UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **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 000-30713

Intuitive Surgical, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**77-0416458**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1020 Kifer Road
Sunnyvale, California 94086
(Address of principal executive offices) (Zip Code)

(408) 523-2100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	ISRG	The Nasdaq Global Select Market

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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period 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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer
Non-accelerated filer	☐	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The Registrant had 118,747,607 shares of Common Stock, $0.001 par value per share, outstanding as of July 15, 2021.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

in millions (except par values)	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,615.5	1,622.6
Short-term investments	2,823.7	3,488.8
Accounts receivable, net	699.9	645.5
Inventory	569.7	601.5
Prepaids and other current assets	307.8	267.5
Total current assets	6,016.6	6,625.9
Property, plant, and equipment, net	1,651.2	1,577.3
Long-term investments	3,295.6	1,757.7
Deferred tax assets	394.4	367.7
Intangible and other assets, net	594.9	503.6
Goodwill	344.3	336.7
Total assets	$ 12,297.0	$ 11,168.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 117.9	$ 81.6
Accrued compensation and employee benefits	254.0	235.0
Deferred revenue	360.0	350.3
Other accrued liabilities	272.7	298.3
Total current liabilities	1,004.6	965.2
Other long-term liabilities	412.9	444.6
Total liabilities	1,417.5	1,409.8
Contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, 2.5 shares authorized, $0.001 par value, issuable in series; no shares issued and outstanding as of June 30, 2021, and December 31, 2020	—	—
Common stock, 300.0 shares authorized, $0.001 par value, 118.7 shares and 117.7 shares issued and outstanding as of June 30, 2021, and December 31, 2020, respectively	0.1	0.1
Additional paid-in capital	6,804.4	6,445.2
Retained earnings	4,022.7	3,261.3
Accumulated other comprehensive income	10.3	24.9
Total Intuitive Surgical, Inc. stockholders' equity	10,837.5	9,731.5
Noncontrolling interest in joint venture	42.0	27.6
Total stockholders' equity	10,879.5	9,759.1
Total liabilities and stockholders' equity	$ 12,297.0	$ 11,168.9

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

in millions (except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue:				
Product	$ 1,236.0	$ 721.8	$ 2,310.6	$ 1,622.6
Service	228.0	130.3	445.5	329.0
Total revenue	1,464.0	852.1	2,756.1	1,951.6
Cost of revenue:				
Product	374.0	283.8	693.3	580.5
Service	66.3	65.4	136.5	130.0
Total cost of revenue	440.3	349.2	829.8	710.5
Gross profit	1,023.7	502.9	1,926.3	1,241.1
Operating expenses:				
Selling, general and administrative	350.2	279.1	676.2	587.2
Research and development	162.3	143.2	322.1	290.3
Total operating expenses	512.5	422.3	998.3	877.5
Income from operations	511.2	80.6	928.0	363.6
Interest and other income, net	15.0	26.6	47.0	51.7
Income before taxes	526.2	107.2	975.0	415.3
Income tax expense	3.2	37.0	16.8	28.9
Net income	523.0	70.2	958.2	386.4
Less: net income attributable to noncontrolling interest in joint venture	5.8	2.2	14.7	4.9
Net income attributable to Intuitive Surgical, Inc.	$ 517.2	$ 68.0	$ 943.5	$ 381.5
Net income per share attributable to Intuitive Surgical, Inc.:				
Basic	$ 4.36	$ 0.58	$ 7.98	$ 3.27
Diluted	$ 4.25	$ 0.57	$ 7.77	$ 3.19
Shares used in computing net income per share attributable to Intuitive Surgical, Inc.:				
Basic	118.6	116.8	118.3	116.6
Diluted	121.6	119.7	121.5	119.7
Total comprehensive income	$ 521.4	$ 83.5	$ 943.3	$ 396.4
Less: comprehensive income attributable to noncontrolling interest	5.3	2.1	14.4	5.0
Total comprehensive income attributable to Intuitive Surgical, Inc.	$ 516.1	$ 81.4	$ 928.9	$ 391.4

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

in millions	Six Months Ended June 30, 2021	2020
Operating activities:		
Net income	$ 958.2	$ 386.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and loss on disposal of property, plant, and equipment	132.8	102.5
Amortization of intangible assets	14.5	24.7
Loss (gain) on investments, accretion, and amortization, net	(4.3)	(2.4)
Deferred income taxes	(24.0)	52.5
Share-based compensation expense	211.3	186.5
Amortization of contract acquisition assets	10.0	8.2
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(59.6)	136.9
Inventory	(92.4)	(120.1)
Prepaids and other assets	(177.0)	(95.5)
Accounts payable	38.2	(3.6)
Accrued compensation and employee benefits	19.0	(83.0)
Deferred revenue	10.6	4.1
Other liabilities	(17.0)	(14.5)
Net cash provided by operating activities	1,020.3	582.7
Investing activities:		
Purchase of investments	(3,507.7)	(1,426.8)
Proceeds from sales of investments	72.1	800.7
Proceeds from maturities of investments	2,596.9	1,298.6
Purchase of property, plant, and equipment and intellectual property	(134.3)	(215.2)
Acquisition of businesses, net of cash	(8.7)	(37.7)
Net cash provided by (used in) investing activities	(981.7)	419.6
Financing activities:		
Proceeds from issuance of common stock relating to employee stock plans	153.7	154.0
Taxes paid related to net share settlement of equity awards	(187.9)	(155.1)
Repurchase of common stock	—	(100.0)
Payment of deferred purchase consideration	(9.7)	(30.0)
Net cash used in financing activities	(43.9)	(131.1)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2.6)	(1.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(7.9)	869.6
Cash, cash equivalents, and restricted cash, beginning of period	1,638.5	1,182.6
Cash, cash equivalents, and restricted cash, end of period	$ 1,630.6	$ 2,052.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

INTUITIVE SURGICAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In this report, "Intuitive Surgical," "Intuitive," the "Company," "we," "us," and "our" refer to Intuitive Surgical, Inc. and its wholly and majority-owned subsidiaries.

NOTE 1. DESCRIPTION OF THE BUSINESS

Intuitive Surgical, Inc. ("Intuitive" or the "Company") develops, manufactures, and markets the da Vinci® Surgical System and the Ion™ endoluminal system. The Company's products and related services enable physicians and healthcare providers to improve the quality of and access to minimally invasive care. The da Vinci Surgical System consists of a surgeon console or consoles, a patient-side cart, a high-performance vision system, and proprietary instruments and accessories. The Ion endoluminal system is a flexible, robotic-assisted, catheter-based platform that utilizes instruments and accessories for lung biopsies.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements ("Financial Statements") of Intuitive Surgical, Inc. and its wholly and majority-owned subsidiaries have been prepared on a consistent basis with the audited Consolidated Financial Statements for the fiscal year ended December 31, 2020, and include all adjustments, consisting of only normal, recurring adjustments, necessary to fairly state the information set forth herein. The Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, omit certain information and footnote disclosure necessary to present the Financial Statements in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP"). These Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which was filed with the SEC on February 10, 2021. The results of operations for the first six months of fiscal year 2021 are not necessarily indicative of the results to be expected for the entire fiscal year or any future periods.

The Financial Statements include the results and the balances of the Company's majority-owned joint venture (referred to herein as the "Joint Venture") with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"). The Company holds a controlling financial interest in the Joint Venture, and the noncontrolling interest is reflected as a separate component of consolidated stockholders' equity. The noncontrolling interest's share of the earnings in the Joint Venture is presented separately in the condensed consolidated statements of comprehensive income.

Risks and Uncertainties

The Company is subject to additional risks and uncertainties due to the COVID-19 pandemic. The extent of the impact on the Company's business is highly uncertain and difficult to predict. In certain regions, the Company's customers continue to divert resources to treat COVID-19 patients and defer some elective surgical procedures, both of which may impact the Company's customers' ability to meet their obligations, including to the Company. Furthermore, economies worldwide have been negatively impacted by the COVID-19 pandemic, and it is possible that the impact could cause an extended local and/or global economic recession. Such economic disruption could have a material adverse effect on our business as hospitals curtail and reduce capital and overall spending. Policymakers around the globe have responded with fiscal policy actions to support the healthcare industry and economy as a whole. However, the magnitude and overall effectiveness of these actions remains uncertain.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted. The Company's future results of operations and liquidity could be materially adversely affected by delays in payments of outstanding receivables, supply chain disruptions, including shortages and inflationary pressure, uncertain or reduced demand, and the impact of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by its customers. For example, we have experienced, and could continue to experience, increased difficulties in obtaining a sufficient amount of materials in the semiconductor and other markets. We are engaged in activities to seek to mitigate such supply disruptions by, for example, increasing our communications with our suppliers and modifying our purchase order coverage and inventory levels. As of the date of issuance of these Financial Statements, the extent to which the COVID-19 pandemic may materially adversely affect the Company's financial condition, liquidity, or results of operations is uncertain.

Recent Accounting Pronouncements

The Company continues to monitor new accounting pronouncements issued by the FASB and does not believe any accounting pronouncements issued through the date of this report will have a material impact on the Company's consolidated financial statements.

Significant Accounting Policies

There have been no new or material changes to the significant accounting policies discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, that are of significance, or potential significance, to the Company.

NOTE 3. FINANCIAL INSTRUMENTS

Cash, Cash Equivalents, and Investments

The following tables summarize the Company's cash and available-for-sale marketable securities' amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category reported as cash and cash equivalents, short-term investments, or long-term investments as of June 30, 2021, and December 31, 2020 (in millions):

						Reported as:		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Loss	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
June 30, 2021								
Cash	$ 717.6	$ —	$ —	$ —	$ 717.6	$ 717.6	$ —	$ —
Level 1:								
Money market funds	867.7	—	—	—	867.7	867.7	—	—
U.S. treasuries	2,521.7	13.5	(2.4)	—	2,532.8	3.0	962.4	1,567.4
Subtotal	3,389.4	13.5	(2.4)	—	3,400.5	870.7	962.4	1,567.4
Level 2:								
Commercial paper	749.1	—	—	—	749.1	27.2	721.9	—
Corporate debt securities	2,086.3	6.9	(2.0)	—	2,091.2	—	888.6	1,202.6
U.S. government agencies	580.4	0.9	(0.3)	—	581.0	—	178.0	403.0
Municipal securities	194.1	1.5	(0.2)	—	195.4	—	72.8	122.6
Subtotal	3,609.9	9.3	(2.5)	—	3,616.7	27.2	1,861.3	1,728.2
Total assets measured at fair value	$ 7,716.9	$ 22.8	$ (4.9)	$ —	$ 7,734.8	$ 1,615.5	$ 2,823.7	$ 3,295.6

						Reported as:		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Loss	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
December 31, 2020								
Cash	$ 644.3	$ —	$ —	$ —	$ 644.3	$ 644.3	$ —	$ —
Level 1:								
Money market funds	625.8	—	—	—	625.8	625.8	—	—
U.S. treasuries	2,626.8	23.0	—	—	2,649.8	212.5	1,567.9	869.4
Subtotal	3,252.6	23.0	—	—	3,275.6	838.3	1,567.9	869.4
Level 2:								
Commercial paper	671.3	—	—	—	671.3	64.1	607.2	—
Corporate debt securities	1,425.4	11.9	(0.2)	—	1,437.1	3.4	1,036.5	397.2
U.S. government agencies	716.5	2.5	—	—	719.0	72.5	233.6	412.9
Municipal securities	119.8	2.0	—	—	121.8	—	43.6	78.2
Subtotal	2,933.0	16.4	(0.2)	—	2,949.2	140.0	1,920.9	888.3
Total assets measured at fair value	$ 6,829.9	$ 39.4	$ (0.2)	$ —	$ 6,869.1	$ 1,622.6	$ 3,488.8	$ 1,757.7

The following table summarizes the contractual maturities of the Company's cash equivalents and available-for-sale investments (excluding cash and money market funds), as of June 30, 2021 (in millions):

	Amortized Cost	Fair Value
Mature in less than one year	$ 2,846.5	$ 2,853.9
Mature in one to five years	3,285.1	3,295.6
Total	$ 6,131.6	$ 6,149.5

Actual maturities may differ from contractual maturities, because certain borrowers have the right to call or prepay certain obligations. Gross realized gains recognized on the sale of investments were not material for the three and six months ended June 30, 2021, and $6.9 million and $8.3 million for the three and six months ended June 30, 2020, respectively. Gross realized losses recognized on the sale of investments were not material for any of the periods presented.

The Company's investment portfolio at any point in time contains available-for-sale debt securities including investments in U.S. treasury and U.S. government agency securities, taxable and tax-exempt municipal notes, corporate notes and bonds, commercial paper, non-U.S. government agency securities, cash deposits, and money market funds. The Company segments its portfolio based on the underlying risk profiles of the securities and have a zero loss expectation for U.S. treasury and U.S. government agency securities. The Company regularly reviews the securities in an unrealized loss position and evaluates the current expected credit loss by considering factors such as historical experience, market data, issuer-specific factors, and current economic conditions. For the six months ended June 30, 2021, the credit losses related to available-for-sales debt securities were not significant.

Equity Investments

The Company holds equity investments with readily determinable fair values and equity investments without readily determinable fair values. The Company generally recognizes equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The following table is a summary of the activity related to equity investments (in millions):

	December 31, 2020 Carrying Value	Changes in Fair Value [1]	Sales/Purchases	June 30, 2021 Carrying Value	Reported as: Prepaids and other current assets	Reported as: Intangible and other assets, net
Equity investments with readily determinable value (Level 1)	$ 60.1	$ 11.4	$ (71.5)	$ —	$ —	$ —
Equity investments without readily determinable value (Level 2)	$ 30.2	$ 14.5	$ 3.4	$ 48.1	$ —	$ 48.1

[1] Recorded in Interest and other income, net.

The Company recognized a $14.5 million increase in fair value, which was reflected in Interest and other income, net, due to changes in observable prices for certain equity investments that had been held at cost, because they lacked readily determinable market values. Additionally, in January 2021, the Company sold all of its shares of Teladoc Health, Inc. ("Teladoc"), a publicly traded company, for $71.5 million and recognized a gain of $11.4 million, which was reflected in Interest and other income, net. This gain was offset by a $7.5 million loss recognized upon the settlement of a corresponding derivative collar contract. There were no decreases in fair value reflected in net income due to impairments.

Foreign Currency Derivatives

The objective of the Company's hedging program is to mitigate the impact of changes in currency exchange rates on net cash flow from foreign currency-denominated sales, expenses, intercompany balances, and other monetary assets or liabilities denominated in currencies other than the U.S. dollar ("USD"). The terms of the Company's derivative contracts are generally twelve months or shorter. The derivative assets and liabilities are measured using Level 2 fair value inputs.

Cash Flow Hedges

The Company enters into currency forward contracts as cash flow hedges to hedge certain forecasted revenue transactions denominated in currencies other than the USD, primarily the Euro ("EUR"), the British Pound ("GBP"), the Japanese Yen ("JPY"), and the Korean Won ("KRW"). The Company also enters into currency forward contracts as cash flow hedges to hedge certain forecasted expense transactions denominated in EUR and the Swiss Franc ("CHF").

For these derivatives, the Company reports the unrealized after-tax gain or loss from the hedge as a component of accumulated other comprehensive income/(loss) in stockholders' equity and reclassifies the amount into earnings in the same period in which the hedged transaction affects earnings. The amounts reclassified to revenue and expenses related to the hedged transactions and the ineffective portions of cash flow hedges were not material for the periods presented.

Other Derivatives Not Designated as Hedging Instruments

Other derivatives not designated as hedging instruments consist primarily of forward contracts that the Company uses to hedge intercompany balances and other monetary assets or liabilities denominated in currencies other than the USD, primarily the EUR, GBP, JPY, KRW, CHF, Indian Rupee ("INR"), Mexican Peso ("MXN"), Chinese Yuan ("CNY"), and New Taiwan Dollar ("TWD").

These derivative instruments are used to hedge against balance sheet foreign currency exposures. The related gains and losses were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Recognized gains/(losses) in Interest and other income, net	$ (4.0)	$ (1.7)	$ 7.4	$ 1.9
Foreign exchange gains/(losses) related to balance sheet re-measurement	$ 5.0	$ 1.7	$ (6.0)	$ (6.9)

Additionally, in January 2021, the Company settled a collar contract previously entered into to hedge its equity investment in Teladoc Health, Inc. For the six months ended June 30, 2021, a loss of $7.5 million was recognized in Interest and other income, net.

The notional amounts for derivative instruments provide one measure of the transaction volume. Total gross notional amounts (in USD) for outstanding derivatives and the aggregate gross fair value at the end of each period were as follows (in millions):

	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Notional amounts:				
Forward contracts	$ 194.2	$ 154.3	$ 301.4	$ 309.8
Gross fair value recorded in:				
Prepaids and other current assets	$ 4.2	$ 0.9	$ 2.6	$ 0.7
Other accrued liabilities	$ 0.5	$ 4.3	$ 0.8	$ 5.4

NOTE 4. BALANCE SHEET DETAILS AND OTHER FINANCIAL INFORMATION

Balance Sheet Details

The following tables provide details of selected balance sheet line items (in millions):

	As of	
Inventory	June 30, 2021	December 31, 2020
Raw materials	$ 175.0	$ 184.1
Work-in-process	65.5	75.6
Finished goods	329.2	341.8
Total inventory	$ 569.7	$ 601.5

Prepaids and other current assets	As of June 30, 2021	As of December 31, 2020
Prepaid taxes	$ 78.7	$ 28.9
Equity investments	—	60.1
Net investment in sales-type leases – short-term	94.4	81.1
Other prepaids and other current assets	134.7	97.4
Total prepaids and other current assets	$ 307.8	$ 267.5

Other accrued liabilities–short-term	As of June 30, 2021	As of December 31, 2020
Taxes payable	$ 58.8	$ 47.2
Current portion of deferred purchase consideration payments	20.6	10.4
Current portion of contingent consideration	1.8	15.1
Other accrued liabilities	191.5	225.6
Total other accrued liabilities–short-term	$ 272.7	$ 298.3

Other long-term liabilities	As of June 30, 2021	As of December 31, 2020
Income taxes–long-term	$ 288.3	$ 305.6
Deferred revenue–long-term	32.0	32.1
Other long-term liabilities	92.6	106.9
Total other long-term liabilities	$ 412.9	$ 444.6

Supplemental Cash Flow Information

The following table provides supplemental non-cash investing and financing activities (in millions):

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Equipment transfers, including operating lease assets, from inventory to property, plant, and equipment	$ 139.4	$ 79.0
Acquisition of property, plant, and equipment in accounts payable and accrued liabilities	$ 14.3	$ 34.0
Deferred payments and contingent consideration related to business combinations and asset acquisitions	$ 7.8	$ 4.1

NOTE 5. REVENUE AND CONTRACT ACQUISITION COSTS

The following table presents revenue disaggregated by types and geography (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
U.S.	**2021**	**2020**	**2021**	**2020**
Instruments and accessories	$ 577.5	$ 315.6	$ 1,078.3	$ 760.0
Systems	277.6	139.3	480.3	338.1
Services	150.7	80.6	294.7	219.0
Total U.S. revenue	$ 1,005.8	$ 535.5	$ 1,853.3	$ 1,317.1
Outside of U.S. ("OUS")				
Instruments and accessories	$ 218.9	$ 145.2	$ 424.0	$ 318.3
Systems	162.0	121.7	328.0	206.2
Services	77.3	49.7	150.8	110.0
Total OUS revenue	$ 458.2	$ 316.6	$ 902.8	$ 634.5
Total				
Instruments and accessories	$ 796.4	$ 460.8	$ 1,502.3	$ 1,078.3
Systems	439.6	261.0	808.3	544.3
Services	228.0	130.3	445.5	329.0
Total revenue	$ 1,464.0	$ 852.1	$ 2,756.1	$ 1,951.6

Remaining Performance Obligations

The transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which revenue has not yet been recognized. A significant portion of this amount relates to performance obligations in the Company's service contracts that will be satisfied and recognized as revenue in future periods. In addition, non-lease elements associated with the Company's lease arrangements are primarily comprised of service contracts that will be satisfied and recognized as revenue in future periods. The transaction price allocated to the remaining performance obligations and the non-lease elements associated with lease arrangements was $1,700 million as of June 30, 2021. The remaining performance obligations are expected to be satisfied over the term of the individual sales arrangements, which generally are 5 years. Service revenue associated with the lease arrangements will generally be recognized over the service period, which generally coincides with the lease term.

Contract Assets and Liabilities

The following information summarizes the Company's contract assets and liabilities (in millions):

	As of	
	June 30, 2021	**December 31, 2020**
Contract assets	$ 43.4	$ 34.6
Deferred revenue	$ 392.0	$ 382.3

The Company invoices its customers based on the billing schedules in its sales arrangements. Payments are generally due 30 days from date of invoice. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative standalone selling price of the related performance obligations satisfied and the contractual billing terms in the arrangements. Deferred revenue for the periods presented primarily relates to service contracts where the service fees are billed up-front, generally quarterly or annually, prior to those services having been performed. The associated deferred revenue is generally recognized over the term of the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented.

During the three and six months ended June 30, 2021, the Company recognized $99.3 million and $250.2 million of revenue, respectively, that was included in the deferred revenue balance as of December 31, 2020. During the three and six months ended June 30, 2020, the Company recognized $54.6 million and $191.6 million of revenue, respectively, net of the impact of the Customer Relief Program, that was included in the deferred revenue balance as of December 31, 2019.

Intuitive System Leasing

The following table presents revenue from Intuitive System Leasing arrangements (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales-type lease revenue	$ 84.0	$ 16.8	$ 101.3	$ 71.8
Operating lease revenue	$ 67.3	$ 42.2	$ 126.3	$ 81.3

For the three and six months ended June 30, 2021, and 2020, variable lease revenue relating to usage-based arrangements was not material.

Trade Accounts Receivable

The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. For the three and six months ended June 30, 2021, and 2020, bad debt expense was not significant.

The Company's exposure to credit losses may increase if its customers are adversely affected by changes in healthcare laws, coverage, and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, disruption associated with the current COVID-19 pandemic, or other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of lease and trade receivables as hospital cash flows are impacted by their response to the COVID-19 pandemic and deferral of elective surgical procedures.

NOTE 6. LEASES

Lessor Information

Sales-type Leases. Lease receivables relating to sales-type lease arrangements are presented on the Condensed Consolidated Balance Sheets as follows (in millions):

	As of	
	June 30, 2021	December 31, 2020
Gross lease receivables	$ 344.7	286.1
Unearned income	(11.1)	(11.1)
Subtotal	333.6	275.0
Allowance for credit loss	(4.1)	(4.4)
Net investment in sales-type leases	$ 329.5	$ 270.6
Reported as:		
Prepaids and other current assets	$ 94.4	81.1
Intangible and other assets, net	235.1	189.5
Total, net	$ 329.5	270.6

Contractual maturities of gross lease receivables at June 30, 2021, are as follows (in millions):

Fiscal Year	Amount
Remainder of 2021	$ 52.4
2022	93.4
2023	77.1
2024	66.5
2025	42.1
2026 and thereafter	13.2
Total	$ 344.7

The Company enters into sales-type leases with certain qualified customers to purchase its systems. Sales-type leases have terms that generally range from 24 to 84 months and are usually collateralized by a security interest in the underlying assets. The allowance for loan loss is based on the Company's assessment of current expected lifetime loss on lease receivables. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the lease receivable balances, and current economic conditions that may affect a customer's ability to pay. Lease receivables are considered past due 90 days after invoice.

The Company manages the credit risk in net investment in sales-type leases using a number of factors, including, but not limited to the following: size of operations; profitability, liquidity, and debt ratios; payment history; and past due amounts. The Company also uses credit scores obtained from external providers as a key credit quality indicator for the purposes of determining credit quality. The following table presents credit quality by class of net investment in sales-type lease as of June 30, 2021. The following table summarizes the amortized cost basis by year of origination and credit quality indicator as of June 30, 2021 (in millions):

	2021	2020	2019	2018	2017	Prior	Net Investment
Credit Rating:							
High	$ 45.5	$ 51.9	$ 30.2	$ 6.0	$ 3.5	$ 1.3	$ 138.4
Moderate	62.4	84.6	21.8	15.6	4.1	1.1	189.6
Low	0.8	3.1	—	0.9	0.5	0.3	5.6
Total	$ 108.7	$ 139.6	$ 52.0	$ 22.5	$ 8.1	$ 2.7	$ 333.6

For the three and six months ended June 30, 2021, and 2020, credit losses related to net investment in sales-type leases were not significant.

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

Acquisitions in 2021

There were no material acquisitions for the three and six months ended June 30, 2021.

Acquisitions in 2020

Orpheus Medical

In February 2020, the Company acquired Orpheus Medical Ltd. and its wholly-owned subsidiaries ("Orpheus Medical") to deepen and expand our integrated informatics platform (the "Orpheus Medical Acquisition"). Orpheus Medical provides hospitals with information technology connectivity, as well as expertise in capturing, processing, and archiving clinical videos across the hospital. The Orpheus Medical Acquisition did not have a material impact on the financial statements.

Goodwill

The following table summarizes the changes in the carrying amount of goodwill (in millions):

	Amount
Balance at December 31, 2020	$ 336.7
Acquisition activity	8.0
Translation and other	(0.4)
Balance at June 30, 2021	$ 344.3

Intangible Assets

The following table summarizes the components of gross intangible assets, accumulated amortization, and net intangible asset balances as of June 30, 2021, and December 31, 2020 (in millions):

	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and developed technology	$ 219.3	$ (165.5)	$ 53.8	$ 198.4	$ (158.7)	$ 39.7
Distribution rights and others	26.3	(15.9)	10.4	91.9	(77.4)	14.5
Customer relationships	31.7	(11.9)	19.8	59.0	(35.8)	23.2
Total intangible assets	$ 277.3	$ (193.3)	$ 84.0	$ 349.3	$ (271.9)	$ 77.4

Amortization expense related to intangible assets was $7.5 million and $12.4 million for the three months ended June 30, 2021, and 2020, respectively. Amortization expense related to intangible assets was $14.5 million and $24.7 million for the six months ended June 30, 2021, and 2020, respectively.

The estimated future amortization expense related to intangible assets as of June 30, 2021, is as follows (in millions):

Fiscal Year	Amount
Remainder of 2021	$ 12.2
2022	23.6
2023	19.0
2024	14.7
2025	9.9
2026 and thereafter	4.6
Total	$ 84.0

The preceding expected amortization expense is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, measurement-period adjustments to intangible assets, changes in foreign currency exchange rates, impairments of intangible assets, accelerated amortization of intangible assets, and other events.

NOTE 8. CONTINGENCIES

From time to time, the Company is involved in a variety of claims, lawsuits, investigations, and proceedings relating to securities laws, product liability, intellectual property, insurance, contract disputes, employment, and other matters. Certain of these lawsuits and claims are described in further detail below. It is not possible to predict what the outcome of these matters will be, and the Company cannot guarantee that any resolution will be reached on commercially reasonable terms, if at all.

A liability and related charge to earnings are recorded in the Financial Statements for legal contingencies when the loss is considered probable and the amount can be reasonably estimated. The assessment is re-evaluated each accounting period and is based on all available information, including the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to each case. Nevertheless, it is possible that additional future legal costs (including settlements, judgments, legal fees, and other related defense costs) could have a material adverse effect on the Company's business, financial position, and future results of operations.

Product Liability Litigation

The Company is currently named as a defendant in a number of individual product liability lawsuits filed in various state and federal courts. The plaintiffs generally allege that they or a family member underwent surgical procedures that utilized the da Vinci Surgical System and sustained a variety of personal injuries and, in some cases, death as a result of such surgery. Several of the filed cases have trial dates in the next 12 months.

The cases raise a variety of allegations including, to varying degrees, that plaintiffs' injuries resulted from purported defects in the da Vinci Surgical System and/or failure on the Company's part to provide adequate training resources to the healthcare professionals who performed plaintiffs' surgeries. The cases further allege that the Company failed to adequately disclose and/or misrepresented the potential risks and/or benefits of the da Vinci Surgical System. Plaintiffs also assert a variety of causes of action, including, for example, strict liability based on purported design defects, negligence, fraud, breach of

express and implied warranties, unjust enrichment, and loss of consortium. Plaintiffs seek recovery for alleged personal injuries and, in many cases, punitive damages. The Company disputes these allegations and is defending against these claims.

The Company's estimate of the anticipated cost of resolving the pending cases is based on negotiations with attorneys for the claimants. The final outcome of the pending lawsuits and claims, and others that might arise, is dependent on many variables that are difficult to predict, and the ultimate cost associated with these product liability lawsuits and claims may be materially different than the amount of the current estimate and accruals and could have a material adverse effect on the Company's business, financial position, and future results of operations. Although there is a reasonable possibility that a loss in excess of the amount recognized exists, the Company is unable to estimate the possible loss or range of loss in excess of the amount recognized at this time.

Patent Litigation

On June 30, 2017, Ethicon LLC, Ethicon Endo-Surgery, Inc., and Ethicon US LLC (collectively, "Ethicon") filed a complaint for patent infringement against the Company in the U.S. District Court for the District of Delaware. The complaint, which was served on the Company on July 12, 2017, alleges that the Company's EndoWrist Stapler instruments infringe several of Ethicon's patents. Ethicon asserts infringement of U.S. Patent Nos. 9,585,658, 8,479,969, 9,113,874, 8,998,058, 8,991,677, 9,084,601, and 8,616,431. A claim construction hearing occurred on October 1, 2018, and the court issued a scheduling order on December 28, 2018. On March 20, 2019, the court granted the Company's Motion to Stay pending an Inter Partes Review to be held at the Patent Trademark and Appeals Board to review patentability of six of the seven patents noted above and vacated the trial date. On August 1, 2019, the court granted the parties' joint stipulation to modify the stay in light of Ethicon's U.S. International Trade Commission ("USITC") complaint against Intuitive involving U.S. Patent Nos. 8,479,969 and 9,113,874, discussed below.

On August 27, 2018, Ethicon filed a second complaint for patent infringement against the Company in the U.S. District Court for the District of Delaware. The complaint alleges that the Company's SureForm 60 Staplers infringe five of Ethicon's patents. Ethicon asserts infringement of U.S. Patent Nos. 9,884,369, 7,490,749, 8,602,288, 8,602,287, and 9,326,770. The Company filed an answer denying all claims. On March 19, 2019, Ethicon filed a Motion for Leave to File a First Amended Complaint, removing allegations related to U.S. Patent No. 9,326,770 and adding allegations related to U.S. Patent Nos. 9,844,379 and 8,479,969. On July 17, 2019, the court entered an order denying the amendment, without prejudice, and granting the parties' joint stipulation to stay the case in its entirety in light of the USITC investigation involving U.S. Patent Nos. 9,844,369 and 7,490,749, discussed below.

Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from these matters.

On May 30, 2019, Ethicon filed a complaint with the USITC, asserting infringement of U.S. Patent Nos. 9,884,369 ("'369"), 7,490,749 ("'749"), 9,844,379 ("'379"), 9,113,874 ("'874"), and 8,479,969 ("'969"). On June 28, 2019, the USITC voted to institute an investigation (No. 337-TA-1167) with respect to the claims in this complaint. The accused products include the Company's EndoWrist 30, EndoWrist 45, SureForm 45, and SureForm 60 Staplers, as well as the stapler reload cartridges. In March 2020, Ethicon dismissed its claims concerning the '749 patent. The evidentiary hearing took place in February 2021. On June 8, 2021, the Chief Administrative Law Judge issued an Initial Determination concluding that (1) the accused products do not infringe the asserted claims in the '874 or '969 patents; (2) the asserted claims in the '874 and '969 patents are invalid; (3) the accused SureForm staplers and associated reload cartridges infringe two claims of the '369 patent; (4) the accused SureForm staplers and associated reload cartridges infringe two claims of the '379 patent; and (5) the Company was estopped from contending that the asserted claims in the '379 patent are invalid. A Final Determination Date has been set for October 8, 2021. The Company has filed a Petition for Review of Initial Determination with the USITC challenging the Initial Determination with regard to the '369 and '379 patents. Ethicon has filed a Petition for Review of Initial Determination challenging the Initial Determination with regard to the validity of the '969 patent and the Initial Determination's finding that the accused SureForm and associated reload cartridges do not infringe the '969 patent. Ethicon has not challenged the Initial Determination with regard to the findings relating specifically to the accused EndoWrist staplers and associated reload cartridges. An unfavorable ruling by the USITC could result in a prohibition on importing the accused SureForm products into the U.S. or necessitating workarounds. Based on currently available information, the Company does not believe that any losses arising from this matter would be material.

Commercial Litigation

On February 27, 2019, Restore Robotics LLC and Restore Repair LLC ("Restore") filed a complaint alleging anti-trust claims against the Company. On May 13, 2019, Restore filed an amended complaint alleging anti-trust claims relating to the da Vinci Surgical System and EndoWrist service, maintenance, and repair processes. On September 16, 2019, the Court partially granted and partially denied the Company's Motion to Dismiss the amended complaint.

On September 30, 2019, the Company filed an answer denying the anti-trust allegations and filed a counterclaim against Restore. The Company filed amended counterclaims after the Court partially granted and partially denied Restore's Motion to Dismiss the counterclaim. The amended counterclaims allege that Restore violated the Federal Lanham Act, the Federal Computer Fraud and Abuse Act, and Florida's Deceptive and Unfair Trade Practices Act and that Restore is also liable to the Company for Unfair Competition and Tortious Interference with Contract. On January 7, 2020, the Court denied Restore's Motion to Dismiss the amended counterclaims.

In its initial scheduling order, the Court stated that it anticipated trial in this case to occur in or before February 2022. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from these matters.

On September 28, 2020, Rebotix Repair Inc. ("Rebotix") filed a complaint alleging anti-trust claims against the Company relating to EndoWrist service, maintenance, and repair processes. The complaint was formally served on the Company on October 6, 2020. On March 8, 2021, the Court partially granted and partially denied the Company's Motion to Dismiss the complaint. The Company filed an answer denying the anti-trust allegations and filed counterclaims against Rebotix. The counterclaims allege that Rebotix violated the Federal Lanham Act and Florida's Deceptive and Unfair Trade Practices Act and that Rebotix is also liable to the Company for Tortious Interference with Contract.

In its initial scheduling order, the Court stated that it anticipated trial in this case to occur in or around March 2022. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

Similar to the claims asserted in the Restore case, on May 10, 2021, Surgical Instrument Service Company, Inc. ("SIS") filed a complaint in the Northern District of California Court alleging anti-trust claims against the Company relating to EndoWrist service, maintenance, and repair processes. The Company has agreed to accept service of the complaint and expects to file a Motion to Dismiss in July 2021. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

Three class action complaints have been filed against the Company in the Northern District of California Court alleging anti-trust allegations relating to the service and repair of certain instruments manufactured by the Company. A complaint by Larkin Community Hospital was filed on May 20, 2021, a complaint by Franciscan Alliance, Inc. and King County Public Hospital District No. 1 was filed on July 6, 2021, and a complaint by Kaleida Health was filed on July 8, 2021. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from these matters.

NOTE 9. STOCKHOLDERS' EQUITY

Stockholders' Equity

The following tables present the changes in stockholders' equity (in millions):

	Three Months Ended June 30, 2021							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	118.4	$ 0.1	$ 6,627.3	$ 3,514.7	$ 11.4	$ 10,153.5	$ 36.7	$ 10,190.2
Issuance of common stock through employee stock plans	0.3	—	69.7			69.7		69.7
Shares withheld related to net share settlement of equity awards	—	—	(0.7)	(9.2)		(9.9)		(9.9)
Share-based compensation expense related to employee stock plans			108.1			108.1		108.1
Net income attributable to Intuitive Surgical, Inc.				517.2		517.2		517.2
Other comprehensive income (loss)					(1.1)	(1.1)	(0.5)	(1.6)
Net income attributable to noncontrolling interest in joint venture						—	5.8	5.8
Ending balance	118.7	$ 0.1	$ 6,804.4	$ 4,022.7	$ 10.3	$ 10,837.5	$ 42.0	$ 10,879.5

	Three Months Ended June 30, 2020							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	116.6	$ 0.1	$ 5,926.8	$ 2,570.9	$ 8.9	$ 8,506.7	$ 23.8	$ 8,530.5
Issuance of common stock through employee stock plans	0.4	—	62.7			62.7		62.7
Shares withheld related to net share settlement of equity awards	—	—	(0.3)	(5.9)		(6.2)		(6.2)
Share-based compensation expense related to employee stock plans			95.9			95.9		95.9
Net income attributable to Intuitive Surgical, Inc.				68.0		68.0		68.0
Other comprehensive income (loss)					13.4	13.4	(0.1)	13.3
Net income attributable to noncontrolling interest in joint venture						—	2.2	2.2
Ending balance	117.0	$ 0.1	$ 6,085.1	$ 2,633.0	$ 22.3	$ 8,740.5	$ 25.9	$ 8,766.4

	Six Months Ended June 30, 2021							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	117.7	$ 0.1	$ 6,445.2	$ 3,261.3	$ 24.9	$ 9,731.5	$ 27.6	$ 9,759.1
Issuance of common stock through employee stock plans	1.2		153.7			153.7		153.7
Shares withheld related to net share settlement of equity awards	(0.2)		(5.8)	(182.1)		(187.9)		(187.9)
Share-based compensation expense related to employee stock plans			211.3			211.3		211.3
Net income attributable to Intuitive Surgical, Inc.				943.5		943.5		943.5
Other comprehensive income (loss)					(14.6)	(14.6)	(0.3)	(14.9)
Net income attributable to noncontrolling interest in joint venture						—	14.7	14.7
Ending balance	118.7	$ 0.1	$ 6,804.4	$ 4,022.7	$ 10.3	$ 10,837.5	$ 42.0	$ 10,879.5

	Six Months Ended June 30, 2020							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	116.0	$ 0.1	$ 5,756.8	$ 2,494.5	$ 12.4	$ 8,263.8	$ 20.9	$ 8,284.7
Adoption of new accounting standard				(0.1)		(0.1)		(0.1)
Issuance of common stock through employee stock plans	1.5	—	154.0			154.0		154.0
Shares withheld related to net share settlement of equity awards	(0.3)	—	(7.0)	(148.1)		(155.1)		(155.1)
Share-based compensation expense related to employee stock plans			186.5			186.5		186.5
Repurchase and retirement of common stock	(0.2)	—	(5.2)	(94.8)		(100.0)		(100.0)
Net income attributable to Intuitive Surgical, Inc.				381.5		381.5		381.5
Other comprehensive income (loss)					9.9	9.9	0.1	10.0
Net income attributable to noncontrolling interest in joint venture						—	4.9	4.9
Ending balance	117.0	$ 0.1	$ 6,085.1	$ 2,633.0	$ 22.3	$ 8,740.5	$ 25.9	$ 8,766.4

Stock Repurchase Program

The Company's Board of Directors (the "Board") has authorized an aggregate of $7.5 billion of funding for the Company's common stock repurchase program (the "Repurchase Program") since its establishment in March 2009. The most recent authorization occurred in January 2019 when the Board increased the authorized amount available under the Repurchase Program to $2.0 billion. As of June 30, 2021, the remaining amount of share repurchases authorized by the Board was $1.6 billion.

The following table provides share repurchase activities (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Shares repurchased	—	—	—	0.2
Average price per share	—	—	$ —	$ 521.83
Value of shares repurchased	—	—	$ —	$ 100.0

Accumulated Other Comprehensive Income (Loss), Net of Tax, Attributable to Intuitive

The components of accumulated other comprehensive income (loss), net of tax, attributable to Intuitive are as follows (in millions):

	Three Months Ended June 30, 2021				
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	$ 3.2	$ 19.5	$ (5.0)	$ (6.3)	$ 11.4
Other comprehensive income (loss) before reclassifications	0.5	(6.0)	4.9	—	(0.6)
Amounts reclassified from accumulated other comprehensive income (loss)	(0.6)	—	—	0.1	(0.5)
Net current-period other comprehensive income (loss)	(0.1)	(6.0)	4.9	0.1	(1.1)
Ending balance	$ 3.1	$ 13.5	$ (0.1)	$ (6.2)	$ 10.3

	Three Months Ended June 30, 2020				
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	$ 1.8	$ 36.2	$ (20.6)	$ (8.5)	$ 8.9
Other comprehensive income (loss) before reclassifications	—	11.6	6.8	—	18.4
Amounts reclassified from accumulated other comprehensive income (loss)	(1.4)	(3.7)	—	0.1	(5.0)
Net current-period other comprehensive income (loss)	(1.4)	7.9	6.8	0.1	13.4
Ending balance	$ 0.4	$ 44.1	$ (13.8)	$ (8.4)	$ 22.3

	Six Months Ended June 30, 2021				
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	$ (2.9)	$ 29.5	$ 4.7	$ (6.4)	$ 24.9
Other comprehensive income (loss) before reclassifications	5.1	(16.0)	(4.8)	—	(15.7)
Amounts reclassified from accumulated other comprehensive income (loss)	0.9	—	—	0.2	1.1
Net current-period other comprehensive income (loss)	6.0	(16.0)	(4.8)	0.2	(14.6)
Ending balance	$ 3.1	$ 13.5	$ (0.1)	$ (6.2)	$ 10.3

	Six Months Ended June 30, 2020				
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	$ 0.7	$ 20.4	$ —	$ (8.7)	$ 12.4
Other comprehensive income (loss) before reclassifications	2.8	28.4	(13.8)	—	17.4
Amounts reclassified from accumulated other comprehensive income (loss)	(3.1)	(4.7)	—	0.3	(7.5)
Net current-period other comprehensive income (loss)	(0.3)	23.7	(13.8)	0.3	9.9
Ending balance	$ 0.4	$ 44.1	$ (13.8)	$ (8.4)	$ 22.3

NOTE 10. SHARE-BASED COMPENSATION

In April 2021, the Company's shareholders approved an amended and restated 2010 Incentive Award Plan to provide for an increase in the number of shares of common stock reserved for issuance thereunder from 32,450,000 to 34,450,000. As of June 30, 2021, approximately 8.7 million shares were reserved for future issuance under the Company's stock plans. A maximum of approximately 3.8 million of these shares can be awarded as restricted stock units ("RSUs").

Stock Option Information

A summary of stock option activity under all stock plans for the six months ended June 30, 2021, is presented as follows (in millions, except per share amounts):

	Stock Options Outstanding	
	Number Outstanding	Weighted Average Exercise Price Per Share
Balance at December 31, 2020	4.5	$ 305.06
Options granted	0.2	$ 744.83
Options exercised	(0.5)	$ 213.18
Options forfeited/expired	(0.1)	$ 564.48
Balance at June 30, 2021	4.1	$ 335.91

As of June 30, 2021, options to purchase an aggregate of 3.3 million shares of common stock were exercisable at a weighted average price of $264.33 per share.

Restricted Stock Units Information

A summary of RSUs activity under all stock plans for the six months ended June 30, 2021, is presented as follows (in millions, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2020	1.8	$ 489.91
RSUs granted	0.6	$ 742.47
RSUs vested	(0.7)	$ 428.83
RSUs forfeited	(0.1)	$ 563.37
Unvested balance at June 30, 2021	1.6	$ 601.49

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (“ESPP”), employees purchased approximately 0.1 million shares for $41.4 million and approximately 0.1 million shares for $36.6 million during the six months ended June 30, 2021, and 2020, respectively.

Share-based Compensation Expense

The following table summarizes share-based compensation expense for the three and six months ended June 30, 2021, and 2020 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of sales – products	$ 16.6	$ 14.2	$ 31.9	$ 27.0
Cost of sales – services	5.2	5.2	10.9	10.7
Total cost of sales	21.8	19.4	42.8	37.7
Selling, general, and administrative	55.7	49.6	108.8	95.3
Research and development	32.6	27.4	62.7	54.6
Share-based compensation expense before income taxes	110.1	96.4	214.3	187.6
Income tax benefit	22.5	20.0	43.1	38.9
Share-based compensation expense after income taxes	$ 87.6	$ 76.4	$ 171.2	$ 148.7

The Black-Scholes option pricing model is used to estimate the fair value of stock options granted under the Company's share-based compensation plans and rights to acquire stock granted under the ESPP. The weighted average estimated fair values of stock options and the rights to acquire stock under the ESPP, as well as the weighted average assumptions used in calculating the fair values of stock options and the rights to acquire stock under the ESPP that were granted during the three and six months ended June 30, 2021, and 2020, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock Options				
Risk-free interest rate	0.8%	0.4%	0.7%	0.8%
Expected term (in years)	4.0	4.2	4.3	4.3
Expected volatility	27%	38%	33%	30%
Fair value at grant date	$190.94	$165.18	$209.89	$138.24
ESPP				
Risk-free interest rate	—	—	0.1%	1.5%
Expected term (in years)	—	—	1.2	1.1
Expected volatility	—	—	35%	27%
Fair value at grant date	—	—	$223.17	$149.85

NOTE 11. INCOME TAXES

Income tax expense for the three months ended June 30, 2021, was $3.2 million, or 0.6% of income before taxes, compared to $37.0 million, or 34.5% of income before taxes, for the three months ended June 30, 2020. Income tax expense for the six months ended June 30, 2021, was $16.8 million, or 1.7% of income before taxes, compared to $28.9 million, or 7.0% of income before taxes, for the six months ended June 30, 2020.

The effective tax rate for the three and six months ended June 30, 2021, and 2020, differs from the U.S. federal statutory rate of 21% mainly due to excess tax benefits associated with employee equity plans, the effect of income earned by certain overseas entities being taxed at rates lower than the federal statutory rate, and the federal research and development ("R&D") credit benefit, partially offset by U.S. tax on foreign earnings and state income taxes (net of federal benefit).

The effective tax rate for the three and six months ended June 30, 2021, included a one-time benefit of $66.4 million from re-measurement of the Company's Swiss deferred tax assets resulting from the extension of the economic useful life of certain intangible assets. The effective tax rate for the three and six months ended June 30, 2020, reflected a one-time increase of $36.8 million in unrecognized tax benefits with a corresponding increase to income tax expense. This increase was related to intercompany charges for share-based compensation for relevant periods prior to 2020, triggered by the finalization of a Ninth Circuit Court of Appeals opinion (the "Ninth Circuit Opinion") involving an independent third party. The Company has been treating share-based compensation expense in accordance with the Ninth Circuit Opinion since 2020.

The provision for income taxes for the three and six months ended June 30, 2021, included excess tax benefits associated with employee equity plans of $43.6 million and $117.0 million, which reduced our effective tax rate by 8.3 and 12.0 percentage points, respectively. The provision for income taxes for the three and six months ended June 30, 2020, included excess tax benefits associated with employee equity plans of $31.6 million and $97.0 million, which reduced our effective tax rate by 29.4 and 23.3 percentage points, respectively.

The Company files federal, state, and foreign income tax returns in many U.S. and OUS jurisdictions. Years before 2016 are closed for the significant jurisdictions. Certain of the Company's unrecognized tax benefits could change due to activities of various tax authorities, including potential assessment of additional tax, possible settlement of audits, or through normal expiration of various statutes of limitations, which could affect the Company's effective tax rate in the period in which they change. Due to the uncertainty related to the timing and potential outcome of audits, the Company cannot estimate the range of reasonably possible change in unrecognized tax benefits that may occur in the next 12 months.

The Company is subject to the examination of its income tax returns by the Internal Revenue Service and other tax authorities. The outcome of these audits cannot be predicted with certainty. The Company's management regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of the Company's provision for income taxes. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

NOTE 12. NET INCOME PER SHARE

The following table presents the computation of basic and diluted net income per share attributable to Intuitive Surgical, Inc. (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to Intuitive Surgical, Inc.	$ 517.2	$ 68.0	$ 943.5	$ 381.5
Denominator:				
Weighted average shares outstanding used in basic calculation	118.6	116.8	118.3	116.6
Add: dilutive effect of potential common shares	3.0	2.9	3.2	3.1
Weighted average shares outstanding used in diluted calculation	121.6	119.7	121.5	119.7
Net income per share attributable to Intuitive Surgical, Inc.:				
Basic	$ 4.36	$ 0.58	$ 7.98	$ 3.27
Diluted	$ 4.25	$ 0.57	$ 7.77	$ 3.19

Share-based compensation awards of approximately 0.4 million and 1.1 million shares for the three months ended June 30, 2021, and 2020, respectively, and approximately 0.4 million and 1.1 million shares for the six months ended June 30, 2021, and 2020, respectively, were outstanding but were not included in the computation of diluted net income per share attributable to Intuitive Surgical, Inc. common stockholders because the effect of including such shares would have been anti-dilutive in the periods presented.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this report, "Intuitive Surgical," "Intuitive," the "Company," "we," "us," and "our" refer to Intuitive Surgical, Inc. and its wholly and majority-owned subsidiaries.

This management's discussion and analysis of financial condition as of June 30, 2021, and results of operations for the three and six months ended June 30, 2021, and 2020, should be read in conjunction with management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2020.

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to expectations concerning matters that are not historical facts. Words such as "estimates," "projects," "believes," "anticipates," "plans," "expects," "intends," "may," "will," "could," "should," "would," "targeted," and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements related to the expected impacts of the COVID-19 pandemic on our business, financial condition, and results of operations, the potential impact on our procedure volume, our acquisitions, our expected business, our expected new product introductions, the impacts of Extended Use Instruments, procedures and procedure adoption, future results of operations, future financial position, our ability to increase our revenues, the anticipated mix of our revenues between product and service revenues, our financing plans and future capital requirements, anticipated costs of revenue, anticipated expenses, our potential tax assets or liabilities, the effect of recent accounting pronouncements, our investments, anticipated cash flows, our ability to finance operations from cash flows and similar matters, and statements based on current expectations, estimates, forecasts, and projections about the economies and markets in which we operate and our beliefs and assumptions regarding these economies and markets. These forward-looking statements should be considered in light of various important factors, including, but not limited to, the following: our ability to obtain accurate procedure volume and mix in the midst of the COVID-19 pandemic; the risk that the COVID-19 pandemic could lead to further material delays and cancellations of, or reduced demand for, procedures; curtailed or delayed capital spending by hospitals; disruption to our supply chain, including increased difficulties in obtaining a sufficient amount of materials in the semiconductor and other markets; closures of our facilities; delays in surgeon training; delays in gathering clinical evidence; delays in obtaining new product approvals or clearances from the U.S. Food and Drug Administration due to the effects of the COVID-19 pandemic; the evaluation of the risks of robotic-assisted surgery in the presence of infectious diseases; diversion of management and other resources to respond to COVID-19 outbreaks; the impact of global and regional economic and credit market conditions on healthcare spending; the risk that the COVID-19 virus disrupts local economies and causes economies in our key markets to enter prolonged recessions; healthcare reform legislation in the U.S. and its impact on hospital spending, reimbursement, and fees levied on certain medical device revenues; changes in hospital admissions and actions by payers to limit or manage surgical procedures; the timing and success of product development and market acceptance of developed products; the results of any collaborations, in-licensing arrangements, joint ventures, strategic alliances, or partnerships, including the joint venture with Shanghai Fosun Pharmaceutical (Group) Co., Ltd.; our completion of and ability to successfully integrate acquisitions, including Schölly Fiberoptic's robotic endoscope business and Orpheus Medical; procedure counts; regulatory approvals, clearances, and restrictions or any dispute that may occur with any regulatory body; guidelines and recommendations in the healthcare and patient communities; intellectual property positions and litigation; competition in the medical device industry and in the specific markets of surgery in which we operate; risks associated with our operations outside of the United States; unanticipated manufacturing disruptions or the inability to meet demand for products; our reliance on sole and single source suppliers; the results of legal proceedings to which we are or may become a party; product liability and other litigation claims; adverse publicity regarding us and the safety of our products and adequacy of training; our ability to expand into foreign markets; the impact of changes to tax legislation, guidance, and interpretations; changes in tariffs, trade barriers, and regulatory requirements; and other risk factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on current expectations and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those risk factors described throughout this filing and in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and other periodic filings with the Securities and Exchange Commission. Our actual results may differ materially and adversely from those expressed in any forward-looking statement. We undertake no obligation to publicly update or release any revisions to these forward-looking statements, except as required by law.

Overview

Intuitive is committed to advancing patient care in surgery and other acute medical interventions. We are focused on innovating to enable physicians and healthcare providers to improve the quality of and access to minimally invasive care. Our mission reflects that we believe that minimally invasive care is life-enhancing care. Intuitive brings more than two decades of leadership in robotic-assisted surgical technology and solutions to its offerings. While surgery and acute interventions have improved significantly in the past decades, there remains a significant need for better outcomes and decreased variability of these outcomes across care teams. The current healthcare environment continues to stress critical resources, including the professionals who staff care teams: surgeons, anesthesiologists, nurses, and other staff. At the same time, governments strain to cover the healthcare needs of their populations and demand lower total cost per patient to treat disease. In the face of these challenges, we believe scientific, process, and technological advances in biology, computing, imaging, algorithms, and robotics offer new methods to solve continued and difficult problems.

We address these needs by focusing on the quadruple aim. First, we focus on products and services that can improve outcomes and decrease variability in the hands of care teams. Second, we seek to improve the patient experience by minimizing disruption to lives and creating greater predictability for the treatment experience. Third, we seek to improve care team satisfaction by creating products and services that are dependable, smart, and optimized for the care environment in which they are used. Finally, we seek to lower the total cost to treat per patient episode when compared with existing treatment alternatives, providing a return on investment for hospitals and healthcare systems and value for payers.

Open surgery remains the predominant form of surgery and is used in almost every area of the body. However, the large incisions required for open surgery create trauma to patients, typically resulting in longer hospitalization and recovery times, increased hospitalization costs, and additional pain and suffering relative to minimally invasive surgery (“MIS”), where MIS is available. For over three decades, MIS has reduced trauma to patients by allowing selected surgeries to be performed through small ports rather than large incisions. MIS has been widely adopted for certain surgical procedures.

Da Vinci Surgical Systems enable surgeons to extend the benefits of MIS to many patients who would otherwise undergo a more invasive surgery by using computational, robotic, and imaging technologies to overcome many of the limitations of traditional open surgery or conventional MIS. Surgeons using a da Vinci Surgical System operate while seated comfortably at a console viewing a 3D, high-definition image of the surgical field. This immersive console connects surgeons to the surgical field and their instruments. While seated at the console, the surgeon manipulates instrument controls in a natural manner, similar to open surgical technique. Our technology is designed to provide surgeons with a range of articulation of the surgical instruments used in the surgical field analogous to the motions of a human wrist, while filtering out the tremor inherent in a surgeon’s hand. In designing our products, we focus on making our technology easy and safe to use.

Our da Vinci products fall into five broad categories: da Vinci Surgical Systems, da Vinci instruments and accessories, da Vinci Stapling, da Vinci Energy, and da Vinci Vision, including Firefly Fluorescence imaging systems (“Firefly”) and da Vinci Endoscopes. We also provide a comprehensive suite of services, training, and education programs. Within our integrated ecosystem, our hardware, software, and digital solutions are designed to decrease variability in surgery by offering dependable, consistent functionality and user experiences for surgeons seeking better outcomes. We take a holistic approach, offering intelligent technology and systems designed to work together to make MIS intervention more available and applicable.

We have commercialized the following da Vinci Surgical Systems: the da Vinci standard Surgical System in 1999, the da Vinci S Surgical System in 2006, the da Vinci Si Surgical System in 2009, and the fourth generation da Vinci Xi Surgical System in 2014. We have extended our fourth generation platform by adding the da Vinci X Surgical System, commercialized in the second quarter of 2017, and the da Vinci SP Surgical System, commercialized in the third quarter of 2018. The da Vinci SP Surgical System accesses the body through a single incision while the other da Vinci Surgical Systems access the body through multiple incisions. We are still in a measured launch of our da Vinci SP Surgical System, and we have an installed base of 79 da Vinci SP Surgical Systems as of June 30, 2021. Our plans for the rollout of the da Vinci SP Surgical System include putting systems in the hands of experienced da Vinci users first while we optimize training pathways and our supply chain. We received U.S. Food and Drug Administration (“FDA”) clearances for the da Vinci SP Surgical System for urological and certain transoral procedures. We also received clearance in South Korea where the da Vinci SP Surgical System may be used for a broad set of procedures. We plan to seek FDA clearances for additional indications for da Vinci SP over time. The success of the da Vinci SP Surgical System is dependent on positive experiences and improved clinical outcomes for the procedures for which it has been cleared as well as securing additional clinical clearances. All da Vinci systems include a surgeon’s console (or consoles), imaging electronics, a patient-side cart, and computational hardware and software.

We offer approximately 70 different multi-port da Vinci instruments to provide surgeons with flexibility in choosing the types of tools needed to perform a particular surgery. These multi-port instruments are generally robotically controlled and provide end effectors (tips) that are similar to those used in either open or laparoscopic surgery. We offer advanced instrumentation for the da Vinci Xi and da Vinci X platforms, including da Vinci Energy and da Vinci Stapler products, to provide surgeons with sophisticated, computer-aided tools to precisely and efficiently interact with tissue. Da Vinci X and da

Vinci Xi Surgical Systems share the same instruments whereas the da Vinci Si Surgical System uses instruments that are not compatible with da Vinci X or da Vinci Xi systems. We currently offer nine core instruments on our da Vinci SP Surgical System. We plan to expand the SP instrument offering over time.

Training technologies include our Intuitive Simulation products, our Intuitive Telepresence remote case observation and telementoring tools, and our dual console for use in surgeon proctoring and collaborative surgery.

During the first quarter of 2019, the FDA cleared our Ion endoluminal system to enable minimally invasive biopsies in the lung. Our Ion system extends our commercial offering beyond surgery into diagnostic procedures with this first application. We are introducing the Ion system in the U.S. in a measured fashion while we optimize training pathways and our supply chain and collect additional clinical data. We are early in the launch and have placed 70 Ion systems for commercial use as of June 30, 2021. Ion systems are not included in our da Vinci Surgical System installed base. We currently have 1 Ion system placed with a hospital for gathering clinical data in addition to the systems placed for commercial use.

The success of new product introductions depends on a number of factors including, but not limited to, pricing, competition, market and consumer acceptance, the effective forecasting and management of product demand, inventory levels, the management of manufacturing and supply costs, and the risk that new products may have quality or other defects in the early stages of introduction.

COVID-19 Pandemic

Procedures

In the first quarter of 2020, prior to the spread of COVID-19, we experienced procedure growth trends consistent with those experienced in the fourth quarter of 2019, including strength in general surgery, growth in mature procedures in the U.S., and growth in OUS urology. Beginning in January 2020, we saw a substantial reduction in da Vinci procedures in China and, by early February 2020, procedures per week in China had declined by approximately 90% compared to the weekly procedure rates experienced in early January 2020. As the COVID-19 pandemic subsided in China in March 2020, da Vinci procedure volume began to recover and, by the end of the first quarter of 2020, China procedures per week were approximately 70% of the early January 2020 weekly procedure rate. As the COVID-19 pandemic spread to Western Europe and the U.S., we experienced a significant decline in da Vinci procedures in the last half of March 2020 to approximately 65% of the weekly procedure rate experienced earlier in the first quarter of 2020.

In the second quarter of 2020, procedures per week in the U.S. continued to decline in April, reaching approximately 30% of pre-COVID-19 levels, followed by steady recovery in May and June, as COVID-19 cases dropped and elective procedures were permitted. However, with the resurgence of COVID-19 cases in the last two weeks of June, we experienced a corresponding decline in da Vinci procedures. The impact of COVID-19 in Europe during the second quarter of 2020 varied by country with procedures in Italy, France, and the UK declining more steeply, while Germany experienced a year-over-year increase in procedures. In China, procedures per week continued to increase to a level consistent with the early January 2020 weekly procedure rate. We experienced little impact on the procedure volume in Korea and Japan in the second quarter of 2020.

In the first quarter of 2021, in the U.S., the COVID-19 resurgence that affected procedures later in the fourth quarter of 2020 continued well into January 2021. Then, as COVID-19 cases subsided beginning in February 2021, da Vinci procedures experienced a steady improvement throughout February and March. In Europe, the spread of COVID-19 varied regionally, and procedure growth rates were mixed with strength in France and a year-over-year decline in the U.K. While there have been COVID-19 hot spots within some of our Asia Pacific markets, they tended to be isolated and, in general, procedures performed well. China growth was significantly higher than other regions, reflecting the severity of the COVID-19 impact on China during the first quarter of the prior year and the additional system installations during 2020.

In the second quarter of 2021, as the U.S continued its broad rollout of vaccinations, COVID-19 cases and hospitalizations decreased, and procedure volumes recovered, partially attributed to the performance of a number of procedures that were deferred during the pandemic. In Europe, the rollout of vaccinations and spread of COVID-19 varied regionally, and procedure growth rates were mixed with notable recovery in the U.K. We continue to see the impacts of regional resurgences of COVID-19 cases within the Asia Pacific markets with growth in India, Taiwan, and Japan lagging behind that of other markets. China growth continued to be strong year over year, primarily reflecting the growth in the system installed base.

The depth and extent to which the COVID-19 pandemic will impact individual markets will vary based on the availability of vaccinations, personal protective equipment, intensive care units and operating rooms, and medical staff, as well as government interventions. The impact of COVID-19 on our procedure volumes varies widely by country, region, and type. When COVID-19 infection rates spike in a particular region, procedure volumes have been negatively impacted and the diagnoses of new conditions and their related treatments have been deferred. While there is a backlog of patients, it is unpredictable when those patients will ultimately seek diagnosis and treatment and whether they will be treated through surgery. Based on our experience during 2020, we do not expect all markets, regions, and procedure types to recover at the same time or at the same pace.

System Demand

In the first and second quarters of 2020, customers in regions impacted by COVID-19 deferred decisions to purchase or lease systems into future quarters and, in some cases, indefinitely. However, in the first and second quarters of 2021, we experienced strong system demand. In general, we believe that the COVID-19 pandemic had less of an impact on hospital spending capacity and that customers recognize that da Vinci surgery meets their quadruple aim objectives better than other surgical approaches. More specifically, during the first and second quarters of 2021, system demand reflected procedure growth, hospitals purchasing systems in preparation for a post-COVID-19 pandemic environment, and hospitals upgrading their system portfolio to access and/or standardize on fourth generation capabilities.

General Increase in Risks

Worldwide economies have been significantly impacted by the COVID-19 pandemic, and it is possible that factors related to the COVID-19 pandemic could cause a prolonged recession in local and/or global economies. Such an economic recession could have a material adverse effect on our long-term business as hospitals curtail and reduce capital and overall spending. The COVID-19 pandemic and local actions, such as “shelter-in-place” orders and restrictions on our ability to travel and access our customers or temporary closures of our facilities, including our training and manufacturing operations, or the facilities of our suppliers and their contract manufacturers, could further significantly impact our sales and our ability to produce and ship our products and supply our customers. Any of these events could negatively impact the number of da Vinci procedures performed or the number of system placements and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Our Response

Our priorities and actions during the COVID-19 pandemic have been and remain as follows. First, we are focused on the health and safety of all those we serve – patients, customers, our communities, and our employees – implementing continuous updates to our health and safety policies and processes. Second, we are supporting our customers according to their priorities – clinical, operational, and economic – and ensuring continuity of supply by working with our suppliers and our distributors. Third, we are securing our workforce economically. We have built a valuable team over the years, and we believe they will be important in a recovery that follows the pandemic. Finally, we will continue to invest in our priority development programs while eliminating avoidable spend.

As COVID-19 vaccination rates increase and cases decline, we have enhanced our focus on evaluating and implementing our return-to-office strategy. We intend to remain flexible, allowing many of our employees to work remotely on at least a partial basis, while maintaining productivity and our culture. Our top priority in this process continues to be the health and safety of our employees.

Business Model

Overview

We generate revenue from the placements of da Vinci Surgical Systems, in sales or sales-type lease arrangements where revenue is recognized up-front or in operating lease transactions and usage-based models where revenue is recognized over time. We earn recurring revenue from the sales of instruments, accessories, and services, as well as the revenue from operating leases. The da Vinci Surgical System generally sells for between $0.5 million and $2.5 million, depending upon the model, configuration, and geography, and represents a significant capital equipment investment for our customers when purchased. Our instruments and accessories have limited lives and will either expire or wear out as they are used in surgery, at which point they need to be replaced. We generally earn between $600 and $3,500 of instruments and accessories revenue per surgical procedure performed, depending on the type and complexity of the specific procedures performed and the number and type of instruments used. Further, in late 2020, we launched our Extended Use Program (refer to further discussion immediately below) in the U.S. and Europe, with the intention to reduce the cost for customers to treat patients, which in turn will reduce the overall instruments and accessories revenue per procedure. We typically enter into service contracts at the time systems are sold or leased at an annual fee between $80,000 and $190,000, depending upon the configuration of the underlying system and composition of the services offered under the contract. These service contracts have generally been renewed at the end of the initial contractual service periods.

Consistent with the da Vinci Surgical System model described above, we generate revenue from the placements of the Ion endoluminal system at the time of sale in or sales-type lease arrangements or over time in operating lease transactions and usage-based models. We generate revenue from the placements of the Ion system, and we earn recurring revenue from the sales of instruments and accessories used in biopsies and ongoing system service. Ion systems are presented separately from our da Vinci Surgical Systems installed base. We are introducing the Ion system in the U.S. in a measured fashion. For the three and six months ended June 30, 2021, Ion’s contribution to revenue and gross margin was not significant.

Extended Use Program

In July 2020, we announced our "Extended Use Program," which consists of select da Vinci Xi and da Vinci X instruments possessing 12 to 18 uses ("Extended Use Instruments") compared to the current 10 use instruments. These Extended Use Instruments represent some of our higher volume instruments but exclude stapling, monopolar, and advanced energy instruments. Instruments included in the program are used across a number of da Vinci surgeries. Their increased uses are the result of continuous, significant investments in the design and production capabilities of our instruments, resulting in improved quality and durability. Extended Use Instruments have been introduced in the U.S. and Europe in the fourth quarter of 2020 and have launched in most other countries around the world in the first half of 2021, except China due to regulatory timelines. They will continue to be introduced at various times throughout the remainder of 2021 and 2022 in other geographies, depending on regulatory processes. In addition, simultaneous with the regional launches of Extended Use Instruments, we will lower the price of certain instruments that are most commonly used in lower acuity procedures and/or lower reimbursed procedures within the region. These actions will reduce the cost for customers to treat patients, which in turn will reduce our revenue per procedure. Based on 2019 volume and mix of procedures, our Extended Use Program and the reduced pricing on certain other instruments would have reduced 2019 annual instruments and accessories revenue by approximately $150 to $170 million. In the U.S. and Europe, during the first half of 2021, we saw customers begin to adjust their instrument buying patterns to reduce their inventory levels to reflect the additional uses per instrument. In addition, we saw increased usage of Extended Use Instruments; however, we anticipate that full cutover will occur over the next few quarters as customers utilize their remaining 10 use instruments. We expect increased usage of Extended Use Instruments and customer buying patterns to continue to reduce instruments and accessories revenue per procedure over the next few quarters. The precise impact of these actions on future revenue will be dependent on the future volume and mix of procedures and whether cost elasticity will enable greater penetration into available markets.

Recurring Revenue

Recurring revenue consists of instruments and accessories revenue, service revenue, and operating lease revenue. Recurring revenue increased to $3.4 billion, or 77% of total revenue in 2020, compared to $3.2 billion, or 72% of total revenue in 2019, and $2.6 billion, or 71% of total revenue in 2018.

Instruments and accessories revenue has grown at a faster rate than systems revenue over time. Instruments and accessories revenue increased to $2.46 billion in 2020, compared to $2.41 billion in 2019 and $1.96 billion in 2018. The growth of instruments and accessories revenue largely reflects continued procedure adoption.

Service revenue was $724 million in 2020, compared to $724 million in 2019 and $635 million in 2018. Service revenue remained unchanged, driven by the growth of the installed base of da Vinci Surgical Systems, offset by the effects of the Customer Relief Program that was implemented as a result of the COVID-19 pandemic in the second quarter of 2020. The installed base of da Vinci Surgical Systems grew 7% to approximately 5,989 at December 31, 2020; 12% to approximately 5,582 at December 31, 2019; and 13% to approximately 4,986 at December 31, 2018.

We use the installed base, number of shipments, and utilization of da Vinci Surgical Systems as metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Management believes that the installed base, number of shipments, and utilization of da Vinci Surgical Systems provide meaningful supplemental information regarding our performance, as management believes that the installed base, number of shipments, and utilization of da Vinci Surgical Systems are an indicator of the rate of adoption of robotic-assisted surgery as well as an indicator of future recurring revenue (particularly service revenue). Management believes that both it and investors benefit from referring to the installed base, number of shipments, and utilization of da Vinci Surgical Systems in assessing our performance and when planning, forecasting, and analyzing future periods. The installed base, number of shipments, and utilization of da Vinci Surgical Systems also facilitate management's internal comparisons of our historical performance. We believe that the installed base, number of shipments, and utilization of da Vinci Surgical Systems are useful to investors as metrics, 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. The vast majority of da Vinci Surgical Systems installed are connected via the internet. System logs can also be accessed by field engineers for systems that are not connected to the internet. We utilize this information as well as other information from agreements and discussions with our customers that involve estimates and judgments, which are, by their nature, subject to substantial uncertainties and assumptions. Estimates and judgments for determining the installed base, number of shipments, and utilization of da Vinci Surgical Systems may be impacted over time by various factors, including system internet connectivity, hospital and distributor reporting behavior, and inherent complexities in new agreements. Such estimates and judgments are also susceptible to technical errors. In addition, the relationship between the installed base, number of shipments, and utilization of da Vinci Surgical Systems and our revenues may fluctuate from period to period, and growth in the installed base, number of shipments, and utilization of da Vinci Surgical Systems may not correspond to an increase in revenue. The installed base, number of shipments, and utilization of da Vinci Surgical Systems are not intended to be considered in isolation or as a substitute for, or superior to, revenue or other financial information prepared and presented in accordance with GAAP.

Intuitive System Leasing

Since 2013, we have entered into sales-type and operating lease arrangements directly with certain qualified customers as a way to offer customers flexibility in how they acquire systems and expand their robotic-assisted surgery programs while leveraging our balance sheet. These leases generally have commercially competitive terms as compared to other third-party entities that offer equipment leasing. We have also entered into usage-based arrangements with qualified customers that have committed da Vinci programs where we charge for the system and service as the systems are utilized. We believe that these alternative financing structures have been effective and well-received, and we are willing to expand the proportion of these structures based on customer demand. We include operating and sales-type leases, and systems placed under usage-based arrangements, in our system shipment and installed base disclosures. We exclude operating lease-related revenue, usage-based revenue, and Ion system revenue from our da Vinci Surgical System average selling price ("ASP") computations.

In the years ended December 31, 2020, 2019, and 2018, we shipped 432, 425, and 272 da Vinci Surgical Systems, respectively, under lease and usage-based arrangements, of which 317, 384, and 229 systems, respectively, were operating lease and usage-based arrangements. Revenue from operating lease arrangements is generally recognized on a straight-line basis over the lease term or, in the case of usage-based arrangements, as the systems are used. We generally set operating lease and usage-based pricing at a modest premium relative to purchased systems reflecting the time value of money and, in the case of usage-based arrangements, the risk that system utilization may fall short of anticipated levels. The proportion of revenue recognized from usage-based arrangements has not been significant and has been included in our operating lease metrics herein. Operating lease revenue has grown at a faster rate than overall systems revenue and was $177 million, $107 million, and $51 million for the years ended December 31, 2020, 2019, and 2018, respectively. As revenue from operating lease and usage-based arrangements is recognized over time, total systems revenue growth is reduced in a period when the number of operating lease and usage-based placements increases as a proportion of total system placements. Generally, lease transactions generate similar gross margins as our sale transactions. As of December 31, 2020, a total of 901 da Vinci Surgical Systems were installed at customers under operating lease or usage-based arrangements.

Our exposure to the credit risks relating to our lease financing arrangements may increase if our customers are adversely affected by changes in healthcare laws, coverage, and reimbursement, economic pressures or uncertainty or other customer-specific factors. In addition, as customers continue to divert resources to the treatment of or the preparation to treat patients with COVID-19, we may be exposed to defaults under our lease financing arrangements. Moreover, usage-based arrangements generally contain no minimum payments; therefore, customers may exit such arrangements without paying a financial penalty to us. As a result of the COVID-19 pandemic, we anticipate that some customers will exit such arrangements or seek to amend the terms of our operating lease and usage-based arrangements with them.

For some operating lease arrangements, our customers are provided with the right to purchase the leased system at certain points during and/or at the end of the lease term. Revenue generated from customer purchases of systems under operating lease arrangements ("Lease Buyouts") was $52.2 million, $92.8 million, and $48.8 million for the years ended December 31, 2020, 2019, and 2018, respectively. We expect that revenue recognized from customer exercises of the buyout options will fluctuate based on the timing of when, and if, customers choose to exercise their buyout options.

Systems Revenue

System placements are driven by procedure growth in most markets. In some markets, systems placements are constrained by regulation. In geographies where da Vinci procedure adoption is in an early stage, system sales will precede procedure growth. System placements also vary due to seasonality largely aligned with hospital budgeting cycles. We typically place a higher proportion of annual system placements in the fourth quarter and a lower proportion in the first quarter as customer budgets are reset. Systems revenue is also affected by the proportion of system placements under operating lease and usage-based arrangements, recurring operating lease and usage-based revenue, operating lease buyouts, product mix, ASPs, trade-in activities, and customer mix. Systems revenue declined 12% to $1.18 billion in 2020. Systems revenue grew 19% to $1.35 billion in 2019 and 21% to $1.13 billion in 2018. Based on the factors outlined in the *COVID-19 Pandemic* section above, we believe that historical system shipment trends may not be a good indicator of future system shipments.

Procedure Mix / Products

Our da Vinci Surgical Systems are generally used for soft tissue surgery for areas of the body between the pelvis and the neck, primarily in general surgery, gynecologic surgery, urologic surgery, cardiothoracic surgery, and head and neck surgery. Within these categories, procedures range in complexity from cancer and other highly complex procedures to less complex procedures for benign conditions. Cancer and other highly complex procedures tend to be reimbursed at higher rates than less complex procedures for benign conditions. Thus, hospitals are more sensitive to the costs associated with treating less complex, benign conditions. Our strategy is to provide hospitals with attractive clinical and economic solutions across the spectrum of procedure complexity. Our fully featured da Vinci Xi Surgical System with advanced instruments (including da Vinci Energy and EndoWrist and SureForm Stapler products) and our Integrated Table Motion product targets the more complex procedure

segment. Our da Vinci X Surgical System is targeted towards price sensitive markets and procedures. Our da Vinci SP Surgical System complements the da Vinci Xi and X Surgical Systems by enabling surgeons to access narrow workspaces.

Procedure Seasonality

More than half of da Vinci procedures performed are for benign conditions, most notably hernia repairs, hysterectomies, and cholecystectomies. These benign procedures and other short-term elective procedures tend to be more seasonal than cancer operations and surgeries for other life threatening conditions. Seasonality in the U.S. for procedures for benign conditions typically results in higher fourth quarter procedure volume when more patients have met annual deductibles and lower first quarter procedure volume when deductibles are reset. Seasonality outside the U.S. varies and is more pronounced around local holidays and vacation periods. As a result of the factors outlined in the *COVID-19 Pandemic* section above, including past and potentially future recommendations of authorities to defer elective procedures, historical procedure patterns may be disrupted.

Distribution Channels

We provide our products through direct sales organizations in the U.S., Europe (excluding Spain, Portugal, Italy, Greece, and most Eastern European countries), China, Japan, South Korea, India, and Taiwan. In 2018, we began direct operations in India and Taiwan. In January 2019, our Intuitive-Fosun joint venture began direct sales for da Vinci products and services in China. In the remainder of our OUS markets, we provide our products through distributors.

Regulatory Activities

Overview

Our products must meet the requirements of a large and growing body of international standards that govern the product safety, efficacy, advertising, labeling, safety reporting design, manufacture, materials content and sourcing, testing, certification, packaging, installation, use, and disposal of our products. Examples of such standards include electrical safety standards, such as those of the International Electrotechnical Commission, and composition standards, such as the Reduction of Hazardous Substances and the Waste Electrical and Electronic Equipment Directives. Failure to meet these standards could limit our ability to market our products in those regions that require compliance to such standards.

Our products and operations are also subject to increasingly stringent medical device, privacy, and other regulations by regional, federal, state, and local authorities. We anticipate that timelines for the introduction of new products and/or indications may be extended relative to past experience as a result of these regulations. For example, we have seen elongated regulatory approval timelines in the U.S. and the EU.

Clearances and Approvals

We have generally obtained the clearances required to market our products associated with our da Vinci Surgical Multiport Systems (Standard, S, Si, Xi, and X systems) for our targeted surgical specialties within the U.S., South Korea, Japan, and the European markets in which we operate. Since 2019, we obtained regulatory clearances for the following products:

- In late 2020 and early 2021, we obtained FDA clearance, CE mark clearance, and regulatory clearances in most of our significant markets to market our Extended Use Instruments.
- In November 2019, we obtained FDA clearance for our SynchroSeal instrument and E-100 generator. Following the FDA clearance, in February 2020, we received CE mark clearance for both products. In March 2020, we received regulatory clearance in Japan to market both our SynchroSeal instrument and E-100 generator. In August 2020, we received regulatory clearance in South Korea to market our E-100 generator.
- In July 2019, we obtained FDA clearance for our SureForm 45 Curved-Tip stapler and SureForm 45 Gray reload, which round out our SureForm 45 portfolio. We have also received CE mark clearance for our SureForm 45 Curved-Tip stapler and SureForm 45 Gray reload.
- In June 2019, we received CE mark clearance for our da Vinci Endoscope Plus for the da Vinci Xi and da Vinci X Surgical Systems in Europe. Following the CE mark, in July 2019, we obtained FDA clearance for our da Vinci Endoscope Plus. We have also received regulatory clearances in South Korea and Japan to market our da Vinci Endoscope Plus in December 2019 and May 2020, respectively.
- In June 2019, we obtained FDA clearance for our da Vinci Handheld Camera and, in February 2020, we received CE mark clearance.
- In February 2019, we obtained FDA clearance for our Ion endoluminal system, our new flexible, robotic-assisted, catheter-based platform, designed to navigate through very small lung airways to reach peripheral nodules for biopsies. We are introducing the Ion endoluminal system in a measured fashion while we optimize training pathways and our supply chain and collect additional clinical data. We have placed 70 Ion systems for commercial use as of June 30, 2021.

- In February 2019, we obtained FDA clearance for our Iris augmented reality product. Iris is a service that delivers a 3D image of the patient anatomy (initially targeting kidneys) to aid surgeons in both pre- and intra-operative settings. We are currently conducting a pilot study of our Iris product and service in the field at a small group of U.S. hospitals to gain initial product experience and insights.
- In December 2018, we received product registration for our da Vinci Xi Surgical System in China. The registration approval does not include advanced energy or stapling products that attach to the da Vinci Xi system. Separate product registrations are required for each of these products with the China National Medical Products Administration ("NMPA").
- In October 2018, the China National Health Commission published on its official website the quota for major medical equipment to be imported and sold in China through 2020. After an adjustment notice was published in the third quarter of 2020, the government will now allow for the total sale of 225 new surgical robots into China, which could include da Vinci Surgical Systems as well as surgical systems introduced by others. As of June 30, 2021, we have sold 142 da Vinci Surgical Systems under this quota. Future sales of da Vinci Surgical Systems under the quota are uncertain, as they are dependent on hospitals completing a tender process and receiving associated approvals.

Refer to the descriptions of our products that received regulatory clearances in 2021, 2020, and 2019 in the New Product Introductions section below.

The Japanese Ministry of Health, Labor, and Welfare ("MHLW") considers reimbursement for procedures in April of even-numbered years. The process for obtaining reimbursement requires Japanese university hospitals and surgical societies, with our support, to seek reimbursement. There are multiple pathways to obtain reimbursement for procedures, including those that require in-country clinical data/economic data. In April 2012 and April 2016, the MHLW granted reimbursement status for robotic-assisted prostatectomy and partial nephrectomy, respectively. Most prostatectomies and partial nephrectomies were open procedures prior to da Vinci reimbursement. Da Vinci procedure reimbursement for robotic-assisted prostatectomy and partial nephrectomy procedures are higher than open and conventional laparoscopic procedure reimbursements. An additional 12 da Vinci procedures were granted reimbursement effective April 1, 2018, including gastrectomy, low anterior resection, lobectomy, and hysterectomy, for both malignant and benign conditions. An additional 7 da Vinci procedures were granted reimbursement effective April 1, 2020. These additional 19 reimbursed procedures have varying levels of conventional laparoscopic penetration and will be reimbursed at rates equal to the conventional laparoscopic procedures. Given the reimbursement level and laparoscopic penetration for these 19 procedures, there can be no assurance that the adoption pace for these procedures will be similar to robotic-assisted prostatectomy or partial nephrectomy, given their higher reimbursement, or any other da Vinci procedure.

Recalls and Corrections

Medical device companies have regulatory obligations to correct or remove medical devices in the field that could pose a risk to health. The definition of "recalls and corrections" is expansive and includes repair, replacement, inspections, relabeling, and issuance of new or additional instructions for use or reinforcement of existing instructions for use and training when such actions are taken for specific reasons of safety or compliance. These field actions require stringent documentation, reporting, and monitoring worldwide. There are other actions that a medical device manufacturer may take in the field without reporting including, but not limited to, routine servicing and stock rotations.

As we determine whether a field action is reportable in any regulatory jurisdiction, we prepare and submit notifications to the appropriate regulatory agency for the particular jurisdiction. Regulators can require the expansion, reclassification, or change in scope and language of the field action. In general, upon submitting required notifications to regulators regarding a field action that is a recall or correction, we will notify customers regarding the field action, provide any additional documentation required in their national language, and arrange, as required, return or replacement of the affected product or a field service visit to perform the correction.

Field actions as well as certain outcomes from regulatory activities can result in adverse effects on our business, including damage to our reputation, delays by customers of purchase decisions, reduction or stoppage of the use of installed systems, and reduced revenue as well as increased expenses.

Procedures

We model patient value as equal to *procedure efficacy / invasiveness*. In this equation, *procedure efficacy* is defined as a measure of the success of the surgery in resolving the underlying disease, and *invasiveness* is defined as a measure of patient pain and disruption of regular activities. When the patient value of a da Vinci procedure is greater than that of alternative treatment options, patients may benefit from seeking out surgeons and hospitals that offer da Vinci Surgery, which could potentially result in a local market share shift. Adoption of da Vinci procedures occurs procedure by procedure and market by market and is driven by the relative patient value and total treatment costs of da Vinci procedures as compared to alternative treatment options for the same disease state or condition.

We use the number and type of da Vinci procedures as metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Management believes that the number and type of da Vinci procedures provide meaningful supplemental information regarding our performance, as management believes procedure volume is an indicator of the rate of adoption of robotic-assisted surgery as well as an indicator of future revenue (including revenue from usage-based arrangements). Management believes that both it and investors benefit from referring to the number and type of da Vinci procedures in assessing our performance and when planning, forecasting, and analyzing future periods. The number and type of da Vinci procedures also facilitate management's internal comparisons of our historical performance. We believe that the number and type of da Vinci procedures are useful to investors as metrics, 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. The vast majority of da Vinci Surgical Systems installed are connected via the internet. System logs can also be accessed by field engineers for systems that are not connected to the internet. We utilize certain methods that rely on information collected from the systems installed for determining the number and type of da Vinci procedures performed that involve estimates and judgments, which are, by their nature, subject to substantial uncertainties and assumptions. Estimates and judgments for determining the number and type of da Vinci procedures may be impacted over time by various factors, including changes in treatment modalities, hospital and distributor reporting behavior, and system internet connectivity. Such estimates and judgments are also susceptible to algorithmic or other technical errors. In addition, the relationship between the number and type of da Vinci procedures and our revenues may fluctuate from period to period, and da Vinci procedure volume growth may not correspond to an increase in revenue. The number and type of da Vinci procedures are not intended to be considered in isolation or as a substitute for, or superior to, revenue or other financial information prepared and presented in accordance with GAAP.

Worldwide Procedures

Our da Vinci systems and instruments are regulated independently in various countries and regions of the world. The discussion of indications for use and representative or target procedures is intended solely to provide an understanding of the market for da Vinci products and is not intended to promote for sale or use of any Intuitive product outside of its licensed or cleared labeling and indications for use.

The adoption of robotic-assisted surgery using the da Vinci Surgical System has the potential to grow for those procedures that offer greater patient value than to non-da Vinci alternatives and competitive total economics for healthcare providers. Our da Vinci Surgical Systems are used primarily in general surgery, gynecologic surgery, urologic surgery, cardiothoracic surgery, and head and neck surgery. We focus our organization and investments on developing, marketing, and training products and services for procedures in which da Vinci can bring patient value relative to alternative treatment options and/or economic benefit to healthcare providers. Target procedures in general surgery include hernia repair (both ventral and inguinal), colorectal procedures, bariatrics, and cholecystostomies. Target procedures in gynecology include hysterectomy for both cancer and benign conditions. Target procedures in urology include prostatectomy and partial nephrectomy. In cardiothoracic surgery, target procedures include lobectomy. In head and neck surgery, target procedures include certain procedures resecting benign and malignant tumors classified as T1 and T2. Not all of the indications, procedures, or products described may be available in a given country or region or on all generations of da Vinci surgical systems. Surgeons and their patients need to consult the product labeling in their specific country and for each product in order to determine the cleared uses, as well as important limitations, restrictions, or contraindications.

In 2020, approximately 1,243,000 surgical procedures were performed with da Vinci Surgical Systems, compared to approximately 1,229,000 and 1,038,000 surgical procedures performed with da Vinci Surgical Systems in 2019 and 2018, respectively. The reduced growth in our overall procedure volume in 2020 reflects significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above, and was driven by growth in U.S. general surgery procedures and worldwide urology procedures.

U.S. Procedures

Overall U.S. procedure volume with da Vinci Surgical Systems declined to approximately 876,000 in 2020, compared to approximately 883,000 in 2019 and approximately 753,000 in 2018. General surgery was our largest and fastest growing U.S. specialty in 2020 with procedure volume that grew to approximately 434,000 in 2020, compared to approximately 421,000 in 2019 and approximately 325,000 in 2018. Gynecology was our second largest U.S. surgical specialty in 2020 with procedure volume that declined to approximately 267,000 in 2020, compared to approximately 282,000 in 2019 and approximately 265,000 in 2018. Urology was our third largest U.S. surgical specialty in 2020 with procedure volume that declined to approximately 134,000 in 2020, compared to approximately 138,000 in 2019 and approximately 128,000 in 2018.

Procedures Outside of the U.S.

Overall OUS procedure volume with da Vinci Surgical Systems grew to approximately 367,000 in 2020, compared to approximately 346,000 in 2019 and approximately 285,000 in 2018. Procedure growth in most OUS markets was driven largely by urology procedure volume, which grew to approximately 214,000 in 2020, compared to approximately 206,000 in 2019 and approximately 175,000 in 2018. General surgery and thoracic procedures also contributed to OUS procedure growth with higher growth rates than urology procedures.

Recent Business Events and Trends

Procedures

Overall. Total da Vinci procedures performed by our customers grew approximately 68% for the three months ended June 30, 2021, as compared with the same period in the prior year. Total da Vinci procedures declined approximately 19% for the three months ended June 30, 2020, as compared to the same period in 2019. Total da Vinci procedures performed by our customers grew approximately 39% for the six months ended June 30, 2021, as compared with the same period in the prior year. Total da Vinci procedures declined approximately 5% for the six months ended June 30, 2020. The second quarter and year-to-date procedure results for both periods reflect impacts from the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. We saw continued recovery and growth in most of the major procedure categories in the second quarter of 2021, most notably in general surgery procedures (particularly bariatrics, hernia repair, and cholecystectomies) and, to a lesser extent, gynecology and urology procedures. The rates of recovery in urology procedures continue to be impacted by the COVID-19 pandemic due to delays in both the diagnosis of and procedures in patient populations that are considered to be at higher risk from COVID-19 infections as well as for conditions that may progress more slowly.

U.S. Procedures. U.S. da Vinci procedures grew approximately 77% for the three months ended June 30, 2021, as compared with the same period in the prior year. U.S. da Vinci procedures declined approximately 24% for the three months ended June 30, 2020. U.S. da Vinci procedures grew approximately 41% for the six months ended June 30, 2021, as compared with the same period in the prior year. U.S. da Vinci procedures declined approximately 8% for the six months ended June 30, 2020. As noted in the *COVID-19 Pandemic* section above, the U.S. procedure results for the three and six months ended June 30, 2020, reflected significant disruption caused by the COVID-19 pandemic. During the three and six months ended June 30, 2021, as COVID-19 infection and hospitalization rates declined, da Vinci procedure volumes recovered, as a number of procedures deferred during the pandemic were performed, particularly in the second quarter. By procedure category, U.S. procedure growth was largely attributable to general surgery procedures, most notably bariatric, hernia repair, and cholecystectomy procedures. Additionally, we saw growth in the more mature gynecologic and urologic procedure categories, albeit at lower rates than the growth in general surgery procedures.

OUS Procedures. OUS da Vinci procedures grew approximately 51% for the three months ended June 30, 2021, as compared with the same period in the prior year. OUS da Vinci procedures declined approximately 7% for the three months ended June 30, 2020. OUS da Vinci procedures grew approximately 36% for the six months ended June 30, 2021, compared to approximately 2% for the six months ended June 30, 2020. As noted in the *COVID-19 Pandemic* section above, the OUS procedure results for the three and six months ended June 30, 2020, reflected significant disruption caused by the COVID-19 pandemic. Similar to U.S. procedures above, during the three and six months ended June 30, 2021, OUS da Vinci procedure volumes experienced recovery, as a number of procedures deferred during the pandemic were performed, particularly in the second quarter. By procedure category, OUS procedure growth was driven by earlier stage growth in general surgery (particularly colorectal), gynecology, and thoracic procedures as well as continued growth in urology procedures, most notably partial nephrectomy and prostatectomy procedures. The OUS procedure growth rate also reflects continued da Vinci adoption in European and Asian markets. In China, the COVID-19 outbreak during the first quarter of 2020, coupled with low COVID-19 rates in 2021, resulted in China's procedure volume significantly increasing in the first six months of 2021 compared to the first six months of 2020. We also saw strong procedure growth in the UK and France, while India, Taiwan, Japan, and other regions saw disruption from the COVID-19 pandemic.

System Demand

We placed 328 da Vinci Surgical Systems in the second quarter of 2021, compared to 178 systems in the second quarter of 2020. The increase in systems placed reflects the significant disruption experienced as a result of the COVID-19 pandemic in the second quarter of 2020, as well as procedure growth, more customers trading in da Vinci Si Surgical Systems for fourth generation da Vinci systems in order to access fourth generation instruments and capabilities as well as to standardize their system portfolio, and further customer validation that da Vinci surgery addresses their quadruple aim objectives.

While second quarter 2021 placements grew 84% compared with 2020, future demand for da Vinci Surgical Systems will be impacted by a number of factors: economic and geopolitical factors; the impact of the current COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above; hospital response to the evolving healthcare environment; procedure growth rates;

hospital consolidation trends; evolving system utilization and point of care dynamics; capital replacement trends; additional reimbursements in various global markets, including Japan: the timing around governmental tenders and authorizations, including China; the timing of when we receive regulatory clearance in our other OUS markets for our da Vinci Xi Surgical System, da Vinci X Surgical System, and da Vinci SP Surgical System, and related instruments; and market response. Market acceptance of our recently launched da Vinci SP Surgical System and the nature and timing of additional da Vinci SP regulatory indications may also impact future system placements.

Demand may also be impacted by robotic-assisted surgery competition, including from companies that have introduced products in the field of robotic-assisted surgery or have made explicit statements about their efforts to enter the field. A few of these companies include, but are not limited to, Asensus Surgical, Inc.; avateramedical GmbH; CMR Surgical Ltd.; Johnson & Johnson (including their wholly owned subsidiaries Auris Health, Inc. and Verb Surgical Inc.); Medicaroid Corporation; Medrobotics Corporation; Medtronic plc; meerecompany Inc.; MicroPort Scientific Corporation; Olympus Corporation; Samsung Group; Shandong Weigao Group Medical Polymer Company Ltd.; Smart Robot Technology Group Co. Ltd.; and Titan Medical Inc.

Many of the above factors will also impact future demand for our Ion system, as we extend our commercial offering into diagnostics, along with additional factors associated with a new product introduction, including, but not limited to, our ability to optimize manufacturing and our supply chain, competition, clinical data to demonstrate value, and market acceptance.

New Product Introductions

SynchroSeal and E-100 Generator. In November 2019, we obtained FDA clearance for our SynchroSeal instrument and E-100 generator. Following the FDA clearance, in February 2020, we received CE mark clearance for both products. In March 2020, we received regulatory clearance in Japan to market both our SynchroSeal instrument and E-100 generator. In August 2020, we received regulatory clearance in South Korea to market our E-100 generator. SynchroSeal is a single-use, bipolar, electrosurgical instrument intended for grasping, dissection, sealing, and transection of tissue. With its wristed articulation, rapid sealing cycle, and refined curved jaw, SynchroSeal offers enhanced versatility to the da Vinci Energy portfolio. The E-100 generator is an electrosurgical generator developed to power two key instruments – Vessel Sealer Extend and SynchroSeal – on the da Vinci X and da Vinci Xi Surgical Systems. The generator delivers high frequency energy for cutting, coagulation, and vessel sealing of tissues.

SureForm 45 Curved-Tip and Gray Reload. In July 2019, we obtained FDA clearance for the SureForm 45 Curved-Tip stapler and SureForm 45 Gray reload. We have also received CE mark clearance for our SureForm 45 Curved-Tip stapler and SureForm 45 Gray reload. SureForm 45 Curved-Tip is a single-use, fully wristed stapling instrument with a curved tip intended for resection, transection, and/or creation of anastomoses. SureForm 45 Gray reload is a new, single-use cartridge that contains multiple staggered rows of implantable staples and a stainless steel knife. The SureForm 45 Curved-Tip stapler and Gray reload have particular utility in thoracic procedures and round out our SureForm 45 portfolio. Not all reloads or staplers are available for use on all systems or in all countries.

Da Vinci Endoscope Plus. In June 2019, we received CE mark clearance for our da Vinci Endoscope Plus, an enhanced 3D endoscope for use with our da Vinci X and Xi Surgical Systems. Following the CE mark, in July 2019, we obtained FDA clearance for our da Vinci Endoscope Plus. We have also received regulatory clearances in South Korea and Japan to market our da Vinci Endoscope Plus in December 2019 and May 2020, respectively. The da Vinci Endoscope Plus leverages new sensor technology to allow for increased sharpness and color accuracy.

Da Vinci Handheld Camera. In June 2019, we obtained FDA clearance for our da Vinci Handheld Camera, a lightweight, 2D camera head, which can be connected to third-party laparoscopes. This allows the laparoscopic image to be displayed on the da Vinci X/Xi vision cart to address aspects of da Vinci procedures that may require use of a laparoscope, thus eliminating the need for redundant equipment in the operating room and increasing procedure efficiency. In February 2020, we received CE mark clearance for our da Vinci Handheld Camera. We broadly launched the da Vinci Handheld Camera in our European direct markets as well as in the U.S. in May 2020 and June 2020, respectively.

Ion endoluminal system. In February 2019, we obtained FDA clearance for the Ion endoluminal system, our new flexible, robotic-assisted, catheter-based platform designed to navigate through very small lung airways to reach peripheral nodules for biopsies. The Ion system uses an ultra-thin articulating robotic catheter that can articulate 180 degrees in all directions. The outer diameter of the catheter is 3.5mm, which allows physicians to navigate through small and tortuous airways to reach nodules in most airway segments within the lung. The Ion system's flexible biopsy needle can also pass through very tight bends via Ion's catheter to collect tissue in the peripheral lung. The catheter's 2mm working channel can also accommodate other biopsy tools, such as biopsy forceps or cytology brushes, if necessary. We are introducing Ion in a measured fashion while we optimize training pathways and our supply chain and collect additional clinical data. We have placed 70 Ion systems for commercial use as of June 30, 2021.

Iris. In February 2019, we obtained FDA clearance for our Iris augmented reality product. Iris is a service that delivers a 3D image of the patient anatomy (initially targeting kidneys) to aid surgeons in both the pre- and intra-operative settings. We are now in the early stages of an Iris pilot study in the field at a small group of U.S. hospitals to gain initial product experience and insights.

Second Quarter 2021 Operational and Financial Highlights

- Total revenue increased by 72% to $1.46 billion for the three months ended June 30, 2021, compared to $0.85 billion for the three months ended June 30, 2020. The compound annual growth rate between the second quarter of 2019 and the second quarter of 2021 was 15%.
- Approximately 408,000 da Vinci procedures were performed during the three months ended June 30, 2021, an increase of 68% compared to approximately 242,000 for the three months ended June 30, 2020. The compound annual growth rate between the second quarter of 2019 and the second quarter of 2021 was 16.5%.
- Instruments and accessories revenue increased by 73% to $796 million for the three months ended June 30, 2021, compared to $461 million for the three months ended June 30, 2020.
- Systems revenue increased by 68% to $440 million for the three months ended June 30, 2021, compared to $261 million during the three months ended June 30, 2020.
- A total of 328 da Vinci Surgical Systems were shipped during the three months ended June 30, 2021, an increase of 84% compared to 178 systems during the three months ended June 30, 2020.
- As of June 30, 2021, we had a da Vinci Surgical System installed base of approximately 6,335 systems, an increase of approximately 10% compared to the installed base of approximately 5,764 systems as of June 30, 2020.
- Utilization of da Vinci systems, measured in terms of procedures per system per year, increased 55% relative to the second quarter of 2020. The compound annual growth rate between the second quarter of 2019 and the second quarter of 2021 was 6%.
- During the three months ended June 30, 2021, we placed 20 Ion systems for commercial use, compared to 3 systems during the three months ended June 30, 2020.
- Gross profit as a percentage of revenue was 69.9% for the three months ended June 30, 2021, compared to 59.0% for the three months ended June 30, 2020.
- Operating income increased by 534% to $511 million for the three months ended June 30, 2021, compared to $81 million during the three months ended June 30, 2020. Operating income included charges for share-based compensation of $110 million and $96 million related to employee stock plans and $10.9 million and $14.6 million of intangible asset-related charges for the three months ended June 30, 2021, and 2020, respectively.
- As of June 30, 2021, we had $7.73 billion in cash, cash equivalents, and investments. Cash, cash equivalents, and investments increased by $866 million, compared to December 31, 2020, primarily as a result of cash provided by our operations and proceeds from stock option exercises and employee stock purchases, partially offset by capital expenditures and taxes paid related to net share settlements of equity awards.

Results of Operations

The following table sets forth, for the periods indicated, certain unaudited Condensed Consolidated Statements of Income information (in millions, except percentages):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	% of total revenue	2020	% of total revenue	2021	% of total revenue	2020	% of total revenue
Revenue:								
Product	$ 1,236.0	84 %	$ 721.8	85 %	$ 2,310.6	84 %	$ 1,622.6	83 %
Service	228.0	16 %	130.3	15 %	445.5	16 %	329.0	17 %
Total revenue	1,464.0	100 %	852.1	100 %	2,756.1	100 %	1,951.6	100 %
Cost of revenue:								
Product	374.0	25 %	283.8	33 %	693.3	25 %	580.5	30 %
Service	66.3	5 %	65.4	8 %	136.5	5 %	130.0	7 %
Total cost of revenue	440.3	30 %	349.2	41 %	829.8	30 %	710.5	37 %
Product gross profit	862.0	59 %	438.0	52 %	1,617.3	59 %	1,042.1	53 %
Service gross profit	161.7	11 %	64.9	7 %	309.0	11 %	199.0	10 %
Gross profit	1,023.7	70 %	502.9	59 %	1,926.3	70 %	1,241.1	63 %
Operating expenses:								
Selling, general and administrative	350.2	24 %	279.1	33 %	676.2	24 %	587.2	30 %
Research and development	162.3	11 %	143.2	17 %	322.1	12 %	290.3	15 %
Total operating expenses	512.5	35 %	422.3	50 %	998.3	36 %	877.5	45 %
Income from operations	511.2	35 %	80.6	9 %	928.0	34 %	363.6	18 %
Interest and other income, net	15.0	1 %	26.6	3 %	47.0	1 %	51.7	3 %
Income before taxes	526.2	36 %	107.2	12 %	975.0	35 %	415.3	21 %
Income tax expense (benefit)	3.2	— %	37.0	4 %	16.8	— %	28.9	1 %
Net income	523.0	36 %	70.2	8 %	958.2	35 %	386.4	20 %
Less: net income attributable to noncontrolling interest in joint venture	5.8	1 %	2.2	— %	14.7	1 %	4.9	— %
Net income attributable to Intuitive Surgical, Inc.	$ 517.2	35 %	$ 68.0	8 %	$ 943.5	34 %	$ 381.5	20 %

Total Revenue

Total revenue increased by 72% to $1.5 billion for the three months ended June 30, 2021, compared to $0.9 billion for the three months ended June 30, 2020, resulting from 68% higher systems revenue, driven by 84% higher system placements, 73% higher instruments and accessories revenue, driven by approximately 68% higher procedure volume, and 75% higher service revenue. Total revenue increased by 41% to $2.8 billion for the six months ended June 30, 2021, compared to $2.0 billion for the six months ended June 30, 2020, resulting from 49% higher systems revenue, driven by 51% higher system placements, 39% higher instruments and accessories revenue, driven by approximately 39% higher procedure volume, and 35% higher service revenue. In conjunction with our 2020 COVID-19 Customer Relief Program implemented in the second quarter of 2020, service revenue was reduced by $59 million for the three and six months ended June 30, 2020 for service fee credits provided to customers.

Revenue denominated in foreign currencies as a percentage of total revenue was approximately 21% and 22% for the three and six months ended June 30, 2021, respectively, and 26% and 23% for the three and six months ended 2020, respectively. We generally sell our products and services in local currencies where we have direct distribution channels. Foreign currency rate fluctuations did not have a material impact on total revenue for the three and six months ended June 30, 2021, nor for the three and six months ended and June 30, 2020.

Revenue generated in the U.S. accounted for 69% and 67% of total revenue for the three and six months ended June 30, 2021, and 63% and 67% for the three and six months ended June 30, 2020, respectively. We believe that U.S. revenue has

accounted for the large majority of total revenue due to U.S. patients' ability to choose their provider and method of treatment, reimbursement structures supportive of innovation and MIS, and our initial investments focused on U.S. infrastructure. We have been investing in our business in the OUS markets, and our OUS procedures have grown faster in proportion to U.S. procedures. We expect that our OUS procedures and revenue will make up a greater portion of our business in the long term.

As the COVID-19 pandemic is expected to continue to cause a strain on hospital resources, as outlined in the *COVID-19 Pandemic* section above, we cannot reliably estimate the extent total revenue will be impacted in the third quarter of 2021 and beyond.

The following table summarizes our revenue and system unit shipments for the three and six months ended June 30, 2021, and 2020, respectively (in millions, except percentages and unit shipments):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Instruments and accessories	$ 796.4	$ 460.8	$ 1,502.3	$ 1,078.3
Systems	439.6	261.0	808.3	544.3
Total product revenue	1,236.0	721.8	2,310.6	1,622.6
Services	228.0	130.3	445.5	329.0
Total revenue	$ 1,464.0	$ 852.1	$ 2,756.1	$ 1,951.6
United States	$ 1,005.8	$ 535.4	$ 1,853.3	$ 1,317.0
OUS	458.2	316.7	902.8	634.6
Total revenue	$ 1,464.0	$ 852.1	$ 2,756.1	$ 1,951.6
% of Revenue – U.S.	69 %	63 %	67 %	67 %
% of Revenue – OUS	31 %	37 %	33 %	33 %
Instruments and accessories	$ 796.4	$ 460.8	$ 1,502.3	$ 1,078.3
Services	228.0	130.3	445.5	329.0
Operating lease revenue	67.3	42.3	126.3	81.5
Total recurring revenue	$ 1,091.7	$ 633.4	$ 2,074.1	$ 1,488.8
% of Total revenue	75 %	74 %	75 %	76 %
Da Vinci Surgical Systems Shipments by Region:				
U.S. unit shipments	213	106	403	288
OUS unit shipments	115	72	223	127
Total unit shipments*	328	178	626	415
*Systems shipped under operating leases (included in total unit shipments)	108	52	235	129
Da Vinci Surgical Systems Shipments involving System Trade-ins:				
Unit shipments involving trade-ins	125	72	257	208
Unit shipments not involving trade-ins	203	106	369	207
Ion Systems Shipments	20	3	34	11

Product Revenue

Three Months Ended June 30, 2021

Product revenue increased by 71% to $1.24 billion for the three months ended June 30, 2021, compared to $0.72 billion for the three months ended June 30, 2020.

Instruments and accessories revenue increased by 73% to $796 million for the three months ended June 30, 2021, compared to $461 million for the three months ended June 30, 2020. The increase in instruments and accessories revenue was driven primarily by procedure growth of approximately 68% as well as higher sales of our advanced technology instruments, including our stapling and energy instruments. The second quarter 2021 U.S. procedure growth was approximately 77%, driven by growth in general surgery procedures, most notably bariatric, hernia repair, and cholecystectomy procedures, as well as moderate growth in the more mature gynecologic and urologic procedures categories. The second quarter 2021 OUS procedure growth was approximately 51%, driven by earlier stage growth in general surgery (particularly colorectal), gynecology, and thoracic procedures and continued growth in urology procedures, most notably partial nephrectomy and prostatectomy procedures. Both growth rates were positively impacted by the disruption caused by the COVID-19 pandemic in 2020, as noted in the *COVID-19 Pandemic* section above. Geographically, the second quarter 2021 OUS procedure growth was driven by procedure expansion in China, the UK, and France, while procedures declined in Taiwan.

Systems revenue increased by 68% to $440 million for the three months ended June 30, 2021, compared to $261 million for the three months ended June 30, 2020. The higher second quarter 2021 systems revenue was primarily driven by higher system shipments, higher operating lease revenue, and higher lease buyouts, partially offset by lower second quarter 2021 ASPs and a higher proportion of system shipments under operating leases.

During the second quarter of 2021, a total of 328 da Vinci Surgical Systems were shipped compared to 178 systems during the second quarter of 2020. By geography, 213 systems were shipped into the U.S., 63 into Europe, 41 into Asia, and 11 into other markets during the second quarter of 2021, compared to 106 systems shipped into the U.S., 18 into Europe, 48 into Asia, and 6 into other markets during the second quarter of 2020. The increase in systems shipments was primarily driven by decisions in the second quarter of 2020 by customers to defer purchases or leases of systems into future quarters as a result of the COVID-19 pandemic, as well as procedure growth, more customers trading in da Vinci Si Surgical Systems for fourth generation da Vinci Xi and da Vinci X systems in order to access fourth generation instruments and capabilities as well as to standardize their system portfolio, and further customer validation that da Vinci surgery addresses their quadruple aim objectives.

We shipped 168 and 61 da Vinci Surgical Systems under lease arrangements, of which 108 and 52 systems were classified as operating leases for the three months ended June 30, 2021, and 2020, respectively. Operating lease revenue was $67.3 million for the three months ended June 30, 2021, compared to $42.3 million for the three months ended June 30, 2020. Systems placed as operating leases represented 33% of total shipments during the second quarter of 2021, compared to 29% during the second quarter of 2020. A total of 1,073 da Vinci Surgical Systems were installed at customers under operating lease or usage-based arrangements as of June 30, 2021, compared to 758 as of June 30, 2020. Revenue from Lease Buyouts was $26.1 million for the three months ended June 30, 2021, compared to $9.4 million for the three months ended June 30, 2020. We expect revenue from Lease Buyouts to fluctuate period to period depending on the timing of when, and if, customers choose to exercise the buyout options embedded in their leases.

The da Vinci Surgical System ASP, excluding the impact of systems shipped under operating lease or usage-based arrangements and Ion systems, was approximately $1.55 million for the three months ended June 30, 2021, compared to approximately $1.65 million for the three months ended June 30, 2020. ASP fluctuates from period to period based on geographic and product mix, product pricing, systems shipped involving trade-ins, and changes in foreign exchange rates.

Six Months Ended June 30, 2021

Product revenue increased by 42% to $2.3 billion for the six months ended June 30, 2021, compared to $1.6 billion for the six months ended June 30, 2020.

Instruments and accessories revenue increased by 39% to $1.50 billion for the six months ended June 30, 2021, compared to $1.08 billion for the six months ended June 30, 2020. The increase in instruments and accessories revenue was driven primarily by procedure growth of approximately 39%. The year-to-date 2021 U.S. procedure growth was approximately 41%, driven by growth in general surgery procedures, most notably bariatric, hernia repair, and cholecystectomy, procedures, as well as moderate growth in the more mature gynecologic and urologic procedures categories. The year-to-date 2021 OUS procedure growth was approximately 36%, driven by earlier stage growth in general surgery (particularly colorectal), gynecology, and thoracic procedures and continued growth in urology procedures, most notably partial nephrectomy and prostatectomy procedures. Both growth rates were positively impacted by the disruption caused by the COVID-19 pandemic in 2020, as noted in the *COVID-19 Pandemic* section above. Geographically, the year-to-date 2021 OUS procedure growth was driven by procedure expansion in China, the UK, France, and South Korea.

Systems revenue increased by 49% to $808 million for the six months ended June 30, 2021, compared to $544 million for the six months ended June 30, 2020. The higher year-to-date 2021 systems revenue was primarily driven by higher system shipments, higher operating lease revenue, higher year-to-date 2021 ASPs, and higher lease buyouts, partially offset by a higher proportion of system shipments under operating leases.

During the six months ended June 30, 2021, a total of 626 da Vinci Surgical Systems were shipped compared to 415 systems during the six months ended June 30, 2020. By geography, 403 systems were shipped into the U.S., 122 into Europe, 85 into Asia, and 16 into other markets during the six months ended June 30, 2021, compared to 288 systems shipped into the U.S., 43 into Europe, 75 into Asia, and 9 into other markets during the six months ended June 30, 2020. The increase in systems shipments was primarily driven by decisions in the second quarter of 2020 by customers to defer purchases or leases of systems into future quarters as a result of the COVID-19 pandemic, as well as procedure growth, more customers trading in da Vinci Si Surgical Systems for fourth generation da Vinci Xi and da Vinci X systems in order to access fourth generation instruments and capabilities as well as to standardize their system portfolio, and further customer validation that da Vinci surgery addresses their quadruple aim objectives.

We shipped 305 and 182 da Vinci Surgical Systems under lease arrangements, of which 235 and 129 systems were classified as operating leases for the six months ended June 30, 2021, and 2020, respectively. Operating lease revenue was $126.3 million for the six months ended June 30, 2021, compared to $81.5 million for the six months ended June 30, 2020. Systems placed as operating leases represented 38% of total shipments during the six months ended June 30, 2021, compared to 31% during the six months ended June 30, 2020. Revenue from Lease Buyouts was $45.2 million for the six months ended June 30, 2021, compared to $21.6 million for the six months ended June 30, 2020. We expect revenue from Lease Buyouts to fluctuate period to period depending on the timing of when, and if, customers choose to exercise the buyout options embedded in their leases.

The da Vinci Surgical System ASP, excluding the impact of systems shipped under operating lease or usage-based arrangements and Ion systems, was approximately $1.59 million for the six months ended June 30, 2021, compared to approximately $1.53 million for the six months ended June 30, 2020. ASP fluctuates from period to period based on geographic and product mix, product pricing, systems shipped involving trade-ins, and changes in foreign exchange rates.

Service Revenue

Service revenue increased by 75% to $228 million for the three months ended June 30, 2021, compared to $130 million for the three months ended June 30, 2020. The increase in service revenue was primarily driven by the effects of the Customer Relief Program in the prior year, which resulted in a $59 million decrease in service revenue in the three months ended June 30, 2020, as well as a larger installed base of da Vinci Surgical Systems producing service revenue.

Service revenue increased by 35% to $446 million for the six months ended June 30, 2021, compared to $329 million for the six months ended June 30, 2020. The increase in service revenue was primarily driven by the effects of the Customer Relief Program in the prior year as well as a larger installed base of da Vinci Surgical Systems producing service revenue.

Gross Profit

Product gross profit for the three months ended June 30, 2021, increased 97% to $862 million, representing 69.7% of product revenue, compared to $438 million, representing 60.7% of product revenue, for the three months ended June 30, 2020. The higher product gross profit for the three months ended June 30, 2021, was primarily driven by higher product revenue and higher product gross profit margin. The higher product gross profit margin for the three months ended June 30, 2021, was primarily driven by lower year-over-year excess and obsolete inventory costs and lower freight costs, partially offset by lower second quarter 2021 ASPs. Additionally, we incurred period costs associated with abnormally low production in the second quarter of 2020, which did not recur in the second quarter of 2021 as a result of increased production volumes.

Product gross profit for the six months ended June 30, 2021, increased 55% to $1.6 billion, representing 70.0% of product revenue, compared to $1.0 billion, representing 64.2% of product revenue, for the six months ended June 30, 2020. The higher product gross profit for the six months ended June 30, 2021, was primarily driven by higher product revenue and higher product gross profit margin. The higher product gross profit margin for the six months ended June 30, 2021, was primarily driven by higher year-to-date 2021 ASPs, lower year-over-year excess and obsolete inventory costs, lower year-over-year costs associated with da Vinci Si product transitions, and lower freight costs. In addition, we incurred period costs in the second quarter of 2020 associated with abnormally low production.

Product gross profit for the three and six months ended June 30, 2021, included share-based compensation expense of $16.6 million and $31.9 million, respectively, compared with $14.2 million and $27.0 million, for the three and six months ended June 30, 2020, respectively. Product gross profit for the three and six months ended June 30, 2021, included intangible assets amortization expense of $4.7 million and $8.9 million, respectively, compared with $8.9 million and $17.7 million, for the three and six months ended June 30, 2020, respectively.

Service gross profit for the three months ended June 30, 2021, increased 149% to $162 million, representing 70.9% of service revenue, compared to $65 million, representing 49.8% of service revenue, for the three months ended June 30, 2020. The higher service gross profit for the three months ended June 30, 2021, was primarily driven by higher service revenue, reflecting a larger installed base of da Vinci Surgical Systems, and higher service gross profit margin. The lower service gross profit margin for the three months ended June 30, 2020, was primarily driven by the decrease in service revenue as a result of the Customer Relief Program.

Service gross profit for the six months ended June 30, 2021, increased 55% to $309 million, representing 69.4% of service revenue, compared to $199 million, representing 60.5% of service revenue, for the six months ended June 30, 2020. The higher service gross profit for the six months ended June 30, 2021, was primarily driven by higher service revenue, reflecting a larger installed base of da Vinci Surgical Systems, and higher service gross profit margin. The lower service gross profit margin for the six months ended June 30, 2020, was primarily driven by the decrease in service revenue as a result of the Customer Relief Program.

Service gross profit for the three and six months ended June 30, 2021, included share-based compensation expense of $5.2 million and $10.9 million, respectively, compared with $5.2 million and $10.7 million, for the three and six months ended June 30, 2020, respectively. Service gross profit for the three and six months ended June 30, 2021, included intangible asset charges of $0.3 million and $1.7 million, respectively, compared with $0.9 million and $1.8 million, for the three and six months ended June 30, 2020, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs for sales, marketing, and administrative personnel, sales and marketing activities, tradeshow expenses, legal expenses, regulatory fees, and general corporate expenses.

Selling, general and administrative expenses for the three months ended June 30, 2021, increased by 25% to $350 million, compared to $279 million for the three months ended June 30, 2020. Selling, general and administrative expenses for the six months ended June 30, 2021, increased by 15% to $676 million, compared to $587 million for the six months ended June 30, 2020. The increase in selling, general and administrative expenses for the three and six months ended June 30, 2021, was primarily driven by higher headcount, resulting in increased fixed and share-based compensation expense, higher variable compensation, and increased infrastructure to support our growth. In addition, there were higher marketing, travel, and training expenses for the three months ended June 30, 2021, as compared with the prior year.

Selling, general and administrative expenses for the three and six months ended June 30, 2021, included share-based compensation expense of $55.7 million and $108.8 million, respectively, compared with $49.6 million and $95.3 million, for the three and six months ended June 30, 2020, respectively. Selling, general and administrative expenses for the three and six months ended June 30, 2021, included intangible assets amortization expense of $1.9 million and $3.6 million, respectively, compared with $1.7 million and $3.4 million, for the three and six months ended June 30, 2020, respectively.

Selling, general and administrative expenses for the three and six months ended June 30, 2021, as a percentage of revenue, were 24% and 25%, compared to 33% and 30% for the three and six months ended June 30, 2020, and 25% and 27% for the three and six months ended June 30, 2019. Our spending in the second quarter of 2021 reflected a continued but less pronounced curtailment of certain costs as a result of the COVID-19 pandemic, including travel, marketing events, clinical trials, and other related expenses. We expect that these costs will continue to increase to the extent that the impact of COVID-19 decreases and decline to the extent that the impact of COVID-19 increases. In addition, we expect spending to increase overall and as a percentage of sales as we continue to support our customers, invest in innovation focused on the quadruple aim, and invest in manufacturing and our supply chain to ensure supply for our customers.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses include costs associated with the design, development, testing, and significant enhancement of our products.

Research and development expenses for the three months ended June 30, 2021, increased by 13% to $162 million, compared to $143 million for the three months ended June 30, 2020. Research and development expenses for the six months ended June 30, 2021, increased by 11% to $322 million, compared to $290 million for the six months ended June 30, 2020. The increases in research and development expenses for the three and six months ended June 30, 2021, were primarily driven by higher personnel-related expenses and other project costs incurred to support a broader set of product development initiatives, including Ion and SP platform investments, informatics, advanced instrumentation, advanced imaging, and future generations of robotics.

Research and development expenses for the three and six months ended June 30, 2021, included share-based compensation expense of $32.6 million and $62.7 million, respectively, compared with $27.4 million and $54.6 million for the three and six months ended June 30, 2020, respectively. Research and development expenses for the three and six months ended June 30, 2021, included intangible asset charges of $4.0 million and $4.7 million, respectively, compared with $3.1 million and $5.0 million for the three and six months ended June 30, 2020, respectively.

Research and development expenses fluctuate with project timing. Based upon our broader set of product development initiatives and the stage of the underlying projects, we expect to continue to make substantial investments in research and development and anticipate that research and development expenses will continue to increase in the future.

Interest and Other Income, Net

Interest and other income, net, for the three and six months ended June 30, 2021, was $15.0 million, and $47.0 million, respectively, compared with $26.6 million, and $51.7 million, for the three and six months ended June 30, 2020, respectively. The decrease in interest and other income, net, for the three and six months ended June 30, 2021, was primarily driven by lower interest income earned, despite higher cash and investment balances, due to the decline in average interest rates, and gains on the sale of certain securities in the second quarter of 2020, partially offset by unrealized gains on investments resulting from strategic arrangements recognized in the first quarter of 2021. In addition, we realized higher foreign exchange losses in the second quarter of 2020. During the first quarter of 2021, the Company recorded unrealized gains on investments resulting from strategic arrangements of approximately $14 million.

Income Tax Expense

Income tax expense for the three months ended June 30, 2021, was $3.2 million, or 0.6% of income before taxes, compared to $37.0 million, or 34.5% of income before taxes, for the three months ended June 30, 2020. Income tax expense for the six months ended June 30, 2021, was $16.8 million, or 1.7% of income before taxes, compared to $28.9 million, or 7.0% of income before taxes, for the six months ended June 30, 2020.

Our effective tax rate for the three and six months ended June 30, 2021, and 2020, differs from the U.S. federal statutory rate of 21% primarily due to excess tax benefits associated with employee equity plans, the effect of income earned by certain overseas entities being taxed at rates lower than the federal statutory rate, and federal R&D credit benefit, partially offset by U.S. tax on foreign earnings and state income taxes (net of federal benefit).

Our effective tax rate for the three and six months ended June 30, 2021, included a one-time benefit of $66.4 million from re-measurement of our Swiss deferred tax assets resulting from the extension of the economic useful life of certain intangible assets. Our effective tax rate for the three and six months ended June 30, 2020, reflected a one-time increase of $36.8 million in unrecognized tax benefits with a corresponding increase to income tax expense. This increase was related to intercompany charges for share-based compensation for relevant periods prior to 2020, triggered by the finalization of a Ninth Circuit Court of Appeals opinion involving an independent third party.

Our provision for income taxes for the three and six months ended June 30, 2021, included excess tax benefits associated with employee equity plans of $43.6 million and $117.0 million, which reduced our effective tax rate by 8.3 and 12.0 percentage points, respectively. Our provision for income taxes for the three and six months ended June 30, 2020, included excess tax benefits associated with employee equity plans of $31.6 million and $97.0 million, which reduced our effective tax rate by 29.4 and 23.3 percentage points, respectively. The amount of excess tax benefits or deficiencies will fluctuate from period to period based on the price of our stock, the volume of share-based instruments settled or vested, and the value assigned to employee equity awards under U.S. GAAP, which results in increased income tax expense volatility.

We file federal, state, and foreign income tax returns in many U.S. and OUS jurisdictions. Years before 2016 are closed for the significant jurisdictions. Certain of our unrecognized tax benefits could change due to activities of various tax authorities, including evolving interpretations of existing tax laws in the jurisdictions we operate, potential assessment of additional tax, possible settlement of audits, or through normal expiration of various statutes of limitations, which could affect our effective tax rate in the period in which they change. Due to the uncertainty related to the timing and potential outcome of audits, we cannot estimate the range of reasonably possible change in unrecognized tax benefits that may occur in the next 12 months.

We are subject to the examination of our income tax returns by the IRS and other tax authorities. The outcome of these audits cannot be predicted with certainty. Management regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. If any issues addressed in our tax audits are resolved in a manner not consistent with management’s expectations, we could be required to adjust our provision for income taxes in the period such resolution occurs.

Net Income Attributable to Noncontrolling Interest in Joint Venture

Net income attributable to noncontrolling interest in Joint Venture for the three and six months ended June 30, 2021, was $5.8 million and $14.7 million, respectively. Net income attributable to noncontrolling interest in Joint Venture for the three and six months ended June 30, 2020, was $2.2 million and $4.9 million, respectively. The increase in net income attributable to noncontrolling interest in Joint Venture was primarily due to increased sales in China during the three and six months ended June 30, 2021, as well as re-measurement losses related to contingent consideration during the three and six months ended June 30, 2020.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal source of liquidity is cash provided by operations and by the issuance of common stock through the exercise of stock options and our employee stock purchase program. Cash and cash equivalents plus short- and long-term investments increased by $0.86 billion to $7.73 billion as of June 30, 2021, from $6.87 billion as of December 31, 2020, primarily from cash provided by our operations and proceeds from stock option exercises and employee stock purchases, partially offset by capital expenditures and taxes paid related to net share settlements of equity awards.

Our cash requirements depend on numerous factors, including market acceptance of our products, the resources we devote to developing and supporting our products, and other factors. We expect to continue to devote substantial resources to expand procedure adoption and acceptance of our products. We have made substantial investments in our commercial operations, product development activities, facilities, and intellectual property. Based upon our business model, we anticipate that we will continue to be able to fund future growth through cash provided by our operations. We believe that our current cash, cash equivalents, and investment balances, together with income to be derived from the sale of our products, will be sufficient to meet our liquidity requirements for the foreseeable future.

See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K for the fiscal year ended December 31, 2020, for discussion on the impact of interest rate risk and market risk on our investment portfolio.

Condensed Consolidated Cash Flow Data

The following table summarizes our cash flows for the six months ended June 30, 2021, and 2020 (in millions):

	Six Months Ended June 30,	
	2021	2020
Net cash provided by (used in)		
Operating activities	$ 1,020.3	$ 582.7
Investing activities	(981.7)	419.6
Financing activities	(43.9)	(131.1)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(2.6)	(1.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ (7.9)	$ 869.6

Operating Activities

For the six months ended June 30, 2021, net cash provided by operating activities of $1,020 million exceeded our net income of $958 million, primarily due to the following reasons:

1. Our net income included non-cash charges of $340 million, consisting primarily of the following significant items: share-based compensation of $211 million; depreciation expense and losses on the disposal of property, plant, and equipment of $133 million; changes in deferred income taxes of $(24) million; amortization of intangible assets of $15 million; and gains on investments, accretion, and amortization, net, of $4 million.
2. The non-cash charges outlined above were partially offset by changes in operating assets and liabilities that resulted in $278 million of cash used by operating activities during the six months ended June 30, 2021. Prepaid expenses and other assets increased by $177 million, primarily due to an increase in prepaid taxes, driven by the timing of tax payments, and an increase in leasing. Inventory, including the effect of systems inventory built and transferred to property, plant, and equipment as a result of systems placed under operating lease and usage-based arrangements, increased by $92 million, primarily due to build-up to address the growth in the business as well as to mitigate risks of disruption that could arise from trade, supply, or other matters. Refer to further details in the supplemental cash flow information in Note 4 to the Condensed Consolidated Financial Statements (Unaudited) included in Item 1, Part I.

Accounts receivable increased by $60 million, primarily due to the timing of collections. Other liabilities decreased by $17 million, primarily due to the timing of payments. The unfavorable impact of these items on cash provided by operating activities was partially offset by a $38 million increase in accounts payable, primarily due to the timing of billings, a $19 million increase in accrued compensation and employee benefits, primarily due to higher headcount and variable compensation, and an $11 million increase in deferred revenue, primarily due to the increased volume of sales contracts.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021, consisted primarily of purchases of investments (net of proceeds from sales and maturities of investments) of $839 million, the acquisition of property and equipment of $134 million, and the acquisition of a business, net of cash acquired, of $9 million. We invest predominantly in high quality, fixed income securities. Our investment portfolio may, at any time, contain investments in U.S. treasury and U.S. government agency securities, taxable and tax-exempt municipal notes, corporate notes and bonds, commercial paper, non-U.S. government agency securities, cash deposits, and money market funds.

Financing Activities

Net cash used in financing activities during the six months ended June 30, 2021, consisted primarily of taxes paid on behalf of employees related to net share settlements of vested employee stock purchases of $188 million and the payment of deferred purchase consideration from prior acquisitions of $10 million, partially offset by proceeds from stock option exercises and employee stock purchases of $154 million.

Capital Expenditures

Our business is not capital equipment intensive. However, with the growth of our business and our investments in property and facilities and in manufacturing automation, capital investments in these areas have increased. We expect these capital investments to exceed $300 million in both 2021 and 2022. We intend to fund these needs with cash generated from operations.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. On an ongoing basis, we evaluate our critical accounting estimates. We base our estimates on historical experience and on various other assumptions that we believe 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. There have been no new or material changes to the critical accounting estimates discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, that are of significance, or potential significance, to the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the six months ended June 30, 2021, compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information included in Note 8 to the Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this quarterly report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which could materially affect our business, financial position, or future results of operations. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or future results of operations. The risk factors set forth below update, and should be read together with, the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

RISKS RELATING TO OUR BUSINESS

OUR RELIANCE ON SOLE AND SINGLE SOURCE SUPPLIERS AND OUR ABILITY TO PURCHASE AT ACCEPTABLE PRICES A SUFFICIENT AMOUNT OF MATERIALS, PARTS, AND COMPONENTS COULD HARM OUR ABILITY TO MEET DEMAND FOR OUR PRODUCTS IN A TIMELY MANNER OR WITHIN BUDGET.

Some of the components necessary for the assembly of our products are currently provided to us by sole-sourced suppliers or single-sourced suppliers. We generally purchase components through purchase orders rather than long-term supply agreements and generally do not maintain large volumes of inventory. While alternative suppliers exist and could be identified for sole-sourced components, the disruption or termination of the supply of components, or inflationary pressure in our supply chain, could cause a significant increase in the costs of these components, which could affect our operating results. A disruption or termination in the supply of components could also result in our inability to meet demand for our products, which could harm our ability to generate revenues, lead to customer dissatisfaction, and damage our reputation and our brand. Furthermore, if we are required to change the manufacturer of a key component of our products, we may be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The time and processes associated with the verification of a new manufacturer could delay our ability to manufacture our products on schedule or within budget, which may have a material adverse impact on our business, financial condition, results of operations, or cash flows.

In addition, our ability to meet customers' demands depends, in part, on our ability to timely obtain an adequate delivery of quality materials, parts, and components from our suppliers. An information technology systems interruption, including cybersecurity attacks, could adversely affect the ordering, distribution, and manufacturing processes of our suppliers. Furthermore, we have experienced, and could continue to experience, increased difficulties in obtaining a sufficient amount of materials in the semiconductor market, as prices of such materials increased and global supply has become significantly constrained due to the increased demand for chips to support expansion of server and cloud networks as a greater proportion of the global population worked remotely, the introduction of 5G, and the continued electrification of vehicles. We engage in activities to seek to mitigate such supply disruptions by, for example, increasing our communications with our suppliers and modifying our purchase order coverage and inventory levels. However, notwithstanding these activities, the global semiconductor supply shortage is likely to remain a challenge for the foreseeable future. Such global shortages in important components have resulted in, and will continue to cause, inflationary pressure in our supply chain. If shortages and price increases in important supply-chain materials in the semiconductor or other markets continue, we could fail to meet product demand, which will adversely impact our results of operations.

DISRUPTION OF CRITICAL INFORMATION SYSTEMS OR MATERIAL BREACHES IN THE SECURITY OF OUR SYSTEMS COULD HARM OUR BUSINESS, CUSTOMER RELATIONS, AND FINANCIAL CONDITION.

Information technology helps us serve and interface with customers, maintain our supply chain and manufacturing operations, operate effectively and efficiently, maintain financial accuracy and efficiency, and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions or the unauthorized access to, loss of, or damage to intellectual property, confidential information, or personally identifiable information ("PII"). If our data management systems do not effectively collect, store, process, and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, security incidents, or human error, our ability to effectively plan, forecast, and execute our business plan and comply with applicable laws and

regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows, and the timeliness with which we report our internal and external operating results.

Our business requires us to use and store customer, employee, and business partner PII. This may include names, addresses, phone numbers, email addresses, contact preferences, tax identification numbers, and payment account information. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data. These security measures may be compromised as a result of security breaches by unauthorized persons, employee error, malfeasance, faulty password management, or other irregularity and result in persons obtaining unauthorized access to our data or accounts. Third parties may attempt to fraudulently induce employees or customers into disclosing user names, passwords, or other sensitive information, which may in turn be used to access our information technology systems. For example, our employees have received “phishing” emails and phone calls attempting to induce them to divulge passwords and other sensitive information.

In addition, unauthorized persons may attempt to hack into our products or systems to obtain personal data relating to patients or employees, our confidential or proprietary information, or confidential information we hold on behalf of third parties. If the unauthorized persons successfully hack into or interfere with our connected products or services, they may create issues with product functionality that could pose a risk of loss of data, a risk to patient safety, and a risk of product recall or field activity, which could adversely impact our business and reputation. We have programs in place to detect, contain, and respond to data security incidents, and we make ongoing improvements to our information-sharing products in order to minimize vulnerabilities, in accordance with industry and regulatory standards. However, because the techniques used to obtain unauthorized access to or steal PII or intellectual property, or sabotage systems containing PII or intellectual property, change frequently and may be difficult to detect, we may not be able to anticipate and prevent these intrusions or mitigate them when and if they occur.

We also rely on external vendors to supply and/or support certain aspects of our information technology systems. The systems of these external vendors may contain defects in design or manufacture or other problems that could unexpectedly compromise information security of our own systems, and we are dependent on these third parties to deploy appropriate security programs to protect their systems. In addition to potential exposure to data breaches, security incidents, or other actions that may compromise the security of or interfere with the function of our systems, defects or vulnerabilities in the software or systems of our external vendors may expose failures in our internal controls and risk management processes, which may adversely impact our business, financial condition, results of operations, or cash flows and may also harm our reputation, brand and customer relationships.

While we devote significant resources to network security, data encryption, and other security measures to protect our systems and data, these security measures cannot provide absolute security. We may experience a breach of our systems and may be unable to protect PII, confidential, or sensitive data. It is possible for such vulnerabilities to remain undetected for an extended period, including several years or longer. The costs to us to eliminate or alleviate network security problems, bugs, viruses, worms, ransomware and other malicious software programs, and security vulnerabilities could be significant. Our efforts to address these problems may not be successful and could result in unexpected interruptions, delays, cessation of service, and harm to our business operations. Moreover, if a computer security breach affects our systems or results in the unauthorized release of PII, our reputation and brand could be materially damaged, and use of our products and services could decrease. We would also be exposed to a risk of loss, litigation and potential liability, and regulatory scrutiny, which could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the period covered by this report.

(c) Issuer Purchases of Equity Securities

The table below summarizes our stock repurchase activity for the quarter ended June 30, 2021.

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Program	Approximate Dollar Amount of Shares That May Yet be Purchased Under the Program (1)
April 1 to April 30, 2021	—	$ —	—	$ 1.6 billion
May 1 to May 31, 2021	—	$ —	—	$ 1.6 billion
June 1 to June 30, 2021	—	$ —	—	$ 1.6 billion
Total during quarter ended June 30, 2021	—	$ —	—	

(1) Since March 2009, we have had an active stock repurchase program. As of June 30, 2021, our Board of Directors (the “Board”) had authorized an aggregate amount of up to $7.5 billion for stock repurchases, of which the most recent authorization occurred in January 2019, when the Board increased the authorized amount available under our share repurchase program to $2.0 billion. The remaining $1.6 billion represents the amount available to repurchase shares under the authorized repurchase program as of June 30, 2021. The authorized stock repurchase program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Intuitive Surgical, Inc., as amended (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 23, 2020).
3.2	Amended and Restated Bylaws of Intuitive Surgical, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2021).
10.1	Amended and Restated Intuitive Surgical, Inc. 2010 Incentive Award Plan (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2021).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Intuitive Surgical, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Comprehensive Income, (iii) the unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements (unaudited), tagged at Level I through IV.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTUITIVE SURGICAL, INC.

By: /s/ MARSHALL L. MOHR
Marshall L. Mohr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and duly authorized signatory)

Date: July 21, 2021

CORRECTED
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
INTUITIVE SURGICAL, INC.

INTUITIVE SURGICAL, INC., a corporation organized and existing under the laws of the state of Delaware (the "Corporation") hereby certifies that:

1. The name of the Corporation is Intuitive Surgical, Inc. The name under which this corporation was originally incorporated is Intuitive Surgical Devices, Inc.

2. The date of filing of the Corporation's original Certificate of Incorporation was November 9, 1995.

3. The Corporation filed an Amended and Restated Certificate of Incorporation on June 30, 2003. Said Amended and Restated Certificate requires correction as permitted by Section 103 of the General Corporation law of the State of Delaware.

4. The inaccuracy or defect of said Amended and Restated Certificate of Incorporation is as follows: Due to a clerical error, the Corporation's former Certificate of Incorporation was mistakenly filed in lieu of a Certificate of Amendment.

5. The Amended and Restated Certificate of Incorporation is corrected to read as shown in the attached Exhibit A.

IN WITNESS WHEREOF, the undersigned has signed this certificate this 12th day of September, 2003, and hereby affirms and acknowledges under penalty of perjury that the filing of this Amended and Restated Certificate of Incorporation is the act and deed of Intuitive Surgical, Inc.

INTUITIVE SURGICAL, INC.

By: /s/ Lonnie M. Smith
Lonnie M. Smith
President and Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF INTUITIVE SURGICAL, INC.
A DELAWARE CORPORATION

ARTICLE I.

The name of the corporation is **Intuitive Surgical, Inc.**

ARTICLE II.

The address of the corporation's registered office in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE III.

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware ("DGCL").

ARTICLE IV.

A. Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is two hundred five million (205,000,000) shares, of which two hundred million (200,000,000) shares shall be Common Stock, par value $0.001 per share, and five million (5,000,000) shares shall be Preferred Stock, par value $0.001 per share.

B. Rights. Preferences and Restrictions of Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation") pursuant to DGCL, to fix or alter from time to time the designation, powers, preferences and rights (voting or otherwise) granted upon, and the qualifications, limitations or restrictions of, any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V.

For the management of the business and for the conduct of the affairs of the corporation, and in further definition, limitation and regulation of the powers of the corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. Management of Business. The management of the business and the conduct of the affairs of the corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

B. Board of Directors.

1. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock to the public (the "Initial Public Offering"), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting. During such time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law ("CGCL"), this Section B.1. of this Article V shall become effective and be applicable only when the corporation is a "listed" corporation within the meaning of Section 301.5 of the CGCL.

2. In the event that the corporation is subject to Section 2115(b) of the CGCL AND is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL, Section B.1. of this Article V shall not apply and all directors shall be shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

3. No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation is subject to Section 2115(b) of the CGCL AND is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL. During this time, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. Removal of Directors.

1. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is

taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

2. At any time or times that the corporation is not subject to Section 2115(b) of the CGCL and subject to any limitations imposed by law, Section C.1. above shall no longer apply and removal shall be as provided in Section 141 (k) of the DGCL.

D. Vacancies.

1. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

2. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

3. At any time or times that the corporation is subject to Section 2115(b) of the CGCL, if, after the filling of any vacancy by the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then:

(a) Any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(b) The Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL. The term of office of any director shall terminate upon that election of a successor.

E. Bylaw Amendments. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

F. Ballots. The directors of the corporation need not be elected by written ballot unless the Bylaws so provide.

G. Action by Stockholders. No action shall be taken by the stockholders of the corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws; no action shall be taken by the stockholders by written consent.

H. Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the corporation shall be given in the manner provided in the Bylaws of the corporation.

I. Special Meetings of Stockholders. Special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or a majority of the members of the Board of Directors.

ARTICLE VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the CGCL) for breach of duty to the corporation and its shareholders through bylaw provisions or through agreements with the agents, or through shareholder resolutions, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the CGCL, subject, at any time or times the corporation is subject to Section 2115(b) to the limits on such excess indemnification set forth in Section 204 of the CGCL.

C. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

ARTICLE VII.

A. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI and VII.

CERTIFICATE OF AMENDMENT TO
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
INTUITIVE SURGICAL, INC.
a Delaware Corporation

Pursuant to § 242 of the General Corporation Law
of the State of Delaware

It is hereby certified that:

1. The following amendment to the Amended and Restated Certificate of Incorporation of the corporation has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

Paragraph (a) of Article Four of Exhibit A of the Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as follows:

"A. Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is one hundred two million five hundred thousand (102,500,000) shares, of which one hundred million (100,000,000) shares shall be Common Stock, par value $0.001 per share, and two million five hundred thousand (2,500,000) shares shall be Preferred stock, par value $0.001 per share.

When the foregoing amendment becomes effective, (i) each share of Common Stock issued and outstanding or held in the treasury of the corporation immediately prior to the time this amendment becomes effective shall be reclassified and changed into and shall constitute one-half (1/2) of one fully paid and nonassessable share of Common Stock and (ii) each share of Preferred Stock issued and outstanding or held in the treasury of the corporation immediately prior to the time this amendment becomes effective shall be reclassified and changed into and shall constitute one-half (1/2) of one fully paid and nonassessable share of Preferred Stock, in each case without the necessity of further action of any kind (the "Reverse Split"). Any fractional shares remaining after applying the Reverse Split to each certificate representing shares of Common Stock or Preferred Stock then held by any holder shall be redeemed at a purchase price equal to the closing bid price of the Common Stock on the Nasdaq National Market on the effective date of the Reverse Split. Shares of capital stock that were outstanding prior to the Reverse Split, and that are not outstanding after and as a result of the Reverse Split, shall resume the status of authorized but unissued shares of Common Stock or Preferred Stock, as the case may be."

2. The capital of the corporation will not be reduced under or by reason of the foregoing amendment.

IN WITNESS WHEREOF, this Certificate is hereby executed by the undersigned on June 30, 2003.

INTUITIVE SURGICAL, INC.

By: /s/ Lonnie M. Smith
Lonnie M. Smith
President and Chief Executive Officer

CERTIFICATE OF AMENDMENT TO
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
INTUITIVE SURGICAL, INC.
a Delaware Corporation

Pursuant to § 242 of the General Corporation Law
of the State of Delaware

It is hereby certified that the following amendment to the Amended and Restated Certificate of Incorporation of the corporation has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

Section B of Article V of Exhibit A of the Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as follows:

"B. Board of Directors.

1. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, commencing with the 2013 annual meeting of stockholders, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors elected at the 2010 annual meeting of stockholders shall hold office until the 2013 annual meeting of stockholders, directors elected at the 2011 annual meeting of stockholders shall hold office until the 2014 annual meeting of stockholders, and directors elected at the 2012 annual meeting of stockholders shall hold office until the 2015 annual meeting of stockholders. Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director."

IN WITNESS WHEREOF, this Certificate is hereby executed by the undersigned on 4/21, 2012.

INTUITIVE SURGICAL, INC.

By: */s/* Gary S. Guthart, Ph.D.
Gary S. Guthart, Ph.D.
President and Chief Executive Officer

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

Intuitive Surgical, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That Paragraph (A) of Article Four of Exhibit A of the Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as follows:

"A. Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is three hundred two million five hundred thousand (302,500,000) shares, of which three hundred million (300,000,000) shares shall be Common Stock, par value $0.001 per share, and two million five hundred thousand (2,500,000) shares shall be Preferred Stock, par value $0.001 per share. At the effective time of this Certificate of Amendment (the "Effective Time"), each issued and outstanding share of the corporation's Common Stock shall be divided into three (3) validly issued, fully paid and non-assessable shares of Common Stock reflecting a three (3) for one (1) stock split (the "Stock Split"). The Stock Split shall occur without any further action on the part of the corporation or the holders of shares of Common Stock and whether or not certificates representing such holders' shares prior to the Stock Split are surrendered for cancellation."

SECOND: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed this 29th day of September, 2017.

By: /s/ Gary S. Guthart
Name: Gary S. Guthart
Title: *Chief Executive Officer*

CERTIFICATE OF AMENDMENT TO
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
INTUITIVE SURGICAL, INC.

Pursuant to § 242 of the General Corporation Law
of the State of Delaware

Intuitive Surgical, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That Paragraph (E) of Article V of the Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), is hereby amended to read in its entirety as follows:

"E. Bylaw Amendments. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of the majority of shares present in person or represented by proxy at a meeting of stockholders and entitled to vote thereon. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws."

SECOND: That Paragraph (I) of Article V of the Certificate of Incorporation is hereby amended to read in its entirety as follows:

"I. Special Meetings of Stockholders. Unless otherwise required by law, special meetings of the stockholders may be called, for any purpose or purposes, (i) by the Chairman of the Board of Directors, (ii) by the Chief Executive Officer, (iii) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), or (iv) upon written request to the Secretary, by one or more holders of record of the corporation's common stock owning not less than 20% of the total number of shares of common stock of the corporation entitled to vote on the matter or matters to be brought before the proposed special meeting, who otherwise comply with such other requirements and procedures set forth in the Bylaws as now or hereinafter in effect."

THIRD: That Paragraph (A) of Article VII of the Certificate of Incorporation is hereby amended to read in its entirety as follows:

"A. The corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this reservation."

FOURTH: That Paragraph (B) of Article VII of the Certificate of Incorporation shall be deleted in its entirety.

FIFTH: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[Signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed this 24th day of April, 2020.

INTUITIVE SURGICAL, INC.

By: /s/ Siang Chin

Name: Siang Chin

Title: Assistant Secretary

AMENDED AND RESTATED INTUITIVE SURGICAL, INC. 2010 INCENTIVE AWARD PLAN

(Amendment and Restatement Adopted by the Board of Directors on March 6, 2021)
(Approved by the Shareholders on April 22, 2021)

ARTICLE 1.

PURPOSE

The purpose of the Intuitive Surgical, Inc. 2010 Incentive Award Plan, as amended and restated from time to time (the "Plan") is to promote the success and enhance the value of Intuitive Surgical, Inc. (the "Company") by linking the individual interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide an ability to motivate, attract and retain the services of members of the Board, Employees and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" shall mean the entity that conducts the general administration of the Plan as provided in Article 12. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 12.6, or as to which the Board has assumed, the term "Administrator" shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 "Affiliate" shall mean (a) Subsidiary; and (b) any domestic eligible entity that is disregarded, under Treasury Regulation Section 301.7701-3, as an entity separate from either (i) the Company or (ii) any Subsidiary.

2.3 "Applicable Accounting Standards" shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company's financial statements under United States federal securities laws from time to time.

2.4 "Award" shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalent award or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, "Awards").

2.5 "Award Agreement" shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.6 "Award Limit" shall mean with respect to Awards that shall be payable in Shares or in cash, as the case may be, the respective limit set forth in Section 3.3.

2.7 "Board" shall mean the Board of Directors of the Company.

2.8 "Change in Control" shall mean and includes each of the following:

(a) Any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(b) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(c) There is consummated a merger or consolidation of the Company with or into any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or the parent of the entity which survives such merger or consolidation; or

(d) The stockholders of the Company approve a plan of complete liquidation of the Company or there is consummated the sale or disposition by the Company of all or substantially all of the Company's assets, other than

a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least eighty percent (80%) of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder.

2.10 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 12.1.

2.11 "Common Stock" shall mean the common stock of the Company, par value $0.001 per share.

2.12 "Company" shall mean Intuitive Surgical, Inc., a Delaware corporation.

2.13 "Consultant" shall mean any consultant or adviser engaged to provide services to the Company or any Affiliate that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.14 "Director" shall mean a member of the Board, as constituted from time to time.

2.15 "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 9.2.

2.16 "DRO" shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.17 "Effective Date" shall mean the date the Plan is approved by the Board, subject to approval of the Plan by the Company's stockholders.

2.18 "Eligible Individual" shall mean any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Committee.

2.19 "Employee" shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of the Company or of any Affiliate.

2.20 "Equity Restructuring" shall mean a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of shares of Common Stock (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

2.21 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.22 "Fair Market Value" shall mean, as of any given date, the value of a Share determined as follows:

(a) If the Common Stock is listed on any (i) established securities exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market), (ii) national market system or (iii) automated quotation system on which the Shares are listed, quoted or traded, its Fair Market Value shall be the closing sales price for a share of Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Common Stock on the date in question, the closing sales price for a share of Common Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Common Stock on such date, the high bid and low asked prices for a share of Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith.

2.23. "Full Value Award" shall mean any Award other than (i) an Option, (ii) a Stock Appreciation Right or (iii) any other Award for which the Holder pays the intrinsic value existing as of the date of grant (whether directly or by forgoing a right to receive a payment from the Company or any Affiliate).

2.24 "Greater Than 10% Stockholder" shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

2.25 "Holder" shall mean a person who has been granted an Award.

2.26 "Incentive Stock Option" shall mean an Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

2.27 "Non-Employee Director" shall mean a Director of the Company who is not an Employee.

2.28 "Non-Qualified Stock Option" shall mean an Option that is not an Incentive Stock Option.

2.29 "Option" shall mean a right to purchase Shares at a specified exercise price, granted under Article 6. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall only be Non-Qualified Stock Options.

2.30 "Parent" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities ending with the Company if each of the entities other than the Company beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.31 "Performance Award" shall mean a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Shares or a combination of both, awarded under Section 9.1.

2.32 "Performance Criteria" shall mean the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals may include the following, or such other metrics established by the Committee:

(i) gross or net sales or revenue;

(ii) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation, and (D) amortization);

(iii) operating earnings or profit;

(iv) gross or net profit or operating margin;

(v) cash flow (including, but not limited to, operating cash flow and free cash flow);

(vi) return on assets;

(vii) return on capital;

(viii) return on invested capital;

(ix) return on stockholders' equity;

(x) return on sales;

(xi) earnings per share;

(xii) multiples of price per share to earnings per share ("P/E");

(xiii) multiples of P/E to growth;

(xiv) price per share of Common Stock;

(xv) stock price appreciation;

(xvi) total stockholder return;

(xvii) economic value added (EVA = net operating profit after taxes-a capital charge);

(xviii) achievement of objectively determinable strategic initiatives;

(xix) number of procedures; and

(xx) employee productivity,

any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

(b) The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; (xix) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions; or (xx) non-cash items.

2.33 "Performance Goals" shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual.

2.34 "Performance Period" shall mean one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Holder's right to, and the payment of, a Performance Award.

2.35 "Permitted Transferee" shall mean, with respect to a Holder, any "family member" of the Holder, as defined under the instructions to use of the Form S-8 Registration Statement under the Securities Act, after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Awards.

2.36 "Plan" shall mean this Intuitive Surgical, Inc. 2010 Incentive Award Plan, as amended or restated from time to time.

2.37 “Program” shall mean any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.

2.38 “Restricted Stock” shall mean Common Stock awarded under Article 8 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.39 “Restricted Stock Units” shall mean the right to receive Shares awarded under Section 9.3.

2.40 “Securities Act” shall mean the Securities Act of 1933, as amended.

2.41 “Shares” shall mean shares of Common Stock.

2.42 “Stock Appreciation Right” shall mean a stock appreciation right granted under Article 10.

2.43 “Subsidiary” shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.44 “Substitute Award” shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.45 “Termination of Service” shall mean,

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to the Company or an Affiliate is terminated for any reason, with or without cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with the Company or any Affiliate.

(b) As to a Non-Employee Director, the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Affiliate.

(c) As to an Employee, the time when the employee-employer relationship between a Holder and the Company or any Affiliate is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Affiliate.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to Terminations of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of the Program, the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder's employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Affiliate employing or contracting with such Holder ceases to remain an Affiliate following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE 3.

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 13.2 and Section 3.1(b), the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is 34,450,000; *provided however,* that any Shares that are subject to Awards of Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted and any Shares that are subject to Full Value Awards shall be counted against this limit as 2.3 Shares for every one (1) Share granted.

(b) If any Shares subject to an Award are forfeited or expire or such Award is settled for cash (in whole or in part), the Shares subject to such Award shall, to the extent of such forfeiture, expiration or cash settlement, again be available for future grants of Awards under the Plan, *provided*, that for each Share subject to a Full Value Award that is so forfeited, expired or settled in cash, 2.3 Shares shall be again become available for future grants of Awards under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 3.1(a) and will not be available for future grants of Awards:

(i) Shares tendered by the Holder or withheld by the Company in payment of the exercise price of an Option or to satisfy any tax withholding obligation with respect to an Award; (ii) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof; and (iii) Shares purchased on the open market with the cash proceeds from the exercise of Options. Any Shares repurchased by the Company under Section 8.4 at the same price paid by the Holder so that such shares are returned to the Company will again be available for Awards. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

(c) Substitute Awards shall not reduce the Shares authorized for grant under the Plan. Additionally, in the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

3.2 Stock Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Section 13.2, the maximum aggregate amount of cash that may be paid with respect to one or more Awards payable in cash that may be granted to any one person during any calendar year shall be $2,000,000 and the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year shall be 250,000. The aggregate grant date fair value (computed as of the applicable grant date) of Awards to any Non-employee Director in any calendar year in respect

of such director's service as a member of our Board of Directors or any Board committee during such year shall not exceed $750,000.

ARTICLE 4.

GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. No Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Employment. Nothing in the Plan or in any Program or Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Affiliate, or shall interfere with or restrict in any way the rights of the Company and any Affiliate, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, and with or without notice, or to terminate or change all other terms and conditions of employment or engagement, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Affiliate.

4.5 Foreign Holders. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan;

(c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign securities exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Code, the Exchange Act, the Securities Act, any other securities law or governing statute, the rules of the securities exchange or automated quotation system on which the Shares are listed, quoted or traded or any other applicable law.

4.6 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE 5.

[RESERVED.]

ARTICLE 6.

GRANTING OF OPTIONS

6.1 Granting of Options to Eligible Individuals. The Administrator is authorized to grant Options to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine which shall not be inconsistent with the Plan.

6.2 Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or any Affiliate corporation of the Company (as defined in Section 424(f) of the Code). No person who qualifies as a Greater Than 10% Stockholder may be granted an Incentive Stock Option unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code. Any Incentive Stock Option granted under the Plan may be modified by the Administrator, with the consent of the Holder, to disqualify such Option from treatment as an “incentive stock option” under Section 422 of the Code. To the extent that the aggregate fair market value of stock with respect to which “incentive stock options” (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a

Holder during any calendar year under the Plan, and all other plans of the Company and any Affiliate or parent corporation thereof (each as defined in Section 424(f) and (e) of the Code, respectively), exceeds $100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted and the Fair Market Value of stock shall be determined as of the time the respective options were granted.

6.3 Option Exercise Price. The exercise price per Share subject to each Option shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall not be less than 110% of the Fair Market Value of a Share on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

6.4 Option Term. The term of each Option shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than ten (10) years from the date the Option is granted, or five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Options, which time period may not extend beyond the term of the Option term. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

6.5 Option Vesting.

(a) The period during which the right to exercise, in whole or in part, an Option vests in the Holder shall be set by the Administrator and the Administrator may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Company or any Affiliate, any Performance Criteria, or any other criteria selected by the Administrator.

(b) No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Program, the Award Agreement or by action of the Administrator following the grant of the Option.

6.6 Substitute Awards. Notwithstanding the foregoing provisions of this Article 6 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

6.7 Substitution of Stock Appreciation Rights. The Administrator may provide in the applicable Program or the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided, that such Stock Appreciation Right shall be exercisable with respect to the same number of Shares for which such substituted Option would have been exercisable.

ARTICLE 7.

EXERCISE OF OPTIONS

7.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

7.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations, the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded or any other applicable law. The Administrator may, in its sole discretion, also

take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 11.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator; and

(d) Full payment of the exercise price and applicable withholding taxes to the stock administrator of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 11.1 and 11.2.

7.3 Notification Regarding Disposition. The Holder shall give the Company prompt written or electronic notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option which occurs within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the transfer of such shares to such Holder.

ARTICLE 8.

AWARD OF RESTRICTED STOCK

8.1 Award of Restricted Stock.

(a) The Administrator is authorized to grant Restricted Stock to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value of the Shares to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

8.2 Rights as Stockholders. Subject to Section 8.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in the applicable Program or in each individual Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that with respect to a share of Restricted Stock subject to restrictions or vesting conditions as described in Section 8.3, except in

connection with a spin-off or other similar event as otherwise permitted under Section 13.2, dividends which are paid to Company stockholders prior to the removal of restrictions and satisfaction of vesting conditions shall only be paid to the Holder to the extent that the restrictions are subsequently removed and the vesting conditions are subsequently satisfied and the share of Restricted Stock vests.

8.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of the applicable Program or in each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment, directorship or consultancy with the Company, the Performance Criteria, Company performance, individual performance or other criteria selected by the Administrator. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

8.4 Repurchase or Forfeiture of Restricted Stock. If no price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration. If a price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock or such other amount as may be specified in the Program or the Award Agreement. The Administrator in its sole discretion may provide that in the event of certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service or any other event, the Holder's rights in unvested Restricted Stock shall not lapse, such Restricted Stock shall vest and, if applicable, the Company shall not have a right of repurchase.

8.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.

8.6 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates

upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

ARTICLE 9.

AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, RESTRICTED STOCK UNITS

9.1 Performance Awards.

(a) The Administrator is authorized to grant Performance Awards to any Eligible Individual. The value of Performance Awards may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Performance Awards may be paid in cash, Shares, or both, as determined by the Administrator.

(b) Without limiting Section 9.1(a), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator.

9.2 Dividend Equivalents.

(a) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award is granted to a Holder and the date such Award vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator. Notwithstanding anything to the contrary herein, Dividend Equivalents with respect to an Award subject to vesting shall either (i) to the extent permitted by Applicable Law, not be paid or credited or (ii) be accumulated and subject to vesting to the same extent as the related Award. All such Dividend Equivalents shall be paid at such time as the Administrator shall specify in the applicable Award Agreement.

(b) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights.

9.3 Restricted Stock Units. The Administrator is authorized to grant Restricted Stock Units to any Eligible Individual. The number and terms and conditions of Restricted Stock Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and

nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including conditions based on one or more Performance Criteria or other specific criteria, including service to the Company or any Affiliate, in each case on a specified date or dates or over any period or periods, as determined by the Administrator. The Administrator shall specify, or permit the Holder to elect, the conditions and dates upon which the Shares underlying the Restricted Stock Units which shall be issued, which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become nonforfeitable and which conditions and dates shall be subject to compliance with Section 409A of the Code. Restricted Stock Units may be paid in cash, Shares, or both, as determined by the Administrator. On the distribution dates, the Company shall issue to the Holder one unrestricted, fully transferable Share (or the Fair Market Value of one such Share in cash) for each vested and nonforfeitable Restricted Stock Unit.

9.4 Term. The term of a Performance Award, Dividend Equivalent award and/or Restricted Stock Unit award shall be set by the Administrator in its sole discretion.

9.5 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price of a Performance Award or shares distributed pursuant to a Restricted Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a Share, unless otherwise permitted by applicable law.

9.6 Exercise upon Termination of Service. A Performance Award, Dividend Equivalent award, and/or Restricted Stock Unit award is exercisable or distributable only while the Holder is an Employee, Director or Consultant, as applicable. The Administrator, however, in its sole discretion may provide that the Performance Award, Dividend Equivalent award and/or Restricted Stock Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service.

ARTICLE 10.

AWARD OF STOCK APPRECIATION RIGHTS

10.1 Grant of Stock Appreciation Rights.

(a) The Administrator is authorized to grant Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine consistent with the Plan.

(b) A Stock Appreciation Right shall entitle the Holder (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by

multiplying the difference obtained by subtracting the exercise price per share of the Stock Appreciation Right from the Fair Market Value on the date of exercise of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose. Except as described in (c) below, the exercise price per Share subject to each Stock Appreciation Right shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value on the date the Stock Appreciation Right is granted.

(c) Notwithstanding the foregoing provisions of Section 10.1(b) to the contrary, in the case of an Stock Appreciation Right that is a Substitute Award, the price per share of the shares subject to such Stock Appreciation Right may be less than 100% of the Fair Market Value per share on the date of grant; provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

10.2 Stock Appreciation Right Vesting.

(a) The period during which the right to exercise, in whole or in part, a Stock Appreciation Right vests in the Holder shall be set by the Administrator and the Administrator may determine that a Stock Appreciation Right may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Company or any Affiliate, or any other criteria selected by the Administrator.

(b) No portion of a Stock Appreciation Right which is unexercisable at Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the applicable Program or Award Agreement or by action of the Administrator following the grant of the Stock Appreciation Right.

10.3 Manner of Exercise. All or a portion of an exercisable Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the stock administrator of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Stock Appreciation Right, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Stock Appreciation Right or such portion of the Stock Appreciation Right;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance; and

(c) In the event that the Stock Appreciation Right shall be exercised pursuant to this Section 10.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Stock Appreciation Right.

10.4 Stock Appreciation Right Term. The term of each Stock Appreciation Right shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than ten (10) years from the date the Stock Appreciation Right is granted. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Stock Appreciation Rights, which time period may not extend beyond the expiration date of the Stock Appreciation Right term. Except as limited by the requirements of Section 409A of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Stock Appreciation Right, and may extend the time period during which vested Stock Appreciation Rights may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Stock Appreciation Right relating to such a Termination of Service.

10.5 Payment. Payment of the amounts payable with respect to Stock Appreciation Rights pursuant to this Article 10 shall be in cash or check or other form of legal consideration acceptable to the Administrator, as determined by the Administrator.

ARTICLE 11.

ADDITIONAL TERMS OF AWARDS

11.1 Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Holder has placed a market sell order with a broker with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been

directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, provided, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

11.2 Tax Withholding. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement allow a Holder to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of shares which have a fair market value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Shares, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

11.3 Transferability of Awards.

(a) Except as otherwise provided in Section 11.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge,

hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless, subject to the consent of the Administrator, it has been disposed of pursuant to a DRO; after the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Program or Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 11.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award other than an Incentive Stock Option to any one or more Permitted Transferees, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); and (iii) the Holder and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer. In no event may an Award be transferable for consideration absent stockholder approval.

(c) Notwithstanding Section 11.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Holder, except to the extent the Plan, the Program and the Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married and resides in a community property state, a designation of a person other than the Holder's spouse as his or her beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and

distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

11.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Board or the Committee has determined, with advice of counsel, that the issuance of such shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded, and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board or the Committee may require that a Holder make such reasonable covenants, agreements and representations as the Board or the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations or requirements.

(b) All Share certificates delivered pursuant to the Plan and all shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Administrator may place legends on any Share certificate or book entry to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional Shares shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

11.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written or electronic instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Shares underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (iii) the Holder incurs a Termination of Service for "cause" (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between the Company and the Holder).

11.6 Prohibition on Repricing. Subject to Section 13.2, the Administrator shall not, without the approval of the stockholders of the Company, (i) authorize the amendment of any outstanding Option or Stock Appreciation Right to reduce its price per share, or (ii) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying Shares. Subject to Section 13.2, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding award to increase the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is greater than or equal to the price per share of the original Award.

ARTICLE 12.

ADMINISTRATION

12.1 Administrator. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and, unless otherwise determined by the Board, shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a "non-employee director" as defined by Rule 16b-3 of the Exchange Act or any successor rule and an "independent director" under the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded; provided, that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for

membership set forth in this Section 12.l or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written or electronic notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and (b) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 12.6.

12.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan, the Program and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Program or Award Agreement provided that the rights or obligations of the Holder of the Award that is the subject of any such Program or Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 13.10. Any such grant or award under the Plan need not be the same with respect to each Holder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

12.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

12.4 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Eligible Individual;

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any performance criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

12.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Program, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding and conclusive on all parties.

12.6 Delegation of Authority. To the extent permitted by applicable law or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to Article 12; provided, however, that in no event shall an officer of the Company be delegated the authority to grant awards to, or amend awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act or

(b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under applicable securities laws or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegate. At all times, the delegate appointed under this Section 12.6 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE 13.

MISCELLANEOUS PROVISIONS

13.1 Effective Date, Amendment, Suspension or Termination of the Plan. The Plan shall become effective on the Effective Date; provided that, for the avoidance of doubt, all provisions of the Plan governing any compensation subject to Awards granted prior to November 2, 2017 and outstanding as of the Effective Date that is intended to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code (prior to its amendment by the Tax Cuts and Jobs Act, P.L. 115-97) ("Performance-Based Compensation") at the time such Awards were granted shall continue to apply to such Awards to the extent required to retain their qualification as Performance-Based Compensation. Except as otherwise provided in this Section 13.1, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve (12) months before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 13.2, (i) increase the limits imposed in Section 3.1 on the maximum number of shares which may be issued under the Plan, or (ii) reduce the price per share of any outstanding Option or Stock Appreciation Right granted under the Plan, or (iii) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying Shares. Except as provided in Section 13.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after the tenth (10th) anniversary of the Effective Date.

13.2 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, Change in Control or any other change affecting the shares of the Company's stock or the share price of the Company's stock other than an Equity Restructuring, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan, adjustments of the Award Limit, and adjustments of the manner in which shares subject to Full Value Awards will be counted); (ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan.

(b) In the event of any transaction or event described in Section 13.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any Affiliate of the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 13.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion having an aggregate value not exceeding the amount that could have been

attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of the Company's stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Program or Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 13.2(a) and 13.2(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted; and/or

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan and adjustments of the Award Limit). The adjustments provided under this Section 10.2(c) shall be nondiscretionary and shall be final and binding on the affected Holder and the Company.

(d) Notwithstanding any other provision of the Plan, the Board, in its sole discretion, and on such terms and conditions as it deems appropriate, is authorized to adopt or put into place a change in control program to determine the vesting schedule, exercisability and other terms of outstanding Awards on or after a Change in Control.

(e) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(f) No adjustment or action described in this Section 13.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(g) The existence of the Plan, the Program, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(h) No action shall be taken under this Section 13.2 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.

(i) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, Change in Control or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, the Company in its sole discretion may refuse to permit the exercise of any Award during a period of thirty (30) days prior to the consummation of any such transaction.

13.3 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval, provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no shares of Common Stock shall be issued pursuant thereto prior to the time when the Plan is approved by the stockholders, and provided further that if such approval has not been

obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

13.4 No Stockholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a stockholder with respect to shares of Common Stock covered by any Award until the Holder becomes the record owner of such shares of Common Stock.

13.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

13.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Affiliate. Nothing in the Plan shall be construed to limit the right of the Company or any Affiliate: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Affiliate, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

13.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state, federal and foreign securities law and margin requirements), the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

13.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

13.9 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

13.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

13.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

13.12 Unfunded Status of Awards. The Plan is intended to be an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Program or Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Affiliate.

13.13 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.14 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

13.15 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary S. Guthart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuitive Surgical, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /S/ GARY S. GUTHART

Gary S. Guthart, Ph.D.
President and Chief Executive Officer

Date: July 21, 2021

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Marshall L. Mohr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuitive Surgical, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ MARSHALL L. MOHR

Marshall L. Mohr
Executive Vice President and Chief Financial Officer

Date: July 21, 2021

EXHIBIT 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Intuitive Surgical, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: July 21, 2021

By: /s/ Gary S. Guthart

Gary S. Guthart, Ph.D.
President and Chief Executive Officer

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Intuitive Surgical, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: July 21, 2021

By: /s/ MARSHALL L. MOHR

Marshall L. Mohr
Executive Vice President and Chief Financial Officer