

United States
 Securities and Exchange Commission
 Washington, D.C. 20549

FORM 10-QSB

(MARK ONE)

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Period Ended June 30, 1997.
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From _____ to _____.

Commission file number 1-12471

INTEGRATED SURGICAL SYSTEMS, INC.
 (Exact Name of registrant as specified in its charter)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

68-0232575
 (I.R.S. Employer
 Identification No.)

829 West Stadium Lane
 Sacramento, CA
 (Address of principal executive offices)

95834
 (Zip Code)

916-646-3487
 (Registrant's telephone number, including area code)

Not applicable
 (Former name, former address and former fiscal year, if changed
 since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Applicable Only to Issuers Involved in Bankruptcy
 Proceedings During the Preceding Five Years

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes No

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock \$.01 Par Value - 3,366,956 shares as of August 1, 1997.

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PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS

INTEGRATED SURGICAL SYSTEMS, INC.
 CONSOLIDATED BALANCE SHEET
 (UNAUDITED)

ASSETS	June 30, 1997
Current assets:	(unaudited)

Cash and cash equivalents	\$ 3,685,731
Accounts receivable	655,023
Inventory	1,790,371
Other current assets	245,405

Total current assets	6,376,530
Net property and equipment	269,658
Other assets	17,169

	\$ 6,663,357
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 1,046,771
Value added taxes payable	270,289
Accrued payroll and related expenses	103,673
Customer deposits	257,172
Accrued product retrofit costs	135,348
Payable to subcontractor	--
Other current liabilities	195,591

Total current liabilities	2,008,844
Commitments	
Stockholders' equity:	
Preferred stock, \$0.01 par value 1,000,000 shares authorized; no shares issued and outstanding	--
Common stock, \$0.01 par value, 15,000,000 shares authorized; 3,366,956 shares issued and outstanding	33,669
Additional paid-in capital	25,775,656
Deferred stock compensation	(336,417)
Accumulated translation adjustment	(29,994)
Accumulated deficit	(20,788,401)

Total stockholder's equity	4,654,513

	\$ 6,663,357
	=====

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Net Sales.....	\$ 737,707	\$ 652,365	\$1,379,696	\$1,064,206
Cost of Sales.....	316,235	266,329	531,693	458,483
	421,472	386,036	848,003	605,723
Operating expenses:				
Selling, general and administrative.....	758,932	438,408	1,383,596	887,283
Research and development.....	538,165	445,009	1,183,519	977,616
Stock compensation.....	45,000	21,000	90,000	246,000
	1,342,097	904,417	2,657,115	2,110,899
Other income (expense):				
Interest income.....	53,805	19,904	125,147	38,723
Other.....	(9,357)	4,241	14,374	(20,958)
Loss before provision for income taxes.....	(876,177)	(494,236)	(1,669,591)	(1,487,411)
Provision for income taxes.....	9,000	1,183	18,000	3,183
Net loss.....	\$(885,177)	\$(495,419)	\$(1,687,591)	\$(1,490,594)
Net loss applicable to common stockholders.....	\$(885,177)	\$(495,419)	\$(1,687,591)	\$(1,490,594)
Net loss per share.....	\$ (0.26)	\$ (0.11)	\$ (0.50)	\$ (0.34)
Shares used in per share calculations.....	3,366,599	4,377,643	3,364,567	4,377,643

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.
 Consolidated Statements of Cash Flows
 Increase (Decrease) in Cash and Cash Equivalents
 (Unaudited)

	SIX MONTHS ENDED	JUNE 30
	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING EXPENSES		
Net loss	\$(1,687,591)	\$(1,490,594)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	83,678	103,692
Stock compensation	90,000	246,000
Changes in operating assets and liabilities		
Accounts receivable	(54,455)	(102,983)
Inventory	(760,108)	96,985
Other current assets	(116,756)	785
Note payable	--	(207,461)
Accounts payable	370,570	(43,089)
Value added taxes payable	(2,307)	(469,991)
Accrued payroll and related expenses	(92,069)	19,652
Customer deposits	132,172	(9,652)
Accrued product retrofit costs	--	--
Payable to subcontractor	(110,176)	--
Other current liabilities	3,527	80,980
Translation adjustment	(38,651)	(5,038)
	-----	-----
Net cash used in operating activities	(2,182,166)	(1,780,714)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(102,300)	(10,034)
Decrease in other assets	668	217
	-----	-----
Net cash used in investing activities	(101,632)	(9,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of convertible preferred stock	--	1,000,000
Proceeds from exercise of stock options	16,272	17
Expenses from initial public offering	(47,822)	--
	-----	-----
Net cash provided by financing activities	(31,550)	1,000,017
Net decrease in cash and cash equivalents	(2,315,348)	(790,514)
Cash and cash equivalents at beginning of period	6,001,079	2,339,823
	-----	-----
Cash and cash equivalents at end of period	\$ 3,685,731	\$ 1,549,309
	=====	=====

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements (unaudited)

June 30, 1997

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in Integrated Surgical Systems, Inc.'s annual report on Form 10-KSB for the year ended December 31, 1996.

NOTE B - INVENTORIES

The components of inventory consist of the following:

	June 30, 1997

Raw Materials	\$ 706,114
Work in process	363,803
Finished goods	720,454

	\$1,790,371
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NOTE C - EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per share, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of Statement 128 on the calculation of earnings per share is not expected to be material.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations

Six Months Ended June 30, 1997 Compared to Six Months Ended June 30, 1996

Net Sales. The Company reported net sales of \$1,380,000 during the first six months of 1997, approximately \$315,000 higher than the same period in 1996. The increase is attributable to sales at a higher selling price in 1997. Sales in 1996 were discounted.

Cost of Sales. Cost of sales were \$532,000, approximately \$73,000 higher than the same period in 1996 due to increased manufacturing staffing in 1997.

Selling, General and Administrative. Selling, general and administrative expenses were \$1,384,000 during the first six months of 1997, approximately \$496,000 higher than the same period in 1996 due primarily to increased sales and marketing activity. A European based sales manager, trainer, and service technician were added in 1997. General and administrative costs also increased to support the increased growth and investor relations.

Research, and Development. Research and Development expenses were \$1,184,000 during the first six months of 1997, approximately \$206,000 higher than the same period in 1996 primarily due to additional engineering staff required to support new product development projects.

Stock Compensation. Stock compensation expense during the first six months of 1997 was \$90,000, approximately \$156,000 lower than the first six months of 1996. This decrease is due to the immediate vesting of a portion of a large grant of stock options in the first six months of 1996. The Company charged to operations in 1996 deferred stock compensation relating to stock options granted during 1996 with exercise prices less than the estimated fair value of the Company's Common Stock, as determined by an independent valuation analysis, on the date of grant. Deferred compensation for the non-vested portion is being amortized into expense over the vesting period of the stock options, which generally range from three to five years. Stock compensation expense during the first six months of 1997 represents the additional vesting which occurred in the first six months of 1997.

Interest Income. Interest income for the first six months of 1997 was \$125,000, approximately \$86,000 higher than the first six months of 1996 due to higher than average cash balances resulting from the issuance of Common Stock in the Company's initial public offering in the fourth quarter of 1996.

Other Income and Expense. Other income for the first six months was \$14,000 compared to an expense of \$21,000 in the first six months of 1996. The primary reason for the difference is the strengthening of the Dutch Guilder against the U.S. Dollar during 1996, as compared to a weakening of the Dutch Guilder against the dollar in the first six months of 1997. This resulted in currency transaction gains and losses on the U.S. currency obligations of the Company's wholly owned subsidiary in The Netherlands, Integrated Surgical Systems B.V.

Liquidity and Capital Resources. The Company used \$2,182,000 in cash from the operating activities in the first six months of 1997 compared to \$1,781,000 usage in the first six months of 1996. Net cash used for operations in each of these periods resulted primarily from the net loss.

The Company used \$102,000 in cash in the first six months of 1997 for the purchase of equipment to support the increase in the number of employees.

The Company received \$16,272 in the first six months of 1997 on the exercise of common stock options (5,795 shares) and paid expenses of \$48,000 attributable to the Company's initial public offering in November 1996.

The Company expects to incur additional operating losses at least through 1997. These losses will be as a result of expenditures related to product development projects and the establishment of

marketing, sales, service and training organizations. The timing and amounts of these expenditures will depend on many factors, some of which are beyond the Company's control, such as the requirements for and time required to obtain FDA authorization to market the ROBODOC System in the United States, the progress of the Company's product development projects and market acceptance of the Company's products. The Company expects that its cash and cash equivalents as of June 30, 1997, will be sufficient to finance its operations through 1997.

PART II. OTHER INFORMATION

Item 4. Matters Submitted to Securityholders

The Company's Annual Meeting of Stockholders was held on May 14, 1997. The following Directors, constituting all of the Directors of the Company, were elected at the meeting to serve as Directors until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. The Directors elected at the Annual Meeting received the number of votes set forth opposite their respective names:

	Votes Cast	
	For Election	Withheld Authority/Abstained
Ramesh C. Trivedi	2,460,547	7,500
James C. McGroddy	2,460,547	7,500
John N. Kapoor	2,460,547	7,500
Paul A.H. Pankow	2,460,547	7,500
Gerald D. Knodson	2,460,547	7,500
Patrick G. Hays	2,460,547	7,500

At the Annual Meeting, the stockholders also ratified by the number of votes indicated below the appointment of the firm of Ernst & Young LLP as the independent public auditors of the corporation's accounts.

For	Against	Abstain
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2,462,512	3,035	2,500

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27.1 Financial Data Schedule

(b) Reports

The Company did not file any reports on Form 8-K during the period ended June 30, 1997.

Signatures

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRATED SURGICAL SYSTEMS, INC.

Date: August 13, 1997

by: /s/ Michael J. Tomczak

Michael J. Tomczak, Vice President and CFO

Exhibit Index

Exhibit -----	Description -----
27.1	Financial Data Schedule

YEAR		
	DEC-31-1996	
	JUN-30-1997	
		3,685,731
		0
		655,023
		0
		1,790,371
	6,376,530	
		1,358,540
		1,088,820
		6,663,357
	2,008,844	
		0
	0	
		0
		33,669
		4,620,844
6,663,357		
		1,379,696
	1,379,696	
		531,693
		2,657,115
		(139,521)
		0
		0
		(1,669,591)
		18,000
	(1,687,591)	
		0
		0
		0
		(1,687,591)
		(.50)
		(.50)