

INTUITIVE SURGICAL, INC.
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Note: We adopted ASC 606, *Revenue from Contracts with Customers*, effective January 1, 2018, using the full retrospective method. For all prior periods and tables presented, our financial results have been restated to reflect the effects of this adoption.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Condensed Consolidated Statements of Operations (GAAP) and Other Metrics
(in millions, except per share data and headcount)
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <u>Condensed Statements of Operations</u> | | | | | | | | | | | | | | | |
| Revenue | \$ 595.0 | \$ 670.6 | \$ 683.4 | \$ 757.5 | \$ 679.6 | \$ 758.8 | \$ 807.8 | \$ 892.0 | \$ 847.5 | \$ 909.3 | \$ 920.9 | \$ 1,046.5 | \$ 2,706.5 | \$ 3,138.2 | \$ 3,724.2 |
| Gross Profit | 405.7 | 471.6 | 487.7 | 527.9 | 469.8 | 530.1 | 568.1 | 634.0 | 593.8 | 632.3 | 642.3 | 735.7 | 1,892.9 | 2,202.0 | 2,604.1 |
| Gross Profit Margin | 68.2% | 70.3% | 71.4% | 69.7% | 69.1% | 69.9% | 70.3 % | 71.1% | 70.1% | 69.5% | 69.7% | 70.3% | 69.9% | 70.2% | 69.9% |
| SG&A Expenses | 172.4 | 170.4 | 167.6 | 193.2 | 202.9 | 185.6 | 204.1 | 217.9 | 221.6 | 259.8 | 221.4 | 283.8 | 703.6 | 810.5 | 986.6 |
| Research and Development Expenses | 53.2 | 54.7 | 62.6 | 69.1 | 73.5 | 84.6 | 83.4 | 87.1 | 95.5 | 95.1 | 107.6 | 119.9 | 239.6 | 328.6 | 418.1 |
| Total Operating Expenses | 225.6 | 225.1 | 230.2 | 262.3 | 276.4 | 270.2 | 287.5 | 305.0 | 317.1 | 354.9 | 329.0 | 403.7 | 943.2 | 1,139.1 | 1,404.7 |
| Operating Income | 180.1 | 246.5 | 257.5 | 265.6 | 193.4 | 259.9 | 280.6 | 329.0 | 276.7 | 277.4 | 313.3 | 332.0 | 949.7 | 1,062.9 | 1,199.4 |
| Operating Margin | 30.3% | 36.8% | 37.7% | 35.1% | 28.5% | 34.3% | 34.7 % | 36.9% | 32.6% | 30.5% | 34.0% | 31.7% | 35.1% | 33.9% | 32.2% |
| Interest and Other Income, net | 5.5 | 8.0 | 10.4 | 11.7 | 8.7 | 10.1 | 10.8 | 12.3 | 13.2 | 18.2 | 21.9 | 26.8 | 35.6 | 41.9 | 80.1 |
| Income Before Taxes | 185.6 | 254.5 | 267.9 | 277.3 | 202.1 | 270.0 | 291.4 | 341.3 | 289.9 | 295.6 | 335.2 | 358.8 | 985.3 | 1,104.8 | 1,279.5 |
| Income Tax Expense (Benefit) | 48.6 | 69.4 | 56.3 | 72.7 | 21.3 | 47.0 | (7.2) | 372.8 | 2.6 | 41.0 | 43.4 | 67.5 | 247.0 | 433.9 | 154.5 |
| Effective Tax Rate | 26.2% | 27.3% | 21.0% | 26.2% | 10.5% | 17.4% | (2.5)% | 109.2% | 0.9% | 13.9% | 12.9% | 18.8% | 25.1% | 39.3% | 12.1% |
| Net Income (Loss) | \$ 137.0 | \$ 185.1 | \$ 211.6 | \$ 204.6 | \$ 180.8 | \$ 223.0 | \$ 298.6 | \$ (31.5) | \$ 287.3 | \$ 254.6 | \$ 291.8 | \$ 291.3 | \$ 738.3 | \$ 670.9 | \$ 1,125.0 |
| Less: Net Loss Attributable to Noncontrolling Interest in Joint Venture | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ (0.3) | \$ (0.7) | \$ (0.7) | \$ (1.2) | \$ — | \$ — | \$ (2.9) |
| Net Income (Loss) Attributable to Intuitive Surgical, Inc. | \$ 137.0 | \$ 185.1 | \$ 211.6 | \$ 204.6 | \$ 180.8 | \$ 223.0 | \$ 298.6 | \$ (31.5) | \$ 287.6 | \$ 255.3 | \$ 292.5 | \$ 292.5 | \$ 738.3 | \$ 670.9 | \$ 1,127.9 |
| Net Income (Loss) Per Share Attributable to Intuitive Surgical, Inc. | \$ 1.19 | \$ 1.57 | \$ 1.78 | \$ 1.71 | \$ 1.57 | \$ 1.94 | \$ 2.56 | \$ (0.28) | \$ 2.44 | \$ 2.15 | \$ 2.45 | \$ 2.45 | \$ 6.26 | \$ 5.77 | \$ 9.49 |
| Diluted Shares Outstanding | 115.5 | 117.6 | 119.1 | 119.4 | 115.5 | 115.2 | 116.8 | 112.2 | 118.0 | 118.5 | 119.2 | 119.2 | 117.9 | 116.3 | 118.8 |
| <u>Other Metrics</u> | | | | | | | | | | | | | | | |
| Cash and Investments | \$ 3,801.1 | \$ 4,224.9 | \$ 4,561.3 | \$ 4,837.9 | \$ 3,146.8 | \$ 3,423.3 | \$ 3,802.0 | \$ 3,846.5 | \$ 4,068.2 | \$ 4,259.6 | \$ 4,570.5 | \$ 4,834.4 | \$ 4,837.9 | \$ 3,846.5 | \$ 4,834.4 |
| Capital, IP, Business Acquisitions | \$ 9.6 | \$ 11.4 | \$ 15.1 | \$ 17.8 | \$ 53.0 | \$ 55.3 | \$ 51.4 | \$ 31.0 | \$ 40.1 | \$ 82.9 | \$ 69.0 | \$ 83.6 | \$ 53.9 | \$ 190.7 | \$ 275.6 |
| Share Repurchases | \$ 8.1 | \$ — | \$ — | \$ 34.4 | \$ 2,000.0 | \$ — | \$ — | \$ 274.0 | \$ — | \$ — | \$ — | \$ — | \$ 42.5 | \$ 2,274.0 | \$ — |
| Headcount | 3,317 | 3,460 | 3,625 | 3,755 | 3,897 | 4,108 | 4,253 | 4,444 | 4,613 | 4,917 | 5,197 | 5,527 | 3,755 | 4,444 | 5,527 |

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Non-GAAP Financial Measures (#)
(in millions, except per share data)
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Non-GAAP Gross Profit Margin | 70.0% | 72.0% | 73.1% | 71.2% | 72.0% | 71.4% | 71.8% | 72.4% | 71.6% | 71.1% | 71.5% | 71.8% | 71.6% | 71.9% | 71.5% |
| Non-GAAP SG&A Expenses | \$ 146.0 | \$ 142.6 | \$ 142.3 | \$ 163.2 | \$ 163.8 | \$ 163.6 | \$ 164.5 | \$ 189.7 | \$ 187.8 | \$ 184.6 | \$ 186.9 | \$ 247.4 | \$ 594.1 | \$ 681.6 | \$ 806.7 |
| Non-GAAP Research and Development Expenses | \$ 40.4 | \$ 42.0 | \$ 48.7 | \$ 55.1 | \$ 59.6 | \$ 63.2 | \$ 66.3 | \$ 70.3 | \$ 72.6 | \$ 73.1 | \$ 80.9 | \$ 92.0 | \$ 186.2 | \$ 259.4 | \$ 318.6 |
| Non-GAAP Operating Margin | 38.7% | 44.5% | 45.2% | 42.4% | 39.1% | 41.5% | 43.2% | 43.3% | 40.9% | 42.7% | 42.4% | 39.4% | 42.8% | 41.9% | 41.3% |
| Non-GAAP Income Before Taxes | \$ 235.7 | \$ 306.2 | \$ 319.1 | \$ 332.6 | \$ 274.5 | \$ 325.0 | \$ 359.9 | \$ 398.4 | \$ 359.5 | \$ 406.9 | \$ 412.5 | \$ 439.8 | \$ 1,193.6 | \$ 1,357.8 | \$ 1,618.7 |
| Non-GAAP Net Income Attributable to Intuitive Surgical, Inc. | \$ 170.9 | \$ 221.0 | \$ 246.3 | \$ 242.9 | \$ 197.0 | \$ 229.9 | \$ 324.9 | \$ 305.0 | \$ 287.5 | \$ 327.4 | \$ 337.0 | \$ 353.2 | \$ 881.1 | \$ 1,056.8 | \$ 1,305.1 |
| Non-GAAP Net Income Per Share Attributable to Intuitive Surgical, Inc. | \$ 1.48 | \$ 1.88 | \$ 2.07 | \$ 2.03 | \$ 1.71 | \$ 2.00 | \$ 2.78 | \$ 2.60 | \$ 2.44 | \$ 2.76 | \$ 2.83 | \$ 2.96 | \$ 7.47 | \$ 9.09 | \$ 10.99 |
| Diluted Shares Outstanding | 115.5 | 117.6 | 119.1 | 119.4 | 115.5 | 115.2 | 116.8 | 117.4 | 118.0 | 118.5 | 119.2 | 119.2 | 117.9 | 116.3 | 118.8 |

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue and Related Metrics
Total Company
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <i>Revenue and Related Metrics</i> | | | | | | | | | | | | | | | |
| Instruments and Accessories Revenue (millions) | \$ 322.1 | \$ 339.3 | \$ 348.1 | \$ 386.3 | \$ 380.8 | \$ 397.8 | \$ 401.2 | \$ 457.1 | \$ 460.3 | \$ 476.1 | \$ 486.3 | \$ 539.3 | \$ 1,395.8 | \$ 1,636.9 | \$ 1,962.0 |
| Year over year growth | 16 % | 14% | 17 % | 19% | 18 % | 17% | 15 % | 18% | 21 % | 20% | 21 % | 18% | 17% | 17% | 20% |
| Quarter over quarter growth (decline) | (1)% | 5% | 3 % | 11% | (1)% | 4% | 1 % | 14% | 1 % | 3% | 2 % | 11% | | | |
| Year over year procedure growth | 17 % | 16% | 14 % | 15% | 18 % | 16% | 15 % | 17% | 15 % | 18% | 20 % | 19% | 15% | 16% | 18% |
| Quarter over quarter procedure growth (decline) | (1)% | 7% | (1)% | 9% | 2 % | 5% | (2)% | 12% | — % | 8% | — % | 11% | | | |
| Service Revenue (millions) | \$ 122.9 | \$ 126.5 | \$ 128.1 | \$ 133.2 | \$ 138.0 | \$ 139.9 | \$ 144.6 | \$ 150.4 | \$ 152.7 | \$ 155.8 | \$ 160.0 | \$ 166.6 | \$ 510.7 | \$ 572.9 | \$ 635.1 |
| Year over year growth | 8 % | 12% | 9 % | 11% | 12 % | 11% | 13 % | 13% | 11 % | 11% | 11 % | 11% | 10% | 12% | 11% |
| Quarter over quarter growth | 2 % | 3% | 1 % | 4% | 4 % | 1% | 3 % | 4% | 2 % | 2% | 3 % | 4% | | | |
| Operating Lease Revenue (millions) | \$ 3.5 | \$ 4.3 | \$ 4.2 | \$ 4.6 | \$ 5.0 | \$ 6.4 | \$ 6.7 | \$ 7.8 | \$ 9.5 | \$ 11.5 | \$ 14.0 | \$ 16.4 | \$ 16.6 | \$ 25.9 | \$ 51.4 |
| Year over year growth | 192 % | 231% | 133 % | 70% | 43 % | 49% | 60 % | 70% | 90 % | 80% | 109 % | 110% | 137% | 56% | 98% |
| Quarter over quarter growth (decline) | 30 % | 23% | (2)% | 10% | 9 % | 28% | 5 % | 16% | 22 % | 21% | 22 % | 17% | | | |
| Total Recurring Revenue (millions) (1) | \$ 448.5 | \$ 470.1 | \$ 480.4 | \$ 524.1 | \$ 523.8 | \$ 544.1 | \$ 552.5 | \$ 615.3 | \$ 622.5 | \$ 643.4 | \$ 660.3 | \$ 722.3 | \$ 1,923.1 | \$ 2,235.7 | \$ 2,648.5 |
| Year over year growth | 14 % | 14% | 15 % | 17% | 17 % | 16% | 15 % | 17% | 19 % | 18% | 20 % | 17% | 15% | 16% | 18% |
| Quarter over quarter growth | — % | 5% | 2 % | 9% | — % | 4% | 2 % | 11% | 1 % | 3% | 3 % | 9% | | | |
| % Recurring Revenue | 75 % | 70% | 70 % | 69% | 77 % | 72% | 68 % | 69% | 73 % | 71% | 72 % | 69% | 71% | 71% | 71% |
| Systems Revenue (millions) | \$ 150.0 | \$ 204.8 | \$ 207.2 | \$ 238.0 | \$ 160.8 | \$ 221.1 | \$ 262.0 | \$ 284.5 | \$ 234.5 | \$ 277.4 | \$ 274.6 | \$ 340.6 | \$ 800.0 | \$ 928.4 | \$ 1,127.1 |
| Year over year growth | 6 % | 16% | 19 % | 3% | 7 % | 8% | 26 % | 20% | 46 % | 25% | 5 % | 20% | 11% | 16% | 21% |
| Quarter over quarter growth (decline) | (35)% | 37% | 1 % | 15% | (32)% | 38% | 18 % | 9% | (18)% | 18% | (1)% | 24% | | | |
| Total Revenue (millions) (2) | \$ 595.0 | \$ 670.6 | \$ 683.4 | \$ 757.5 | \$ 679.6 | \$ 758.8 | \$ 807.8 | \$ 892.0 | \$ 847.5 | \$ 909.3 | \$ 920.9 | \$ 1,046.5 | \$ 2,706.5 | \$ 3,138.2 | \$ 3,724.2 |
| Year over year growth | 12 % | 14% | 16 % | 12% | 14 % | 13% | 18 % | 18% | 25 % | 20% | 14 % | 17% | 14% | 16% | 19% |
| Quarter over quarter growth (decline) | (12)% | 13% | 2 % | 11% | (10)% | 12% | 6 % | 10% | (5)% | 7% | 1 % | 14% | | | |

(1) Starting fourth quarter of 2017, we presented operating lease revenue, which is classified as systems revenue, as a component of total recurring revenue and recast previously presented total recurring revenue accordingly.

(2) Total revenue consists of instrument and accessory revenue, service revenue, and systems revenue.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue and Related Metrics (continued)
Total Company
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <i>Installed System Base Rollforward</i> | | | | | | | | | | | | | | | |
| Beginning Installed System Base | 3,597 | 3,660 | 3,745 | 3,803 | 3,919 | 4,023 | 4,149 | 4,271 | 4,409 | 4,528 | 4,666 | 4,814 | 3,597 | 3,919 | 4,409 |
| Systems Shipped: | | | | | | | | | | | | | | | |
| S Systems | — | 1 | — | — | — | — | — | — | — | — | — | — | 1 | — | — |
| Dual Consoles Si Systems | — | 1 | 1 | 3 | 4 | 2 | 1 | — | — | 1 | — | 1 | 5 | 7 | 2 |
| Single Console Si Systems | 24 | 29 | 30 | 39 | 32 | 24 | 23 | 19 | 15 | 13 | 7 | 15 | 122 | 98 | 50 |
| Si-e Systems | 1 | — | 1 | — | 1 | 1 | 1 | 1 | — | — | — | — | 2 | 4 | — |
| Dual Console X Systems | — | — | — | — | — | 1 | — | 4 | 1 | 3 | 4 | 2 | — | 5 | 10 |
| Single Console X Systems | — | — | — | — | — | 10 | 16 | 47 | 28 | 44 | 60 | 49 | — | 73 | 181 |
| Dual Console Xi Systems | 19 | 32 | 22 | 33 | 25 | 38 | 39 | 39 | 32 | 42 | 51 | 64 | 106 | 141 | 189 |
| Single Console Xi Systems | 66 | 67 | 80 | 88 | 71 | 90 | 89 | 106 | 109 | 117 | 106 | 147 | 301 | 356 | 479 |
| SP Systems | — | — | — | — | — | — | — | — | — | — | 3 | 12 | — | — | 15 |
| Total System Units Shipped* | 110 | 130 | 134 | 163 | 133 | 166 | 169 | 216 | 185 | 220 | 231 | 290 | 537 | 684 | 926 |
| Trade-Ins and Retirements ** | (47) | (45) | (76) | (47) | (29) | (40) | (47) | (78) | (66) | (82) | (83) | (118) | (215) | (194) | (349) |
| Ending Installed System Base | 3,660 | 3,745 | 3,803 | 3,919 | 4,023 | 4,149 | 4,271 | 4,409 | 4,528 | 4,666 | 4,814 | 4,986 | 3,919 | 4,409 | 4,986 |
| *Systems Shipped under Operating Leases (Included in Total System Units Shipped) | 19 | 15 | 15 | 13 | 21 | 27 | 20 | 40 | 43 | 44 | 58 | 84 | 62 | 108 | 229 |

**During the third quarter of 2016, we implemented a new system and processes for tracking installed da Vinci systems in the field. As part of the transition process, we performed a verification audit of our installed base records that identified 42 systems, mostly older standard and S models which had been retired. We removed these retired systems from our installed base estimate during the third quarter of 2016.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue and Related Metrics
United States
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <u>Revenue and Related Metrics</u> | | | | | | | | | | | | | | | |
| Instruments and Accessories Revenue (millions) | \$ 246.8 | \$ 262.2 | \$ 270.4 | \$ 297.9 | \$ 287.6 | \$ 309.4 | \$ 312.7 | \$ 353.4 | \$ 337.6 | \$ 360.3 | \$ 368.1 | \$ 419.2 | \$ 1,077.3 | \$ 1,263.1 | \$ 1,485.2 |
| Year over year growth | 16 % | 14% | 14% | 17% | 17 % | 18% | 16 % | 19% | 17 % | 16% | 18% | 19% | 15% | 17% | 18% |
| Quarter over quarter growth (decline) | (3)% | 6% | 3% | 10% | (3)% | 8% | 1 % | 13% | (4)% | 7% | 2% | 14% | | | |
| Year over year procedure growth | 15 % | 13% | 11% | 13% | 14 % | 14% | 12 % | 16% | 14 % | 17% | 19% | 18% | 13% | 14% | 17% |
| Quarter over quarter procedure growth (decline) | (3)% | 7% | —% | 9% | (2)% | 6% | (2)% | 13% | (3)% | 9% | —% | 12% | | | |
| Service Revenue (millions) | \$ 92.7 | \$ 93.8 | \$ 93.7 | \$ 97.6 | \$ 101.8 | \$ 101.9 | \$ 106.3 | \$ 109.2 | \$ 110.8 | \$ 112.0 | \$ 114.8 | \$ 118.5 | \$ 377.8 | \$ 419.2 | \$ 456.1 |
| Year over year growth | 9 % | 11% | 7% | 9% | 10 % | 9% | 13 % | 12% | 9 % | 10% | 8% | 9% | 9% | 11% | 9% |
| Quarter over quarter growth | 3 % | 1% | —% | 4% | 4 % | —% | 4 % | 3% | 1 % | 1% | 3% | 3% | | | |
| Systems Revenue (millions) | \$ 91.6 | \$ 129.2 | \$ 130.4 | \$ 150.1 | \$ 105.4 | \$ 141.3 | \$ 175.6 | \$ 181.2 | \$ 124.0 | \$ 172.4 | \$ 193.6 | \$ 202.2 | \$ 501.3 | \$ 603.5 | \$ 692.2 |
| Year over year growth | 8 % | 26% | 16% | 34% | 15 % | 9% | 35 % | 21% | 18 % | 22% | 10% | 12% | 22% | 20% | 15% |
| Quarter over quarter growth (decline) | (18)% | 41% | 1% | 15% | (30)% | 34% | 24 % | 3% | (32)% | 39% | 12% | 4% | | | |
| Total Revenue (millions) | \$ 431.1 | \$ 485.2 | \$ 494.5 | \$ 545.6 | \$ 494.8 | \$ 552.6 | \$ 594.6 | \$ 643.8 | \$ 572.4 | \$ 644.7 | \$ 676.5 | \$ 739.9 | \$ 1,956.4 | \$ 2,285.8 | \$ 2,633.5 |
| Year over year growth | 13 % | 16% | 13% | 19% | 15 % | 14% | 20 % | 18% | 16 % | 17% | 14% | 15% | 15% | 17% | 15% |
| Quarter over quarter growth (decline) | (6)% | 13% | 2% | 10% | (9)% | 12% | 8 % | 8% | (11)% | 13% | 5% | 9% | | | |
| <u>Installed System Base Rollforward</u> | | | | | | | | | | | | | | | |
| Beginning Installed System Base | 2,399 | 2,431 | 2,474 | 2,501 | 2,563 | 2,624 | 2,703 | 2,770 | 2,862 | 2,928 | 3,010 | 3,110 | 2,399 | 2,563 | 2,862 |
| Systems Shipped: | | | | | | | | | | | | | | | |
| Single Console Si Systems | 11 | 11 | 12 | 11 | 10 | 6 | 4 | 1 | 2 | 1 | — | 1 | 45 | 21 | 4 |
| Si-e Systems | 1 | — | 1 | — | 1 | — | — | 1 | — | — | — | — | 2 | 2 | — |
| Dual Console X Systems | — | — | — | — | — | — | — | 2 | — | 2 | — | 1 | — | 2 | 3 |
| Single Console X Systems | — | — | — | — | — | 4 | 5 | 22 | 15 | 15 | 28 | 15 | — | 31 | 73 |
| Dual Console Xi Systems | 17 | 22 | 15 | 21 | 19 | 27 | 33 | 28 | 21 | 30 | 45 | 43 | 75 | 107 | 139 |
| Single Console Xi Systems | 45 | 46 | 57 | 68 | 47 | 66 | 65 | 76 | 74 | 90 | 80 | 105 | 216 | 254 | 349 |
| SP Systems | — | — | — | — | — | — | — | — | — | — | 3 | 10 | — | — | 13 |
| Total System Units Shipped* | 74 | 79 | 85 | 100 | 77 | 103 | 107 | 130 | 112 | 138 | 156 | 175 | 338 | 417 | 581 |
| Trade-Ins and Retirements ** | (42) | (36) | (58) | (38) | (16) | (24) | (40) | (38) | (46) | (56) | (56) | (81) | (174) | (118) | (239) |
| Ending Installed System Base | 2,431 | 2,474 | 2,501 | 2,563 | 2,624 | 2,703 | 2,770 | 2,862 | 2,928 | 3,010 | 3,110 | 3,204 | 2,563 | 2,862 | 3,204 |
| *Systems Shipped under Operating Leases (Included in Total System Units Shipped) | 19 | 13 | 14 | 11 | 15 | 22 | 16 | 32 | 42 | 38 | 49 | 69 | 57 | 85 | 198 |

**During the third quarter of 2016, we implemented a new system and processes for tracking installed da Vinci systems in the field. As part of the transition process, we performed a verification audit of our installed base records that identified 31 systems, mostly older standard and S models which had been retired. We removed these retired systems from our installed base estimate during the third quarter of 2016.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue and Related Metrics
Outside of the United States
2016 - 2018

| | <u>Q1'16</u> | <u>Q2'16</u> | <u>Q3'16</u> | <u>Q4'16</u> | <u>Q1'17</u> | <u>Q2'17</u> | <u>Q3'17</u> | <u>Q4'17</u> | <u>Q1'18</u> | <u>Q2'18</u> | <u>Q3'18</u> | <u>Q4'18</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <u>Revenue and Related Metrics</u> | | | | | | | | | | | | | | | |
| Instruments and Accessories Revenue (millions) | \$ 75.3 | \$ 77.1 | \$ 77.7 | \$ 88.4 | \$ 93.2 | \$ 88.4 | \$ 88.5 | \$ 103.7 | \$ 122.7 | \$ 115.8 | \$ 118.2 | \$ 120.1 | \$ 318.5 | \$ 373.8 | \$ 476.8 |
| Year over year growth | 17 % | 17% | 29 % | 26 % | 24 % | 15 % | 14 % | 17% | 32% | 31 % | 34 % | 16% | 22 % | 17% | 28% |
| Quarter over quarter growth (decline) | 7 % | 2% | 1 % | 14 % | 5 % | (5)% | — % | 17% | 18% | (6)% | 2 % | 2% | | | |
| Year over year procedure growth | 22 % | 25% | 25 % | 23 % | 28 % | 22 % | 23 % | 21% | 18% | 22 % | 23 % | 24% | 24 % | 23% | 22% |
| Quarter over quarter procedure growth (decline) | 8 % | 7% | (4)% | 11 % | 12 % | 2 % | (2)% | 9% | 9% | 6 % | (1)% | 10% | | | |
| Service Revenue (millions) | \$ 30.2 | \$ 32.7 | \$ 34.4 | \$ 35.6 | \$ 36.2 | \$ 38.0 | \$ 38.3 | \$ 41.2 | \$ 41.9 | \$ 43.8 | \$ 45.2 | \$ 48.1 | \$ 132.9 | \$ 153.7 | \$ 179.0 |
| Year over year growth | 4 % | 13% | 17 % | 17 % | 20 % | 16 % | 11 % | 16% | 16% | 15 % | 18 % | 17% | 13 % | 16% | 16% |
| Quarter over quarter growth | — % | 8% | 5 % | 3 % | 2 % | 5 % | 1 % | 8% | 2% | 5 % | 3 % | 6% | | | |
| Systems Revenue (millions) | \$ 58.4 | \$ 75.6 | \$ 76.8 | \$ 87.9 | \$ 55.4 | \$ 79.8 | \$ 86.4 | \$ 103.3 | \$ 110.5 | \$ 105.0 | \$ 81.0 | \$ 138.4 | \$ 298.7 | \$ 324.9 | \$ 434.9 |
| Year over year growth (decline) | 4 % | 3% | 25 % | (26)% | (5)% | 6 % | 13 % | 18% | 99% | 32 % | (6)% | 34% | (4)% | 9% | 34% |
| Quarter over quarter growth (decline) | (51)% | 29% | 2 % | 14 % | (37)% | 44 % | 8 % | 20% | 7% | (5)% | (23)% | 71% | | | |
| Total Revenue (millions) | \$ 163.9 | \$ 185.4 | \$ 188.9 | \$ 211.9 | \$ 184.8 | \$ 206.2 | \$ 213.2 | \$ 248.2 | \$ 275.1 | \$ 264.6 | \$ 244.4 | \$ 306.6 | \$ 750.1 | \$ 852.4 | \$ 1,090.7 |
| Year over year growth (decline) | 9 % | 10% | 25 % | (3)% | 13 % | 11 % | 13 % | 17% | 49% | 28 % | 15 % | 24% | 9 % | 14% | 28% |
| Quarter over quarter growth (decline) | (25)% | 13% | 2 % | 12 % | (13)% | 12 % | 3 % | 16% | 11% | (4)% | (8)% | 25% | | | |

Installed System Base Rollforward

| | | | | | | | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Beginning Installed System Base | 1,198 | 1,229 | 1,271 | 1,302 | 1,356 | 1,399 | 1,446 | 1,501 | 1,547 | 1,600 | 1,656 | 1,704 | 1,198 | 1,356 | 1,547 |
| Systems Shipped: | | | | | | | | | | | | | | | |
| S Systems | — | 1 | — | — | — | — | — | — | — | — | — | — | 1 | — | — |
| Dual Consoles Si Systems | — | 1 | 1 | 3 | 4 | 2 | 1 | — | — | 1 | — | 1 | 5 | 7 | 2 |
| Single Console Si Systems | 13 | 18 | 18 | 28 | 22 | 18 | 19 | 18 | 13 | 12 | 7 | 14 | 77 | 77 | 46 |
| Si-e Systems | — | — | — | — | — | 1 | 1 | — | — | — | — | — | — | 2 | — |
| Dual Console X Systems | — | — | — | — | — | 1 | — | 2 | 1 | 1 | 4 | 1 | — | 3 | 7 |
| Single Console X Systems | — | — | — | — | — | 6 | 11 | 25 | 13 | 29 | 32 | 34 | — | 42 | 108 |
| Dual Console Xi Systems | 2 | 10 | 7 | 12 | 6 | 11 | 6 | 11 | 11 | 12 | 6 | 21 | 31 | 34 | 50 |
| Single Console Xi Systems | 21 | 21 | 23 | 20 | 24 | 24 | 24 | 30 | 35 | 27 | 26 | 42 | 85 | 102 | 130 |
| SP Systems | — | — | — | — | — | — | — | — | — | — | — | 2 | — | — | 2 |
| Total System Units Shipped* | 36 | 51 | 49 | 63 | 56 | 63 | 62 | 86 | 73 | 82 | 75 | 115 | 199 | 267 | 345 |
| Trade-Ins and Retirements** | (5) | (9) | (18) | (9) | (13) | (16) | (7) | (40) | (20) | (26) | (27) | (37) | (41) | (76) | (110) |
| Ending Installed System Base | 1,229 | 1,271 | 1,302 | 1,356 | 1,399 | 1,446 | 1,501 | 1,547 | 1,600 | 1,656 | 1,704 | 1,782 | 1,356 | 1,547 | 1,782 |

*Systems Shipped under Operating Leases (Included in Total System Units Shipped)

| | | | | | | | | | | | | | | | |
|--|---|---|---|---|---|---|---|---|---|---|---|----|---|----|----|
| | — | 2 | 1 | 2 | 6 | 5 | 4 | 8 | 1 | 6 | 9 | 15 | 5 | 23 | 31 |
|--|---|---|---|---|---|---|---|---|---|---|---|----|---|----|----|

**During the third quarter of 2016, we implemented a new system and processes for tracking installed da Vinci systems in the field. As part of the transition process, we performed a verification audit of our installed base records that identified 11 systems, mostly older standard and S models which had been retired. We removed these retired systems from our installed base estimate during the third quarter of 2016.

Intuitive Surgical, Inc.
Reconciliation of Unaudited GAAP Financial Measures to Non-GAAP Financial Measures
(in millions, except per share data)
2016 - 2018

| | Q1'16 | Q2'16 | Q3'16 | Q4'16 | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 | Q2'18 | Q3'18 | Q4'18 | FY16 | FY17 | FY18 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|
| GAAP gross profit | \$405.7 | \$471.6 | \$487.7 | \$527.9 | \$469.8 | \$530.1 | \$568.1 | \$634.0 | \$593.8 | \$632.3 | \$642.3 | \$735.7 | \$1,892.9 | \$2,202.0 | \$2,604.1 |
| Share-based compensation expense | 8.7 | 9.1 | 10.2 | 9.6 | 9.9 | 10.1 | 10.6 | 11.1 | 11.9 | 12.8 | 14.3 | 13.5 | 37.6 | 41.7 | 52.5 |
| Intangible asset charges | 2.2 | 2.1 | 1.8 | 1.7 | 1.7 | 1.5 | 1.2 | 1.0 | 1.0 | 1.3 | 1.8 | 2.0 | 7.8 | 5.4 | 6.1 |
| Litigation charges | — | — | — | — | 7.8 | — | — | — | — | — | — | — | — | 7.8 | — |
| Non-GAAP gross profit | \$416.6 | \$482.8 | \$499.7 | \$539.2 | \$489.2 | \$541.7 | \$579.9 | \$646.1 | \$606.7 | \$646.4 | \$658.4 | \$751.2 | \$1,938.3 | \$2,256.9 | \$2,662.7 |
| Non-GAAP gross profit margin (1) | 70.0% | 72.0% | 73.1% | 71.2% | 72.0% | 71.4% | 71.8% | 72.4% | 71.6% | 71.1% | 71.5% | 71.8% | 71.6% | 71.9% | 71.5% |
| GAAP SG&A expenses | \$172.4 | \$170.4 | \$167.6 | \$193.2 | \$202.9 | \$185.6 | \$204.1 | \$217.9 | \$221.6 | \$259.8 | \$221.4 | \$283.8 | \$ 703.6 | \$ 810.5 | \$ 986.6 |
| Share-based compensation expense | (24.2) | (23.4) | (25.3) | (24.5) | (25.6) | (26.5) | (29.9) | (29.4) | (29.3) | (32.5) | (35.6) | (35.1) | (97.4) | (111.4) | (132.5) |
| Intangible asset charges | — | — | — | — | — | — | — | — | — | (0.2) | (0.7) | (1.3) | — | — | (2.2) |
| Litigation (charges) recoveries | (2.2) | (4.4) | — | (5.5) | (13.5) | 4.5 | (9.7) | 1.2 | (4.5) | (42.5) | 1.8 | — | (12.1) | (17.5) | (45.2) |
| Non-GAAP SG&A expenses | \$146.0 | \$142.6 | \$142.3 | \$163.2 | \$163.8 | \$163.6 | \$164.5 | \$189.7 | \$187.8 | \$184.6 | \$186.9 | \$247.4 | \$ 594.1 | \$ 681.6 | \$ 806.7 |
| GAAP research and development expenses | \$ 53.2 | \$ 54.7 | \$ 62.6 | \$ 69.1 | \$ 73.5 | \$ 84.6 | \$ 83.4 | \$ 87.1 | \$ 95.5 | \$ 95.1 | \$107.6 | \$119.9 | \$ 239.6 | \$ 328.6 | \$ 418.1 |
| Share-based compensation expense | (9.9) | (10.2) | (11.4) | (11.5) | (11.9) | (13.8) | (15.2) | (15.1) | (16.3) | (17.9) | (20.2) | (21.8) | (43.0) | (56.0) | (76.2) |
| Intangible asset charges | (2.9) | (2.5) | (2.5) | (2.5) | (2.0) | (7.6) | (1.9) | (1.7) | (6.6) | (4.1) | (6.5) | (6.1) | (10.4) | (13.2) | (23.3) |
| Non-GAAP research and development expenses | \$ 40.4 | \$ 42.0 | \$ 48.7 | \$ 55.1 | \$ 59.6 | \$ 63.2 | \$ 66.3 | \$ 70.3 | \$ 72.6 | \$ 73.1 | \$ 80.9 | \$ 92.0 | \$ 186.2 | \$ 259.4 | \$ 318.6 |
| GAAP income from operations | \$180.1 | \$246.5 | \$257.5 | \$265.6 | \$193.4 | \$259.9 | \$280.6 | \$329.0 | \$276.7 | \$277.4 | \$313.3 | \$332.0 | \$ 949.7 | \$1,062.9 | \$1,199.4 |
| Share-based compensation expense | 42.8 | 42.7 | 46.9 | 45.6 | 47.4 | 50.4 | 55.7 | 55.6 | 57.5 | 63.2 | 70.1 | 70.4 | 178.0 | 209.1 | 261.2 |
| Intangible asset charges | 5.1 | 4.6 | 4.3 | 4.2 | 3.7 | 9.1 | 3.1 | 2.7 | 7.6 | 5.6 | 9.0 | 9.4 | 18.2 | 18.6 | 31.6 |
| Litigation charges (recoveries) | 2.2 | 4.4 | — | 5.5 | 21.3 | (4.5) | 9.7 | (1.2) | 4.5 | 42.5 | (1.8) | — | 12.1 | 25.3 | 45.2 |
| Non-GAAP income from operations | \$230.2 | \$298.2 | \$308.7 | \$320.9 | \$265.8 | \$314.9 | \$349.1 | \$386.1 | \$346.3 | \$388.7 | \$390.6 | \$411.8 | \$1,158.0 | \$1,315.9 | \$1,537.4 |
| Non-GAAP operating margin (2) | 38.7% | 44.5% | 45.2% | 42.4% | 39.1% | 41.5% | 43.2% | 43.3% | 40.9% | 42.7% | 42.4% | 39.4% | 42.8% | 41.9% | 41.3% |
| GAAP income before taxes | \$185.6 | \$254.5 | \$267.9 | \$277.3 | \$202.1 | \$270.0 | \$291.4 | \$341.3 | \$289.9 | \$295.6 | \$335.2 | \$358.8 | \$ 985.3 | \$1,104.8 | \$1,279.5 |
| Share-based compensation expense | 42.8 | 42.7 | 46.9 | 45.6 | 47.4 | 50.4 | 55.7 | 55.6 | 57.5 | 63.2 | 70.1 | 70.4 | 178.0 | 209.1 | 261.2 |
| Intangible asset charges | 5.1 | 4.6 | 4.3 | 4.2 | 3.7 | 9.1 | 3.1 | 2.7 | 7.6 | 5.6 | 9.0 | 9.4 | 18.2 | 18.6 | 31.6 |
| Litigation charges (recoveries) | 2.2 | 4.4 | — | 5.5 | 21.3 | (4.5) | 9.7 | (1.2) | 4.5 | 42.5 | (1.8) | — | 12.1 | 25.3 | 45.2 |
| Impairment of investments | — | — | — | — | — | — | — | — | — | — | — | 1.2 | — | — | 1.2 |
| Non-GAAP income before taxes | \$235.7 | \$306.2 | \$319.1 | \$332.6 | \$274.5 | \$325.0 | \$359.9 | \$398.4 | \$359.5 | \$406.9 | \$412.5 | \$439.8 | \$1,193.6 | \$1,357.8 | \$1,618.7 |
| GAAP net income (loss) attributable to Intuitive Surgical, Inc. | \$137.0 | \$185.1 | \$211.6 | \$204.6 | \$180.8 | \$223.0 | \$298.6 | \$ (31.5) | \$287.6 | \$255.3 | \$292.5 | \$292.5 | \$ 738.3 | \$ 670.9 | \$1,127.9 |
| Share-based compensation expense | 42.8 | 42.7 | 46.9 | 45.6 | 47.4 | 50.4 | 55.7 | 55.6 | 57.5 | 63.2 | 70.1 | 70.4 | 178.0 | 209.1 | 261.2 |
| Intangible asset charges | 5.1 | 4.6 | 4.3 | 4.2 | 3.7 | 9.1 | 3.1 | 2.7 | 7.6 | 5.6 | 9.0 | 9.4 | 18.2 | 18.6 | 31.6 |
| Litigation charges (recoveries) | 2.2 | 4.4 | — | 5.5 | 21.3 | (4.5) | 9.7 | (1.2) | 4.5 | 42.5 | (1.8) | — | 12.1 | 25.3 | 45.2 |
| Impairment of investments | — | — | — | — | — | — | — | — | — | — | — | 1.2 | — | — | 1.2 |
| Tax adjustments | (16.2) | (15.8) | (16.5) | (17.0) | (56.2) | (48.1) | (42.2) | 279.4 | (69.7) | (39.2) | (32.8) | (20.3) | (65.5) | 132.9 | (162.0) |
| Non-GAAP net income attributable to Intuitive Surgical, Inc. | \$170.9 | \$221.0 | \$246.3 | \$242.9 | \$197.0 | \$229.9 | \$324.9 | \$305.0 | \$287.5 | \$327.4 | \$337.0 | \$353.2 | \$ 881.1 | \$1,056.8 | \$1,305.1 |
| Non-GAAP net income per share attributable to Intuitive Surgical, Inc. - diluted | \$ 1.48 | \$ 1.88 | \$ 2.07 | \$ 2.03 | \$ 1.71 | \$ 2.00 | \$ 2.78 | \$ 2.60 | \$ 2.44 | \$ 2.76 | \$ 2.83 | \$ 2.96 | \$ 7.47 | \$ 9.09 | \$ 10.99 |
| Non-GAAP diluted shares outstanding (3) | 115.5 | 117.6 | 119.1 | 119.4 | 115.5 | 115.2 | 116.8 | 117.4 | 118.0 | 118.5 | 119.2 | 119.2 | 117.9 | 116.3 | 118.8 |

(1) Non-GAAP gross profit margin is calculated by dividing non-GAAP gross profit by revenue.

(2) Non-GAAP operating margin is calculated by dividing non-GAAP income from operations divided by revenue.

(3) For purpose of calculating fourth quarter 2017 non-GAAP diluted net income per share, the number of shares used was 117.4 million, which included 5.2 million dilutive potential shares outstanding.

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This information is supplemental to the fourth quarter 2018 earnings press release issued by Intuitive Surgical, Inc. on January 24, 2019, and should be read in conjunction with that release and the Company's Annual Report on Form 10-K for the year ended December 31, 2018, when filed with the U.S. Securities and Exchange Commission.

(#) About Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we use the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP SG&A expenses, non-GAAP research and development ("R&D") expenses, non-GAAP income from operations, non-GAAP operating margin, non-GAAP income before taxes, non-GAAP net income, non-GAAP net income per diluted share ("EPS"), and non-GAAP diluted shares outstanding. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding items such as intangible asset charges, share-based compensation ("SBC") expenses, and other special items. Intangible asset charges consist of non-cash charges, such as the amortization of intangible assets, as well as in-process R&D charges. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity. We believe these non-GAAP financial measures are useful to investors because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by institutional investors and the analyst community to help them analyze the performance of our business.

Non-GAAP gross profit. We define non-GAAP gross profit as gross profit excluding intangible asset charges, expenses related to SBC, and litigation charges.

Non-GAAP SG&A expenses. We define non-GAAP SG&A expenses as SG&A expenses excluding intangible asset charges, expenses related to SBC, and litigation charges and recoveries.

Non-GAAP R&D expenses. We define non-GAAP R&D expenses as R&D expenses excluding intangible asset charges and expenses related to SBC.

Non-GAAP income from operations. We define non-GAAP income from operations as income from operations excluding intangible asset charges, expenses related to SBC, and litigation charges and recoveries.

Non-GAAP income before taxes. We define non-GAAP income before taxes as income before taxes excluding intangible asset charges, expenses related to SBC, and litigation charges and recoveries.

Non-GAAP net income and EPS. We define non-GAAP net income as net income (loss) excluding intangible asset charges; expenses related to SBC; litigation charges and recoveries, net of the related tax effects; non-cash impairment of investments, net of the related tax effects; and tax adjustments including the excess tax benefits or deficiencies associated with share-based compensation arrangements, the one-time impact of the enactment of the Tax Cuts and Jobs Act ("2017 Tax Act"), and the net tax effects related to intra-entity transfers of non-inventory assets. We exclude the one-time impact of the enactment of the 2017 Tax Act because it is discrete nature as well as the excess tax benefits or deficiencies associated with share-based compensation arrangements and the tax effects associated with non-cash amortization of deferred tax assets related to intra-entity non-inventory transfers as we do not believe these items correlate with the on-going results of our core operations. The tax effects of the non-GAAP items are determined by applying a calculated non-GAAP effective tax rate, which is commonly referred to as the with-and-without method. Without excluding these tax effects, investors would only see the gross effect that these non-GAAP adjustments had on our operating results. Our calculated non-GAAP effective tax rate is generally higher than GAAP effective tax rate. We define non-GAAP EPS as non-GAAP net income divided by non-GAAP diluted shares which are calculated as GAAP weighted average outstanding shares plus dilutive potential shares outstanding during the period.

There are a number of limitations related to the use of non-GAAP measures versus measures calculated in accordance with GAAP. Non-GAAP gross profit, non-GAAP SG&A expenses, non-GAAP R&D expenses, non-GAAP income from operations, non-GAAP income before taxes, non-GAAP net income, and non-GAAP EPS exclude items such as intangible asset charges, SBC expense, excess tax benefits or deficiencies associated with share-based compensation arrangements, and non-cash amortization of deferred

tax assets related to intra-entity transfer of non-inventory assets, which are primarily recurring items. SBC expense has been and will continue to be for the foreseeable future a significant recurring expense in our business. In addition, the components of the costs that we exclude in our calculation of non-GAAP net income and non-GAAP EPS may differ from the components that our peer companies exclude when they report their results of operations. Management addresses these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income (loss) and net income (loss) per share calculated in accordance with GAAP.