous quarter and representing 46% of total sales. International sales increased 17% over the previous quarter and represented 54% of total sales. The increase in international sales was due primarily to higher sales of disposable devices to our Japanese distributor. However, the company expects sales in Japan to remain relatively flat on an annual basis until Japanese reimbursement approvals are obtained. These approvals are not expected until late in 2002.

The company's gross margin for the second quarter was 56% as compared to 38% in the second quarter of 2000 and 46% in the first quarter of 2001. Excluding the effect of the amortization of deferred stock-based compensation, gross margins increased to 60% in the current quarter from 50% in the corresponding period of 2000 and 53% in the previous quarter. The improvement in gross margin was due in part to an increase in average selling prices of the company's disposable devices. The improvement was also the result of the increase in higher margin disposable devices as a proportion of total sales as well as manufacturing efficiencies attained through higher volume production of the company's disposable devices.

Operating expenses for the quarter ended June 30, 2001 were \$5.5 million compared to \$4.1 million in the second quarter of 2000 and \$5.2 million in the first quarter of 2001. Excluding the effect of the amortization of deferred stock-based compensation, operating expenses for the current quarter were \$5.1 million as compared to \$3.0 million in the corresponding period of 2000 and \$4.9 million in the quarter ended March 31, 2001. The increase in spending over the first quarter principally reflected the cost of new product development.

During the quarter, the company also made significant progress in a number of areas:

- LiverTumor.org, an information and referral website for patients with liver cancer, was launched. The site can be found at [www.livertumor.org](http://www.livertumor.org).
- Approximately 100 physicians were trained worldwide on the use of the RITA system, bringing the total trained for the year to over 200.
- Continued progress was made on RITA's next generation product, which the company plans to launch later this year. This product is capable of making a 7 cm thermal ablation, which the company believes will allow physicians to address larger tumors in a shorter amount of time.
- Enrollment was completed on the first 13 patients in its bone feasibility study in the United States during the quarter, with promising results.
- Promising early results were presented at the American Society of Clinical Oncology on the first 6 patients in the company's lung feasibility study in Australia.

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 during the year.

The company believes that sales for 2001 will be between \$16.6 and \$17.0 million with a loss per share of approximately \$0.80. For the third quarter, the company estimates that sales will be approximately \$4.0 million with a loss per share of approximately \$0.20.

The company believes that sales for 2002 will be approximately \$30.0 million. Growth will be driven primarily by domestic sales, which the company expects to approximately double in 2002 when compared to 2001. International sales are expected to grow as well, but at lower rate than the company has experienced historically, due primarily to ongoing reimbursement issues in Japan, as previously reported, as well as reimbursement issues in certain other international markets. The company expects to receive revenues from the sales of its products for non-liver applications in the second half of the year due to anticipated use of RITA for patients with metastatic bone tumors. Nominal revenue from use of RITA for patients with lung tumors is also

expected late in 2002. The company expects to have its first profitable quarter during the second half of the year with a loss per share for the full year of approximately \$0.15.

RITA will hold a conference call with the financial community today at 4:30 p.m. Eastern time. The dial in number for the conference call is 877-679-9051. The dial in number for international participants is 952-556-2804. The code for the conference call is "RITA Medical." A telephonic replay of the conference call will be available through Thursday, July 26th at midnight PDT and can be accessed by dialing 800-615-3210 (domestic) or 703-326-3020 (international) and entering passcode number 5409779.

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, 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 over 25,000 of its disposable devices throughout the world.

The statements in this news release related to the company's future sales and earnings, trends in international sales, including sales in Japan, reimbursement issues in Japan, the launch of the company's next generation product, the company's plan to extend its technology to applications beyond the liver, including the company's expectation that revenues will be generated from use of the company's products in non-liver applications during the second half of 2002 and the company's expectation that it will have its first profitable quarter in 2002 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 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, the need to establish reimbursement from payors in the United States and internationally, the company's limited operating history, any failure to manage the company's direct sales organization, the company's dependence on key employees in a competitive labor market, potentially costly and time-consuming product liability actions, the company's need to train physicians, the company's need to support anticipated growth in operations, the company's limited experience manufacturing its disposable devices in substantial quantities, the company's dependence on one sole-source supplier, the company's dependence on third-party contractors for the supply of generators and the requirement that the company comply with applicable FDA and other regulations. Further information regarding these and other risks is included in the company's periodic filings with the Securities and Exchange Commission, including the company's Report on Form 10-K for the year ended December 31, 2000 and the company's Report on Form 10-Q for the quarter ended March 31, 2001.

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

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,	
	2001	2000	2001	2000
Sales	\$3,769	\$2,427	\$7,073	\$4,268
Cost of goods sold	1,670	1,494	3,439	2,676
Gross profit	2,099	933	3,634	1,592
Operating expenses				
Research and development	1,744	1,442	3,210	3,073
Selling, general and administrative	3,776	2,683	7,523	5,324
Total operating expenses	5,520	4,125	10,733	8,397
Loss from operations	(3,421)	(3,192)	(7,099)	(6,805)
Interest income and other expense, net	428	(15)	984	20
Net loss	\$(2,993)	\$(3,207)	\$(6,115)	\$(6,785)

Net loss per share, basic and diluted	\$(0.21)	\$(2.79)	\$(0.43)	\$(6.26)
Shares used in computing basic and diluted net loss per share	14,320	1,150	14,244	1,083
Pro-forma net loss per share, basic and diluted*	\$(0.21)	\$(0.32)	\$(0.43)	\$(0.69)
Shares used in computing pro-forma net loss per share, basic and diluted, including conversion of preferred shares	14,320	9,954	14,244	9,888
Financial data exclusive of amortization of deferred stock-based compensation:				
Sales	\$3,769	\$2,427	\$7,073	\$4,268
Gross Profit	2,245	1,203	4,010	1,967
Net Loss	(2,469)	(1,827)	(5,095)	(3,848)

\* The computation of pro-forma net loss per share includes shares issued upon the conversion of outstanding shares of convertible preferred stock (using the as-if-converted method) from the date of original issuance.

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

	June 30, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	\$17,199	\$12,676
Marketable securities	16,069	27,381
Accounts receivable, net	4,083	2,437
Inventories, net	1,498	1,638
Prepaid assets and other current assets	921	823
Total current assets	39,770	44,955
Property and equipment, net	1,407	1,255
Other assets	57	60
Total Assets	\$41,234	\$46,270
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$2,850	\$2,320
Current portion of long term obligations	268	1,123
Total current liabilities	3,118	3,443
Long term obligations	69	180
Stockholders' equity	38,047	42,647
Total liabilities and stockholders' equity	\$41,234	\$46,270

MAKE YOUR OPINION COUNT - [Click Here](#)  
<http://tbutton.prnewswire.com/prn/11690X16355976>

SOURCE RITA Medical Systems, Inc.  
Web site: <http://www.ritamedical.com>

CONTACT: Don Stewart, Chief Financial Officer of RITA Medical Systems, Inc., 650-314-3400, or [dstewart@ritamed.com](mailto:dstewart@ritamed.com)