

INTUITIVE SURGICAL, INC.
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Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Condensed Consolidated Statements of Income (GAAP) and Other Metrics
(in millions, except per share data and headcount)*
2020 - 2022

	<u>Q1'20</u>	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u> <u>YTD</u>
Condensed Consolidated Statements of Income													
Revenue	\$1,099.5	\$852.1	\$1,077.7	\$1,329.1	\$1,292.1	\$1,464.0	\$1,403.3	\$1,550.7	\$1,487.7	\$1,522.1	\$4,358.4	\$5,710.1	\$3,009.8
Gross Profit	738.2	502.9	724.3	895.8	902.6	1,023.7	971.4	1,060.8	1,009.7	1,023.3	2,861.2	3,958.5	2,033.0
Gross Profit Margin	67.1 %	59.0 %	67.2 %	67.4 %	69.9 %	69.9 %	69.2 %	68.4 %	67.9 %	67.2 %	65.6 %	69.3 %	67.5 %
SG&A Expenses	308.1	279.1	298.9	330.2	326.0	350.2	363.3	427.0	391.1	418.4	1,216.3	1,466.5	809.5
Research and Development Expenses	147.1	143.2	155.0	149.8	159.8	162.3	165.5	183.4	210.5	207.3	595.1	671.0	417.8
Total Operating Expenses	455.2	422.3	453.9	480.0	485.8	512.5	528.8	610.4	601.6	625.7	1,811.4	2,137.5	1,227.3
Operating Income	283.0	80.6	270.4	415.8	416.8	511.2	442.6	450.4	408.1	397.6	1,049.8	1,821.0	805.7
Operating Margin	25.7 %	9.5 %	25.1 %	31.3 %	32.3 %	34.9 %	31.5 %	29.0 %	27.4 %	26.1 %	24.1 %	31.9 %	26.8 %
Interest and Other Income (Expense), Net	25.1	26.6	84.8	20.7	32.0	15.0	18.5	3.8	(5.7)	9.3	157.2	69.3	3.6
Income Before Taxes	308.1	107.2	355.2	436.5	448.8	526.2	461.1	454.2	402.4	406.9	1,207.0	1,890.3	809.3
Income Tax Expense (Benefit)	(8.1)	37.0	38.4	72.9	13.6	3.2	73.9	71.5	33.0	93.3	140.2	162.2	126.3
Effective Tax Rate	(2.6)%	34.5 %	10.8 %	16.7 %	3.0 %	0.6 %	16.0 %	15.7 %	8.2 %	22.9 %	11.6 %	8.6 %	15.6 %
Net Income	316.2	70.2	316.8	363.6	435.2	523.0	387.2	382.7	369.4	313.6	1,066.8	1,728.1	683.0
Less: Net Income (Loss) Attributable to Noncontrolling Interest in Joint Venture	2.7	2.2	2.9	(1.6)	8.9	5.8	6.7	2.1	3.8	5.8	6.2	23.5	9.6
Net Income Attributable to Intuitive Surgical, Inc.	\$313.5	\$68.0	\$313.9	\$365.2	\$426.3	\$517.2	\$380.5	\$380.6	\$365.6	\$307.8	\$1,060.6	\$1,704.6	\$673.4
Net Income Per Share Attributable to Intuitive Surgical, Inc.	\$0.87	\$0.19	\$0.87	\$1.01	\$1.17	\$1.42	\$1.04	\$1.04	\$1.00	\$0.85	\$ 2.94	\$ 4.66	\$ 1.84
Diluted Shares Outstanding	359.5	359.0	361.9	363.3	364.0	364.9	366.8	367.4	366.7	363.9	361.0	365.8	365.3
Other Metrics													
Cash and Investments	\$5,896.1	\$6,074.8	\$6,361.4	\$6,869.1	\$7,230.5	\$7,734.8	\$8,219.7	\$8,619.5	\$8,401.8	\$8,175.4	\$6,869.1	\$8,619.5	\$8,175.4
Capital Expenditures and Acquisitions	\$164.0	\$118.9	\$82.9	\$98.4	\$88.1	\$77.5	\$78.9	\$152.8	\$96.3	\$144.3	\$464.2	\$397.3	\$240.6
Share Repurchases	\$100.0	\$ —	\$ —	\$34.3	\$ —	\$ —	\$ —	\$ —	\$106.5	\$500.1	\$134.3	\$ —	\$606.6
Headcount	7,490	7,693	7,802	8,081	8,394	8,828	9,082	9,793	10,536	11,254	8,081	9,793	11,254

(*) Shares issued pursuant to the three-for-one stock split of the Company's issued and outstanding common stock, par value \$0.001 per share, were distributed on October 4, 2021, to stockholders of record as of September 27, 2021. All share and per-share information have been retroactively adjusted to reflect the stock split.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Non-GAAP Financial Measures (#)
(in millions, except per share data)*
2020 - 2022

	<u>Q1'20</u>	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u> <u>YTD</u>
Non-GAAP Gross Profit Margin	69.7 %	62.4 %	70.2 %	69.7 %	71.8 %	71.7 %	71.3 %	70.1 %	69.8 %	69.2 %	68.4 %	71.2 %	69.5 %
Non-GAAP SG&A Expenses	\$263.6	\$223.7	\$238.8	\$272.8	\$271.5	\$294.1	\$300.3	\$358.3	\$331.6	\$354.0	\$998.9	\$1,224.2	\$685.6
Non-GAAP Research and Development Expenses (1)	\$119.0	\$114.9	\$124.6	\$119.4	\$129.0	\$129.0	\$129.6	\$146.6	\$173.0	\$168.1	\$477.9	\$534.2	\$341.1
Non-GAAP Operating Margin (1)	34.9 %	22.7 %	36.5 %	40.2 %	40.8 %	42.8 %	40.6 %	37.6 %	35.8 %	34.9 %	34.5 %	40.4 %	35.4 %
Non-GAAP Income Before Taxes (1)	\$408.4	\$219.9	\$416.5	\$549.9	\$545.0	\$641.9	\$580.9	\$594.0	\$544.7	\$541.6	\$1,594.7	\$2,361.8	\$1,086.3
Non-GAAP Net Income Attributable to Intuitive Surgical, Inc. (1)	\$322.0	\$132.4	\$326.4	\$434.2	\$427.2	\$474.8	\$434.7	\$472.6	\$413.1	\$414.5	\$1,215.0	\$1,809.3	\$827.6
Non-GAAP Net Income Per Share Attributable to Intuitive Surgical, Inc. (1)	\$ 0.90	\$ 0.37	\$ 0.90	\$ 1.20	\$ 1.17	\$ 1.30	\$ 1.19	\$ 1.29	\$ 1.13	\$ 1.14	\$ 3.37	\$ 4.95	\$ 2.27
Diluted Shares Outstanding	359.5	359.0	361.9	363.3	364.0	364.9	366.8	367.4	366.7	363.9	361.0	365.8	365.3

(*) Shares issued pursuant to the three-for-one stock split of the Company's issued and outstanding common stock, par value \$0.001 per share, were distributed on October 4, 2021, to stockholders of record as of September 27, 2021. All share and per-share information have been retroactively adjusted to reflect the stock split.

(1) Beginning with the quarter ended March 31, 2022, the Company is no longer adjusting non-GAAP research and development expenses, non-GAAP operating margin, non-GAAP income before taxes, non-GAAP net income attributable to Intuitive Surgical, Inc., or non-GAAP net income per share attributable to Intuitive Surgical, Inc. for charges relating to intellectual property and license arrangements expensed to R&D. The Company made these changes to its presentation of non-GAAP financial measures based on its understanding of the U.S. Securities and Exchange Commission's (the "SEC") current views on this practice from knowledge of communications between the SEC and a number of pharmaceutical and life sciences companies and independent registered public accounting firms. Historical non-GAAP measures have been adjusted for comparability.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue, and Related Metrics
Total Company
2020 - 2022

	<u>Q1'20</u>	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u> <u>YTD</u>
<i>Revenue and Related Metrics</i>													
Instruments and Accessories Revenue (millions)	\$617.5	\$460.8	\$630.5	\$746.9	\$705.9	\$796.4	\$755.4	\$842.8	\$810.3	\$895.3	\$2,455.7	\$3,100.5	\$1,705.6
Year-over-year growth (decline)	12 %	(20)%	4 %	11 %	14 %	73 %	20 %	13 %	15 %	12 %	2 %	26 %	14 %
Quarter-over-quarter growth (decline)	(8)%	(25)%	37 %	18 %	(5)%	13 %	(5)%	12 %	(4)%	10 %			
Year-over-year procedure growth (decline)	10 %	(19)%	7 %	6 %	16 %	68 %	20 %	19 %	19 %	14 %	1 %	28 %	16 %
Quarter-over-quarter procedure growth (decline)	(9)%	(22)%	36 %	10 %	— %	13 %	(3)%	9 %	(1)%	9 %			
Service Revenue (millions)	\$198.7	\$130.3	\$179.4	\$215.4	\$217.5	\$228.0	\$232.7	\$238.0	\$249.3	\$251.7	\$723.8	\$916.2	\$501.0
Year-over-year growth (decline)	14 %	(26)%	(2)%	13 %	9 %	75 %	30 %	10 %	15 %	10 %	— %	27 %	12 %
Quarter-over-quarter growth (decline)	4 %	(34)%	38 %	20 %	1 %	5 %	2 %	2 %	5 %	1 %			
Operating Lease Revenue (millions)	\$ 39.2	\$ 42.3	\$ 45.9	\$ 49.3	\$ 59.0	\$ 67.3	\$ 72.5	\$ 78.1	\$ 83.2	\$ 93.0	\$176.7	\$276.9	\$176.2
Year-over-year growth	92 %	69 %	68 %	45 %	51 %	59 %	58 %	58 %	41 %	38 %	65 %	57 %	40 %
Quarter-over-quarter growth	15 %	8 %	9 %	7 %	20 %	14 %	8 %	8 %	7 %	12 %			
Total Recurring Revenue (millions) (1)	\$855.4	\$633.4	\$855.8	\$1,011.6	\$982.4	\$1,091.7	\$1,060.6	\$1,158.9	\$1,142.8	\$1,240.0	\$3,356.2	\$4,293.6	\$2,382.8
Year-over-year growth (decline)	15 %	(19)%	5 %	13 %	15 %	72 %	24 %	15 %	16 %	14 %	4 %	28 %	15 %
Quarter-over-quarter growth (decline)	(4)%	(26)%	35 %	18 %	(3)%	11 %	(3)%	9 %	(1)%	9 %			
% Recurring Revenue	78 %	74 %	79 %	76 %	76 %	75 %	76 %	75 %	77 %	81 %	77 %	75 %	79 %
Systems Revenue (millions)	\$283.3	\$261.0	\$267.8	\$366.8	\$368.7	\$439.6	\$415.2	\$469.9	\$428.1	\$375.1	\$1,178.9	\$1,693.4	\$803.2
Year-over-year growth (decline)	14 %	(24)%	(21)%	(12)%	30 %	68 %	55 %	28 %	16 %	(15)%	(12)%	44 %	(1)%
Quarter-over-quarter growth (decline)	(32)%	(8)%	3 %	37 %	1 %	19 %	(6)%	13 %	(9)%	(12)%			
Total Revenue (millions) (2)	\$1,099.5	\$852.1	\$1,077.7	\$1,329.1	\$1,292.1	\$1,464.0	\$1,403.3	\$1,550.7	\$1,487.7	\$1,522.1	\$4,358.4	\$5,710.1	\$3,009.8
Year-over-year growth (decline)	13 %	(22)%	(4)%	4 %	18 %	72 %	30 %	17 %	15 %	4 %	(3)%	31 %	9 %
Quarter-over-quarter growth (decline)	(14)%	(23)%	26 %	23 %	(3)%	13 %	(4)%	11 %	(4)%	2 %			

(1) We present operating lease revenue, which is classified as systems revenue, as a component of total recurring revenue.

(2) Total revenue consists of instruments and accessories revenue, service revenue, and systems revenue.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue, and Related Metrics (continued)
Total Company
2020 - 2022

	<u>Q1'20</u>	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u> <u>YTD</u>
<i>Installed System Base Rollforward</i>													
Beginning da Vinci Installed System Base	5,582	5,669	5,764	5,865	5,989	6,142	6,335	6,525	6,730	6,920	5,582	5,989	6,730
Systems Placed:													
Dual Console X Systems	5	1	1	1	5	2	3	1	5	3	8	11	8
Single Console X Systems	27	25	27	45	33	39	40	48	33	46	124	160	79
Dual Console Xi Systems	40	37	44	65	89	81	81	71	84	52	186	322	136
Single Console Xi Systems	162	110	117	203	165	202	202	255	182	173	592	824	355
SP Systems	3	5	6	12	6	4	10	10	7	5	26	30	12
Total System Units Placed*	237	178	195	326	298	328	336	385	311	279	936	1,347	590
Trade-Ins and Retirements**	(150)	(83)	(94)	(202)	(145)	(135)	(146)	(180)	(121)	(64)	(529)	(606)	(185)
Ending da Vinci Installed System Base	5,669	5,764	5,865	5,989	6,142	6,335	6,525	6,730	6,920	7,135	5,989	6,730	7,135
*Da Vinci Systems Placed under Operating Leases (Included in Total System Units Placed)	77	52	68	120	127	108	139	143	108	117	317	517	225
*Percentage of da Vinci Systems Placed under Operating Leases	32 %	29 %	35 %	37 %	43 %	33 %	41 %	37 %	35 %	42 %	34 %	38 %	38 %
Da Vinci Installed System Base under Operating Leases	721	758	806	901	1,006	1,073	1,179	1,294	1,377	1,469	901	1,294	1,469
Percentage of da Vinci Installed System Base under Operating Leases	13 %	13 %	14 %	15 %	16 %	17 %	18 %	19 %	20 %	21 %	15 %	19 %	21 %
Ion Installed System Base	18	21	32	36	50	70	98	129	163	204	36	129	204

(**) During the fourth quarters of 2021 and 2020, we performed a verification audit of our installed base records that identified 54 and 33 systems, respectively, mostly older standard and S models, which had been retired. We removed these systems from our installed base estimate during the fourth quarters of 2021 and 2020, respectively.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue, and Related Metrics
United States
2020 - 2022

	<u>Q1'20</u>	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u> <u>YTD</u>
<u>Revenue and Related Metrics</u>													
Instruments and Accessories Revenue (millions)	\$444.4	\$315.6	\$467.2	\$557.9	\$500.8	\$577.5	\$535.7	\$611.1	\$550.6	\$625.1	\$1,785.1	\$2,225.1	\$1,175.7
Year-over-year growth (decline)	9 %	(26)%	4 %	11 %	13 %	83 %	15 %	10 %	10 %	8 %	— %	25 %	9 %
Quarter-over-quarter growth (decline)	(12)%	(29)%	48 %	19 %	(10)%	15 %	(7)%	14 %	(10)%	14 %			
Year-over-year procedure growth (decline)	9 %	(24)%	7 %	5 %	14 %	77 %	16 %	16 %	16 %	11 %	(1)%	27 %	13 %
Quarter-over-quarter procedure growth (decline)	(11)%	(25)%	44 %	9 %	(3)%	16 %	(6)%	9 %	(3)%	11 %			
Service Revenue (millions)	\$138.4	\$ 80.6	\$118.8	\$144.8	\$144.0	\$150.7	\$153.1	\$155.5	\$165.9	\$168.0	\$482.6	\$603.3	\$333.9
Year-over-year growth (decline)	12 %	(35)%	(8)%	9 %	4 %	87 %	29 %	7 %	15 %	11 %	(5)%	25 %	13 %
Quarter-over-quarter growth (decline)	5 %	(42)%	47 %	22 %	(1)%	5 %	2 %	2 %	7 %	1 %			
Systems Revenue (millions)	\$198.8	\$139.3	\$157.7	\$199.2	\$202.7	\$277.6	\$263.4	\$281.1	\$248.3	\$218.0	\$695.0	\$1,024.8	\$466.3
Year-over-year growth (decline)	24 %	(40)%	(27)%	(10)%	2 %	99 %	67 %	41 %	22 %	(21)%	(16)%	47 %	(3)%
Quarter-over-quarter growth (decline)	(10)%	(30)%	13 %	26 %	2 %	37 %	(5)%	7 %	(12)%	(12)%			
Total Revenue (millions)	\$781.6	\$535.5	\$743.7	\$901.9	\$847.5	\$1,005.8	\$952.2	\$1,047.7	\$964.8	\$1,011.1	\$2,962.7	\$3,853.2	\$1,975.9
Year-over-year growth (decline)	13 %	(32)%	(7)%	5 %	8 %	88 %	28 %	16 %	14 %	1 %	(5)%	30 %	7 %
Quarter-over-quarter growth (decline)	(9)%	(31)%	39 %	21 %	(6)%	19 %	(5)%	10 %	(8)%	5 %			
<u>Installed System Base Rollforward</u>													
Beginning da Vinci Installed System Base	3,531	3,581	3,618	3,664	3,720	3,793	3,896	4,005	4,139	4,238	3,531	3,720	4,139
Systems Placed:													
Dual Console X Systems	2	—	—	1	—	—	1	1	2	—	3	2	2
Single Console X Systems	11	8	4	12	7	9	6	12	5	5	35	34	10
Dual Console Xi Systems	34	26	30	38	59	58	65	51	53	33	128	233	86
Single Console Xi Systems	133	69	76	134	118	142	147	165	122	107	412	572	229
SP Systems	2	3	6	11	6	4	8	6	4	5	22	24	9
Total System Units Placed*	182	106	116	196	190	213	227	235	186	150	600	865	336
Trade-Ins and Retirements**	(132)	(69)	(70)	(140)	(117)	(110)	(118)	(101)	(87)	(46)	(411)	(446)	(133)
Ending da Vinci Installed System Base	3,581	3,618	3,664	3,720	3,793	3,896	4,005	4,139	4,238	4,342	3,720	4,139	4,342
*Da Vinci Systems Placed under Operating Leases (Included in Total System Units Placed)	70	44	53	93	105	84	115	111	88	77	260	415	165
Ion Installed System Base	18	21	32	36	50	70	98	128	162	203	36	128	203

(**) During the fourth quarters of 2021 and 2020, we performed a verification audit of our installed base records that identified 17 and 8 systems, respectively, mostly older standard and S models, which had been retired. We removed these systems from our installed base estimate during the fourth quarters of 2021 and 2020, respectively.

Intuitive Surgical, Inc.
Trended Unaudited Quarterly and Annual Procedures, Revenue, and Related Metrics
Outside of the United States
2020 - 2022

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	FY20	FY21	FY22 YTD
<i>Revenue and Related Metrics</i>													
Instruments and Accessories Revenue (millions)	\$ 173.1	\$ 145.2	\$ 163.3	\$ 189.0	\$ 205.1	\$ 218.9	\$ 219.7	\$ 231.7	\$ 259.7	\$ 270.2	\$ 670.6	\$ 875.4	\$ 529.9
Year-over-year growth (decline)	19 %	(3)%	5 %	13 %	18 %	51 %	35 %	23 %	27 %	23 %	9 %	31 %	25 %
Quarter-over-quarter growth (decline)	3 %	(16)%	12 %	16 %	9 %	7 %	— %	5 %	12 %	4 %			
Year-over-year procedure growth (decline)	12 %	(7)%	9 %	11 %	23 %	51 %	30 %	28 %	25 %	22 %	6 %	32 %	23 %
Quarter-over-quarter procedure growth (decline)	(3)%	(13)%	19 %	11 %	8 %	7 %	2 %	9 %	5 %	4 %			
Service Revenue (millions)	\$ 60.3	\$ 49.7	\$ 60.6	\$ 70.6	\$ 73.5	\$ 77.3	\$ 79.6	\$ 82.5	\$ 83.4	\$ 83.7	\$ 241.2	\$ 312.9	\$ 167.1
Year-over-year growth (decline)	20 %	(5)%	10 %	22 %	22 %	56 %	31 %	17 %	13 %	8 %	12 %	30 %	11 %
Quarter-over-quarter growth (decline)	4 %	(18)%	22 %	17 %	4 %	5 %	3 %	4 %	1 %	— %			
Systems Revenue (millions)	\$ 84.5	\$ 121.7	\$ 110.1	\$ 167.6	\$ 166.0	\$ 162.0	\$ 151.8	\$ 188.8	\$ 179.8	\$ 157.1	\$ 483.9	\$ 668.6	\$ 336.9
Year-over-year growth (decline)	(3)%	9 %	(9)%	(14)%	96 %	33 %	38 %	13 %	8 %	(3)%	(6)%	38 %	3 %
Quarter-over-quarter growth (decline)	(57)%	44 %	(10)%	52 %	(1)%	(2)%	(6)%	24 %	(5)%	(13)%			
Total Revenue (millions)	\$ 317.9	\$ 316.6	\$ 334.0	\$ 427.2	\$ 444.6	\$ 458.2	\$ 451.1	\$ 503.0	\$ 522.9	\$ 511.0	\$ 1,395.7	\$ 1,856.9	\$ 1,033.9
Year-over-year growth	13 %	1 %	1 %	1 %	40 %	45 %	35 %	18 %	18 %	12 %	3 %	33 %	15 %
Quarter-over-quarter growth (decline)	(25)%	— %	5 %	28 %	4 %	3 %	(2)%	12 %	4 %	(2)%			
<i>Installed System Base Rollforward</i>													
Beginning da Vinci Installed System Base	2,051	2,088	2,146	2,201	2,269	2,349	2,439	2,520	2,591	2,682	2,051	2,269	2,591
Systems Placed:													
Dual Console X Systems	3	1	1	—	5	2	2	—	3	3	5	9	6
Single Console X Systems	16	17	23	33	26	30	34	36	28	41	89	126	69
Dual Console Xi Systems	6	11	14	27	30	23	16	20	31	19	58	89	50
Single Console Xi Systems	29	41	41	69	47	60	55	90	60	66	180	252	126
SP Systems	1	2	—	1	—	—	2	4	3	—	4	6	3
Total System Units Placed*	55	72	79	130	108	115	109	150	125	129	336	482	254
Trade-Ins and Retirements**	(18)	(14)	(24)	(62)	(28)	(25)	(28)	(79)	(34)	(18)	(118)	(160)	(52)
Ending da Vinci Installed System Base	2,088	2,146	2,201	2,269	2,349	2,439	2,520	2,591	2,682	2,793	2,269	2,591	2,793
*Da Vinci Systems Placed under Operating Leases (Included in Total System Units Placed)	7	8	15	27	22	24	24	32	20	40	57	102	60
Ion Installed System Base	—	—	—	—	—	—	—	1	1	1	—	1	1

(**) During the fourth quarters of 2021 and 2020, we performed a verification audit of our installed base records that identified 37 and 25 systems, respectively, mostly older standard and S models, which had been retired. We removed these systems from our installed base estimate during the fourth quarters of 2021 and 2020, respectively.

Intuitive Surgical, Inc.
Reconciliation of Unaudited GAAP to Non-GAAP Financial Measures (#)
(in millions, except per share data)*
2020 - 2022

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	FY20	FY21	FY22 YTD
GAAP gross profit	\$738.2	\$502.9	\$724.3	\$895.8	\$902.6	\$1,023.7	\$971.4	\$1,060.8	\$1,009.7	\$1,023.3	\$2,861.2	\$3,958.5	\$2,033.0
Share-based compensation expense	18.0	19.2	22.6	21.5	20.7	21.3	24.5	22.4	24.0	25.9	81.3	88.9	49.9
Long-term incentive plan expense	—	—	—	—	—	—	—	0.7	0.3	0.2	—	0.7	0.5
Amortization of intangible assets	9.7	9.8	9.9	9.5	4.5	5.0	4.0	3.9	3.8	3.9	38.9	17.4	7.7
Non-GAAP gross profit	\$765.9	\$531.9	\$756.8	\$926.8	\$927.8	\$1,050.0	\$999.9	\$1,087.8	\$1,037.8	\$1,053.3	\$2,981.4	\$4,065.5	\$2,091.1
Non-GAAP gross profit margin (1)	69.7 %	62.4 %	70.2 %	69.7 %	71.8 %	71.7 %	71.3 %	70.1 %	69.8 %	69.2 %	68.4 %	71.2 %	69.5 %
GAAP SG&A expenses	\$308.1	\$279.1	\$298.9	\$330.2	\$326.0	\$350.2	\$363.3	\$427.0	\$391.1	\$418.4	\$1,216.3	\$1,466.5	\$809.5
Share-based compensation expense	(45.4)	(49.3)	(53.7)	(52.2)	(52.8)	(55.1)	(61.2)	(59.4)	(60.0)	(62.3)	(200.6)	(228.5)	(122.3)
Long-term incentive plan expense	—	—	—	—	—	—	—	(7.4)	(1.7)	(0.5)	—	(7.4)	(2.2)
Amortization of intangible assets	(1.7)	(1.7)	(1.8)	(1.6)	(1.7)	(1.9)	(1.8)	(1.9)	(1.6)	(1.6)	(6.8)	(7.3)	(3.2)
Litigation recoveries	1.2	—	—	—	—	0.9	—	—	—	—	1.2	0.9	—
Gain on sale of business	—	—	—	—	—	—	—	—	3.8	—	—	—	3.8
Acquisition-related items	1.4	(4.4)	(4.6)	(3.6)	—	—	—	—	—	—	(11.2)	—	—
Non-GAAP SG&A expenses	\$263.6	\$223.7	\$238.8	\$272.8	\$271.5	\$294.1	\$300.3	\$358.3	\$331.6	\$354.0	\$998.9	\$1,224.2	\$685.6
GAAP research and development expenses	\$147.1	\$143.2	\$155.0	\$149.8	\$159.8	\$162.3	\$165.5	\$183.4	\$210.5	\$207.3	\$595.1	\$671.0	\$417.8
Share-based compensation expense	(27.2)	(27.4)	(29.5)	(29.5)	(30.1)	(32.6)	(35.4)	(36.0)	(36.8)	(38.5)	(113.6)	(134.1)	(75.3)
Amortization of intangible assets (2)	(0.9)	(0.9)	(0.9)	(0.9)	(0.7)	(0.7)	(0.5)	(0.8)	(0.7)	(0.7)	(3.6)	(2.7)	(1.4)
Non-GAAP research and development expenses	\$119.0	\$114.9	\$124.6	\$119.4	\$129.0	\$129.0	\$129.6	\$146.6	\$173.0	\$168.1	\$477.9	\$534.2	\$341.1
GAAP income from operations	\$283.0	\$80.6	\$270.4	\$415.8	\$416.8	\$511.2	\$442.6	\$450.4	\$408.1	\$397.6	\$1,049.8	\$1,821.0	\$805.7
Share-based compensation expense	90.6	95.9	105.8	103.2	103.6	109.0	121.1	117.8	120.8	126.7	395.5	451.5	247.5
Long-term incentive plan expense	—	—	—	—	—	—	—	8.1	2.0	0.7	—	8.1	2.7
Amortization of intangible assets (2)	12.3	12.4	12.6	12.0	6.9	7.6	6.3	6.6	6.1	6.2	49.3	27.4	12.3
Litigation recoveries	(1.2)	—	—	—	—	(0.9)	—	—	—	—	(1.2)	(0.9)	—
Gain on sale of business	—	—	—	—	—	—	—	—	(3.8)	—	—	—	(3.8)
Acquisition-related items	(1.4)	4.4	4.6	3.6	—	—	—	—	—	—	11.2	—	—
Non-GAAP income from operations	\$383.3	\$193.3	\$393.4	\$534.6	\$527.3	\$626.9	\$570.0	\$582.9	\$533.2	\$531.2	\$1,504.6	\$2,307.1	\$1,064.4
Non-GAAP operating margin (3)	34.9 %	22.7 %	36.5 %	40.2 %	40.8 %	42.8 %	40.6 %	37.6 %	35.8 %	34.9 %	34.5 %	40.4 %	35.4 %
GAAP income before taxes	\$308.1	\$107.2	\$355.2	\$436.5	\$448.8	\$526.2	\$461.1	\$454.2	\$402.4	\$406.9	\$1,207.0	\$1,890.3	\$809.3
Share-based compensation expense	90.6	95.9	105.8	103.2	103.6	109.0	121.1	117.8	120.8	126.7	395.5	451.5	247.5
Long-term incentive plan expense	—	—	—	—	—	—	—	8.1	2.0	0.7	—	8.1	2.7
Amortization of intangible assets (2)	12.3	12.4	12.6	12.0	6.9	7.6	6.3	6.6	6.1	6.2	49.3	27.4	12.3
Litigation recoveries	(1.2)	—	—	—	—	(0.9)	—	—	—	—	(1.2)	(0.9)	—
Gain on sale of business	—	—	—	—	—	—	—	—	(3.8)	—	—	—	(3.8)
Acquisition-related items	(1.4)	4.4	4.6	3.6	—	—	—	—	—	—	11.2	—	—
(Gains) losses on strategic investments	—	—	(61.7)	(5.4)	(14.3)	—	(7.6)	7.3	17.2	1.1	(67.1)	(14.6)	18.3
Non-GAAP income before taxes	\$408.4	\$219.9	\$416.5	\$549.9	\$545.0	\$641.9	\$580.9	\$594.0	\$544.7	\$541.6	\$1,594.7	\$2,361.8	\$1,086.3
GAAP net income attributable to Intuitive Surgical, Inc.	\$313.5	\$68.0	\$313.9	\$365.2	\$426.3	\$517.2	\$380.5	\$380.6	\$365.6	\$307.8	\$1,060.6	\$1,704.6	\$673.4
Share-based compensation expense	90.6	95.9	105.8	103.2	103.6	109.0	121.1	117.8	120.8	126.7	395.5	451.5	247.5
Long-term incentive plan expense	—	—	—	—	—	—	—	8.1	2.0	0.7	—	8.1	2.7
Amortization of intangible assets (2)	12.3	12.4	12.6	12.0	6.9	7.6	6.3	6.6	6.1	6.2	49.3	27.4	12.3
Litigation recoveries	(1.2)	—	—	—	—	(0.9)	—	—	—	—	(1.2)	(0.9)	—
Gain on sale of business	—	—	—	—	—	—	—	—	(3.8)	—	—	—	(3.8)
Acquisition-related items	(1.4)	4.4	4.6	3.6	—	—	—	—	—	—	11.2	—	—
(Gains) losses on strategic investments	—	—	(61.7)	(5.4)	(14.3)	—	(7.6)	7.3	17.2	1.1	(67.1)	(14.6)	18.3
Tax adjustments (2)	(89.8)	(44.0)	(44.4)	(40.4)	(94.9)	(157.7)	(65.1)	(44.4)	(93.9)	(27.5)	(218.6)	(362.1)	(121.4)
Adjustments attributable to noncontrolling interest in joint venture	(2.0)	(4.3)	(4.4)	(4.0)	(0.4)	(0.4)	(0.5)	(3.4)	(0.9)	(0.5)	(14.7)	(4.7)	(1.4)
Non-GAAP net income attributable to Intuitive Surgical, Inc.	\$322.0	\$132.4	\$326.4	\$434.2	\$427.2	\$474.8	\$434.7	\$472.6	\$413.1	\$414.5	\$1,215.0	\$1,809.3	\$827.6
Non-GAAP net income per share attributable to Intuitive Surgical, Inc. - diluted*	\$0.90	\$0.37	\$0.90	\$1.20	\$1.17	\$1.30	\$1.19	\$1.29	\$1.13	\$1.14	\$3.37	\$4.95	\$2.27
Non-GAAP diluted shares outstanding*	359.5	359.0	361.9	363.3	364.0	364.9	366.8	367.4	366.7	363.9	361.0	365.8	365.3

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

(2) Beginning with the quarter ended March 31, 2022, the Company is no longer adjusting non-GAAP financial measures for charges relating to intellectual property and license arrangements expensed to R&D. The Company made these changes to its presentation of non-GAAP financial measures based on its understanding of the U.S. Securities and Exchange Commission's (the "SEC") current views on this practice from knowledge of communications between the SEC and a number of pharmaceutical and life sciences companies and independent registered public accounting firms. Historical non-GAAP measures have been adjusted for comparability.

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

(*) Shares issued pursuant to the three-for-one stock split of the Company's issued and outstanding common stock, par value \$0.001 per share, were distributed on October 4, 2021, to stockholders of record as of September 27, 2021. All share and per-share information have been retroactively adjusted to reflect the stock split.

This information is supplemental to the second quarter 2022 earnings press release issued by Intuitive Surgical, Inc., on July 21, 2022, and should be read in conjunction with that release and the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022, when filed with the U.S. Securities and Exchange Commission.

(#) About Non-GAAP Financial Measures

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

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding items such as amortization of intangible assets, share-based compensation ("SBC") and long-term incentive plan expenses, and other special items. Long-term incentive plan expense relates to phantom share awards granted in China by our joint venture, Shanghai Fosun Pharmaceutical (Group) Co., Ltd., to its employees that vest over four years and can remain outstanding for seven to ten years. These awards are valued based on certain key performance metrics. Accordingly, they are subject to significant volatility based on the performance of these metrics and are not tied to performance of our business within the period. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance. We believe that these non-GAAP financial measures are useful to investors, because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making, and (2) they are used by institutional investors and the analyst community to help them analyze the performance of our business.

Non-GAAP gross profit. We define non-GAAP gross profit as gross profit, excluding amortization of intangible assets and SBC and long-term incentive plan expenses.

Non-GAAP SG&A expenses. We define non-GAAP SG&A expenses as SG&A expenses, excluding amortization of intangible assets, SBC and long-term incentive plan expenses, litigation recoveries, a gain on the sale of a business, and certain acquisition-related items for the re-measurement of contingent consideration.

Non-GAAP R&D expenses. We define non-GAAP R&D expenses as R&D expenses, excluding amortization of intangible assets and SBC expenses.

Non-GAAP income from operations. We define non-GAAP income from operations as income from operations, excluding amortization of intangible assets, SBC and long-term incentive plan expenses, litigation recoveries, a gain on the sale of a business, and certain acquisition-related items for the re-measurement of contingent consideration.

Non-GAAP income before taxes. We define non-GAAP income before taxes as income before taxes, excluding amortization of intangible assets, SBC and long-term incentive plan expenses, litigation recoveries, a gain on the sale of a business, certain acquisition-related items for the re-measurement of contingent consideration, and gains (losses) on strategic investments.

Non-GAAP net income attributable to Intuitive Surgical, Inc. and EPS. We define non-GAAP net income as net income attributable to Intuitive Surgical, Inc., excluding amortization of intangible assets, SBC and long-term incentive plan expenses, litigation recoveries, a gain on the sale of a business, certain acquisition-related items for the re-measurement of contingent consideration, gains (losses) on strategic investments, adjustments attributable to noncontrolling interest in joint venture, net of the related tax effects, and tax adjustments, including excess tax benefits or deficiencies associated with SBC arrangements, a one-time tax benefit from re-measurement of certain deferred tax assets, and the net tax effects related to intra-entity transfers of non-inventory assets. We exclude a one-time tax benefit from re-measurement of certain deferred tax assets, because it is discrete in nature, and exclude the excess tax benefits or deficiencies associated with SBC arrangements as well as the tax effects associated with non-cash amortization of deferred tax assets related to intra-entity non-inventory transfers, because we do not believe these items correlate with the on-going results of our core operations. The tax effects of the non-GAAP items are determined by applying a calculated non-GAAP effective tax rate, which is commonly referred to as the with-and-without method. Without excluding these tax effects, investors would only see the gross effect that these non-GAAP adjustments had on our operating results. Our calculated non-GAAP effective tax rate is generally higher than our GAAP effective tax rate. We define non-GAAP EPS as non-GAAP net income attributable to Intuitive Surgical, Inc. divided by non-GAAP diluted shares, which are calculated as GAAP weighted-average outstanding shares plus dilutive potential shares outstanding during the period.

There are a number of limitations related to the use of non-GAAP measures versus measures calculated in accordance with GAAP. Non-GAAP gross profit, non-GAAP SG&A expenses, non-GAAP R&D expenses, non-GAAP income from operations, non-GAAP income before taxes, non-GAAP net income attributable to Intuitive Surgical, Inc., and non-GAAP EPS exclude items such as amortization of intangible assets, re-measurement of contingent consideration, SBC and long-term incentive plan expenses, excess tax benefits or deficiencies associated with SBC arrangements, and non-cash amortization of deferred tax assets related to intra-entity transfer of non-inventory assets, which are primarily recurring items. SBC expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business. In addition, the components of the costs that we exclude in our calculation of non-GAAP net income attributable to Intuitive Surgical, Inc. and non-GAAP EPS may differ from the components that our peer companies exclude when they report their results of operations. Management addresses these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income attributable to Intuitive Surgical, Inc. and non-GAAP EPS and evaluating non-GAAP net income attributable to Intuitive Surgical, Inc. and non-GAAP EPS together with net income attributable to Intuitive Surgical, Inc. and net income per share attributable to Intuitive Surgical, Inc. calculated in accordance with GAAP.