



## Intuitive Surgical Announces Record \$52.8 Million Second Quarter Revenue, Up 70%; \$0.40 Earnings per Share

July 26, 2005

SUNNYVALE, CA, Jul 26, 2005 (MARKET WIRE via COMTEX) -- Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in surgical robotics, today reported second quarter 2005 sales of \$52.8 million, increasing 70% from \$31.1 million for the second quarter of 2004. Higher sales were driven by higher da Vinci(R) Surgical System shipments and continued recurring revenue growth.

Intuitive sold 26 da Vinci(R) Surgical Systems during the second quarter of 2005, compared to 19 in the second quarter of 2004. Second quarter 2005 system revenue increased to \$28.5 million from \$18.1 million during the second quarter of 2004.

Second quarter 2005 recurring revenue, consisting of instrument, accessory, service and training revenue, increased to \$24.3 million from \$13.0 million during the second quarter of 2004. Recurring revenue growth resulted from a larger installed base of da Vinci(R) Surgical Systems and increased system usage.

Three Months Ended,      Six Months Ended,

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6/30/05 6/30/04 Increase 6/30/05 6/30/04 Increase  
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Revenue (\$ Millions)

Systems	\$28.5	\$18.1	\$10.4	\$49.8	\$32.6	\$17.2
Instruments/Accessories	\$16.2	\$ 7.8	\$ 8.4	\$29.1	\$15.7	\$13.4
Service/Training	\$ 8.1	\$ 5.2	\$ 2.9	\$15.5	\$ 9.8	\$ 5.7

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\$52.8 \$31.1 \$21.7 \$94.4 \$58.1 \$36.3  
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da Vinci(R) Surgical

System Unit Sales	26	19	7	45	33	12
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Second quarter 2005 operating income increased to \$15.3 million, up from \$4.5 million reported for the second quarter of 2004.

The company reported second quarter 2005 net income of \$14.8 million, or \$0.40 per diluted share, compared to \$4.8 million, or \$0.14 per diluted share for the second quarter of 2004.

Intuitive was \$9.1 million cash flow positive for the second quarter of 2005, ending the period with \$158.5 million in cash, cash equivalents and short-term investments.

Commenting on the announcement, Lonnie Smith, Chairman and CEO of Intuitive Surgical, said, "We are pleased with our second quarter revenue growth and financial results. Our continued momentum reflects the ongoing adoption of robotic surgery and the value that the da Vinci(R) Surgical System delivers to hospitals and patients."

The company will also announce these results at a conference call today at 1:30 pm PDT. The dial-in numbers for the call are 877-909-3508 for participants located in the U.S. and 517-645-6051 for participants located outside the U.S. The passcode is ISRG and the meeting leader is Mr. Lonnie Smith. To access financial information that will be discussed on the call, please visit Intuitive Surgical's website at [www.intuitivesurgical.com](http://www.intuitivesurgical.com).

About Intuitive's Products:

The da Vinci(R) Surgical System consists of a surgeon's viewing and control console having an integrated, high-performance InSite(R) 3-D vision system, a patient-side cart consisting of three or four robotic arms that position and precisely maneuver endoscopic instruments and an endoscope, and a variety of articulating EndoWrist(R) 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(R) 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 Aesop(R) Endoscope Positioner is a voice-activated robotic arm that automates the critical task of endoscope positioning, providing the surgeon with direct control over a smooth, precise and stable view of the internal surgical field.

The Hermes(R) Control Center is a centralized system designed to voice control a series of networked "smart" medical devices.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including the following: timing and success of product development and market acceptance of developed products; regulatory approvals, clearances and restrictions; guidelines and recommendations in the health care and patient communities; intellectual property positions and litigation; competition in the medical device industry and in the specific markets of surgery in which Intuitive Surgical operates; and unanticipated manufacturing disruptions, delays in regulatory approvals of new manufacturing facilities or the inability

to meet demand for products. Words such as "estimate," "project," "plan," "intend," "expect," "anticipate," "believe" and similar expressions are intended to identify forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

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

INTUITIVE SURGICAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended,		Six Months Ended,	
	6/30/05	6/30/04	6/30/05	6/30/04
Sales:				
Products	\$ 44,651	\$ 25,850	\$ 78,834	\$ 48,321
Services	8,105	5,207	15,536	9,795
Total sales	52,756	31,057	94,370	58,116
Cost of sales:				
Products	13,649	9,260	24,804	18,073
Services	3,480	2,169	6,676	4,579
Total cost of sales	17,129	11,429	31,480	22,652
Gross profit	35,627	19,628	62,890	35,464
Gross profit %	67.5%	63.2%	66.6%	61.0%
Operating costs and expenses:				
Selling, general, and administrative	15,934	11,535	30,138	21,778
Research and development	4,355	3,626	8,500	8,936
Total operating costs and expenses	20,289	15,161	38,638	30,714
Income from operations	15,338	4,467	24,252	4,750
Other income, net	954	626	1,677	1,232
Income before income tax provision	16,292	5,093	25,929	5,982
Income tax provision	1,508	263	2,041	299
Net income	\$ 14,784	\$ 4,830	\$ 23,888	\$ 5,683
Net earnings per share -				
Basic	\$ 0.42	\$ 0.14	\$ 0.69	\$ 0.17
Diluted	\$ 0.40	\$ 0.14	\$ 0.64	\$ 0.17
Weighted average shares outstanding used to compute net earnings per share -				
Basic	34,790	33,559	34,655	33,421
Diluted	37,244	34,210	37,133	34,170

INTUITIVE SURGICAL, INC.  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

(Unaudited)  
6/30/05 12/31/04 (a)

Assets

Current assets:

Cash and cash equivalents 7,972 5,771

Investments	150,570	126,267	
Accounts receivable, net	39,646	35,443	
Inventory	8,836	5,966	
Prepays	4,652	3,032	
Restricted cash	319	205	
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Total current assets	211,995	176,684	
Property and equipment, net	29,291	27,065	
Restricted cash	-	319	
Intangible assets, net	5,288	6,221	
Goodwill	142,407	143,332	
Other assets	541	608	
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Total assets	\$ 389,522	\$ 354,229	
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Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	5,382	4,485	
Accrued compensation and employee benefits		9,030	10,321
Deferred revenue	18,396	15,372	
Restructuring accrual	397	541	
Other accrued liabilities	7,457	7,057	
Current portion of notes payable	171	609	
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Total current liabilities	40,833	38,385	
Deferred revenue	337	505	
Other accrued liabilities	342	407	
Stockholders' equity			
Common stock	35	34	
Preferred stock	-	-	
Additional paid-in capital	440,064	430,362	
Accumulated deficit	(91,235)	(114,936)	
Treasury stock	-	(136)	
Accumulated other comprehensive loss		(854)	(392)
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Total stockholders' equity	348,010	314,932	
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Total liabilities and stockholders' equity	\$ 389,522	\$ 354,229	
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(a) - Derived from the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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SOURCE: Intuitive Surgical, Inc.