

RITA Medical Systems Announces Second Quarter Results

MOUNTAIN VIEW, Calif., Aug. 15 /PRNewswire/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced the results of its second quarter ended June 30, 2000.

Second quarter sales increased to \$2.4 million, up 128% from \$1.1 million in the second quarter of 1999 and up 32% from \$1.8 million in the first quarter of 2000. The company experienced growth in both generator and disposable device sales in its domestic as well as international markets. The company commercially launched its next-generation Model 1500 generator and StarBurst™ XL devices during the second quarter. The company believes that these are the first tissue temperature controlled radiofrequency ablation devices capable of destroying a 5 centimeter (diameter) volume of tissue. The commercial launch of these next-generation tissue ablation products contributed to the increase in sales.

The company's gross margin for the second quarter was 38% as compared to 42% in the second quarter of 1999. Excluding the effect of the amortization of deferred stock-based compensation, gross margins increased to 50% in the current quarter from 45% in the second quarter of 1999.

The net loss for the second quarter was \$3.2 million compared to a net loss of \$1.7 million in the second quarter of 1999. Excluding the effect of the amortization of deferred stock-based compensation, the net loss for the quarter ended June 30, 2000 was \$1.8 million as compared to \$1.4 million in the corresponding period of 1999. The increase in the net loss was the result of increased spending associated with the expansion of our domestic and international sales and clinical support organization, the commercial launch of our next-generation tissue ablation products as well as increased expenses related to the growth and protection of our patent portfolio.

For the six-month period ended June 30, 2000, sales totaled \$4.3 million, an increase of 125% from \$1.9 million in the first six months of 1999. The company reported a net loss of \$6.8 million in the six-month period compared to a net loss of \$3.5 million in the same period of 1999. Excluding the effect of the amortization of deferred stock-based compensation, the net loss for the six months ended June 30, 2000 was \$3.8 million as compared to \$3.1 million in the corresponding period of 1999.

During July 2000, the company completed its \$43.2 million initial public offering by selling 3.6 million shares of common stock at a price of \$12 per share. Due to the recent completion of its initial public offering, the company will not host a conference call in conjunction with the release of second quarter results.

RITA Medical Systems develops, manufactures and markets innovative products to treat 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 the treatment of liver cancer, the company believes that its minimally invasive technology may in the future be applied to the treatment of 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.

Except for historical information, the statements in this news release 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 company's history of operating losses and expectation that it will continue to incur significant operating expenses over the next several years, the company's lack of long-term clinical data, significant competition in the company's industry, alternative therapies which could prove to be superior to the RITA system, the outcome of current patent actions, the company's inability to protect its intellectual property, potential intellectual property lawsuits, the company's limited operating history, the company's dependence on international revenues, the company's dependence on third-party distributors including two primary international distributors, any failure to build and manage the company's direct sales organization, the company's dependence on key employees in a competitive labor market, the need to establish reimbursement from payors, 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, any inability on the part of the company to meet customer demand for its products, the company's dependence on one sole-source supplier, the company's dependence on third-party contractors for the supply of generators, the requirement that the company comply with applicable FDA and other regulations, any failure of the public market to support the company's valuation and potentially significant costs related to any class action lawsuit due to the likely volatility of the company's stock. Further information regarding these and other risks is included in the company's S-1 registration statement, filed with the SEC.

Note to Editors: 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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2000 | 1999 | 2000 | 1999 |
| Sales | \$2,427 | \$1,062 | \$4,268 | \$1,899 |
| Cost of goods sold | 1,494 | 618 | 2,676 | 1,308 |
| Gross profit | 933 | 444 | 1,592 | 591 |
| Operating expenses: | | | | |
| Research and development | 1,442 | 813 | 3,073 | 1,550 |
| Selling, general and administrative | 2,683 | 1,334 | 5,324 | 2,672 |
| Total operating expenses | 4,125 | 2,147 | 8,397 | 4,222 |
| Loss from operations | (3,192) | (1,703) | (6,805) | (3,631) |
| Interest and other expense, net | (15) | 40 | 20 | 110 |
| Net loss | \$(3,207) | \$(1,663) | \$(6,785) | \$(3,521) |
| Net loss per share, basic and diluted | \$(2.79) | \$(2.11) | \$(6.26) | \$(4.49) |
| Shares used in computing basic and diluted net loss per share | 1,150 | 789 | 1,083 | 784 |
| Proforma net loss per share, basic and diluted | \$(0.32) | \$(0.22) | \$(0.69) | \$(0.47) |
| Shares used in computing pro forma net loss per share, basic and diluted | 9,954 | 7,483 | 9,888 | 7,443 |
| Financial data exclusive of amortization of deferred stock-based compensation: | | | | |
| Sales | \$2,427 | \$1,062 | \$4,268 | \$1,899 |
| Gross Profit | 1,203 | 474 | 1,967 | 646 |
| Net Loss | \$(1,827) | \$(1,427) | \$(3,848) | \$(3,065) |

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

December 31, June 30,
1999 (A) 2000

(unaudited)

Assets

Current assets:

| | | |
|---|----------|----------|
| Cash and cash equivalents | \$7,067 | \$6,759 |
| Marketable securities | 5,086 | 2,742 |
| Accounts receivable, net | 1,149 | 1,942 |
| Inventories | 845 | 1,045 |
| Prepaid assets and other current assets | 616 | 550 |
| Total current assets | 14,763 | 13,038 |
| Property, plant and equipment, net | 875 | 961 |
| Other assets | 67 | 64 |
| Total assets | \$15,705 | \$14,063 |

Liabilities and stockholders' equity

Current liabilities:

| | | |
|--|----------|----------|
| Accounts payable and accrued liabilities | \$1,848 | \$1,667 |
| Current portion of debt | 478 | 1,256 |
| Total current liabilities | 2,326 | 2,923 |
| Long term portion of debt | 1,854 | 3,237 |
| Convertible preferred stock and stockholders' equity | 11,525 | 7,903 |
| Total liabilities and stockholders' equity | \$15,705 | \$14,063 |

(A) Derived from the audited balance sheet as of that date

SOURCE RITA Medical Systems, Inc.

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

CONTACT: Marilynne Solloway, Chief Financial Officer of RITA Medical Systems, Inc., 650-390-8500, ext. 205, or msolloway@ritamed.com