

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report: July 26, 2006  
(Date of earliest event reported)

**INTUITIVE SURGICAL, INC.**

(exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation  
or organization)

**000-30713**

Commission File Number

**77-0416458**

(I.R.S. Employer Identification No.)

**950 Kifer Road**

**Sunnyvale, California 94086**

(Address of Principal executive offices, including zip code)

**(408) 523-2100**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On July 26, 2006, Intuitive Surgical issued a press release announcing its financial results for the quarter ended June 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 2.02.

Intuitive is making reference to non-GAAP financial information in the press release. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in the attached press release.

**Item 9.01. Financial Statements and Exhibits.**

Press release issued by Intuitive Surgical, July 26, 2006.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTUITIVE SURGICAL, INC.

Date: July 26, 2006

By /s/ Marshall L. Mohr

*Name:* Marshall L. Mohr

*Title:* Senior Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

**Exhibit No.**

**Description**

[99.1](#)

Press Release issued by Intuitive Surgical, July 26, 2006

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**Exhibit 99.1****FOR IMMEDIATE RELEASE**

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408-523-2161

**INTUITIVE SURGICAL ANNOUNCES \$87 MILLION SECOND QUARTER REVENUE, UP 65%**

SUNNYVALE, CALIF. July 26, 2006 - Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in surgical robotics, today reported second quarter 2006 sales of \$87.0 million, increasing 65% from \$52.8 million for the second quarter of 2005. Higher sales were driven by increased **da Vinci®** Surgical System sales and continued growth in recurring revenue.

Intuitive sold 39 **da Vinci®** Surgical Systems during the second quarter of 2006, compared to 26 in the second quarter of 2005. Second quarter 2006 system revenue increased to \$48.1 million from \$28.5 million during the second quarter of 2005.

Second quarter 2006 instrument and accessory revenue increased 61% to \$26.1 million from \$16.2 million during the second quarter of 2005. Instrument and accessory revenue growth resulted from a larger installed base of **da Vinci®** Surgical Systems and increased system usage.

Net sales for the six months ended June 30, 2006 totaled \$164.3 million, increasing 74% from 94.4 million for the first half of 2005.

|   | <b>Three Months Ended,</b> |                |                 | <b>Six Months Ended,</b> |                |                 |
|---|----------------------------|----------------|-----------------|--------------------------|----------------|-----------------|
|   | <b>6/30/06</b>             | <b>6/30/05</b> | <b>Increase</b> | <b>6/30/06</b>           | <b>6/30/05</b> | <b>Increase</b> |
| <b>Revenue (\$Millions)</b>                 |                            |                |                 |                          |                |                 |
| Systems                                     | \$ 48.1                    | \$ 28.5        | \$ 19.6         | \$ 90.5                  | \$ 49.8        | \$ 40.7         |
| Instruments/Accessories                     | 26.1                       | 16.2           | 9.9             | 49.4                     | 29.1           | 20.3            |
| Service/Training                            | 12.8                       | 8.1            | 4.7             | 24.4                     | 15.5           | 8.9             |
|   | <u>\$ 87.0</u>             | <u>\$ 52.8</u> | <u>\$ 34.2</u>  | <u>\$ 164.3</u>          | <u>\$ 94.4</u> | <u>\$ 69.9</u>  |
| <b>da Vinci® Surgical System Unit Sales</b> | <u>39</u>                  | <u>26</u>      | <u>13</u>       | <u>74</u>                | <u>45</u>      | <u>29</u>       |

Second quarter 2006 operating income was \$24.5 million compared with \$15.3 million for the second quarter of 2005. Operating results for the second quarter of 2006 included \$6.5 million of stock compensation expense in accordance with Financial Accounting Standards Board "SFAS" 123R. Excluding the \$6.5 million of non-cash stock compensation expense, second quarter 2006 operating income was \$31.0 million, up 102% compared with the second quarter of 2005.

## Exhibit 99.1

Second quarter 2006 net income, including non-cash stock compensation expense, was \$16.7 million, or \$0.44 per diluted share, compared with \$14.8 million, or \$0.40 per diluted share for the second quarter of 2005. Excluding the impact of stock compensation expenses, second quarter 2006 net income was \$21.1 million, or \$0.55 per share, up 42% compared with the second quarter of 2005. A complete reconciliation between GAAP and results excluding stock compensation is provided in the attached tables.

Intuitive ended the second quarter of 2006 with cash, cash equivalents and investments of \$243.8 million, up \$22.3 million from the previous quarter end. Cash provided by operations for the second quarter of 2006 was \$19.7 million, net of \$5.7 million utilized during the quarter to fund working capital requirements.

Net income for the first half of 2006, including non-cash stock compensation expense, was \$31.1 million, or \$0.82 per diluted share, compared with \$23.9 million, or \$0.64 per diluted share for the first half of 2005. Excluding the impact of stock compensation expenses, first half 2006 net income was \$38.6 million, or \$1.02 per share.

Commenting on the announcement, Lonnie Smith, Chairman and CEO of Intuitive Surgical said, "We are pleased with our second quarter revenue and bottom line growth, which were driven by higher procedure volume across all of our targeted surgical specialties. Adoption of da Vinci Surgery continues as we remain dedicated to providing the most effective, least invasive surgical treatment option available."

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**<sup>®</sup> Surgical System consists of a surgeon's viewing and control console having an integrated, high-performance InSite<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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.

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## Exhibit 99.1

The **Aesop**® 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**® Control Center is a centralized system designed to voice control a series of networked "smart" medical devices.

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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**®, **da Vinci**®, da Vinci<sup>®</sup> S™, **InSite**®, **EndoWrist**®, **Hermes**®, and **Aesop**® are trademarks or registered trademarks of Intuitive Surgical, Inc.

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**INTUITIVE SURGICAL, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(IN THOUSANDS, EXCEPT PER SHARE DATA)**

|   | Three Months Ended June 30, |           | Six Months Ended June 30, |           |
|---|-----------------------------|-----------|---------------------------|-----------|
|   | 2006                        | 2005      | 2006                      | 2005      |
| <b>Revenue:</b>                                       |                             |           |                           |           |
| Products  | \$ 74,211                   | \$ 44,651 | \$ 139,880                | \$ 78,834 |
| Services  | 12,814                      | 8,105     | 24,403                    | 15,536    |
| Total revenue   | 87,025                      | 52,756    | 164,283                   | 94,370    |
| <b>Cost of revenue:</b>                               |                             |           |                           |           |
| Products  | 21,869                      | 13,649    | 41,791                    | 24,804    |
| Services  | 6,179                       | 3,480     | 11,835                    | 6,676     |
| Total cost of revenue                                 | 28,048                      | 17,129    | 53,626                    | 31,480    |
| Gross profit  | 58,977                      | 35,627    | 110,657                   | 62,890    |
| <b>Operating costs and expenses:</b>                  |                             |           |                           |           |
| Selling, general, and administrative                  | 27,265                      | 15,934    | 51,075                    | 30,138    |
| Research and development                              | 7,205                       | 4,355     | 13,351                    | 8,500     |
| Total operating costs and expenses                    | 34,470                      | 20,289    | 64,426                    | 38,638    |
| Income from operations                                | 24,507                      | 15,338    | 46,231                    | 24,252    |
| Interest and other income, net                        | 3,255                       | 954       | 5,458                     | 1,677     |
| Income before taxes                                   | 27,762                      | 16,292    | 51,689                    | 25,929    |
| Income tax expense                                    | 11,080                      | 1,508     | 20,549                    | 2,041     |
| Net income  | \$ 16,682                   | \$ 14,784 | \$ 31,140                 | \$ 23,888 |
| <b>Net income per share:</b>                          |                             |           |                           |           |
| Basic   | \$ 0.45                     | \$ 0.42   | \$ 0.85                   | \$ 0.69   |
| Diluted   | \$ 0.44                     | \$ 0.40   | \$ 0.82                   | \$ 0.64   |
| <b>Shares used in computing net income per share:</b> |                             |           |                           |           |
| Basic   | 36,684                      | 34,790    | 36,532                    | 34,655    |
| Diluted   | 38,124                      | 37,244    | 37,974                    | 37,133    |



**INTUITIVE SURGICAL, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(IN THOUSANDS, EXCEPT PER SHARE DATA)**

|   | Three months ended June 30, 2006 |                 |                  | Three months<br>ended June 30,<br>2005 |
|---|----------------------------------|-----------------|------------------|--|
|   | GAAP                             | 123R Impact     | Pro Forma        | As Reported                            |
| <b>Sales:</b>   |                                  |                 |                  |  |
| Products  | \$ 74,211                        | \$ -            | \$ 74,211        | \$ 44,651                              |
| Services  | 12,814                           | -               | 12,814           | 8,105                                  |
| <b>Total sales</b>                                    | <b>87,025</b>                    | <b>-</b>        | <b>87,025</b>    | <b>52,756</b>                          |
| <b>Cost of sales:</b>                                 |                                  |                 |                  |  |
| Products  | 21,869                           | (650)           | 21,219           | 13,649                                 |
| Services  | 6,179                            | (360)           | 5,819            | 3,480                                  |
| <b>Total cost of sales</b>                            | <b>28,048</b>                    | <b>(1,010)</b>  | <b>27,038</b>    | <b>17,129</b>                          |
| Gross profit  | 58,977                           | 1,010           | 59,987           | 35,627                                 |
| % Sales   | 67.8%                            | 1.1%            | 68.9%            | 67.5%                                  |
| <b>Operating costs and expenses:</b>                  |                                  |                 |                  |  |
| Selling, general, and administrative                  | 27,265                           | (4,092)         | 23,173           | 15,934                                 |
| Research and development                              | 7,205                            | (1,359)         | 5,846            | 4,355                                  |
| <b>Total operating costs and expenses</b>             | <b>34,470</b>                    | <b>(5,451)</b>  | <b>29,019</b>    | <b>20,289</b>                          |
| <b>Income from operations</b>                         | <b>24,507</b>                    | <b>6,461</b>    | <b>30,968</b>    | <b>15,338</b>                          |
| % Sales   | 28.2%                            | 7.4%            | 35.6%            | 29.1%                                  |
| Other income, net                                     | 3,255                            | -               | 3,255            | 954                                    |
| Income before income tax provision                    | 27,762                           | 6,461           | 34,223           | 16,292                                 |
| Income tax provision                                  | 11,080                           | 2,087           | 13,167           | 1,508                                  |
| <b>Net income</b>                                     | <b>\$ 16,682</b>                 | <b>\$ 4,374</b> | <b>\$ 21,056</b> | <b>\$ 14,784</b>                       |
| <b>Net income per share:</b>                          |                                  |                 |                  |  |
| Basic   | \$ 0.45                          | \$ 0.12         | \$ 0.57          | \$ 0.42                                |
| Diluted   | \$ 0.44                          | \$ 0.11         | \$ 0.55          | \$ 0.40                                |
| <b>Shares used in computing net income per share:</b> |                                  |                 |                  |  |
| Basic   | 36,684                           |                 | 36,684           | 34,790                                 |
| Diluted   | 38,124                           |                 | 38,124           | 37,244                                 |

Note - To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we have presented "Non-GAAP (pro forma)" information, which reflects our results based on GAAP excluding stock compensation expense under SFAS 123R. This "Non-GAAP" information is provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the "Non-GAAP" results provide useful information to both management and investors by excluding SFAS 123R compensation charges that we believe are not indicative of our core operating results. Further, these "Non-GAAP" results are one of the primary indicators management uses for assessing our performance, allocating resources and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

**INTUITIVE SURGICAL, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(IN THOUSANDS, EXCEPT PER SHARE DATA)**

|   | Six months ended June 30, 2006 |                 |                  | Six months<br>ended June 30,<br>2005 |
|---|--------------------------------|-----------------|------------------|--------------------------------------|
|   | GAAP                           | 123R Impact     | Pro Forma        | As Reported                          |
| <b>Sales:</b>   |                                |                 |                  |                                      |
| Products  | \$ 139,880                     | \$ -            | \$ 139,880       | \$ 78,834                            |
| Services  | 24,403                         | -               | 24,403           | 15,536                               |
| <b>Total sales</b>                                    | <b>164,283</b>                 | <b>-</b>        | <b>164,283</b>   | <b>94,370</b>                        |
| <b>Cost of sales:</b>                                 |                                |                 |                  |                                      |
| Products  | 41,791                         | (1,121)         | 40,670           | 24,804                               |
| Services  | 11,835                         | (657)           | 11,178           | 6,676                                |
| <b>Total cost of sales</b>                            | <b>53,626</b>                  | <b>(1,778)</b>  | <b>51,848</b>    | <b>31,480</b>                        |
| Gross profit  | 110,657                        | 1,778           | 112,435          | 62,890                               |
| % Sales   | 67.4%                          | 1.0%            | 68.4%            | 66.6%                                |
| <b>Operating costs and expenses:</b>                  |                                |                 |                  |                                      |
| Selling, general, and administrative                  | 51,075                         | (7,291)         | 43,784           | 30,138                               |
| Research and development                              | 13,351                         | (2,456)         | 10,895           | 8,500                                |
| <b>Total operating costs and expenses</b>             | <b>64,426</b>                  | <b>(9,747)</b>  | <b>54,679</b>    | <b>38,638</b>                        |
| <b>Income from operations</b>                         | <b>46,231</b>                  | <b>11,525</b>   | <b>57,756</b>    | <b>24,252</b>                        |
| % Sales   | 28.1%                          | 7.1%            | 35.2%            | 25.7%                                |
| Other income, net                                     | 5,458                          | -               | 5,458            | 1,677                                |
| <b>Income before income tax provision</b>             | <b>51,689</b>                  | <b>11,525</b>   | <b>63,214</b>    | <b>25,929</b>                        |
| <b>Income tax provision</b>                           | <b>20,549</b>                  | <b>4,091</b>    | <b>24,640</b>    | <b>2,041</b>                         |
| <b>Net income</b>                                     | <b>\$ 31,140</b>               | <b>\$ 7,434</b> | <b>\$ 38,574</b> | <b>\$ 23,888</b>                     |
| <b>Net income per share:</b>                          |                                |                 |                  |                                      |
| Basic   | \$ 0.85                        | \$ 0.21         | \$ 1.06          | \$ 0.69                              |
| Diluted   | \$ 0.82                        | \$ 0.20         | \$ 1.02          | \$ 0.64                              |
| <b>Shares used in computing net income per share:</b> |                                |                 |                  |                                      |
| Basic   | 36,532                         |                 | 36,532           | 34,655                               |
| Diluted   | 37,974                         |                 | 37,974           | 37,133                               |

Note - To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), we have presented "Non-GAAP (pro forma)" information, which reflects our results based on GAAP excluding stock compensation expense under SFAS 123R. This "Non-GAAP" information is provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the "Non-GAAP" results provide useful information to both management and investors by excluding SFAS 123R compensation charges that we believe are not indicative of our core operating results. Further, these "Non-GAAP" results are one of the primary indicators management uses for assessing our performance, allocating resources and planning and forecasting future periods. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

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

|   | <b>6/30/06</b>    | <b>12/31/05</b>   |
|---|-------------------|-------------------|
| Cash, cash equivalents, and investments           | \$ 243,775        | \$ 202,739        |
| Accounts receivable, net                          | 70,530            | 52,849            |
| Inventory, net                                    | 24,638            | 15,170            |
| Property and equipment, net                       | 58,841            | 52,225            |
| Goodwill  | 124,035           | 124,638           |
| Deferred tax assets                               | 27,864            | 40,758            |
| Other assets                                      | 16,155            | 13,208            |
| <b>Total Assets</b>                               | <b>\$ 565,838</b> | <b>\$ 501,587</b> |
| Accounts payable and other accrued liabilities    | \$ 31,993         | \$ 33,485         |
| Deferred revenue                                  | 30,775            | 25,511            |
| <b>Total liabilities</b>                          | <b>62,768</b>     | <b>58,996</b>     |
| <b>Stockholders' equity</b>                       | <b>503,070</b>    | <b>442,591</b>    |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 565,838</b> | <b>\$ 501,587</b> |

**INTUITIVE SURGICAL, INC.**  
**UNAUDITED SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS DATA**  
**(IN THOUSANDS)**

|   | <b>Three months ended</b> |                  | <b>Six months ended</b> |                  |
|---|---------------------------|------------------|-------------------------|------------------|
|   | <b>6/30/06</b>            | <b>6/30/05</b>   | <b>6/30/06</b>          | <b>6/30/05</b>   |
| Net Income  | \$ 16,682                 | \$ 14,784        | \$ 31,140               | \$ 23,888        |
| Depreciation and amortization                                 | 2,189                     | 1,630            | 4,363                   | 3,297            |
| Deferred income tax   | 4,895                     | -                | 12,894                  | -                |
| Stock option expense  | 6,461                     | -                | 11,525                  | -                |
| Tax benefits from acquisition and employee stock option plans | 603                       | 1,454            | 603                     | 1,454            |
| Excess tax benefits from stock-based compensation             | (5,533)                   | -                | (5,533)                 | -                |
| Changes in operating assets and liabilities                   | (5,670)                   | (7,431)          | (19,160)                | (5,796)          |
| Other, net  | 98                        | (20)             | 9                       | (78)             |
| <b>Net cash provided by operating activities</b>              | <b>\$ 19,725</b>          | <b>\$ 10,417</b> | <b>\$ 35,841</b>        | <b>\$ 22,765</b> |
| Acquisition of property and equipment                         | \$ 6,772                  | \$ 3,603         | \$ 9,975                | \$ 4,604         |
| Proceeds from issuance of common stock                        | \$ 5,152                  | \$ 2,237         | \$ 11,653               | \$ 9,195         |