

RITA Medical Systems Announces Third Quarter, Nine-Month Results

MOUNTAIN VIEW, Calif., Nov. 3 /PRNewswire-FirstCall/ -- RITA Medical Systems, Inc. (Nasdaq: RITA), a medical oncology device company, today announced that sales for the third quarter ended September 30, 2004 were \$8.0 million, with a net loss of \$3.3 million, or \$0.10 loss per share, compared to sales of \$3.9 million, with a net loss of \$2.5 million, or \$0.14 loss per share, for the third quarter of 2003. Gross margin as a percentage of sales for the third quarter of 2004 was 64.5 percent compared to 67.6 percent for the prior year period. These results include approximately two months of financial results from the vascular access product lines as RITA closed its merger with Horizon Medical Products on July 29, 2004.

President and Chief Executive Officer Joseph M. DeVivo commented, "Both total sales and operating expenses for the quarter were lower than forecast and we continue to expect to reach profitability on a quarterly basis early next year. Total sales in the third period were impacted as we re-aligned sales territories, conducted intensive sales force cross-training, and eliminated a principal vascular access product distributor soon after the merger in favor of directly selling to those customers.

"International sales continue to grow over prior year levels," continued Mr. DeVivo. "And, I am especially pleased with our ability in the third quarter as an organization to keep spending, integration costs, and our bottom-line results on track with the level of sales."

Sales for the first nine months of 2004 were \$17.3 million, with a net loss of \$7.4 million, or \$0.33 loss per share, up from sales of \$12.4 million, with a net loss of \$8.8 million, or \$0.50 loss per share, for the first nine months of 2003. Gross margin as a percentage of sales for this year's first nine months was 64.6 percent compared to 63.5 percent for the prior year period.

Operating expenses for the third quarter and nine months ended September 30, 2004 were \$8.2 million and \$18.4 million, respectively, compared to \$5.2 million and \$16.9 million in the year-earlier periods. Operating expenses for the 2004 periods include \$1.1 million in restructuring charges consisting of severance charges for employees who have been or will be terminated in the course of the Company's integration activities with Horizon.

The balance of cash, cash equivalents, and marketable securities was \$4.1 million as of September 30, 2004, down from \$6.3 million as of June 30, 2004.

Conference Call Information

Management will host a conference call to be broadcast live on the Internet today at 11:30 a.m. EST (Eastern). Slides will be used to accompany this conference call. To access the webcast and slides, please go to the webcast link provided on the home page of RITA's website at <http://www.ritamedical.com/> and click on the "PowerPoint and Audio" link. After you register your name and company, you will be given access to the webcast and slides. Web participants are encouraged to go to the webcast site at least 15 minutes prior to the start of the call to register, download and install any necessary software. A live webcast and archive of the call can also be accessed at these sites. Any financial and other statistical information discussed during the call can be accessed from the home page of RITA's website at <http://www.ritamedical.com>.

About RITA Medical Systems, Inc.

RITA Medical Systems develops manufactures and markets innovative products for cancer patients including radiofrequency ablation (RFA) systems for treating cancerous tumors as well as percutaneous vascular and spinal access systems. The Company's oncology product lines include implantable ports, some of which feature its proprietary VTX® technology; tunneled central venous catheters; and stem-cell transplant catheters used primarily in cancer treatment protocols. The proprietary RITA system uses radio frequency energy to heat tissue to a high enough temperature to ablate it or cause cell death. In March 2000, RITA became the first RFA 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, including without limitation the costs and success of the Company's integration with Horizon, the Company's ability to achieve and sustain profitability and the rate of growth of the Company's international sales, 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.

For further information, please contact: investors, Jill Bertotti, jill@allencaron.com, or media, Len Hall, len@allencaron.com, both of Allen &

Caron Inc, +1-949-474-4300, for RITA Medical Systems, Inc.; or Don Stewart, Chief Financial Officer, dstewart@ritamed.com, or Stephen Pedroff, VP Marketing Communications, spedroff@ritamed.com, both of RITA Medical Systems, Inc., +1-650-314-3400.

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Sales | \$7,951 | \$3,865 | \$17,254 | \$12,412 |
| Cost of goods sold | 2,821 | 1,253 | 6,106 | 4,530 |
| Gross profit | 5,130 | 2,612 | 11,148 | 7,882 |
| Operating expenses: | | | | |
| Research and development | 928 | 976 | 2,752 | 3,395 |
| Selling, general and administrative | 6,139 | 4,182 | 14,523 | 13,482 |
| Restructuring charges | 1,089 | -- | 1,089 | -- |
| Total operating expenses | 8,156 | 5,158 | 18,364 | 16,877 |
| Loss from operations | (3,026) | (2,546) | (7,216) | (8,995) |
| Interest expense | (242) | -- | (242) | -- |
| Interest income and other expense, net | 10 | 32 | 27 | 157 |
| Net loss | \$(3,258) | \$(2,514) | \$(7,431) | \$(8,838) |
| Net loss per common share, basic and diluted | \$(0.10) | \$(0.14) | \$(0.33) | \$(0.50) |
| Shares used in computing net loss per common share basic and diluted | 31,079 | 17,807 | 22,399 | 17,538 |

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

| | September 30, | December 31, |
|---|---------------|--------------|
| | 2004 | 2003 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$3,070 | \$4,580 |
| Marketable securities | 1,043 | 4,022 |
| Accounts and note receivable, net | 6,889 | 2,990 |
| Inventories | 7,742 | 2,192 |
| Prepaid assets and other current assets | 1,821 | 1,028 |
| Total current assets | 20,565 | 14,812 |
| Long term marketable securities | -- | 933 |
| Long term note receivable, net | 274 | 338 |
| Property and equipment, net | 2,107 | 1,089 |
| Goodwill | 91,339 | -- |
| Intangible assets | 31,316 | 4,814 |

| | | |
|--|-----------|----------|
| Other assets | 41 | 47 |
| Total assets | \$145,642 | \$22,033 |
| Liabilities and stockholders' equity | | |
| Accounts payable and accrued liabilities | \$7,876 | \$2,926 |
| Deferred revenue | 648 | -- |
| Current portion of long term debt | 8,271 | -- |
| Total current liabilities | 16,795 | 2,926 |
| Long term liabilities | 9,907 | 23 |
| Stockholders' equity | 118,940 | 19,084 |
| Total liabilities and stockholders' equity | \$145,642 | \$22,033 |

SOURCE RITA Medical Systems, Inc.

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/CONTACT: investors, Jill Bertotti, jill@allencaron.com, or media, Len Hall, len@allencaron.com, both of Allen & Caron Inc, +1-949-474-4300, for RITA Medical Systems, Inc.; or Don Stewart, Chief Financial Officer, dstewart@ritamed.com, or Stephen Pedroff, VP Marketing Communications, spedroff@ritamed.com, both of RITA Medical Systems, Inc., +1-650-314-3400/
 /Web site: <http://www.ritamedical.com> /
 (RITA)

CO: RITA Medical Systems, Inc.

ST: California

IN: MTC HEA BIO

SU: ERN CCA

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