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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 8-K

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

Date of Report: February 8, 2005  
(Date of earliest event reported)

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# INTUITIVE SURGICAL, INC.

(exact name of registrant as specified in its charter)

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**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)

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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 February 8, 2005, Intuitive Surgical issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2004. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 2.02.

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

Press release issued by Intuitive Surgical, dated February 8, 2005.

(2)

**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: February 8, 2005

By           /s/ LONNIE M. SMITH          

*Name:* Lonnie M. Smith

*Title:* President and Chief Executive Officer

(3)

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**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | Press Release issued by Intuitive Surgical, dated February 8, 2005.<br><br>(4) |

FOR IMMEDIATE RELEASE

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**INTUITIVE SURGICAL ANNOUNCES RECORD \$45.2 MILLION FOURTH QUARTER REVENUE, UP 64% AND \$11.7 MILLION NET INCOME, \$0.32 PER SHARE**  
 SUNNYVALE, CALIF. February 8, 2005 – Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in surgical robotics, today reported record fourth quarter 2004 sales of \$45.2 million, increasing 64% from \$27.6 million for the fourth quarter of 2003. Higher sales were driven by higher **da Vinci®** Surgical System shipments and continued recurring revenue growth.

Intuitive sold 25 **da Vinci®** Surgical Systems during the fourth quarter of 2004, compared to 18 in the fourth quarter of 2003. Fourth quarter 2004 system revenue increased to \$27.1 million from \$17.5 million during the fourth quarter 2003. Intuitive ended the fourth quarter 2004 with 286 cumulative **da Vinci®** Surgical Systems sold, compared to 210 at the end of the fourth quarter 2003.

Fourth quarter 2004 recurring revenue, consisting of instrument, accessory, service and training revenue, increased to \$18.1 million from \$10.1 million during the fourth quarter 2003. Recurring revenue growth resulted from the larger installed base of **da Vinci®** Surgical Systems and increased system usage.

Total sales for the fiscal year ended December 31, 2004 were \$138.8 million, up 51% from \$91.7 million in 2003. Recurring revenue totaled \$60.0 million in 2004, compared to \$29.9 million in 2003. Intuitive sold 76 total **da Vinci®** Surgical Systems in 2004 compared to 61 systems in 2003. The following table compares fourth quarter and fiscal year 2004 revenue to the prior year.

|   | Three Months Ended, |                |                | Fiscal Year Ended, |                |                |
|---|---------------------|----------------|----------------|--------------------|----------------|----------------|
|   | 12/31/04            | 12/31/03       | Increase       | 12/31/04           | 12/31/03       | Increase       |
| <b>Revenue (\$Millions)</b>                 |                     |                |                |                    |                |                |
| Systems                                     | \$ 27.1             | \$ 17.5        | \$ 9.6         | \$ 78.8            | \$ 61.8        | \$ 17.0        |
| Instruments/Accessories                     | \$ 11.6             | \$ 6.1         | \$ 5.5         | \$ 37.6            | \$ 18.8        | \$ 18.8        |
| Service/Training                            | \$ 6.5              | \$ 4.0         | \$ 2.5         | \$ 22.4            | \$ 11.1        | \$ 11.3        |
|   | <b>\$ 45.2</b>      | <b>\$ 27.6</b> | <b>\$ 17.6</b> | <b>\$138.8</b>     | <b>\$ 91.7</b> | <b>\$ 47.1</b> |
| <b>da Vinci® Surgical System Unit Sales</b> |                     |                |                |                    |                |                |
| Period Unit Sales                           | 25                  | 18             | 7              | 76                 | 61             | 15             |
| Cumulative Unit Sales                       | 286                 | 210            | 76             | 286                | 210            | 76             |

Gross profit increased to \$29.8 million, or 65.9% of sales, for the fourth quarter 2004, compared to \$9.5 million, or 34.6% of sales, for the fourth quarter 2003, which was negatively impacted by \$5.9 million, or 21.3% of sales, due to non-recurring Computer Motion write-downs and the Brookhill Wilk settlement charge. Higher fourth quarter 2004 gross profit was driven by leveraging overhead costs across higher fourth quarter revenue.

Fourth quarter 2004 operating expenses of \$18.9 million were \$3.7 million higher than the fourth quarter 2003.

The company reported fourth quarter 2004 net income of \$11.7 million, or \$0.32 per diluted share, compared to a net loss of \$4.9 million, or (\$0.16) per diluted share for the fourth quarter 2003. Intuitive reported fiscal year 2004 net income of \$23.5 million, or \$0.67 per diluted share, compared to a net loss of \$9.6 million, or (\$0.41) per diluted share in fiscal 2003.

Intuitive was \$10.8 million cash flow positive for the fourth quarter 2004, ending the period with \$132.0 million in cash and short-term investments.

Commenting on the announcement, Lonnie Smith, Chairman and CEO of Intuitive Surgical said, "We are pleased with our fourth quarter results and our 2004 accomplishments. This has been an outstanding year for Intuitive Surgical."

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 484-630-4228 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**® 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 or four 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 **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**®, **InSite**®, **EndoWrist**®, **Hermes**®, and **Aesop**® are registered trademarks of Intuitive Surgical, Inc.

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

|  | Three Months Ended, |                   | Fiscal Year Ended, |                   |
|--|---------------------|-------------------|--------------------|-------------------|
|  | 12/31/04            | 12/31/03          | 12/31/04           | 12/31/03          |
| <b>Sales:</b>  |                     |                   |                    |                   |
| Products   | \$38,754            | \$23,627          | \$116,338          | \$80,586          |
| Services   | 6,440               | 3,966             | 22,465             | 11,089            |
| <b>Total sales</b>   | <b>45,194</b>       | <b>27,593</b>     | <b>138,803</b>     | <b>91,675</b>     |
| <b>Cost of sales:</b>  |                     |                   |                    |                   |
| Products   | 12,601              | 15,901            | 40,472             | 39,977            |
| Services   | 2,789               | 2,156             | 10,341             | 7,669             |
| <b>Total cost of sales</b>   | <b>15,390</b>       | <b>18,057</b>     | <b>50,813</b>      | <b>47,646</b>     |
| Gross profit   | 29,804              | 9,536             | 87,990             | 44,029            |
| Gross profit %   | 65.9%               | 34.6%             | 63.4%              | 48.0%             |
| <b>Operating costs and expenses:</b>   |                     |                   |                    |                   |
| Selling, general, and administrative   | 14,616              | 10,417            | 48,994             | 39,719            |
| Research and development   | 4,241               | 4,732             | 17,812             | 16,190            |
| <b>Total operating costs and expenses</b>  | <b>18,857</b>       | <b>15,149</b>     | <b>66,806</b>      | <b>55,909</b>     |
| Income (loss) from operations  | 10,947              | (5,613)           | 21,184             | (11,880)          |
| Other income, net  | 1,096               | 758               | 3,020              | 2,257             |
| Income (loss) before income tax provision  | 12,043              | (4,855)           | 24,204             | (9,623)           |
| Income tax provision   | 361                 | 0                 | 726                | 0                 |
| <b>Net income (loss)</b>   | <b>\$11,682</b>     | <b>\$ (4,855)</b> | <b>\$ 23,478</b>   | <b>\$ (9,623)</b> |
| <b>Net earnings (loss) per share -</b>   |                     |                   |                    |                   |
| Basic  | \$ 0.34             | \$ (0.16)         | \$ 0.70            | \$ (0.41)         |
| Diluted  | \$ 0.32             | \$ (0.16)         | \$ 0.67            | \$ (0.41)         |
| <b>Weighted average shares outstanding used to compute net earnings (loss) per share -</b> |                     |                   |                    |                   |
| Basic  | 34,098              | 30,616            | 33,693             | 23,626            |
| Diluted  | 36,244              | 30,616            | 34,976             | 23,626            |



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

|   | (Unaudited)<br>12/31/04 | 12/31/03 (a)      |
|---|-------------------------|-------------------|
| <b>Assets</b>                                     |                         |                   |
| Current assets:                                   |                         |                   |
| Cash and cash equivalents                         | 5,771                   | 11,335            |
| Short-term investments                            | 126,267                 | 101,614           |
| Accounts receivable, net                          | 35,443                  | 26,820            |
| Inventory   | 5,966                   | 8,788             |
| Prepaid expenses and other current assets         | 3,032                   | 3,203             |
| Restricted cash equivalents                       | 205                     | 188               |
| <b>Total current assets</b>                       | <b>176,684</b>          | <b>151,948</b>    |
| Property and equipment, net                       | 27,065                  | 10,288            |
| Restricted cash equivalents                       | 319                     | 642               |
| Intangible assets, net                            | 6,221                   | 8,089             |
| Goodwill  | 143,332                 | 143,106           |
| Other assets                                      | 608                     | 921               |
| <b>Total assets</b>                               | <b>\$ 354,229</b>       | <b>\$ 314,994</b> |
| <b>Liabilities and stockholders' equity</b>       |                         |                   |
| Current liabilities:                              |                         |                   |
| Accounts payable                                  | 4,485                   | 5,894             |
| Accrued compensation and employee benefits        | 10,321                  | 5,267             |
| Restructuring accrual                             | 541                     | 971               |
| Other accrued liabilities                         | 7,057                   | 9,134             |
| Deferred revenue                                  | 15,372                  | 11,345            |
| Current portion of notes payable                  | 609                     | 1,030             |
| <b>Total current liabilities</b>                  | <b>38,385</b>           | <b>33,641</b>     |
| Long-term notes payable                           | —                       | 695               |
| Deferred revenue                                  | 505                     | 1,148             |
| Other accrued liabilities                         | 407                     | 553               |
| Stockholders' equity                              |                         |                   |
| Common stock                                      | 34                      | 33                |
| Preferred stock                                   | —                       | —                 |
| Additional paid-in capital                        | 430,362                 | 416,559           |
| Deferred compensation                             | —                       | (99)              |
| Accumulated deficit                               | (114,936)               | (138,414)         |
| Treasury stock                                    | (136)                   | —                 |
| Accumulated other comprehensive income            | (392)                   | 878               |
| <b>Total stockholders' equity</b>                 | <b>314,932</b>          | <b>278,957</b>    |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 354,229</b>       | <b>\$ 314,994</b> |

(a) - Derived from the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.