

RITA Medical Systems Announces Fourth Quarter, Year-End Results

Strong Year-to-Year Increases in Sales and Gross Margins Mark a Record Year of Accomplishment

MOUNTAIN VIEW, Calif., Feb. 1 /PRNewswire-FirstCall/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced results for its fourth quarter and year ended December 31, 2001. U.S. sales for the fourth quarter and year grew 125 percent and 104 percent, respectively, when compared to the year earlier periods, while worldwide sales increased 32 percent and 48 percent respectively. At the same time, gross margins jumped to 70 percent for the quarter and 59 percent for the year, compared to 42 percent and 40 percent, respectively, in the year earlier periods.

By year-end, RITA had met the key 2001 operational goals it established at the beginning of the year, positioning the Company for continued strong performance in 2002.

Barry Cheskin, President and Chief Executive Officer, said that 2001 was a watershed year for RITA, one in which the core liver cancer business grew tremendously at the same time that new clinical data was generated in both bone and lung cancer, laying the groundwork for near term sales in these applications as well, each of which represents a market opportunity as compelling as that of liver cancer. "Adding to the momentum," Cheskin said, "was the introduction of the new StarBurst™ XLi last fall, allowing us to more easily destroy larger tumors than before and further widening the lead over our competitors."

Sales for the fourth quarter of 2001 increased to \$4.0 million with a net loss of \$3.8 million, or a loss per share of \$0.26, compared to sales in the prior year's fourth quarter of \$3.0 million with a net loss of \$3.1 million, or a loss per share of \$0.22. U.S. sales for the fourth quarter jumped 125 percent to 65 percent of total sales, up from 38 percent of sales for the same period in 2000, and worldwide revenue from disposable sales for the fourth quarter of 2001 increased to 82 percent of total sales, up from 72 percent for the same period in 2000.

The increase in U.S. sales during the fourth quarter of 2001 was positively impacted by the successful November launch of the StarBurst XLi, the Company's newest radiofrequency ablation device, with substantially expanded capabilities, including the capacity to destroy larger tumors faster. At the end of 2001, the U.S. sales force had grown to 25 sales representatives, with 4 added in the fourth quarter of 2001.

For the full year of 2001, sales grew to \$14.8 million with a net loss of \$13.0 million, or a loss per share of \$0.90, versus sales for the prior year of \$10.0 million with a net loss of \$12.8 million, or a pro forma loss per share of \$1.10. U.S. sales in 2001 rose 104 percent to 54 percent of total sales, up from 39 percent of sales in 2000, and revenue from the sale of disposables for 2001 increased to 78 percent of total sales, up from 67 percent of total sales in the prior year. International sales in 2001 increased 11 percent over the prior year, even though sales from international markets declined as a percentage of total sales.

"Our ongoing investment in physician education and training, along with further growth and development of our worldwide sales team is being reflected in the continued growth of our customer base," Cheskin added. "Continuing emphasis on our core surgery and interventional radiology customers as well as efforts directed to referring physicians in the oncology community and to patients themselves should continue to generate strong returns from this large and growing installed base."

The gross margin improvements in the 2001 fourth quarter and year were principally due to continued increases in higher margin U.S. sales, higher average selling prices of the Company's disposable devices and manufacturing efficiencies attained through higher volume production of the Company's disposable devices.

The balance sheet at December 31, 2001, showed cash, equivalents, marketable securities and investments of \$23.5 million with no long term debt.

Forward Looking Guidance

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.

The Company believes that sales for the first quarter of 2002 will be between \$4.0 and \$4.4 million with a loss per share of between \$0.26 and \$0.28.

The Company believes that sales for 2002 will be between \$21 and \$23 million with a loss per share of between \$0.65 and \$0.75. The Company expects strong domestic sales, which it expects will continue to represent more than 50 percent of total

sales. International sales are expected to grow more slowly due to reimbursement issues in certain international markets, as previously reported. The Company expects to receive revenues from the sales of its products for non-liver applications in the fourth quarter of the year due to anticipated use of RITA products for patients with metastatic bone tumors. The Company expects nominal revenue at the very end of 2002 due to the international use of RITA products for patients with unresectable lung tumors. The Company expects to achieve its first profitable quarter in the fourth quarter of 2002.

Webcast Information

Management will host a conference call to be broadcast live on the Internet today at 11:30 a.m. EST (Eastern). Those interested in listening to the live webcast may do so by going to the Investors/Calendar of Events section of the Company's website at <http://www.ritamedical.com/> or at <http://www.viavid.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 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 35,000 of its disposable devices throughout the world.

The statements in this news release related to the Company's sales and earnings guidance for 2002, including the Company's expectation that it will have sales from non-liver applications in 2002, international sales expectations, 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 and the need to establish reimbursement from payors in the United States and internationally. Further information regarding these and other risks is included in the Company's filings with the Securities and Exchange Commission. RITA and StarBurst are trademarks of RITA Medical Systems, Inc.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2001	2000	2001	2000
Sales	\$4,011	\$3,030	\$14,791	\$10,010
Cost of goods sold	1,220	1,751	6,132	6,048
Gross profit	2,791	1,279	8,659	3,962
Operating expenses				
Research and development	1,652	1,279	6,489	5,615
Selling, general and administrative	5,107	3,705	16,646	12,052
Total operating expenses	6,759	4,984	23,135	17,667
Loss from operations	(3,968)	(3,705)	(14,476)	(13,705)

Interest income and other expense, net	207	638	1,516	898
Net loss	\$(3,761)	\$(3,067)	\$(12,960)	\$(12,807)
Net loss per share, basic and diluted	\$(0.26)	\$(0.22)	\$(0.90)	\$(1.99)
Shares used in computing basic and diluted net loss per share	14,514	13,869	14,353	6,440
Pro-forma net loss per share, basic and diluted*	\$(0.26)	\$(0.22)	\$(0.90)	\$(1.10)
Shares used in computing pro-forma net loss per share, basic and diluted, including conversion of preferred shares	14,514	13,869	14,353	11,639
Financial data exclusive of amortization of deferred stock-based compensation:				
Sales	\$4,011	\$3,030	\$14,791	\$10,010
Gross Profit	2,831	1,551	9,218	4,888
Net Loss	(3,806)	(2,254)	(11,589)	(7,985)

* 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)

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	\$7,297	\$12,676
Marketable securities	11,887	27,381
Accounts receivable, net	5,056	2,437
Inventories, net	3,645	1,638
Prepaid assets and other current assets	1,282	823
Total current assets	29,167	44,955
Investments	4,353	--
Property and equipment, net	1,934	1,255
Other assets	380	60
Total Assets	\$35,834	\$46,270
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$3,497	\$2,320
Current portion of long term obligations	192	1,123
Total current liabilities	3,689	3,443

Long term obligations	--	180
Stockholders' equity	32,145	42,647
Total liabilities and stockholders' equity	\$35,834	\$46,270

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SOURCE RITA Medical Systems, Inc.

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

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