
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 23, 2014

INTUITIVE SURGICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-30713
(Commission
File Number)

77-0416458
(I.R.S. Employer
Identification No.)

1020 Kifer Road
Sunnyvale, California 94086
(Address of principal executive offices) (zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On January 23, 2014, we issued a press release announcing our financial results for the quarter ended December 31, 2013. A copy of the press release is attached hereto as Exhibit 99.1.

Additional supplemental financial and procedure information is provided in the tables attached hereto as Exhibit 99.2, which has also been posted to the Investor Relations section of the Intuitive website at: <http://phx.corporate-ir.net/phoenix.zhtml?c=122359&p=irol-IRHome>.

The information in this Current Report, including Exhibit 99.1 and 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of Intuitive under the Securities Act of 1933 or the Exchange Act.

In our conference call that is held in connection with the issuance of our press release, we plan to make reference to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in Exhibit 99.2 attached hereto.

About Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with with U.S. generally accepted accounting principles (“GAAP”), we use the following non-GAAP financial measures: non-GAAP net income and non-GAAP earnings per share (“EPS”). The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding non-cash charges, such as amortization of intangible assets and share-based compensation (“SBC”) expense. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to our historical performance and liquidity as well as comparisons to our competitors’ operating results. We believe these non-GAAP financial measures are useful to investors both 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 our institutional investors and the analyst community to help them analyze the health of our business.

We define non-GAAP net income as net income excluding the amortization of intangible assets and expenses related to SBC, net of the related tax benefits. The tax benefits of amortization of intangible assets and SBC are calculated using the applicable tax rates. We define non-GAAP EPS as non-GAAP net income divided by the weighted average outstanding shares, on a fully-diluted basis. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of the amortization of intangible assets and SBC so that Intuitive Surgical’s management and investors can compare Intuitive Surgical’s recurring operating results over multiple periods. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, Intuitive Surgical’s management believes that providing a non-GAAP financial measure that excludes SBC allows investors to make meaningful comparisons between Intuitive Surgical’s recurring operating results and those of other companies, as well as providing Intuitive Surgical’s management with an important tool for financial and operational decision making and for evaluating Intuitive Surgical’s own recurring operating results over different periods of time. However, in order to provide a complete picture of our recurring operating results, we exclude from non-GAAP net income and non-GAAP EPS the tax effects associated with the amortization of intangible assets and SBC. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results.

There are a number of limitations related to the use of non-GAAP net income and non-GAAP EPS versus net income and EPS calculated in accordance with GAAP. First, non-GAAP net income and non-GAAP EPS excludes amortization of intangible assets and SBC, which are recurring expenses. SBC has been and will continue to be for the foreseeable future a significant recurring expense in Intuitive Surgical’s business. Second, SBC is an important part of our employees’ compensation and impacts their performance. Third, the components of the costs that we exclude in our calculation of non-GAAP net income and non-GAAP EPS may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income and EPS calculated in accordance with GAAP.

Item 9.01. Financial Statements and Exhibits.

d) Exhibits.

The following exhibits are furnished with this report on Form 8-K:

- 99.1 Press Release issued by Intuitive Surgical, Inc., dated January 23, 2014.
- 99.2 Supplemental financial and procedure information, as of January 23, 2014.

SIGNATURES

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

INTUITIVE SURGICAL, INC.

Date: January 23, 2014

By /s/ Marshall L. Mohr

Name: Marshall L. Mohr

Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by Intuitive Surgical, Inc., dated January 23, 2014.
99.2	Supplemental financial and procedure information, as of January 23, 2014.

INTUITIVE SURGICAL ANNOUNCES FOURTH QUARTER EARNINGS

SUNNYVALE, CALIF. January 23, 2014 – Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in robotic-assisted surgery, reported revenue consistent with their January 14th press release of \$576 million for the fourth quarter of 2013, down approximately 5% compared with \$609 million for the fourth quarter of 2012.

Fourth quarter of 2013 instruments and accessories revenue increased 6% to \$268 million from \$254 million in the fourth quarter of 2012. The growth in instruments and accessories revenue is the result of growth in *da Vinci*[®] surgical procedures. *da Vinci* surgical procedures grew approximately 12% in the fourth quarter of 2013 compared to the fourth quarter of 2012, driven primarily by the growth in U.S. general surgery procedures, U.S. gynecologic procedures, and urology procedures outside of the U.S.

Fourth quarter of 2013 systems revenue was \$205 million, a decrease of 23% compared with \$265 million during the fourth quarter of 2012. During the fourth quarter of 2013, Intuitive Surgical sold 138 *da Vinci* Surgical Systems compared with sales of 175 systems during the same period last year. System sales were down in the fourth quarter of 2013 primarily as a result of lower U.S. sales reflecting moderating growth in benign gynecology, combined with changing hospital capital spending priorities associated with the implementation of the Affordable Care Act.

Fourth quarter of 2013 service revenue increased 14% to \$103 million, compared with \$91 million during the fourth quarter of 2012, reflecting growth in the installed base of *da Vinci* Surgical Systems.

Fourth quarter of 2013 operating income decreased to \$209 million, compared with \$248 million in the fourth quarter of 2012. Operating results for the fourth quarter of 2013 included \$42 million of non-cash share-based compensation expense, compared with \$38 million for the fourth quarter of 2012.

Intuitive Surgical's income tax rate for the fourth quarter of 2013 was 23%, compared with 31% for the fourth quarter of 2012.

Fourth quarter of 2013 net income was \$166 million, or \$4.28 per diluted share, compared with \$175 million, or \$4.25 per diluted share, for the fourth quarter of 2012.

Revenue for the year ended December 31, 2013 totaled \$2,265 million, an increase of 4% compared with \$2,179 million for the year ended December 31, 2012. Net income was \$671 million for the year ended December 31, 2013, or \$16.73 per diluted share, compared with net income of \$657 million, or \$15.98 per diluted share, for the year ended December 31, 2012. Net income for the years ended December 31, 2013 and 2012, included one-time tax benefits of \$34 million and \$47 million, respectively, associated with various items, including the expiration of the statutes of limitations in multiple jurisdictions. Excluding these one-time benefits, net income and earnings per share for the years ended December 31, 2013 and 2012, would have been \$637 million, or \$15.88 per share and \$610 million, or \$14.84 per share, respectively.

Intuitive Surgical ended the fourth quarter of 2013 with \$2.8 billion in cash, cash equivalents and investments, reflecting an increase of \$222 million during the quarter.

Commenting on the announcement, Dr. Gary Guthart, President and CEO of Intuitive Surgical, said, "While 2013 has been a challenging year, our teams are well positioned heading into 2014 and deeply committed to our mission of improving surgery for those who need it. For 2014, we are focused on expanding use of *da Vinci* in general surgery, particularly colorectal surgery and single-incision surgery, supporting worldwide gynecology and urology growth, broadening our stapling and *Single-Site* launches, and continuing to strengthen our capabilities in international markets, particularly Europe and Japan."

Additional supplemental financial and procedure information has been posted to the Investor Relations section of the Intuitive website at: <http://phx.corporate-ir.net/phoenix.zhtml?c=122359&p=irol-IRHome>.

Intuitive Surgical will discuss these results at a conference call today at 1:30 pm PST. The dial-in numbers for the call are (800) 230-1092 for participants located in the United States and (612) 288-0337 for participants located outside the United States. The host is Dr. Gary Guthart. To access financial information that will be discussed on the call, please visit Intuitive Surgical's website at www.intuitivesurgical.com.

About Intuitive Surgical, Inc.

Intuitive Surgical, Inc. (Nasdaq: ISRG), headquartered in Sunnyvale, Calif., is the global leader in robotic-assisted, minimally invasive surgery. Intuitive Surgical develops, manufactures and markets the *da Vinci* Surgical System. Intuitive Surgical's mission is to extend the benefits of minimally invasive surgery to those patients who can and should benefit from it.

About the *da Vinci* Surgical System

The *da Vinci* Surgical System is a surgical platform designed to enable complex surgery using a minimally invasive approach. The *da Vinci* Surgical System consists of an ergonomic surgeon console or consoles, a patient-side cart with three or four interactive arms, a high-performance vision system and proprietary *EndoWrist*® instruments. Powered by state-of-the-art technology, the *da Vinci* Surgical System is designed to scale, filter and seamlessly translate the surgeon's hand movements into more precise movements of the *EndoWrist* instruments. The net result is an intuitive interface with improved surgical capabilities. By providing surgeons with superior visualization, enhanced dexterity, greater precision and ergonomic comfort, the *da Vinci* Surgical System makes it possible for skilled surgeons to perform more minimally invasive procedures involving complex dissection or reconstruction. For more information about clinical evidence related to *da Vinci* Surgery, please visit www.intuitivesurgical.com/company/clinical-evidence/.

da Vinci® and *EndoWrist*® are trademarks of Intuitive Surgical, Inc.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding supporting future growth, broadening launches of our instruments, and strengthening our capabilities in our international markets. These forward-looking statements are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including the following: the impact of global and regional economic and credit market conditions on health care spending; health care reform legislation in the United States and its impact on hospital spending, reimbursement and fees which will be levied on certain medical device revenues; decreases in hospital admissions and actions by payers to limit or manage surgical procedures; timing and success of product development and market acceptance of developed products; procedure counts; regulatory approvals, clearances and restrictions; guidelines and recommendations in the health care 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; unanticipated manufacturing disruptions or the inability to meet demand for products; the results of legal proceedings to which we are or may become a party; product liability and other litigation claims; adverse publicity regarding the Company and the safety of our products and adequacy of training; our ability to expand into foreign markets; and other risk factors under the heading "Risk Factors" in our report on Form 10-K for the year ended December 31, 2012, as updated from time to time by our quarterly reports on Form 10-Q and our other filings with the Securities and Exchange Commission. Statements concerning revenue growth, procedure growth, future financial results and statements using 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. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. We undertake no obligation to publicly update or release any revisions to these forward-looking statements, except as required by law.

INTUITIVE SURGICAL, INC.
UNAUDITED QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

	Three months ended		
	December 31, 2013	September 30, 2013	December 31, 2012
Revenue:			
Instruments and accessories	\$ 268.2	\$ 239.1	\$ 253.8
Systems	204.6	158.5	264.9
Services	103.4	101.4	90.6
Total revenue	576.2	499.0	609.3
Cost of revenue:			
Product	144.2	112.0	141.4
Service	34.0	30.3	30.0
Total cost of revenue (1)	178.2	142.3	171.4
Gross profit	398.0	356.7	437.9
Operating expenses:			
Selling, general, and administrative	147.7	139.3	148.1
Research and development	41.7	43.2	41.7
Total operating expenses (1)	189.4	182.5	189.8
Income from operations (2)	208.6	174.2	248.1
Interest and other income, net	5.9	3.9	3.7
Income before taxes	214.5	178.1	251.8
Income tax expense (3)	48.3	21.3	76.9
Net income	\$ 166.2	\$ 156.8	\$ 174.9
Net income per share:			
Basic	\$ 4.36	\$ 4.06	\$ 4.37
Diluted	\$ 4.28	\$ 3.99	\$ 4.25
Shares used in computing net income per share:			
Basic	38.1	38.6	40.0
Diluted	38.8	39.3	41.2
(1) Includes share-based compensation expense as follows:			
Total cost of revenue	\$ 7.6	\$ 8.8	\$ 6.9
Total operating expenses	\$ 34.0	\$ 41.6	\$ 31.4
(2) Includes amortization of purchased intangibles as follows:			
Income from operations	\$ 4.7	\$ 5.3	\$ 5.9
(3) Includes one-time benefits associated with the expiration of the statutes of limitations in multiple jurisdictions			
	\$ —	\$ 26.2	\$ —

INTUITIVE SURGICAL, INC.
UNAUDITED TWELVE MONTHS ENDED CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

	Twelve Months Ended	
	2013	2012
Revenue:		
Instruments and accessories	\$ 1,032.9	\$ 903.3
Systems	834.9	932.9
Services	397.3	342.6
Total revenue	2,265.1	2,178.8
Cost of revenue:		
Product	543.4	495.3
Service	127.5	113.2
Total cost of revenue (1)	670.9	608.5
Gross profit	1,594.2	1,570.3
Operating expenses:		
Selling, general, and administrative	574.0	522.2
Research and development	167.7	170.0
Total operating expenses (1)	741.7	692.2
Income from operations (2)	852.5	878.1
Interest and other income, net	18.4	15.8
Income before taxes	870.9	893.9
Income tax expense (3)	199.9	237.3
Net income	\$ 671.0	\$ 656.6
Net income per share:		
Basic	\$ 17.12	\$ 16.50
Diluted	\$ 16.73	\$ 15.98
Shares used in computing net income per share:		
Basic	39.2	39.8
Diluted	40.1	41.1
(1) Includes share-based compensation expense as follows:		
Total cost of revenue	\$ 30.3	\$ 27.0
Total operating expenses	\$ 138.6	\$ 126.3
(2) Includes amortization of purchased intangibles as follows:		
Income from operations	\$ 21.3	\$ 23.1
(3) Includes one-time discrete tax benefits as follows:		
Expiration of the statutes of limitations in multiple jurisdictions	\$ 26.2	\$ 38.0
Benefit from new IRS guidance relating to the Section 199 Domestic Production Deduction	\$ —	\$ 8.5
Reinstatement of the 2012 federal R&D tax credit	\$ 8.2	\$ —

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

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Cash, cash equivalents and investments	\$ 2,753.9	\$ 2,920.5
Accounts receivable, net	301.4	370.3
Inventories	179.6	121.5
Property, plant and equipment, net	309.9	241.8
Goodwill	137.4	138.1
Deferred tax assets	135.7	96.3
Other assets	132.4	170.7
Total assets	<u>\$ 3,950.3</u>	<u>\$ 4,059.2</u>
Accounts payable and other accrued liabilities		
Deferred revenue	\$ 247.2	\$ 292.7
Total liabilities	<u>201.7</u>	<u>186.4</u>
Stockholders' equity	448.9	479.1
Total liabilities and stockholders' equity	<u>3,501.4</u>	<u>3,580.1</u>
	<u>\$ 3,950.3</u>	<u>\$ 4,059.2</u>

Intuitive Surgical, Inc.
Trended Quarterly and Annual Condensed Income Statement and Other Metrics
(in millions, except per share data)
2011 - 2013

	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Condensed Income Statement															
Revenue	\$ 388.1	\$ 425.7	\$ 446.7	\$ 496.8	\$ 495.2	\$ 536.5	\$ 537.8	\$ 609.3	\$ 611.4	\$ 578.5	\$ 499.0	\$ 576.2	\$1,757.3	\$2,178.8	\$2,265.1
Gross Profit	278.8	306.6	325.5	362.9	355.9	386.4	390.1	437.9	434.3	405.2	356.7	398.0	1,273.8	1,570.3	1,594.2
Gross Profit Percentage	71.8%	72.0%	72.9%	73.0%	71.9%	72.0%	72.5%	71.9%	71.0%	70.0%	71.5%	69.1%	72.5%	72.1%	70.4%
SG&A Expenses	99.1	106.5	111.2	122.0	124.2	120.9	129.0	148.1	141.5	145.5	139.3	147.7	438.8	522.2	574.0
Research and Development	31.4	32.0	35.4	41.4	38.4	40.2	49.7	41.7	41.6	41.2	43.2	41.7	140.2	170.0	167.7
Total Operating Expenses	130.5	138.5	146.6	163.4	162.6	161.1	178.7	189.8	183.1	186.7	182.5	189.4	579.0	692.2	741.7
Operating Income	148.3	168.1	178.9	199.5	193.3	225.3	211.4	248.1	251.2	218.5	174.2	208.6	694.8	878.1	852.5
Percentage of Sales	38.2%	39.5%	40.0%	40.2%	39.0%	42.0%	39.3%	40.7%	41.1%	37.8%	34.9%	36.2%	39.5%	40.3%	37.6%
Other Income	5.3	4.1	1.9	3.6	3.8	4.0	4.3	3.7	4.3	4.3	3.9	5.9	14.9	15.8	18.4
Earnings Before Taxes	153.6	172.2	180.8	203.1	197.1	229.3	215.7	251.8	255.5	222.8	178.1	214.5	709.7	893.9	870.9
Income Taxes	49.5	54.8	58.4	51.9	53.6	74.4	32.4	76.9	66.6	63.7	21.3	48.3	214.6	237.3	199.9
Income Tax Rate	32.2%	31.8%	32.3%	25.6%	27.2%	32.4%	15.0%	30.5%	26.1%	28.6%	12.0%	22.5%	30.2%	26.5%	23.0%
Net Income	\$ 104.1	\$ 117.4	\$ 122.4	\$ 151.2	\$ 143.5	\$ 154.9	\$ 183.3	\$ 174.9	\$ 188.9	\$ 159.1	\$ 156.8	\$ 166.2	\$ 495.1	\$ 656.6	\$ 671.0
Earnings Per Share	\$ 2.59	\$ 2.91	\$ 3.05	\$ 3.75	\$ 3.50	\$ 3.75	\$ 4.46	\$ 4.25	\$ 4.56	\$ 3.90	\$ 3.99	\$ 4.28	\$ 12.32	\$ 15.98	\$ 16.73
Diluted Shares Outstanding (in thousands)	40,200	40,300	40,100	40,300	41,000	41,300	41,100	41,200	41,400	40,829	39,300	38,800	40,200	41,100	40,100

Intuitive Surgical, Inc.
Trended Quarterly and Annual Condensed Income Statement and Other Metrics
(in millions, except per share data)
2011 - 2013

	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Reconciliation of Non-GAAP Financial Measures ⁽¹⁾															
Net Income - GAAP	\$ 104.1	\$ 117.4	\$ 122.4	\$ 151.2	\$ 143.5	\$ 154.9	\$ 183.3	\$ 174.9	\$ 188.9	\$ 159.1	\$ 156.8	\$ 166.2	\$ 495.1	\$ 656.6	\$ 671.0
Amortization of intangible assets	4.4	4.3	4.4	4.7	5.8	6.2	5.2	5.9	5.6	5.7	5.3	4.7	17.8	23.1	21.3
Income tax benefit	1.6	1.6	1.6	1.7	2.1	2.2	1.9	2.2	2.0	2.1	1.9	1.7	6.5	8.4	7.7
Amortization of intangible assets, net	2.8	2.7	2.8	3.0	3.7	4.0	3.3	3.7	3.6	3.6	3.4	3.0	11.3	14.7	13.6
Share-based compensation expense	32.1	34.8	34.9	34.6	34.4	33.3	47.3	38.3	38.2	38.7	50.4	41.6	136.4	153.3	168.9
Income tax benefit	10.5	11.2	10.4	10.8	11.0	10.1	14.9	11.5	12.2	12.4	16.5	17.4	42.9	47.5	58.5
Share-based compensation expense, net	21.6	23.6	24.5	23.8	23.4	23.2	32.4	26.8	26.0	26.3	33.9	24.2	93.5	105.8	110.4
Non-GAAP Net Income	\$ 128.5	\$ 143.7	\$ 149.7	\$ 178.0	\$ 170.6	\$ 182.1	\$ 219.0	\$ 205.4	\$ 218.5	\$ 189.0	\$ 194.1	\$ 193.4	\$ 599.9	\$ 777.1	\$ 795.0
Non-GAAP Earnings Per Share	\$ 3.20	\$ 3.57	\$ 3.73	\$ 4.42	\$ 4.16	\$ 4.41	\$ 5.33	\$ 4.99	\$ 5.28	\$ 4.63	\$ 4.94	\$ 4.98	\$ 14.92	\$ 18.91	\$ 19.83
Other Metrics															
Cash and Investments	\$1,757.0	\$1,822.0	\$1,887.3	\$2,171.8	\$2,371.0	\$2,631.2	\$2,701.1	\$2,920.5	\$3,116.0	\$3,027.2	\$2,532.3	\$2,753.9	\$2,171.8	\$2,920.5	\$2,753.9
Capital, IP, Business Acquisitions	\$ 14.7	\$ 38.5	\$ 14.5	\$ 15.2	\$ 48.3	\$ 8.1	\$ 29.7	\$ 55.7	\$ 16.7	\$ 25.0	\$ 34.0	\$ 28.9	\$ 82.9	\$ 141.8	\$ 104.6
Share Repurchases	\$ 11.6	\$ 139.1	\$ 181.1	\$ —	\$ —	\$ 15.2	\$ 169.8	\$ 53.3	\$ 145.7	\$ 269.6	\$ 693.9	\$ —	\$ 331.8	\$ 238.3	\$1,109.2
Headcount	1,729	1,769	1,845	1,924	2,018	2,100	2,192	2,362	2,480	2,683	2,774	2,792	1,924	2,362	2,792

⁽¹⁾ These pro-forma amounts are non-GAAP financial measures. We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our recurring core business operating results.

Intuitive Surgical, Inc.
Trended Quarterly and Annual Procedures, Revenue and Related Metrics
Total Company
2011 - 2013

	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<u>Revenue and Related Metrics</u>															
Instruments and Accessories Revenue (millions)	\$ 157.4	\$ 171.5	\$ 175.8	\$ 196.4	\$ 207.8	\$ 223.7	\$ 218.0	\$ 253.8	\$ 261.1	\$ 264.5	\$ 239.1	\$ 268.2	\$ 701.1	\$ 903.3	\$ 1,032.9
Year over year growth	28 %	34%	38%	30%	32 %	30%	24 %	29%	26 %	18 %	10 %	6 %	33%	29%	14 %
Quarter over quarter growth	4 %	9%	3%	12%	6 %	8%	(3)%	16%	3 %	1 %	(10)%	12 %			
Year over year procedure growth	30 %	30%	30%	27%	29 %	26%	22 %	25%	18 %	18 %	16 %	12 %	29%	25%	16 %
Quarter over quarter procedure growth	4 %	9%	2%	10%	5 %	6%	(1)%	12%	— %	6 %	(2)%	8 %			
Service Revenue (millions)	\$ 63.6	\$ 67.6	\$ 71.8	\$ 75.4	\$ 80.8	\$ 83.4	\$ 87.8	\$ 90.6	\$ 94.4	\$ 98.1	\$ 101.4	\$ 103.4	\$ 278.4	\$ 342.6	\$ 397.3
Year over year growth	26 %	22%	25%	24%	27 %	23%	22 %	20%	17 %	18 %	15 %	14 %	24%	23%	16 %
Quarter over quarter growth	5 %	6%	6%	5%	7 %	3%	5 %	3%	4 %	4 %	3 %	2 %			
Total Recurring Revenue (millions)	\$ 221.0	\$ 239.1	\$ 247.6	\$ 271.8	\$ 288.6	\$ 307.1	\$ 305.8	\$ 344.4	\$ 355.5	\$ 362.6	\$ 340.5	\$ 371.6	\$ 979.5	\$ 1,245.9	\$ 1,430.2
Year over year growth	28 %	31%	34%	28%	31 %	28%	24 %	27%	23 %	18 %	11 %	8 %	30%	27%	15 %
Quarter over quarter growth	4 %	8%	4%	10%	6 %	6%	— %	13%	3 %	2 %	(6)%	9 %			
% Recurring Revenue	57 %	56%	55%	55%	58 %	57%	57 %	57%	58 %	63 %	68 %	64 %	56%	57%	63 %
Systems Revenue (millions)	\$ 167.1	\$ 186.6	\$ 199.1	\$ 225.0	\$ 206.6	\$ 229.4	\$ 232.0	\$ 264.9	\$ 255.9	\$ 215.9	\$ 158.5	\$ 204.6	\$ 777.8	\$ 932.9	\$ 834.9
Year over year growth	8 %	11%	25%	27%	24 %	23%	17 %	18%	24 %	(6)%	(32)%	(23)%	18%	20%	(11)%
Quarter over quarter growth	(6)%	12%	7%	13%	(8)%	11%	1 %	14%	(3)%	(16)%	(27)%	29 %			
Total Revenue	\$ 388.1	\$ 425.7	\$ 446.7	\$ 496.8	\$ 495.2	\$ 536.5	\$ 537.8	\$ 609.3	\$ 611.4	\$ 578.5	\$ 499.0	\$ 576.2	\$ 1,757.3	\$ 2,178.8	\$ 2,265.1
Year over year growth	18 %	21%	30%	28%	28 %	26%	20 %	23%	23 %	8 %	(7)%	(5)%	24%	24%	4 %
Quarter over quarter growth	— %	10%	5%	11%	— %	8%	— %	13%	— %	(5)%	(14)%	15 %			
<u>Installed System Base Rollforward</u>															
Beginning Installed System Base	1,752	1,840	1,933	2,031	2,132	2,226	2,341	2,462	2,585	2,710	2,799	2,871	1,752	2,132	2,585
System Sales:															
S Systems	7	8	16	8	8	8	16	8	2	3	1	—	39	40	6
Dual Consoles Si's	16	21	29	29	25	28	20	32	48	27	32	38	95	105	145
Single Console Si's	94	96	84	110	106	108	113	122	109	111	66	79	384	449	365
Si-e's	3	4	4	5	1	6	6	13	5	2	2	21	16	26	30
Total System Units Sales	120	129	133	152	140	150	155	175	164	143	101	138	534	620	546
Trade-In's/Retirements	(32)	(36)	(35)	(51)	(46)	(35)	(34)	(52)	(39)	(54)	(29)	(43)	(154)	(167)	(165)
Ending Installed System Base	1,840	1,933	2,031	2,132	2,226	2,341	2,462	2,585	2,710	2,799	2,871	2,966	2,132	2,585	2,966

Intuitive Surgical, Inc.
Trended Quarterly and Annual Procedures, Revenue and Related Metrics
United States
2011 - 2013

	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<u>Revenue and Related Metrics</u>															
Instruments and Accessories Revenue (millions)	\$ 125.7	\$ 140.0	\$ 146.6	\$ 164.0	\$ 168.4	\$ 185.6	\$ 186.3	\$ 213.1	\$ 213.5	\$ 218.1	\$ 195.2	\$ 218.1	\$ 576.3	\$ 753.4	\$ 844.9
Year over year growth	26 %	30%	36%	29%	34 %	33%	27 %	30%	27 %	18 %	5 %	2 %	30%	31%	12 %
Quarter over quarter growth	(1)%	11%	5%	12%	3 %	10%	— %	14%	— %	2 %	(10)%	12 %			
Year over year procedure growth	28 %	27%	29%	27%	28 %	27%	23 %	26%	20 %	17 %	14 %	10 %	28%	26%	15 %
Quarter over quarter procedure growth	2 %	9%	4%	9%	3 %	8%	1 %	12%	(2)%	6 %	(1)%	8 %			
Service Revenue (millions)	\$ 50.6	\$ 53.7	\$ 57.0	\$ 59.4	\$ 63.1	\$ 65.3	\$ 69.0	\$ 71.5	\$ 74.3	\$ 77.1	\$ 78.9	\$ 79.0	\$ 220.7	\$ 268.9	\$ 309.3
Year over year growth	26 %	22%	25%	23%	25 %	22%	21 %	20%	18 %	18 %	14 %	10 %	24%	22%	15 %
Quarter over quarter growth	5 %	6%	6%	4%	6 %	3%	6 %	4%	4 %	4 %	2 %	— %			
Total Recurring Revenue (millions)	\$ 176.3	\$ 193.7	\$ 203.6	\$ 223.4	\$ 231.5	\$ 250.9	\$ 255.3	\$ 284.6	\$ 287.8	\$ 295.2	\$ 274.1	\$ 297.1	\$ 797.0	\$ 1,022.3	\$ 1,154.2
Year over year growth	26 %	28%	32%	28%	31 %	30%	25 %	27%	24 %	18 %	7 %	4 %	28%	28%	13 %
Quarter over quarter growth	1 %	10%	5%	10%	4 %	8%	2 %	11%	1 %	3 %	(7)%	8 %			
% Recurring Revenue	59 %	57%	58%	57%	59 %	58%	60 %	60%	63 %	70 %	75 %	78 %	58%	59%	71 %
Systems Revenue (millions)	\$ 120.9	\$ 145.2	\$ 148.7	\$ 166.9	\$ 159.2	\$ 184.4	\$ 167.3	\$ 193.7	\$ 170.3	\$ 125.3	\$ 92.0	\$ 84.1	\$ 581.7	\$ 704.6	\$ 471.7
Year over year growth	1 %	8%	13%	40%	32 %	27%	13 %	16%	7 %	(32)%	(45)%	(57)%	15%	21%	(33)%
Quarter over quarter growth	1 %	20%	2%	12%	(5)%	16%	(9)%	16%	(12)%	(26)%	(27)%	(9)%			
Total Revenue	\$ 297.2	\$ 338.9	\$ 352.3	\$ 390.3	\$ 390.7	\$ 435.3	\$ 422.6	\$ 478.3	\$ 458.1	\$ 420.5	\$ 366.1	\$ 381.2	\$ 1,378.7	\$ 1,726.9	\$ 1,625.9
Year over year growth	14 %	19%	24%	33%	31 %	28%	20 %	23%	17 %	(3)%	(13)%	(20)%	23%	25%	(6)%
Quarter over quarter growth	1 %	14%	4%	11%	— %	11%	(3)%	13%	(4)%	(8)%	(13)%	4 %			
<u>Installed System Base Rollforward</u>															
Beginning Installed System Base	1,285	1,344	1,411	1,478	1,548	1,615	1,707	1,789	1,878	1,957	2,001	2,041	1,285	1,548	1,878
System Sales:															
S Systems	1	—	5	2	—	—	—	—	—	—	—	—	8	—	—
Dual Consoles Si's	11	20	26	23	21	23	16	22	26	12	16	10	80	82	64
Single Console Si's	75	76	66	86	83	96	92	99	86	76	47	42	303	370	251
Si-e's	2	3	2	2	1	5	6	12	3	2	2	20	9	24	27
Total System Units Sales	89	99	99	113	105	124	114	133	115	90	65	72	400	476	342
Trade-In's/Retirements	(30)	(32)	(32)	(43)	(38)	(32)	(32)	(44)	(36)	(46)	(25)	(31)	(137)	(146)	(138)
Ending Installed System Base	1,344	1,411	1,478	1,548	1,615	1,707	1,789	1,878	1,957	2,001	2,041	2,082	1,548	1,878	2,082

Intuitive Surgical, Inc.
Trended Quarterly and Annual Procedures, Revenue and Related Metrics
International
2011 - 2013

	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<u>Revenue and Related Metrics</u>															
Instruments and Accessories Revenue (millions)	\$ 31.7	\$ 31.5	\$ 29.2	\$ 32.4	\$ 39.4	\$ 38.1	\$ 31.7	\$ 40.7	\$ 47.6	\$ 46.4	\$ 43.9	\$ 50.1	\$ 124.8	\$ 149.9	\$ 188.0
Year over year growth	40 %	57 %	51 %	34%	24 %	21 %	9 %	26%	21%	22 %	38 %	23%	44%	20%	25%
Quarter over quarter growth	31 %	(1)%	(7)%	11%	22 %	(3)%	(17)%	28%	17%	(3)%	(5)%	14%			
Year over year procedure growth	40 %	41 %	34 %	28%	31 %	21 %	20 %	21%	14%	22 %	25 %	23%	35%	23%	21%
Quarter over quarter procedure growth	14 %	7 %	(8)%	14%	16 %	(1)%	(8)%	15%	10%	6 %	(6)%	13%			
Service Revenue (millions)	\$ 13.0	\$ 13.9	\$ 14.8	\$ 16.0	\$ 17.7	\$ 18.1	\$ 18.8	\$ 19.1	\$ 20.1	\$ 21.0	\$ 22.5	\$ 24.4	\$ 57.7	\$ 73.7	\$ 88.0
Year over year growth	25 %	22 %	28 %	28%	36 %	30 %	27 %	19%	14%	16 %	20 %	28%	26%	28%	19%
Quarter over quarter growth	4 %	7 %	6 %	8%	11 %	2 %	4 %	2%	5%	4 %	7 %	8%			
Total Recurring Revenue (Millions)	\$ 44.7	\$ 45.4	\$ 44.0	\$ 48.4	\$ 57.1	\$ 56.2	\$ 50.5	\$ 59.8	\$ 67.7	\$ 67.4	\$ 66.4	\$ 74.5	\$ 182.5	\$ 223.6	\$ 276.0
Year over year growth	35 %	44 %	42 %	32%	28 %	24 %	15 %	24%	19%	20 %	31 %	25%	38%	23%	23%
Quarter over quarter growth	22 %	2 %	(3)%	10%	18 %	(2)%	(10)%	18%	13%	— %	(1)%	12%			
% Recurring Revenue	49 %	52 %	47 %	45%	55 %	56 %	44 %	46%	44%	43 %	50 %	38%	48%	49%	43%
Systems Revenue (millions)	\$ 46.2	\$ 41.4	\$ 50.4	\$ 58.1	\$ 47.4	\$ 45.0	\$ 64.7	\$ 71.2	\$ 85.6	\$ 90.6	\$ 66.5	\$ 120.5	\$ 196.1	\$ 228.3	\$ 363.2
Year over year growth	30 %	23 %	78 %	—%	3 %	9 %	28 %	23%	81%	101 %	3 %	69%	26%	16%	59%
Quarter over quarter growth	(21)%	(10)%	22 %	15%	(18)%	(5)%	44 %	10%	20%	6 %	(27)%	81%			
Total Revenue	\$ 90.9	\$ 86.8	\$ 94.4	\$ 106.5	\$ 104.5	\$ 101.2	\$ 115.2	\$ 131.0	\$ 153.3	\$ 158.0	\$ 132.9	\$ 195.0	\$ 378.6	\$ 451.9	\$ 639.2
Year over year growth	32 %	33 %	59 %	12%	15 %	17 %	22 %	23%	47%	56 %	15 %	49%	31%	19%	41%
Quarter over quarter growth	(4)%	(5)%	9 %	13%	(2)%	(3)%	14 %	14%	17%	3 %	(16)%	47%			
<u>Installed System Base</u>															
<u>Rollforward</u>															
Beginning Installed System Base	467	496	522	553	584	611	634	673	707	753	798	830	467	584	707
System Sales:															
S Systems	6	8	11	6	8	8	16	8	2	3	1	—	31	40	6
Dual Consoles Si's	5	1	3	6	4	5	4	10	22	15	16	28	15	23	81
Single Console Si's	19	20	18	24	23	12	21	23	23	35	19	37	81	79	114
Si-e's	1	1	2	3	—	1	—	1	2	—	—	1	7	2	3
Total System Units Sales	31	30	34	39	35	26	41	42	49	53	36	66	134	144	204
Trade-In's/Retirements	(2)	(4)	(3)	(8)	(8)	(3)	(2)	(8)	(3)	(8)	(4)	(12)	(17)	(21)	(27)
Ending Installed System Base	496	522	553	584	611	634	673	707	753	798	830	884	584	707	884

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This information is supplemental to the fourth quarter 2013 earnings press release issued by Intuitive Surgical, Inc. on January 23, 2014 and should be read in conjunction with that release and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 when filed with the U.S. Securities and Exchange Commission.

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