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

FORM 10-QSB

(MARK ONE)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Period Ended March 31, 1998.

[ ] 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	68-0232575
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

829 West Stadium Lane	
Sacramento, CA	95834
(Address of principal executive offices)	(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 x 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 - 5,605,950 shares as of May 1, 1998.

INTEGRATED SURGICAL SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	March 31, 1998 (unaudited)
Current Assets:	
Cash and cash equivalents	$ 6,997,947
Accounts receivable	1,497,705
Inventory	2,593,056
Other current assets	622,702
Total current assets	11,711,410
Property and equipment, net	784,004
Leased equipment, net	168,372
Long term net investment in sales type leases	315,040
Intangible assets, net	3,644,258
Other assets	65,325
Total assets	$ 16,688,409
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 1,742,859
Value-added taxes payable	522,979
Accrued payroll and related expenses	392,870
Customer deposits	478,568
Accrued product retrofit costs	135,348
Current portion bank loans	246,289
Other current liabilities	480,407
Total current liabilities	3,999,320
Bank loans, long term	19,920
Note Payable	139,345
Commitments and contingencies	
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; 5,591,335 shares issued and outstanding	55,913
Additional paid-in capital	38,232,988
Deferred stock compensation	(210,520)
Accumulated translation adjustment	74,959
Accumulated deficit	(25,623,516)
Total stockholder's equity	12,529,824
	$ 16,688,409

See notes to consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Net Sales	$ 1,383,360	$ 641,989
Cost of Sales	622,773	215,458
	760,587	426,531
Operating expenses:		
Selling, general and administrative	1,377,641	624,664
Research and development	1,490,284	645,354
Stock compensation	18,000	45,000
	2,885,925	1,315,018
Other income (expense):		
Interest income	100,108	71,342
Other	(10,320)	23,731
Loss before provision for income taxes	(2,035,550)	(793,414)
Provision for income taxes	9,051	9,000
Net loss	($2,044,601)	($ 802,414)
Basic net loss per share	($0.37)	($0.24)
Shares used in per share calculations	5,526,642	3,362,513

See notes to consolidated financial statements

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

	THREE MONTHS ENDED MARCH 31 1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	($2,044,601)	($802,414)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	75,461	40,868
Amortization of intangible assets	209,760	------
Stock compensation	18,000	45,000
Issuance of stock options to consultants	11,010	------
Changes in operating assets and liabilities		
Accounts Recievable	(71,163)	582,444
Inventory	(697,719)	(342,230)
Other current assets	(149,093)	(43,985)
Accountants payable	332,644	(73,614)
Valuable added taxes payable	84,297	(457)
Accrued payroll and related expenses	(23,753)	(94,767)
Customer deposits	339,896	125,000
Payable to subcontractors	(38,656)	(110,176)
Other current liabilities	49,086	11,668
Note Payable	(4,058)	------
Translation adjustment	56,914	5,815
Net cash used in operating activities	(1,851,975)	(656,948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on sales type leases	27,092	------
Purchases of property and equipment	(202,047)	(41,847)
Increase in other assets	(51,934)	------
Net cash used in investing activities	(226,889)	(41,847)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bank loans	(29,008)	------
Proceeds from sale of warrants	6,930	------
Proceeds from excercise of stock options	7,101	16,207
Net cash provided by (used in) financing activities	(14,977)	16,207
Net decrease in cash and cash equivalents	(2,093,841)	(682,588)
Cash and cash equivalents at beginning of period	9,091,788	6,001,079
Cash and cash equivalents at end of period	$6,997,947	$5,318,491

See notes to consolidated financial statements.

INTEGRATED SURGICAL SYSTEMS, INC.

Notes to Consolidated Financial Statements (unaudited)

March 31, 1998

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 adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. 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, 1997.

NOTE B - INVENTORIES

The components of inventory consist of the following:

	March 31, 1998
Raw Materials	$ 732,146
Work in process	957,196
Finished goods	903,714
	$2,593,056

NOTE C - NET LOSS PER SHARE

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, Earnings per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All net loss per share amounts have been presented on the basis set forth in Statement 128.

As of March 31, 1998, outstanding options to purchase 1,249,070 shares of common stock (with exercise prices ranging from $0.07 to $8.88) and outstanding warrants to purchase 4,507,816 shares of common stock (with exercise prices ranging from $0.01 to $8.26) could potentially dilute basis earnings per share in the future and have not been included in the computation of diluted net loss per share because to do so would have been antidilutive for the periods presented.

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

On September 5, 1997, the Company acquired all of Innovative Medical Machines International S.A.'s (IMMI) issued and outstanding capital stock, stock warrants and convertible debt in transaction accounted as a purchase. IMMI develops, manufactures and markets image guided ROBOTIC devices for surgical applications. Its principal product is the NeuroMate, a computer controlled surgical robot dedicated to stereotactic neurosurgery. The following discussion and analysis relates to the operations of Integrated Surgical Systems, Inc. and the period of operations of IMMI since the acquisition by the Company on September 5, 1997.

Results of Operations

Three Months Ended March 31, 1998 Compared to Three Months Ended March 31, 1997

Net Sales. Net sales for the three months ended March 31, 1998 (the "1998 Interim Period") were approximately $1,383,000, largely attributable to the sale of two ROBODOC Systems compared to the three months ended March 31, 1997 (the "1997 Interim Period") of approximately $642,000 which included the sale of one ROBODOC system.

Cost of Sales. Cost of sales for the 1998 Interim Period was approximately $623,000 (45% of net sales) as compared to the 1997 Interim Period of approximately $215,000 (34% of net sales). The higher cost as a percent of sales in the 1998 Interim Period is a result of higher manufacturing overhead costs in the 1998 Interim Period as the Company moved from its pilot manufacturing operation in the 1997 Interim Period toward creating the infrastructure necessary to support on-going manufacturing.

Selling, General and Administrative. Selling, general and administrative expenses for the 1998 Interim Period (approximately $1,378,000) increased by approximately $753,000, or 120% as compared to the 1997 Interim Period (approximately $625,000). Marketing costs increased approximately $497,000 with the addition of eight employees and increased participation in medical conferences and travel to potential customer sites. General and administrative costs increased approximately $256,000 to support increased growth as well as investor relations, and additional administrative expenses connected with the acquisition of IMMI.

Research and Development. Research and development expenses for the 1998 Interim Period (approximately $1,490,000) increased by approximately $845,000, or approximately 131%, as compared to the 1997 Interim Period (approximately $645,000), due to additional engineering staff required to support new applications of existing products and new product development projects.

Stock Compensation. Stock compensation expense during the 1998 Interim Period was $18,000, $27,000 lower than the 1997 Interim Period ($45,000). 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 in the 1998 Interim Period represents the additional vesting which occurred in the first three months of 1998.

Interest Income. Interest income for the 1998 Interim Period (approximately $100,000) increased by approximately $29,000, or 41%, as compared to the 1997 Interim Period (approximately $71,000), primarily due to higher average cash balances during the 1998 Interim Period as a result of the Company's European offering in November 1997.

Other Income and Expense. Other expense for the 1998 Interim Period was approximately $10,000 compared to income of approximately $24,000 in the 1997 Interim Period. The primary reason for the difference is the strengthening of the Dutch Guilder and Deutsch Mark against the U.S. Dollar during 1997 as compared to in the 1998 Interim Period a weakening Dutch Guilder and Deutsch Mark against the dollar in currency obligations of the Company's wholly owned subsidiary in The Netherlands Integrated Surgical Systems BV.

Net Loss. The net loss for the 1998 Interim Period (approximately $2,045,000) increased by approximately $1,242,000, or approximately 155%, as compared to the net loss for the 1997 Interim Period (approximately $803,000), primarily due to the higher operating expenses and the amortization of identified intangible assets acquired in connection with the acquisition of IMMI.

Liquidity and Capital Resources

Since inception, the Company's expenses have exceeded net sales. Operations have been funded primarily from the issuance of debt and the sale of equity securities aggregating approximately $32.6 million. In addition, the Company was the beneficiary of proceeds from a $3 million key-man life insurance policy in 1993 upon the death of one of its executives.

The Company used cash in operating activities of approximately $657,000 and $1,852,000 in the 1997 and 1998 Interim Periods, respectively. Net cash used in operations in each of these periods resulted primarily from the net loss. Cash used in operations in the 1997 Interim Period reflected a decrease in accounts receivable of approximately $582,000 an increase in inventory of approximately $342,000, an increase in customer deposits of approximately $125,000, and a decrease in a payable to subcontractors of approximately $110,000. Cash used in operations in the 1998 Interim Period reflected an increase in accounts receivable of approximately $71,000, an increase in inventory of approximately $698,000, an increase in accounts payable of approximately $333,000 and an increase in customer deposits of approximately $340,000.

The Company's investing activities have consisted primarily of expenditures for property and equipment which totaled approximately $42,000 and $202,000 in the 1997 and 1998 Interim Periods, respectively and investments of approximately $52,000 in a medical clinic in Spain in the 1998 Interim Period.

Cash provided by financing activities from inception through March 31, 1998 is comprised principally of the net cash proceeds from the sale of a convertible note in the principal amount of $3,000,000, the sale of convertible preferred stock and warrants for $14,676,000, and the sale of Common Stock and warrants for approximately $6,137,000, resulting from the Company's initial public offering in November 1996, and approximately $8,440,000 from the Company's European offering in November 1997. As part of the recapitalization of the Company in December 1995, the entire $3,000,000 principal amount of the convertible note, together with accrued interest thereon of approximately $1,224,000, was converted into a warrant to purchase Common Stock. A total of $11,734,000 and $2,942,000 of preferred stock and warrants to purchase preferred stock were converted into Common Stock and warrants to purchase common stock in December 1995 and November 1996, respectively.

The Company expects to incur additional operating losses at least through 1998. 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, the progress of the Company's product development projects and market acceptance of the Company's products. The Company expects its current funding and cash flow from operations will be sufficient to finance its operations through 1999.

PART II. OTHER INFORMATION

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 quarter ended March 31, 1998.

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: May 14, 1998 by: /s/ Mark W. Winn

Mark W. Winn, Chief Financial Officer

YEAR
DEC-31-1997
MAR-31-1998
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