

RITA Medical Announces First Quarter Results

MOUNTAIN VIEW, Calif., April 26 /PRNewswire/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced the results of its first quarter ended March 31, 2001. The company reported sales of \$3.3 million for the quarter with a loss of \$0.22 per share. The company's outlook for the rest of the year remains unchanged.

Sales for the quarter increased 79% over sales of \$1.8 million in the first quarter of 2000 and 9% over sales of \$3.0 million in the quarter ended December 31, 2000. Disposable sales increased 10% over the previous quarter and represented 73% of total sales. Domestic sales increased 36% over the previous quarter and represented 48% of total sales. The increase in domestic sales was due primarily to higher sales of disposable devices as a result of the company's increased investment in its direct sales force and physician education programs. International sales declined 7% from the strong previous quarter overseas and represented 52% of total sales. The decrease in international sales was due primarily to lower sales of disposable devices to our Japanese distributor. Although the company anticipates international sales to increase in 2001, sales in Japan are expected to remain relatively flat until Japanese reimbursement approvals are obtained. These approvals are not expected until some time next year.

The company's gross margin for the first quarter was 46% as compared to 36% in the first quarter of 2000 and 42% in the fourth quarter of 2000. Excluding the effect of the amortization of deferred stock-based compensation, gross margins increased to 53% in the current quarter from 41% in the corresponding period of 2000 and 51% in the previous quarter. The improvement in gross margin was due primarily to the increase in domestic sales as a proportion of total sales.

Operating expenses for the quarter ended March 31, 2001 were \$5.2 million compared to \$4.3 million in the first quarter of 2000 and \$5.0 million in the fourth quarter of 2000. Excluding the effect of the amortization of deferred stock-based compensation, operating expenses for the current quarter were \$4.9 million as compared to \$2.8 million in the corresponding period of 2000 and \$4.4 million in the quarter ended December 31, 2000. The increase in spending over the previous quarter reflects the cost of the company's expanded domestic sales force, increased marketing activities and continued new product development and clinical research programs.

During the first quarter, the company continued to expand its physician training programs, and approximately 150 physicians were trained during the quarter. In addition, the company hosted a series of successful programs at the Society of Surgical Oncology annual meeting in Washington, DC, including a liver symposium and a breast symposium. During the quarter, additional work was completed in the breast, lung and bone feasibility studies, and the company continues to be encouraged by the early results of these studies.

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's outlook for sales and earnings for the year remains unchanged from its previous outlook. The company believes that sales for the year will be between \$17.1 and \$17.6 million with a loss per share of between \$0.69 and \$0.75. The company continues to practice careful expense control but is investing strategically in the long-term strength of the company. The company is continuing to increase spending for sales and marketing efforts, clinical research programs and other key areas of the business. For the second quarter, the company estimates that sales will be approximately \$3.9 million with a loss per share of between \$0.21 and \$0.22.

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 800-960-1013. The dial in number for international participants is 952-556-2835. The code for the conference call is "RITA Medical." A telephonic replay of the conference call will be available through April 27, 2001 at midnight and can be accessed by dialing 800-615-3210 (domestic) or 703-326-3020 (international) and entering passcode number 5153410.

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 20,000 of its disposable devices throughout the world.

The statements in this news release related to the company's sales and earnings guidance for 2001 and the second quarter of 2001, international sales expectations, sales expectations for Japan, reimbursement approvals in Japan 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 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, potentially costly and time-consuming class action lawsuits due to volatility of the company's stock, 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.

NOTE: RITA is a registered trademark of RITA Medical Systems, Inc.

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

	Three Months Ended March 31,	
	2001	2000
Sales	\$3,304	\$1,841
Cost of goods sold	1,769	1,182
Gross profit	1,535	659
Operating expenses:		
Research and development	1,466	1,631
Selling, general and administrative	3,747	2,641
Total operating expenses	5,213	4,272
Loss from operations	(3,678)	(3,613)
Interest and other income, net	556	35
Net loss	\$(3,122)	\$(3,578)
Net loss per share, basic and diluted	\$(0.22)	\$(3.52)
Shares used in computing basic and diluted net loss per share	14,167	1,017
Pro forma net loss per share, basic and diluted*	\$(0.22)	\$(0.36)
Shares used in computing pro forma net loss per share, basic and diluted, including conversion of preferred shares	14,167	9,951
Financial data exclusive of amortization of deferred stock-based compensation:		
Sales	\$3,304	\$1,841

Gross Profit	1,765	765
Net Loss	(2,626)	(2,021)

* 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 original date of issuance.

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

	March 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	\$19,946	\$12,676
Marketable securities	16,765	27,381
Accounts receivable, net	3,233	2,437
Inventories, net	1,678	1,638
Prepaid assets and other current assets	743	823
Total current assets	42,365	44,955
Property, plant and equipment, net	1,221	1,255
Other assets	59	60
Total assets	\$43,645	\$46,270
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$2,425	\$2,320
Current portion of long term obligations	649	1,123
Total current liabilities	3,074	3,443
Long term portion of debt	112	180
Convertible preferred stock and stockholders' equity	40,459	42,647
Total liabilities, convertible preferred stock and stockholders' equity	\$43,645	\$46,270

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

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