

RITA Medical Systems Announces Fourth Quarter, Year-End Results

Strong U.S. Sales Continue; Year-to-Year Increase of 61 Percent

MOUNTAIN VIEW, Calif., Jan. 29 /PRNewswire-FirstCall/ -- RITA Medical Systems, Inc. (Nasdaq: RITA) today announced results for its fourth quarter and year ended December 31, 2002. U.S. sales for the 2002 fourth quarter increased 7 percent when compared to the year earlier period, despite limitations arising from a shortage of accessory infusion pumps used with the Company's StarBurst™ XLi disposable devices. This supply shortage was previously announced in October 2002 and resolved late in the year. Total sales for the fourth quarter of 2002 decreased 7 percent over the year earlier period, but remained well within previously issued guidance for the quarter.

Total sales for the fourth quarter of 2002 were \$3.7 million with a net loss of \$3.1 million, or a loss per share of \$0.20, compared to total sales in the prior year's fourth quarter of \$4.0 million with a net loss of \$3.8 million, or a loss per share of \$0.26. U.S. sales for the fourth quarter were 76 percent of total sales, compared with 65 percent of sales for the same period in 2001. Disposable sales for the fourth quarter of 2002 represented 80 percent of total sales, as compared to 82 percent for the year earlier period and 79 percent for the third quarter of 2002. Gross margin in the fourth quarter of 2002 was 69 percent, compared with 70 percent in the same period last year and 61 percent in the 2002 third quarter.

Barry Cheskin, RITA's President and Chief Executive Officer, commented, "This past year has been a banner year for the company. We secured FDA clearance for bone, effectively doubling the size of our potential market; we presented survival data in liver cancer showing that three years after diagnosis, approximately 40-60 percent of the patients treated with RITA were alive compared to 10 percent who were alive without it; we released several major new products; we grew the top line, including more than 60 percent year-over-year growth in the U.S. and we reduced our quarterly operating losses significantly, as we head toward profitability."

Cheskin added, "2003 is going to be another exciting year for RITA, with continued top line growth, improving earnings, additional new products and expected early success in the commercialization of our bone application."

For the full year 2002, total sales grew 18 percent to \$17.4 million with a net loss of \$13.5 million, or a loss per share of \$0.91, compared to total sales in the prior year of \$14.8 million with a net loss of \$13.0 million, or a loss per share of \$0.90. U.S. sales in 2002 rose 61 percent to 74 percent of total sales, up from 54 percent of sales in 2001. Gross margin for the full year 2002 improved to 60 percent, compared to 59 percent in 2001. These improvements in 2002 were offset by increased investment in sales and marketing compared to 2001.

The balance sheet at December 31, 2002, showed cash, cash equivalents, and marketable securities of \$12.8 million. Subsequent to year-end, the company raised an additional \$9 million (gross proceeds) in a private placement transaction. At year end, the current ratio stood at 5.7:1, total assets were \$24.2 million, shareholders' equity was \$20.6 million and the company had no debt.

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.ritamaterial.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 and metastatic bone 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, breast, uterus, 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. 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 Company has sold over 45,000 of its disposable devices throughout the world.

The statements in this news release related to the Company's projections regarding sales, earnings, new products, its plans to extend the technology to applications beyond the liver and the company's projections of the market potential related to liver and non-liver applications 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, the Company's dependence on third party suppliers 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,	
	2002	2001	2002	2001
Sales	\$3,715	\$4,011	\$17,393	\$14,791
Cost of goods sold	1,137	1,220	6,908	6,132
Gross profit	2,578	2,791	10,485	8,659
Operating expenses				
Research and development	1,170	1,652	5,052	6,489
Selling, general and administrative	4,529	5,107	19,366	16,646
Total operating expenses	5,699	6,759	24,418	23,135
Loss from operations	(3,121)	(3,968)	(13,933)	(14,476)
Interest income and other expense, net	67	207	434	1,516
Net loss	\$(3,054)	\$(3,761)	\$(13,499)	\$(12,960)
Net loss per share, basic and diluted	\$(0.20)	\$(0.26)	\$(0.91)	\$(0.90)
Shares used in computing basic and diluted net loss per share	15,109	14,514	14,890	14,353
Financial data exclusive of amortization of deferred stock-based compensation:				
Sales	\$3,715	\$4,011	\$17,393	\$14,791
Gross Profit	2,568	2,831	10,527	9,218

Net loss	(2,938)	(3,806)	(13,045)	(11,589)
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RITA MEDICAL SYSTEMS, INC.
CONDENSED BALANCE SHEETS
(In thousands, unaudited)

	December 31, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$6,888	\$7,297
Marketable securities	5,947	11,887
Accounts and notes receivable, net	2,798	5,056
Inventories, net	3,521	3,645
Prepaid assets and other current assets	995	1,282
Total current assets	20,149	29,167
Investments	--	4,353
Long term notes receivable, net	381	--
Property and equipment, net	1,565	1,934
Other assets	2,071	380
Total assets	\$24,166	\$35,834
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$3,563	\$3,497
Current portion of long term obligations	--	192
Total current liabilities	3,563	3,689
Stockholders' equity	20,603	32,145
Total liabilities and stockholders' equity	\$24,166	\$35,834

SOURCE RITA Medical Systems, Inc.