



## Intuitive Surgical Announces \$21.1 Million Final Fourth Quarter Revenue, up 32%; Gross Margin Reaches 55%

February 7, 2003

SUNNYVALE, Calif., Feb 7, 2003 (BUSINESS WIRE) -- Intuitive Surgical, Inc. (Nasdaq:ISRG), the leader in operative surgical robotics, today reported sales of \$21.1 million in the fourth quarter of 2002, up 32% from \$16.0 million in sales reported in the fourth quarter of 2001. Higher sales were driven by continued recurring revenue growth and additional da Vinci Surgical System unit shipments. Fourth quarter 2002 recurring revenue totaled \$4.7 million, up 105% over the prior year and up \$0.8 million sequentially from the third quarter of 2002. Intuitive shipped 17 da Vinci Surgical Systems during the fourth quarter 2002 compared to 15 during the fourth quarter last year.

Full year 2002 sales totaled \$72.0 million, up 39% from \$51.7 million in 2001. Recurring revenue totaled \$15.1 million in 2002, compared to \$7.0 million in 2001. Intuitive shipped 60 total da Vinci Surgical Systems during fiscal 2002 compared to 49 in the previous year. The following table compares fourth quarter and fiscal year 2002 revenue to the prior year.

	Q402	Q401	Incr.	FY02	FY01	Incr.
Revenue (\$ Millions)						
Systems	\$16.4	\$13.7	\$2.7	\$56.9	\$44.7	\$12.2
Instruments/Accys	\$ 3.2	\$ 1.6	\$ 1.6	\$10.1	\$ 5.0	\$ 5.1
Service	\$ 1.5	\$ 0.7	\$ 0.8	\$ 5.0	\$ 2.0	\$ 3.0
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	\$21.1	\$16.0	\$5.1	\$72.0	\$51.7	\$20.3
System Population						
Placements	17	15	2	60	49	11
Cumulative Placements	149	89	60	149	89	60

Gross margin for the fourth quarter of 2002 was 55.0%, compared with 42.3% for the fourth quarter of 2001. Fourth quarter 2001 gross margin was negatively impacted by \$1 million due to a non-routine royalty charge taken to cost of sales. Excluding the impact of this item, fourth quarter 2001 gross margin would have been 48.5%. Full year 2002 gross margin was 52.0% compared to 45.4% in 2001. Improved 2002 gross margin was driven by a higher da Vinci Surgical System average selling price and improved manufacturing efficiency.

Net loss for the fourth quarter 2002 was \$2.6 million, or (\$0.07) per share compared to \$4.3 million, or (\$0.12) per share during the fourth quarter 2001. Full year 2002 net loss was \$18.4 million, or (\$0.51) per share compared to \$16.7 million, or (\$0.47) per share in fiscal 2001.

Intuitive was cash positive during the fourth quarter 2002, ending the quarter with \$50.8 million in cash, up \$2.3 million from the previous quarter end.

Commenting on the announcement, Lonnie Smith, President and CEO of Intuitive Surgical said: "We are pleased with another record quarter and our improving gross margins. We continue to enjoy strong recurring revenue momentum and with our recent additional cardiac clearances, we look forward to continued growth in system sales and usage."

The company will also announce these results at a conference call today at 10:00 AM PT. The dial-in numbers for this call are 877-909-3508 for U.S. calls and 484-630-4228 for international calls. The passcode is ISRG and the meeting leader is Mr. Lonnie Smith.

About the da Vinci Surgical System:

The da Vinci Surgical System consists of a surgeon's viewing and control console having an integrated, high-performance InSite 3-D vision system, a patient-side cart consisting of three robotic arms that position and precisely maneuver endoscopic instruments and an endoscope, and a variety of articulating EndoWrist Instruments. By integrating computer-enhanced technology with surgeons' technical skills, Intuitive believes that its System enables surgeons to perform better surgery in a manner never before experienced. The da Vinci Surgical System seamlessly and directly translates the surgeon's natural hand, wrist and finger movements on instrument controls at the surgeon's console outside the patient's body into corresponding micro-movements of the instrument tips positioned inside the patient through small puncture incisions, or ports.

The statements contained in this release may be deemed to contain "forward-looking statements." Such statements are indicated by words or phrases such as "anticipate," "estimate," "projects," "believes," "intends," "expects" and similar words and phrases. Actual results may differ materially from those expressed or implied in any forward-looking statement as a result of certain risks and uncertainties, including, without limitation, competition and market acceptance of the Company's products, ability to obtain regulatory approvals and third-party reimbursement, ability to raise additional capital and other risks and uncertainties detailed in the Company's Securities and Exchange Commission filings. Prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Intuitive(R), da Vinci(TM), InSite(TM), and EndoWrist(TM) are trademarks of Intuitive Surgical, Inc.

Intuitive Surgical, Incorporated  
Consolidated Statements of Operations  
(in Thousands, Except Per Share Data)

	Three months ended	
	Dec. 31,	Dec.31,
	2002	2001
Sales	\$21,145	\$16,013
Cost of sales	9,512	9,246
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Gross profit	11,633	6,767
Operating costs and expenses:		
Research and development	4,026	3,791
Selling, general and administrative	10,602	8,034
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Total operating costs and expenses	14,628	11,825
Loss from operations	(2,995)	(5,058)
Interest income/(expense)	395	806
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Net loss	\$(2,600)	\$(4,252)
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Weighted average shares outstanding used to compute net loss per share	36,641	36,147
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Loss per share - basic and diluted	\$ (0.07)	\$ (0.12)
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Intuitive Surgical, Incorporated  
Consolidated Statements of Operations  
(in Thousands, Except Per Share Data)

	Fiscal year ended	
	Dece. 31,	Dec. 31,
	2002	2001
Sales	\$ 72,022	\$ 51,673
Cost of sales	34,584	28,218
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Gross profit	37,438	23,455
Operating costs and expenses:		
Research and development	16,793	13,851
Selling, general and administrative	40,864	29,987
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Total operating costs and expenses	57,657	43,838
Loss from operations	(20,219)	(20,383)
Interest income/(expense)	1,798	3,683
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Net loss	\$(18,421)	\$(16,700)
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Weighted average shares outstanding used to compute net loss per share	36,458	35,815
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Loss per share - basic and diluted	\$ (0.51)	\$ (0.47)
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Intuitive Surgical, Incorporated  
Consolidated Balance Sheets  
(in Thousands)

	Dec. 31,	Dec. 31,
	2002	2001 *
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 50,839	\$ 66,661
Accounts receivable, net	16,887	13,248
Inventories, net	8,738	6,182
Prepaid expenses	2,161	3,128
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Total current assets	78,625	89,219
Property and equipment, net	10,388	7,834
Other assets	2,568	3,308
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Total assets	\$ 91,581	\$ 100,361

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Liabilities and stockholders' equity			
Current Liabilities:			
Accounts payable	\$ 9,282	\$ 8,300	
Accrued compensation and employee benefits	4,666	2,537	
Warranty provision	2,269	1,831	
Accrued Royalty	--	1,000	
Accrued liabilities	3,497	2,128	
Deferred revenue	4,838	3,870	
Current portion of notes payable	1,511	1,631	
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Total current liabilities	26,063	21,297	
Notes payable	1,838	771	
Stockholders' equity			
Common stock	36	36	
Additional paid-in capital	191,020	188,962	
Deferred compensation	(223)	(886)	
Accumulated deficit	(128,791)	(110,370)	
Accumulated other comprehensive income	1,638	551	
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Total stockholders' equity	63,680	78,293	
Total liabilities and stockholders' equity	\$ 91,581	\$ 100,361	
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\* Derived from the audited financial statements included in our annual report on form 10K for the fiscal year ended December 31, 2001 but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

CONTACT: Intuitive Surgical, Inc. Ben Gong, 408/523-2175 Sarah Norton, 650/523-2161