

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-QSB

Quarterly Report under Section 13 or 15(d) of the Securities
Exchange Act of 1934 For the quarterly period ended March 31, 2003

Transition Report under 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 small business issuer as specified in its charter)

Delaware

68-0232575

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

1850 Research Park Drive, Davis, California 95616-4884

(Address of principal executive offices)

(530) 792-2600

(Issuer's telephone number)

N/A

(Former name, former address and formal fiscal year,
if changed since last report)

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: The number of shares of the issuer's
common stock outstanding as of May 12, 2003 was 41,978,469.

Transitional Small Business Disclosure Format: Yes No

Integrated Surgical Systems, Inc.
Form 10-QSB
For the quarter ended March 31, 2003

Table of Contents

	Page	

Part I.	Financial Information	
Item 1.	Financial Statements (unaudited)	2
	Consolidated Balance Sheet at March 31, 2003	2
	Consolidated Statements of Operations for the three months ended March 31, 2003 and 2002	3
	Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and 2002	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis	9
Item 3.	Controls and Procedures	13
Part II.	Other Information	
Item 2.	Changes in Securities	13
Item 5.	Other Information	13

Item 6. Exhibits and Reports on Form 8-K 13

Signature 14

Certifications 15

Part I. Financial Information

Item 1. Financial Statements (unaudited)

Integrated Surgical Systems, Inc.
Consolidated Balance Sheet
March 31, 2003
(Unaudited)

Assets	
Current assets:	
Cash	\$ 161,219
Accounts receivable, less allowance for doubtful accounts of \$65,366	1,207,861
Inventory	1,593,173
Other current assets	248,406

Total current assets	3,210,659
Property and equipment, net	154,108
Leased equipment, net	167,205
Other assets	10,603

	\$ 3,542,575
	=====
Liabilities and stockholders' deficit	
Current liabilities:	
Accounts payable	\$ 2,398,670
Accrued payroll and related expense	707,904
Accrued liabilities	261,384
Unearned income	2,644,203
Other current liabilities	454,952

Total current liabilities	6,467,113
Note payable	106,222
Commitments and contingencies	
Convertible preferred stock, \$0.01 par value, 1,000,000 shares authorized; 250 shares issued and outstanding (\$250,496 aggregate liquidation value)	250,496
Stockholders' deficit:	
Common stock, \$0.01 par value, 100,000,000 shares authorized; 41,978,469 shares issued and outstanding	419,785
Additional paid-in capital	61,849,581
Accumulated other comprehensive loss	(1,239,623)
Accumulated deficit	(64,310,999)

Total stockholders' deficit	(3,281,256)

	\$ 3,542,575
	=====

See accompanying notes.

Integrated Surgical Systems, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three months ended March 31,	
	2003	2002
Net revenue	\$ 3,020,602	\$ 908,735
Cost of revenue	1,666,931	388,615
	-----	-----
	1,353,671	520,120
Operating expenses:		
Selling, general and administrative	778,563	845,685
Research and development	448,269	705,805
Amortization of intangibles	--	209,760
	-----	-----
	1,226,832	1,761,250
	-----	-----
Operating income (loss)	126,839	(1,241,130)
Other income (expense), net:	43,152	(22,841)
	-----	-----
Net income (loss)	\$ 169,991	\$ (1,263,971)
	=====	=====
Basic net income (loss) per common share	\$ 0.00	\$ (0.03)
	=====	=====
Diluted net income (loss) per common share	\$ 0.00	\$ (0.03)
	=====	=====
Shares used in computing basic net income (loss) per share	41,978,469	38,309,715
	=====	=====
Shares used in computing diluted net income (loss) per share	53,349,941	38,309,715
	=====	=====

See accompanying notes.

Integrated Surgical Systems, Inc.
Consolidated Statements Cash Flows (Unaudited)
Increase (Decrease) in Cash

	Three months ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 169,991	\$(1,263,971)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	70,964	225,494
Amortization of intangible assets	--	209,760
Stock compensation, non-employees	--	508
Changes in operating assets and liabilities:		
Accounts receivable	332,688	(547,981)
Inventory	139,126	7,912
Other current assets	42,934	(83,187)
Accounts payable	101,800	(41,129)
Accrued payroll and related expenses	95,486	7,540
Accrued liabilities	(27,146)	(63,050)
Unearned income	(1,070,479)	986,140
Other current liabilities	62,996	(36,373)
Net cash used in operating activities	(81,640)	(598,337)
Cash flows from investing activities:		
Purchases of property and equipment	(17,708)	(3,081)
Net cash used in investing activities	(17,708)	(3,081)
Cash flows from financing activities:		
Proceeds from officer advances, deferred salaries and unreimbursed travel expenses	118,873	22,500
Payments on officer advances, deferred salaries and unreimbursed travel expenses	(28,364)	(22,500)
Net cash provided by financing activities	90,509	--
Effect of exchange rate changes on cash	87,989	17,905
Net increase (decrease) in cash	79,150	(583,513)
Cash at beginning of period	82,069	800,374
Cash at end of period	\$ 161,219	\$ 216,861

See accompanying notes

Integrated Surgical Systems, Inc.
Notes to Consolidated Financial Statements (unaudited)
March 31, 2003

1. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States 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.

The cash position of Integrated Surgical Systems, Inc. (the "Company") is inadequate and the Company has not yet identified sources of sufficient cash to assure continuing operations. At May 12, 2003, the Company was in violation of certain covenants contained in financing arrangements with vendors.

The Company is working to address this shortfall by attempting to negotiate cash advances for undelivered systems, accelerate payment terms of other contracts, defer additional salary from employees and obtain new equity investment. However, the Company can offer no assurance that attempts to strengthen cash flows will be successful. Unless the Company can secure sufficient funds on a timely basis to satisfy short-term operating requirements, the Company may have to cease operations or seek bankruptcy protection.

The reports of the Company's independent auditors in the 2002 and 2001 consolidated financial statements included explanatory paragraphs stating that there is substantial doubt with respect to the Company's ability to continue operating as a going concern. The Company's plan to address this issue - increasing sales of products in existing markets, increasing sales of system upgrades and reducing operating expenses - can only be realized to the extent that the Company generates sufficient cashflow to meet obligations. In the event that the Company is unsuccessful, it is possible that the Company will cease operations or seek bankruptcy protection. The consolidated financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from an inability on the Company's part to continue as a going concern.

Operating results for the three month period ending March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ending December 31, 2002.

2. Inventories

At March 31, 2003, the components of inventory were:

Raw materials	\$ 308,104
Work-in-process	322,756
Finished goods	734,390
Deferred product development contract costs	227,923

	\$1,593,173
	=====

3. Warranty and Service Contracts

The Company offers a one-year warranty for parts and labor on all ROBODOC and NeuroMate systems commencing upon the completion of training and installation, except when the sales contract requires formal customer acceptance. In most cases, the Company's customers purchase a service contract, which includes warranty coverage (parts and labor) unspecified product maintenance updates, customer support services and various consumables required during surgical procedures. Revenue from service contracts is initially deferred and then recognized ratably over the term of the agreements. Service contracts can be renewed at the customers' option, annually thereafter. Where the Company's products are not covered by separate service agreements, the Company provides for the estimated cost of product warranties at the time revenue is recognized. The warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from these estimates, revisions to the estimated warranty liability would be required. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's product liability for warranties and deferred service revenue during the period are as follows:

December 31, 2002 balance	\$ 666,000
Service contracts and warranties issued during the period	874,000
Settlements made during the period	(3,000)
Changes in liability for pre-existing service contracts and warranties during the period, including expirations	(478,000)

March 31, 2003 balance	\$1,059,000
	=====

4. Stockholders' equity

During the three month period ended March 31, 2003, the Company issued no shares of common stock.

5. Stock Based Compensation

The Company uses the intrinsic value method in accounting for its employee stock options because, as discussed below, the alternative fair value accounting requires the use of option valuation models that were not developed for use in valuing employee stock options. Under the intrinsic value method, when the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Option valuation models were developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected life of the option. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For the three months ending March 31, 2003 and 2002, respectively, the fair value of the Company's stock-based awards to employees was estimated using the following weighted-average assumptions: risk-free interest rates of 3.0% and 3.5%; dividend yield of 0%; volatility factors of the expected market price of the common stock of 0.931 and 0.955; and an expected life of the option of 4 years.

	Quarter Ended March 31, 2003	2002
	-----	-----
Net income (loss), as reported	\$ 169,991	\$ (1,263,971)
Add: stock-based employee compensation included in reported net income (loss)	--	--
Less: stock-based employee compensation expense, determined under fair value method for all awards	(26,131)	(34,649)
	-----	-----
Pro forma net income (loss)	\$ 143,860	\$ (1,298,620)
	=====	=====
Income (loss) per share:		
Basic net income (loss) per share	\$ 0.00	\$ (0.03)
	=====	=====
Diluted net income (loss) per share	\$ 0.00	\$ (0.03)
	=====	=====
Pro forma basic net income (loss) per share	\$ 0.00	\$ (0.03)
	=====	=====
Pro forma diluted net income (loss) per share	\$ 0.00	\$ (0.03)
	=====	=====

6. Net income (loss) per share

Basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and potential common shares outstanding during the period if their effect is dilutive. Potential common shares are comprised of outstanding employee stock options, outstanding warrants and outstanding preferred stock issuable upon the exercise of the stock option, warrant or preferred stock. The potential common shares issuable under stock options, warrants and preferred stock to purchase common shares have been excluded for the three months ending March 31, 2002 from the determination of diluted net income (loss) per share because the effect of such shares would have been anti-dilutive.

At March 31, 2003, the Company had outstanding options to purchase 2,663,067 shares of common stock (with exercise prices ranging from \$0.025 to \$8.50), 7,476,354 outstanding warrants to purchase 8,011,544 shares of common stock (with exercise prices from \$0.01 to \$8.34), and 12,524,800 shares of common stock issuable upon conversion of Series G convertible preferred stock. Of these options, warrants and preferred stock, 11,371,472 of these potential shares of common stock were considered in the calculation of diluted earnings per share. The exercise price and the ultimate number of shares of common stock issuable upon conversion of the warrants are subject to adjustments based upon the occurrence of certain future events.

7. Accumulated other comprehensive loss

	Three months ended March 31,	
	2003	2002
Net income (loss)	\$ 169,991	\$ (1,263,971)
Other comprehensive income (loss):		
Foreign currency translation	(21,716)	158,127
Comprehensive income (loss)	\$ 148,275	\$ (1,105,844)

8. Income Taxes

The Company recorded no income tax expense during the quarter ending March 31, 2003. The Company had, at December 31, 2002, a net operating loss carryover of approximately \$40,544,000 for federal income tax purposes which expires between 2005 and 2022, a net operating loss carryforward of approximately \$8,150,000 for state income tax purposes which expires between 2004 and 2012, and a net operating loss carryforward of approximately \$1,541,000, for foreign income tax purposes of which approximately \$347,000 expires between 2003 and 2007. The Company had, at December 31, 2002, research and development credit carryovers of approximately \$1,256,000 and \$1,017,000 for federal and state income tax purposes, respectively.

As a result of stock sales through December 31, 1995, a change of ownership (as defined in Section 382 of the Internal Revenue Code of 1986, as amended) has occurred. As a result of this change, the federal and state net operating loss carryforwards will be subject to a total annual limitation in the amount of approximately \$400,000. Subsequent to this change of ownership an additional change in ownership may have occurred. As a result, the net operating loss carryforwards may be further limited.

9. Recent accounting pronouncements

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The new rules apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal operation of a long-lived asset. The Company adopted SFAS No. 143 on January 1, 2003, and the adoption did not have an impact on the consolidated financial position, cash flows or results of operations.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation", and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure requirements of SFAS 123 to require more prominent and frequent disclosure requirements in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for financial statements issued for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of SFAS 148 did not have a material impact on the Company's consolidated financial position, cash flows or results of operations.

In November 2002, FASB issued Interpretation Number 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002 and the Company has adopted those requirements for the financial statements included in this Form 10-QSB. The initial recognition and initial measurement requirements of FIN 45

are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the consolidated financial position, cash flows or results of operations.

In January 2003, FASB issued Interpretation Number 46, "Consolidation of Variable Interest Entities" ("FIN 46"). This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies to the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not believe the adoption of FIN 46 will have a material impact on the consolidated financial position, cash flows or results of operations.

In November 2002, the EITF reached a consensus on Issue 00-21, "Multiple-Deliverable Revenue Arrangements" ("EITF 00-21"). EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The consensus mandates how to identify whether goods or services or both that are to be delivered separately in a bundled sales arrangement should be accounted for separately because they are "separate units of accounting". The guidance can affect the timing of revenue recognition for such arrangements, even though it does not change rules governing the timing or pattern of revenue recognition of individual items accounted for separately. The final consensus will be applicable to agreements entered into in fiscal years beginning after June 15, 2003, with early adoption permitted. Additionally, companies will be permitted to apply the consensus guidance to all existing arrangements as the cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, "Accounting Changes". The Company is assessing whether the adoption of EITF 00-21 will have a material impact on the Company's consolidated financial position, cash flows or results of operations, but at this time does not believe such adoption will have a material impact.

Item 2. Management's Discussion and Analysis

Overview

The following discussion and analysis relates to the consolidated operations of the Company and should be read in conjunction with the unaudited consolidated financial statements of the Company, including the notes thereto, appearing elsewhere in this report.

The Company designs, manufactures, sells and services image-directed, computer-controlled robotic software and hardware products for use in orthopaedic and neurosurgical procedures.

The Company's revenue consists of product revenue, specialized product development revenue and parts and service revenue.

Product revenue consists of the Company's principal orthopaedic product, the ROBODOC(R) Surgical Assistant System ("ROBODOC"), which integrates the ORTHODOC(R) Presurgical Planner ("ORTHODOC") with a computer-controlled robot for use in joint replacement surgeries. Also included in product revenue is the NeuroMate(TM) System ("NeuroMate"), which the Company designs, manufactures, sells and services, and consists of a computer-controlled robotic arm, head stabilizer, presurgical planning workstation and the proprietary software used to position and precisely hold critical tools during stereotactic brain surgery.

The Company develops specialized operating software for several implant manufacturing companies. These implant manufacturers contract with the Company for the development of particular lines of new prosthesis software to be used with the ROBODOC system.

The Company's customers purchase warranty coverage (parts and labor) as well as surgical disposables through annual service and maintenance agreements. The Company's technical staff trains medical professionals in the use of the products and provides field service.

Results of Operations

For the three months ending March 31, 2003, revenue increased and operating expenses were reduced when compared to the three months ending March 31, 2002, yielding operating income of \$127,000 and net income of \$170,000 as compared to an operating loss of \$1,241,000 and net loss of \$1,264,000, respectively. This is the second consecutive quarterly profit for the Company. This is a milestone for the Company, because these are the first profitable quarters since the Company's incorporation in 1990. Revenue of \$3,021,000 for the three months ending March 31, 2003, increased 232% or \$2,112,000 when compared to \$909,000 for the three months ending March 31, 2002. There can be no assurance that the Company will be able to maintain the revenue levels, operating profit and net income in future periods.

The majority of the increase in revenue in the period ending March 31, 2003 was a result of the Company recognizing revenue of \$2,464,000 from unearned income for three ROBODOC systems (one in Japan, one in India and one in France) and one NeuroMate system (in France) that were shipped in 2002 as compared to one NeuroMate system in the period ending March 31, 2002. The remainder of the revenue for the quarters ending March 31, 2003 and 2002 came from the Company's systems parts and services revenue. The Company's unearned income includes one ROBODOC system and one NeuroMate system to be recognized as revenue upon the completion of training and installation of the equipment at the end user site, except when the sales contract requires formal acceptance, product development projects and ongoing installed base service contracts.

Gross margin decreased from 57% in the three months ending March 31, 2002 to 45% in the three months ending March 31, 2003 due to the change in product mix favoring the stronger margins of system parts and service revenue in the three month period ending March 31, 2002 over the lower margins realized in system sales in the three month period ending March 31, 2003.

Total operating expenses have continued to decline as a result of the Company's cost reduction program. Selling and general administrative expenses are comprised of salaries, commissions, travel expenses and costs associated with trade shows as well as the finance, legal and human resources departments and professional support fees for these functions. Selling and general administrative expenses for the three month period ending March 31, 2003 decreased 8% to \$779,000 from \$846,000 for the three month period ending March 31, 2002. The decrease in selling and general administrative expenses was primarily due to decreased staffing and staffing related expenses.

Research and development expenses are comprised of the engineering and related costs associated with the development of innovative image-directed computer-controlled robotic products for surgical applications, along with specialized operating software and hardware systems to support these products, quality assurance and testing. Research and development expenses decreased 36% to \$448,000 during the three month period ending March 31, 2003 as compared to \$706,000 for the three month period ending March 31, 2002 due to decreased staffing and staffing related expenses.

Other income, net of \$43,000 when compared to other expense, net of \$23,000 for the three months ending March 31, 2003 and 2002, respectively, increased due to slightly favorable currency exchange rates for the three month period ending March 31, 2003 compared to relatively flat rates for the three month period ending March 31, 2002.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of the financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements

requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates estimates, including those related to bad debts, inventories, warranties, contingencies and litigation. Estimates are based on historical experience and on other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of consolidated financial statements:

The Company recognizes revenue from sales of systems upon the completion of equipment installation and training at the end-user's site, except when the sales contract requires formal customer acceptance. Equipment sales with contractual customer acceptance provisions are recognized as revenue upon written notification of customer acceptance, which generally occurs after the completion of installation and training. Furthermore, due to business customs in Japan and the Company's interpretation of Japanese law, all equipment sales to Japan are recognized after customer acceptance, which generally occurs after the completion of installation and training. Revenue related to maintenance and service contracts is recognized ratably over the duration of the contracts.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Where products are not covered by separate service agreements, the Company provides for the estimated cost of product warranties at the time revenue is recognized. The Company's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from estimates, revisions to the estimated warranty liability may be required.

It is Company policy to write down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required.

Property, plant and equipment and intangible assets are amortized over their useful lives. Useful lives are based on estimates of the period that the assets will generate revenue. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Liquidity and Capital Resources

The cash position of Integrated Surgical Systems, Inc. (the "Company") is inadequate and the Company has not yet identified sources of sufficient cash to assure continuing operations. At May 12, 2003, the Company was in violation of certain covenants contained in financing arrangements with vendors.

The Company is working to address this shortfall by attempting to negotiate cash advances for undelivered systems, accelerate payment terms of other contracts, defer additional salary from employees and obtain new equity investment. However, the Company can offer no assurance that attempts to strengthen cash flows will be successful. Unless the Company can secure sufficient funds on a timely basis to satisfy short-term operating requirements, the Company may have to cease operations or seek bankruptcy protection.

The reports of our independent auditors on the Company's 2002 and 2001 consolidated financial statements included explanatory paragraphs stating that there is substantial doubt with respect to the Company's ability to continue operating as a going concern. The Company's plan to address this issue - increasing sales of the Company's products in existing markets, increasing sales of system upgrades and reducing operating expenses - can only be realized to the extent that the Company can generate sufficient cash to meet obligations. In the event that the Company is unsuccessful, it is possible that the Company will cease operations or seek bankruptcy protection. The consolidated financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from an inability on the Company's part to continue as a going concern.

At March 31, 2003 the Company's "quick ratio" (cash and accounts receivable divided by current liabilities), a conservative liquidity measure designed to predict the Company's ability to pay bills, was only .21. It has been difficult for the Company to meet obligations, including payroll, as they come due, and the Company expects this situation to continue through 2003.

Net cash used in operating activities was \$82,000 for the three months ended March 31, 2003. This primarily resulted from the income from continuing operations of \$170,000, plus a decrease in accounts receivable of \$333,000, a decrease in inventory of \$139,000 and an increase of \$197,000 in accounts payable and accrued payroll and related expenses, offset by a decrease in unearned income of \$1,071,000. The increase in accounts payable is directly related to delayed vendor payments. The Company expects to derive most of the cash required to support operations through sales of the ROBODOC System. Continued conversion of the inventory balance into cash, as well as collection of the account receivables, is critical to the Company's survival in 2003.

At March 31, 2003, the Company had amounts due to the executive officers of the Company of approximately \$474,000, in the aggregate, in the form of an interest bearing advance, deferred salaries and unreimbursed travel expenses. Approximately \$107,000, \$245,000 and \$57,000 are included in accrued payroll and related expense, accounts payable and accrued liabilities, respectively, due to Ramesh C. Trivedi, president and chief executive officer of the Company, approximately \$25,000 and \$18,000 are included in accrued payroll and related expense and accounts payable, respectively, due to Leland Witherspoon, vice president of engineering of the Company, and approximately \$12,000, \$5,000 and \$5,000 are included in accrued payroll and related expense, accounts payable and accrued liabilities, respectively, due to Charles J. Novak, chief financial officer of the Company.

The financial statements of Integrated Surgical Systems, S.A. ("ISS-SA"), the wholly-owned French subsidiary, for the three months ended March 31, 2003 have net assets of less than 50% of ISS-SA's capital stock. This equity deficit is considered to be a sign of bankruptcy under French law. Unless this situation is remedied, a third party or the French courts could petition for correction or the dissolution of ISS-SA. The Company plans to correct this equity deficiency by converting a portion of ISS-SA's intercompany payables into equity of ISS-SA.

On May 12, 2003 there were 42.0 million shares of common stock outstanding, trading in the over-the-counter market at \$0.030 per share, giving the Company a market capitalization of \$1.3 million. It is not likely, therefore, that the Company will be able to raise significant funds in the equity markets.

The Company has the following contractual obligations and commercial commitments at March 31, 2003:

	Total	Less than 1 year	1-3 years	More than 3 years
	-----	-----	-----	-----
Facility operating leases	\$1,038,000	\$490,000	\$548,000	\$ -
Equipment operating leases	\$ 34,000	\$ 34,000	\$ -	\$ -
Research grant	\$ 106,000	\$ -	\$ -	\$ -

For further information, readers are referred to the Management's Discussion and Analysis section included in the Company's Annual Report on Form 10-KSB for the year ending December 31, 2002.

Item 3. Controls and Procedures

Within the 90 days prior to the filing of this report, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design of the Company's disclosure controls and procedures, as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, in all material respects, to ensure that the information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There have been no significant changes (including corrective actions with regards to significant deficiencies and material weaknesses) in the Company's internal controls or in other factors subsequent to the date the Company carried out its evaluation that could significantly affect these controls.

Part II. Other Information

Item 2. Changes in Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Statements under Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

None.

SIGNATURE

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRATED SURGICAL SYSTEMS, INC.

By: /s/ CHARLES J. NOVAK

Charles J. Novak
(Principal Financial and Accounting Officer)

Dated: May 12, 2003

I, Ramesh C. Trivedi, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Integrated Surgical Systems, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

RAMESH C. TRIVEDI

Ramesh C. Trivedi
Principal Executive Officer

I, Charles J. Novak, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Integrated Surgical Systems, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

CHARLES J. NOVAK

Charles J. Novak
Principal Financial and Accounting Officer

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ramesh C. Trivedi, Chief Executive Officer and President of Integrated Surgical Systems, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2003 (the "Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2003

/s/ Ramesh C. Trivedi

Ramesh C. Trivedi
Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to Integrated Surgical Systems, Inc. and will be retained by Integrated Surgical Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles J. Novak, Chief Financial Officer of Integrated Surgical Systems, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2003 (the "Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2003

/s/ Charles J. Novak

Charles J. Novak
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Integrated Surgical Systems, Inc. and will be retained by Integrated Surgical Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.