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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(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, 2020

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**  
(State or Other Jurisdiction of  
Incorporation or Organization)

77-0416458  
(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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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  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  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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The Registrant had 117,025,880 shares of Common Stock, \$0.001 par value per share, outstanding as of July 20, 2020.

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**INTUITIVE SURGICAL, INC.**  
**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>PART I. FINANCIAL INFORMATION</b>	
<a href="#">Item 1.</a>	
<a href="#">Financial Statements (unaudited):</a>	
<a href="#">Condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019</a>	<a href="#">3</a>
<a href="#">Condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2020 and 2019</a>	<a href="#">4</a>
<a href="#">Condensed consolidated statements of cash flows for the six months ended June 30, 2020 and 2019</a>	<a href="#">5</a>
<a href="#">Notes to condensed consolidated financial statements</a>	<a href="#">6</a>
<a href="#">Item 2.</a>	
<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">25</a>
<a href="#">Item 3.</a>	
<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">46</a>
<a href="#">Item 4.</a>	
<a href="#">Controls and Procedures</a>	<a href="#">46</a>
<b>PART II. OTHER INFORMATION</b>	
<a href="#">Item 1.</a>	
<a href="#">Legal Proceedings</a>	<a href="#">47</a>
<a href="#">Item 1A.</a>	
<a href="#">Risk Factors</a>	<a href="#">47</a>
<a href="#">Item 2.</a>	
<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">49</a>
<a href="#">Item 3.</a>	
<a href="#">Defaults Upon Senior Securities</a>	<a href="#">49</a>
<a href="#">Item 4.</a>	
<a href="#">Mine Safety Disclosures</a>	<a href="#">49</a>
<a href="#">Item 5.</a>	
<a href="#">Other Information</a>	<a href="#">49</a>
<a href="#">Item 6.</a>	
<a href="#">Exhibits</a>	<a href="#">50</a>
<a href="#">Signature</a>	<a href="#">51</a>

**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

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

<i>in millions (except par values)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,035.6	\$ 1,167.6
Short-term investments	2,452.7	2,054.1
Accounts receivable, net	508.8	645.2
Inventory	645.5	595.5
Prepays and other current assets	256.4	200.2
Total current assets	5,899.0	4,662.6
Property, plant, and equipment, net	1,450.3	1,272.9
Long-term investments	1,586.5	2,623.5
Deferred tax assets	365.5	425.6
Intangible and other assets, net	465.5	441.4
Goodwill	336.8	307.2
Total assets	\$ 10,103.6	\$ 9,733.2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 108.9	\$ 123.5
Accrued compensation and employee benefits	168.7	251.6
Deferred revenue	343.1	337.8
Other accrued liabilities	304.1	317.3
Total current liabilities	924.8	1,030.2
Other long-term liabilities	412.4	418.3
Total liabilities	1,337.2	1,448.5
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, 2020, and December 31, 2019	—	—
Common stock, 300.0 shares authorized, \$0.001 par value, 117.0 shares and 116.0 shares issued and outstanding as of June 30, 2020, and December 31, 2019, respectively	0.1	0.1
Additional paid-in capital	6,085.1	5,756.8
Retained earnings	2,633.0	2,494.5
Accumulated other comprehensive income	22.3	12.4
Total Intuitive Surgical, Inc. stockholders' equity	8,740.5	8,263.8
Noncontrolling interest in joint venture	25.9	20.9
Total stockholders' equity	8,766.4	8,284.7
Total liabilities and stockholders' equity	\$ 10,103.6	\$ 9,733.2

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

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

<i>in millions (except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenue:</b>				
Product	\$ 721.8	\$ 922.3	\$ 1,622.6	\$ 1,722.1
Service	130.3	176.6	329.0	350.5
Total revenue	852.1	1,098.9	1,951.6	2,072.6
<b>Cost of revenue:</b>				
Product	283.8	283.4	580.5	529.8
Service	65.4	56.5	130.0	114.2
Total cost of revenue	349.2	339.9	710.5	644.0
Gross profit	502.9	759.0	1,241.1	1,428.6
<b>Operating expenses:</b>				
Selling, general and administrative	279.1	279.2	587.2	552.6
Research and development	143.2	120.8	290.3	264.8
Total operating expenses	422.3	400.0	877.5	817.4
Income from operations	80.6	359.0	363.6	611.2
Interest and other income, net	26.6	32.8	51.7	60.3
Income before taxes	107.2	391.8	415.3	671.5
Income tax expense	37.0	75.4	28.9	51.1
Net income	70.2	316.4	386.4	620.4
Less: net income (loss) attributable to noncontrolling interest in joint venture	2.2	(1.9)	4.9	(4.4)
Net income attributable to Intuitive Surgical, Inc.	\$ 68.0	\$ 318.3	\$ 381.5	\$ 624.8
<b>Net income per share attributable to Intuitive Surgical, Inc.:</b>				
Basic	\$ 0.58	\$ 2.76	\$ 3.27	\$ 5.42
Diluted	\$ 0.57	\$ 2.67	\$ 3.19	\$ 5.23
<b>Shares used in computing net income per share attributable to Intuitive Surgical, Inc.:</b>				
Basic	116.8	115.4	116.6	115.2
Diluted	119.7	119.3	119.7	119.4
Total comprehensive income attributable to Intuitive Surgical, Inc.	\$ 81.4	\$ 335.1	\$ 391.4	\$ 654.2

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

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

<i>in millions</i>	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>		
Net income	\$ 386.4	\$ 620.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and loss on disposal of property, plant, and equipment	102.5	67.8
Amortization of intangible assets	24.7	20.5
Gain on investments, accretion, and amortization, net	(2.4)	(1.6)
Deferred income taxes	52.5	52.7
Share-based compensation expense	186.5	157.7
Amortization of contract acquisition assets	8.2	5.9
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	136.9	48.9
Inventory	(120.1)	(178.0)
Prepays and other assets	(95.5)	(89.2)
Accounts payable	(3.6)	21.7
Accrued compensation and employee benefits	(83.0)	(33.3)
Deferred revenue	4.1	8.7
Other liabilities	(14.5)	(53.0)
Net cash provided by operating activities	582.7	649.2
<b>Investing activities:</b>		
Purchase of investments	(1,426.8)	(1,815.9)
Proceeds from sales of investments	800.7	61.1
Proceeds from maturities of investments	1,298.6	1,418.9
Purchase of property, plant, and equipment and intellectual property	(215.2)	(196.9)
Acquisition of businesses, net of cash	(37.7)	1.2
Net cash provided by (used in) investing activities	419.6	(531.6)
<b>Financing activities:</b>		
Proceeds from issuance of common stock relating to employee stock plans	154.0	119.6
Taxes paid related to net share settlement of equity awards	(155.1)	(145.0)
Repurchase of common stock	(100.0)	(200.0)
Capital contribution from noncontrolling interest	—	10.0
Payment of deferred purchase consideration	(30.0)	(5.0)
Net cash used in financing activities	(131.1)	(220.4)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1.6)	(1.3)
Net increase (decrease) in cash, cash equivalents, and restricted cash	869.6	(104.1)
Cash, cash equivalents, and restricted cash, beginning of period	1,182.6	909.4
Cash, cash equivalents, and restricted cash, end of period	\$ 2,052.2	\$ 805.3

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<sup>®</sup> Surgical System and the Ion<sup>™</sup> 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, 2019, 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, 2019, which was filed with the SEC on February 7, 2020. The results of operations for the first six months of fiscal year 2020 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 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, as the response to the pandemic is in its early stages with no vaccine or new effective treatments available as of the date of this filing. The Company’s customers are diverting resources to treat COVID-19 patients and deferring elective surgical procedures, both of which are likely to impact the Company’s customers’ ability to meet their obligations, including to the Company. Furthermore, capital markets and 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, 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. 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.

### **Customer Relief Program**

During the second quarter of 2020, the Company introduced a series of programs to provide financial relief to customers (the “Customer Relief Program”). As part of the Customer Relief Program, the Company is providing its customers service fee credits, extending payment terms, and deferring payments related to Intuitive System Leasing arrangements.

*Service fee credits.* As part of the Customer Relief Program, the Company is providing service fee credits to customers that vary based on the reduction in the utilization of their systems relative to a pre-COVID-19 level baseline. The service fee credit will not exceed an amount equal to three months' worth of service fees per da Vinci/Ion system and have been and will be provided to customers in the second and third quarters of 2020. The Company reflects the service fee credits as a reduction of service revenue and accounts receivable in the quarter they are earned by its customers. The service fee credit program resulted in a \$59 million decrease in service revenue in the second quarter of 2020.

*Short-term payment relief.* In response to the COVID-19 pandemic, the Company has introduced a payment deferral program to provide financial relief to qualified customers. This relief extended payment terms up to 180 days for qualified and creditworthy customers.

The Company also introduced a lease payment deferral program in which creditworthy customers with active Intuitive System Leasing arrangements may elect to defer lease payments up to five months that are payable at the end of the lease by extending the lease term by five months. This program does not result in substantial increases in the rights of the lessor or the obligations of the lessee, and the Company elected to apply the relief provided by the Financial Accounting Standards Board (“FASB”) FAQ on accounting for COVID-19 and market volatility by not applying the lease modification guidance in ASC 842 to the lease arrangements affected by the deferrals and lease extensions.

For operating lease arrangements where the lease term is extended by adding the deferred period to the end of the contract, the Company recalculated the straight-line revenue based on the revised terms, consistent with the treatment accepted by the FASB FAQ on accounting for COVID-19. For its sales-type lease arrangements impacted, the Company accounted for the deferral in the timing of lease payments as if there were no changes in the lease contract, consistent with the treatment accepted by the FASB FAQ on accounting for COVID-19. While the short-term payment relief offered did not have a material impact on the results of operations, the Company deferred \$10 million of lease billings and extended payment terms associated with \$65 million of trade receivables since the start of the program, of which \$37 million would otherwise have been due in the second quarter of 2020.

### **Recently Adopted Accounting Pronouncements**

#### *Credit Losses*

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)* (“Topic 326”), which replaces existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost. The Company adopted Topic 326 on January 1, 2020, using a modified retrospective transition method, which requires a cumulative-effect adjustment, if any, to the opening balance of retained earnings to be recognized on the date of adoption with prior periods not restated. The cumulative-effect adjustment recorded on January 1, 2020, was not material. Please see the description of the Company’s “Credit Losses” accounting policy in the “Significant Accounting Policies” section below.

#### **Significant Accounting Policies**

With the exception of the aspects within the Customer Relief Program noted above and the change for the accounting of credit losses as a result of the adoption of Topic 326, 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, 2019, that are of significance, or potential significance, to the Company.

## Credit Losses

*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, 2020, the Company recognized bad debt expense of \$2.3 million and \$5.5 million, respectively. For both the three and six months ended June 30, 2019, bad debt expense was not significant.

*Net investment in sales-type leases.* 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, 2020. The following table summarizes the amortized cost basis by year of origination and credit quality indicator as of June 30, 2020 (in millions):

	2020	2019	2018	2017	2016	Prior	Net Investment
<b>Credit Rating:</b>							
High	\$ 41.3	\$ 51.6	\$ 18.7	\$ 10.0	\$ 3.1	\$ 2.6	\$ 127.3
Moderate	30.4	34.4	22.1	7.5	2.5	0.1	97.0
Low	3.6	—	1.8	0.9	2.3	—	8.6
<b>Total</b>	<b>\$ 75.3</b>	<b>\$ 86.0</b>	<b>\$ 42.6</b>	<b>\$ 18.4</b>	<b>\$ 7.9</b>	<b>\$ 2.7</b>	<b>\$ 232.9</b>

For the three and six months ended June 30, 2020, the Company recognized no credit loss and a credit loss of \$0.9 million, respectively, related to net investment in sales-type leases. For both the three and six months ended June 30, 2019, the credit loss related to net investment in sales-type leases was not significant.

*Available-for-sale debt securities.* The Company's investment portfolio at any point in time contains 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. During the three months ended June 30, 2020, the Company recognized no credit losses related to available-for-sale debt securities. For the six months ended June 30, 2020, the Company recognized a credit loss of \$1.2 million related to available-for-sales debt securities. For both the three and six June 30, 2019, there were no credit losses recognized related to available-for-sales debt securities.

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's cash flows are impacted by their response to the COVID-19 pandemic and deferral of elective surgical procedures.



**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, 2020, and December 31, 2019 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Loss	Fair Value	Reported as:		
						Cash and Cash Equivalents	Short- term Investments	Long- term Investments
<b>June 30, 2020</b>								
<b>Cash</b>	\$ 562.6	\$ —	\$ —	\$ —	\$ 562.6	\$ 562.6	\$ —	\$ —
<b>Level 1:</b>								
Money market funds	1,266.8	—	—	—	1,266.8	1,266.8	—	—
U.S. treasuries	1,997.4	35.0	—	—	2,032.4	122.5	1,023.1	886.8
Subtotal	3,264.2	35.0	—	—	3,299.2	1,389.3	1,023.1	886.8
<b>Level 2:</b>								
Commercial paper	269.7	—	—	—	269.7	26.6	243.1	—
Corporate debt securities	1,436.2	18.0	(0.3)	(1.3)	1,452.6	7.1	972.3	473.2
U.S. government agencies	410.7	3.6	—	—	414.3	50.0	202.4	161.9
Non-U.S. government securities	4.5	—	—	—	4.5	—	4.5	—
Municipal securities	69.8	2.1	—	—	71.9	—	7.3	64.6
Subtotal	2,190.9	23.7	(0.3)	(1.3)	2,213.0	83.7	1,429.6	699.7
Total assets measured at fair value	\$ 6,017.7	\$ 58.7	\$ (0.3)	\$ (1.3)	\$ 6,074.8	\$ 2,035.6	\$ 2,452.7	\$ 1,586.5

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Reported as:			
					Cash and Cash Equivalents	Short-term Investments	Long-term Investments	
<b>December 31, 2019</b>								
<b>Cash</b>	\$ 413.1	\$ —	\$ —	\$ 413.1	\$ 413.1	\$ —	\$ —	
<b>Level 1:</b>								
Money market funds	726.8	—	—	726.8	726.8	—	—	
U.S. treasuries	1,935.8	9.7	(0.4)	1,945.1	—	890.8	1,054.3	
Subtotal	2,662.6	9.7	(0.4)	2,671.9	726.8	890.8	1,054.3	
<b>Level 2:</b>								
Commercial paper	165.1	—	—	165.1	25.5	139.6	—	
Corporate debt securities	2,096.1	16.8	(0.2)	2,112.7	—	798.5	1,314.2	
U.S. government agencies	418.3	1.1	(0.2)	419.2	—	209.6	209.6	
Non-U.S. government securities	4.5	—	—	4.5	—	4.5	—	
Municipal securities	58.4	0.3	—	58.7	2.2	11.1	45.4	
Subtotal	2,742.4	18.2	(0.4)	2,760.2	27.7	1,163.3	1,569.2	
Total assets measured at fair value	\$ 5,818.1	\$ 27.9	\$ (0.8)	\$ 5,845.2	\$ 1,167.6	\$ 2,054.1	\$ 2,623.5	

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, 2020 (in millions):

	Amortized Cost	Fair Value
Mature in less than one year	\$ 2,645.5	\$ 2,658.9
Mature in one to five years	1,542.8	1,586.5
Total	\$ 4,188.3	\$ 4,245.4

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 \$6.9 million and \$8.3 million for the three and six months ended June 30, 2020, respectively, and not material for the prior year comparative periods. Gross realized losses recognized on the sale of investments were not material for the periods presented.

#### 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,	
	2020	2019	2020	2019
Recognized gains/(losses) in interest and other income, net	\$ (1.7)	\$ (0.2)	\$ 1.9	\$ 1.5
Foreign exchange gains/(losses) related to balance sheet re-measurement	\$ 1.7	\$ 2.1	\$ (6.9)	\$ 0.3

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, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Notional amounts:</b>				
Forward contracts	\$ 96.8	\$ 154.5	\$ 257.5	\$ 227.2
<b>Gross fair value recorded in:</b>				
Prepays and other current assets	\$ 0.8	\$ 1.3	\$ 1.6	\$ 2.2
Other accrued liabilities	\$ 0.3	\$ 0.5	\$ 0.4	\$ 0.7

## 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):

<b>Inventory</b>	As of	
	June 30, 2020	December 31, 2019
Raw materials	\$ 212.8	\$ 211.0
Work-in-process	67.2	75.9
Finished goods	365.5	308.6
Total inventory	\$ 645.5	\$ 595.5

<b>Other accrued liabilities—short-term</b>	As of	
	June 30, 2020	December 31, 2019
Taxes payable	\$ 37.7	\$ 37.9
Litigation-related accruals	2.8	5.8
Current portion of deferred purchase consideration payments	41.8	35.7
Current portion of contingent consideration	33.6	44.5
Other accrued liabilities	188.2	193.4
Total other accrued liabilities—short-term	\$ 304.1	\$ 317.3

	As of	
	June 30, 2020	December 31, 2019
<b>Other long-term liabilities</b>		
Income taxes—long-term	\$ 280.5	\$ 258.6
Deferred revenue—long-term	28.4	27.4
Other long-term liabilities	103.5	132.3
Total other long-term liabilities	\$ 412.4	\$ 418.3

### Supplemental Cash Flow Information

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

	Six Months Ended June 30,	
	2020	2019
Equipment transfers, including operating lease assets, from inventory to property, plant, and equipment	\$ 79.0	\$ 89.0
Deferred payments and contingent consideration related to business combinations	\$ 4.1	\$ 64.7

### 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,	
	2020	2019	2020	2019
<b>U.S.</b>				
Instruments and accessories	\$ 315.6	\$ 428.6	\$ 760.0	\$ 836.0
Systems	139.3	232.6	338.1	393.3
Services	80.6	124.1	219.0	247.6
Total U.S. revenue	\$ 535.5	\$ 785.3	\$ 1,317.1	\$ 1,476.9
<b>Outside of U.S. ("OUS")</b>				
Instruments and accessories	\$ 145.2	\$ 149.9	\$ 318.3	\$ 294.8
Systems	121.7	111.2	206.2	198.0
Services	49.7	52.5	110.0	102.9
Total OUS revenue	\$ 316.6	\$ 313.6	\$ 634.5	\$ 595.7
<b>Total</b>				
Instruments and accessories	\$ 460.8	\$ 578.5	\$ 1,078.3	\$ 1,130.8
Systems	261.0	343.8	544.3	591.3
Services	130.3	176.6	329.0	350.5
Total revenue	\$ 852.1	\$ 1,098.9	\$ 1,951.6	\$ 2,072.6

### 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 \$1,474 million as of June 30, 2020. 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, 2020	December 31, 2019
Contract assets	\$ 28.9	\$ 20.8
Deferred revenue	\$ 371.5	\$ 365.2

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, 2020, the Company recognized \$54.6 million and \$191.6 million, respectively, of revenue, net of the impact of the Customer Relief Program, that was included in the deferred revenue balance as of December 31, 2019. During the three and six months ended June 30, 2019, the Company recognized \$91.5 million and \$223.7 million, respectively, of revenue that was included in the deferred revenue balance as of December 31, 2018.

### 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,	
	2020	2019	2020	2019
Sales-type lease revenue	\$ 16.8	\$ 15.3	\$ 71.8	\$ 19.9
Operating lease revenue	\$ 42.2	\$ 25.1	\$ 81.3	\$ 45.5

### Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company has determined that certain sales incentives provided to the Company's sales team are required to be capitalized when the Company expects to generate future economic benefits from the related revenue-generating contracts subsequent to the initial capital sales transaction. When determining the economic life of the contract acquisition assets recognized, the Company considers historical service renewal rates, expectations of future customer renewals of service contracts, and other factors that could impact the economic benefits that the Company expects to generate from the relationship with its customers. The costs capitalized as contract acquisition costs included in intangible and other assets, net in the Condensed Consolidated Balance Sheets were \$47.9 million and \$51.5 million as of June 30, 2020, and December 31, 2019, respectively. The Company did not incur any impairment losses during the periods presented.

## 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, 2020	December 31, 2019
Gross lease receivables	\$ 232.9	\$ 191.9
Unearned income	(10.3)	(10.1)
Allowance for credit loss	(2.1)	(1.2)
Net investment in sales-type leases	\$ 220.5	\$ 180.6
Reported as:		
Prepays and other current assets	\$ 71.8	\$ 63.1
Intangible and other assets, net	148.7	117.5
Total, net	\$ 220.5	\$ 180.6

Contractual maturities of gross lease receivables at June 30, 2020, are as follows (in millions):

<b>Fiscal Year</b>	<b>Amount</b>
Remainder of 2020	\$ 41.9
2021	67.0
2022	51.2
2023	36.4
2024	29.2
2025 and thereafter	7.2
<b>Total</b>	<b>\$ 232.9</b>

## **NOTE 7. GOODWILL AND INTANGIBLE ASSETS**

### **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 processing and archiving surgical videos.

### **Acquisitions in 2019**

#### *Chindex*

During the first quarter of 2019, the Company’s majority-owned Joint Venture with Fosun Pharma acquired certain assets from Chindex and its affiliates, a subsidiary of Fosun Pharma, including distribution rights, customer relationships, and certain personnel on January 5, 2019, which collectively met the definition of a business. Chindex was the Company’s distributor of da Vinci products and services in China. The transaction enhances the Company’s ability to serve patients, surgeons, and hospitals in China.

The total purchase consideration of \$66.0 million, as of the acquisition date, included a contingent consideration liability of \$64.7 million and an upfront cash payment of \$1.3 million. The amount and timing of the future contingent consideration payments are based upon the underlying performance of the business in 2019 and 2020. As of the acquisition date, the estimated total undiscounted contingent consideration was approximately \$81 million. The undiscounted contingent consideration has decreased by approximately \$6 million as of June 30, 2020, due to a change in the timing of the projected future revenues. The contingent consideration liability is measured at estimated fair value using a discounted cash flow model, which requires significant inputs not observable in the market and, thus, represents a Level 3 measurement. Key assumptions include (1) the probability and timing of milestone achievements based on revenues in 2019 and projected future revenues in 2020, and (2) the discount rate used to calculate the present value of the milestone payments. On each reporting period until the contingent consideration is settled, the Company will re-measure the contingent consideration liability and record changes in fair value within selling, general and administrative expenses. For the six months ended June 30, 2020, the contingent consideration liability changed due to payments of \$27.3 million and net additional expense of \$3.0 million. For the six months ended June 30, 2019, the contingent consideration liability changed due to payments of \$2.0 million and net additional expense of \$7.1 million. Changes to the contingent consideration liability can result from adjustments to discount rates, accretion due to the passage of time, or changes in estimates in the performance of the business. The assumptions related to determining the fair value of contingent consideration include a significant amount of judgment, and any changes in the underlying estimates could have a material impact on the amount of contingent consideration adjustment recorded in any given period.

#### *Schölly*

During the third quarter of 2019, the Company acquired certain assets and operations from Schölly Fiberoptic GmbH (“Schölly”), including manufacturing process technology, a non-compete agreement, certain personnel, and net tangible assets on August 31, 2019, which collectively met the definition of a business. The Company believes that the transaction strengthens the Company’s supply chain and manufacturing capacity for imaging products used in the Company’s da Vinci systems. The total purchase consideration of \$101.4 million consisted of an initial cash payment of \$34.4 million and deferred cash payments totaling approximately \$67.0 million, of which \$37.7 million continues to be deferred as of June 30, 2020. The timing of future payments is based upon achieving certain integration steps, which occur during 2020 and are expected to be completed around the end of 2020.

The Company preliminarily recorded \$10.7 million of net tangible assets, which included \$6.7 million of inventory and \$1.4 million of cash, \$31.0 million of intangible assets, and \$59.7 million of residual goodwill. Intangible assets included manufacturing process technology of \$28.0 million and non-compete provisions of \$3.0 million, which are being amortized over a weighted average period of 6.6 years. The allocation of purchase consideration is considered preliminary with provisional amounts primarily related to working capital. Goodwill primarily consists of the manufacturing and other synergies of the combined operations and the value of the assembled workforce. The majority of goodwill is not deductible for income tax purposes.

The Company has included the results of the acquired businesses, since their acquisition dates, in its Financial Statements, and the revenues and earnings have not been material to date. Pro forma results of operations related to the acquisitions have not been presented, because the operating results of the acquired businesses are not considered material to the Financial Statements.

### Goodwill

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

	Amount
Balance at December 31, 2019	\$ 307.2
Acquisition activity	29.3
Translation and other	0.3
Balance at June 30, 2020	\$ 336.8

### Intangible Assets

The following table summarizes the components of gross intangible assets, accumulated amortization, and net intangible asset balances as of June 30, 2020 and December 31, 2019 (in millions):

	June 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and developed technology	\$ 198.4	\$ (153.7)	\$ 44.7	\$ 186.7	\$ (149.0)	\$ 37.7
Distribution rights and others	91.9	(61.4)	30.5	91.3	(44.9)	46.4
Customer relationships	59.0	(33.2)	25.8	57.7	(29.7)	28.0
Total intangible assets	\$ 349.3	\$ (248.3)	\$ 101.0	\$ 335.7	\$ (223.6)	\$ 112.1

Amortization expense related to intangible assets was \$12.4 million and \$10.6 million for the three months ended June 30, 2020, and 2019, respectively. Amortization expense related to intangible assets was \$24.7 million and \$20.5 million for the six months ended June 30, 2020, and 2019, respectively.

The estimated future amortization expense related to intangible assets as of June 30, 2020, is as follows (in millions):

Fiscal Year	Amount
Remainder of 2020	\$ 24.3
2021	21.3
2022	18.1
2023	13.4
2024	11.4
2025 and thereafter	12.5
Total	\$ 101.0

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.



On May 30, 2019, Ethicon filed a complaint with the USITC, asserting infringement of U.S. Patent Nos. 9,884,369, 7,490,749, 9,844,379, 9,113,874, and 8,479,969. 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 U.S. Patent No. 7,490,749. The evidentiary hearing, which was set for April 20-24, 2020, has been postponed, and no new hearing date has been set. An unfavorable ruling by the USITC could have an adverse effect on our results of operations, including a prohibition on importing the accused products into the U.S. or necessitating workarounds that may limit certain features of our products.

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.

### 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 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.

## NOTE 9. STOCKHOLDERS' EQUITY

### Stockholders' Equity

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

	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

	Three Months Ended June 30, 2019							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	115.4	\$ 0.1	\$ 5,328.8	\$ 1,696.0	\$ (0.7)	\$ 7,024.2	\$ 16.2	\$ 7,040.4
Issuance of common stock through employee stock plans	0.2	—	30.8			30.8		30.8
Shares withheld related to net share settlement of equity awards	—	—	(0.3)	(6.1)		(6.4)		(6.4)
Share-based compensation expense related to employee stock plans			81.6			81.6		81.6
Repurchase and retirement of common stock	(0.4)	—	(10.8)	(189.2)		(200.0)		(200.0)
Net income attributable to Intuitive Surgical, Inc.				318.3		318.3		318.3
Other comprehensive income					16.8	16.8		16.8
Net loss attributable to noncontrolling interest in joint venture							(1.9)	(1.9)
Ending balance	115.2	\$ 0.1	\$ 5,430.1	\$ 1,819.0	\$ 16.1	\$ 7,265.3	\$ 14.3	\$ 7,279.6

	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					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

	Six Months Ended June 30, 2019							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	114.5	\$ 0.1	\$ 5,170.3	\$ 1,521.7	\$ (13.3)	\$ 6,678.8	\$ 8.7	\$ 6,687.5
Issuance of common stock through employee stock plans	1.4	—	119.6			119.6		119.6
Shares withheld related to net share settlement of equity awards	(0.3)	—	(6.7)	(138.3)		(145.0)		(145.0)
Share-based compensation expense related to employee stock plans			157.7			157.7		157.7
Repurchase and retirement of common stock	(0.4)	—	(10.8)	(189.2)		(200.0)		(200.0)
Net income attributable to Intuitive Surgical, Inc.				624.8		624.8		624.8
Other comprehensive income					29.4	29.4		29.4
Capital contribution from noncontrolling interest							10.0	10.0
Net loss attributable to noncontrolling interest in joint venture							(4.4)	(4.4)
Ending balance	115.2	\$ 0.1	\$ 5,430.1	\$ 1,819.0	\$ 16.1	\$ 7,265.3	\$ 14.3	\$ 7,279.6

### 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, 2020, 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,	
	2020	2019	2020	2019
Shares repurchased	—	0.4	0.2	0.4
Average price per share	\$ —	\$ 477.44	\$ 521.83	\$ 477.44
Value of shares repurchased	\$ —	\$ 200.0	\$ 100.0	\$ 200.0

**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, 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

  

	Three Months Ended June 30, 2019				
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	\$ 1.6	\$ 1.8	\$ (0.7)	\$ (3.4)	\$ (0.7)
Other comprehensive income (loss) before reclassifications	(0.2)	18.0	(0.1)	—	17.7
Amounts reclassified from accumulated other comprehensive income (loss)	(0.9)	(0.1)	—	0.1	(0.9)
Net current-period other comprehensive income (loss)	(1.1)	17.9	(0.1)	0.1	16.8
Ending balance	\$ 0.5	\$ 19.7	\$ (0.8)	\$ (3.3)	\$ 16.1

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

Six Months Ended June 30, 2019					
	Gains (Losses) on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Gains (Losses)	Employee Benefit Plans	Total
Beginning balance	\$ 0.2	\$ (9.8)	\$ (0.3)	\$ (3.4)	\$ (13.3)
Other comprehensive income (loss) before reclassifications	3.3	29.6	(0.5)	(0.1)	32.3
Amounts reclassified from accumulated other comprehensive income (loss)	(3.0)	(0.1)	—	0.2	(2.9)
Net current-period other comprehensive income (loss)	0.3	29.5	(0.5)	0.1	29.4
Ending balance	\$ 0.5	\$ 19.7	\$ (0.8)	\$ (3.3)	\$ 16.1

#### NOTE 10. SHARE-BASED COMPENSATION

In April 2020, 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 28,450,000 to 32,450,000. As of June 30, 2020, approximately 8.4 million shares were reserved for future issuance under the Company's stock plans. A maximum of approximately 3.7 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, 2020, 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, 2019	5.4	\$ 246.64
Options granted	0.3	\$ 537.87
Options exercised	(0.7)	\$ 167.20
Options forfeited/expired	(0.1)	\$ 468.87
Balance at June 30, 2020	4.9	\$ 272.37

As of June 30, 2020, options to purchase an aggregate of 3.9 million shares of common stock were exercisable at a weighted average price of \$214.32 per share.

### Restricted Stock Units Information

A summary of RSUs activity under all stock plans for the six months ended June 30, 2020, is presented as follows (in millions, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2019	1.9	\$ 410.09
RSUs granted	0.7	\$ 535.67
RSUs vested	(0.7)	\$ 337.48
RSUs forfeited	(0.1)	\$ 456.38
Unvested balance at June 30, 2020	1.8	\$ 481.89

### Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (“ESPP”), employees purchased approximately 0.1 million shares for \$36.6 million and approximately 0.1 million shares for \$30.3 million during the six months ended June 30, 2020, and 2019, respectively.

### Share-based Compensation Expense

The following table summarizes share-based compensation expense for the three and six months ended June 30, 2020, and 2019 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Cost of sales – products	\$ 14.2	\$ 11.4	\$ 27.0	\$ 22.4
Cost of sales – services	5.2	4.8	10.7	9.3
Total cost of sales	19.4	16.2	37.7	31.7
Selling, general, and administrative	49.6	40.7	95.3	79.3
Research and development	27.4	25.1	54.6	47.9
Share-based compensation expense before income taxes	96.4	82.0	187.6	158.9
Income tax benefit	20.0	16.5	38.9	32.9
Share-based compensation expense after income taxes	\$ 76.4	\$ 65.5	\$ 148.7	\$ 126.0

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, 2020, and 2019, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Stock Options</b>				
Risk-free interest rate	0.4%	2.2%	0.8%	2.4%
Expected term (in years)	4.2	4.3	4.3	4.3
Expected volatility	38%	30%	30%	31%
Fair value at grant date	\$165.18	\$142.63	\$138.24	\$155.35
<b>ESPP</b>				
Risk-free interest rate	—	—	1.5%	2.5%
Expected term (in years)	—	—	1.1	1.2
Expected volatility	—	—	27%	31%
Fair value at grant date	—	—	\$149.85	\$154.20

**NOTE 11. INCOME TAXES**

Income tax expense for the three months ended June 30, 2020, was \$37.0 million, or 34.5% of income before taxes, compared with \$75.4 million, or 19.2% of income before taxes, for the three months ended June 30, 2019. Income tax expense for the six months ended June 30, 2020, was \$28.9 million, or 7.0% of income before taxes, compared with \$51.1 million, or 7.6% of income before taxes, for the six months ended June 30, 2019.

The effective tax rates for the three and six months ended June 30, 2020, and 2019, differed 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 state income taxes (net of federal benefit) and U.S. tax on foreign earnings. The effective tax rate for the three and six months ended June 30, 2020, also reflected a \$36.8 million increase in income tax expense discussed below.

In July 2015, a U.S. Tax Court opinion (the “2015 Opinion”) was issued involving an independent third party related to charging foreign subsidiaries for share-based compensation. Based on the findings of the U.S. Tax Court, direct share-based compensation has been excluded from the Company’s intercompany charges starting in 2015. In June 2019, the Ninth Circuit Court of Appeals (the “Ninth Circuit”) reversed the 2015 Opinion (the “Ninth Circuit Opinion”). Subsequently, a re-hearing of the case was requested but was denied in November 2019. In February 2020, a petition was filed to appeal the Ninth Circuit Opinion to the U.S. Supreme Court. The petition was denied by the U.S. Supreme Court on June 22, 2020, which makes the Ninth Circuit Opinion binding precedent in the Ninth Circuit. As a result, the Company increased its unrecognized tax benefits by \$36.8 million with a corresponding increase to income tax expense for the three and six months ended June 30, 2020, related to the intercompany charges for share-based compensation for relevant periods prior to 2020. The Company will continue to monitor future Internal Revenue Service (“IRS”) actions or other developments regarding this matter and will assess the impact of any such developments to its income tax provision in the quarter that they occur. The Company is treating share-based compensation expense in accordance with the Ninth Circuit Opinion for 2020 and going forward.

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 evolving interpretations of existing tax laws in the jurisdictions the Company operates, 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 IRS 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,	
	2020	2019	2020	2019
<b>Numerator:</b>				
Net income attributable to Intuitive Surgical, Inc.	\$ 68.0	\$ 318.3	\$ 381.5	\$ 624.8
<b>Denominator:</b>				
Weighted average shares outstanding used in basic calculation	116.8	115.4	116.6	115.2
Add: dilutive effect of potential common shares	2.9	3.9	3.1	4.2
Weighted average shares outstanding used in diluted calculation	119.7	119.3	119.7	119.4
<b>Net income per share attributable to Intuitive Surgical, Inc.:</b>				
Basic	\$ 0.58	\$ 2.76	\$ 3.27	\$ 5.42
Diluted	\$ 0.57	\$ 2.67	\$ 3.19	\$ 5.23

Share-based compensation awards of approximately 1.1 million and 1.2 million shares for the three months ended June 30, 2020, and 2019, respectively, and approximately 1.1 million and 0.5 million for the six months ended June 30, 2020, and 2019, 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.

**NOTE 13. SUBSEQUENT EVENT**

The Company held an equity investment in preferred shares of InTouch Technologies, Inc. ("InTouch"), which is reflected in the Company's financial statements on a cost basis. On July 1, 2020, Teladoc Health, Inc. ("Teladoc") completed its acquisition of InTouch. Based on the terms of the agreement, the Company has received Teladoc shares on the date of closing and will recognize a gain on its investment of approximately \$45 million. The Company is restricted from selling these shares for a period of six months. As the Teladoc shares have a readily determinable fair value, these shares will be measured at fair value on an ongoing basis, and the recognition of changes in fair value will be recorded in the income statement. Therefore, the actual gain recognized in the third quarter of 2020 on this investment may differ from the gain recognized on the date of acquisition.



## 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, 2020, and results of operations for the three and six months ended June 30, 2020, and 2019, 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, 2019.

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 strength of our long-term fundamentals, the potential decline of procedure volume, our acquisitions, expected new product introductions, 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, therefore, be considered in light of various important factors, including, but not limited to, the following: our ability to obtain accurate procedure volume 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; closures of our facilities; delays in surgeon training; delays in gathering clinical evidence; the evaluation of the risks of robotic-assisted surgery in the presence of infectious diseases; diversion of management and other resources to respond to the COVID-19 outbreak; 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 Schöilly 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, 2019, 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.

Intuitive®, Intuitive Surgical®, da Vinci®, da Vinci S®, da Vinci S HD Surgical System®, da Vinci Si®, da Vinci Si HD Surgical System®, da Vinci Xi®, da Vinci SP®, EndoWrist®, Firefly®, InSite®, da Vinci Connect®, Intuitive Surgical EcoSystem®, da Vinci X®, SureForm™, Ion™, Iris™, and SynchroSeal™ are trademarks or registered trademarks of the Company.

## 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. 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 is exerting a large and increasing burden on critical resources, including the professionals who staff care teams: surgeons, anesthesiologists, nurses, and other staff. At the same time, governments are straining to cover the healthcare needs of their populations and are demanding 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 the promise of new methods to solve old 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 products 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. We are early in the launch of our da Vinci SP Surgical System, and we have an installed base of 52 da Vinci SP Surgical Systems as of June 30, 2020. 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 the da Vinci Vessel Sealer Extend 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 X or 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 3 Ion systems for commercial use as of June 30, 2020. Ion systems are not included in our da Vinci Surgical System installed base. We continue to have 3 Ion systems placed with hospitals for gathering clinical data.

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**

#### *First Quarter of 2020*

Prior to the spread of COVID-19 in the first quarter of 2020, 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. We also saw early strength in capital placements, particularly in the U.S., with over half the systems placed in the first quarter of 2020 related to arrangements where the sales cycle was mostly completed in the fourth quarter of 2019. 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 with 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. As the U.S. Surgeon General recommended that elective procedures be postponed and hospitals pivoted to providing care to COVID-19 patients, procedures per week in the U.S., which represented approximately 72% of our procedure volume in 2019, declined to approximately 65% compared with the weekly procedure rate experienced earlier in the first quarter of 2020.

#### *Second Quarter of 2020*

In April, procedures per week in the U.S. continued to decline, reaching approximately 30% of pre-COVID-19 levels. In May and June, U.S. procedures began a recovery phase, as COVID-19 cases dropped and elective procedures were permitted, and, by the middle of June, had grown to nearly the same level as that measured in the first two weeks of the first quarter of 2020. However, in the last two weeks of June and into July, with the resurgence of COVID-19 cases, some regions have postponed elective procedures again, and we have experienced a corresponding decline in da Vinci procedures. The impact of COVID-19 in Europe during the second quarter varied by country with procedures in Italy, France, and the UK declining more steeply, while Germany experienced a year-over-year increase in procedures. During the second quarter of 2020, China procedures per week continued to increase to a level consistent with the early January 2020 weekly procedure rate. Consistent with the first quarter of 2020, we experienced little impact on the procedure volume in Korea and Japan in the second quarter of 2020. While procedures in certain markets have improved from levels experienced early in the second quarter, it is possible that a recurrence of COVID-19 similar to the one occurring in the U.S. will continue to negatively impact da Vinci procedures through the remainder of 2020. Moreover, we do not expect all markets to recover at the same pace, and some markets may experience a resurgence in infection rates. Due to the uncertainty of the recovery, including the significant increase in COVID-19 infections in the U.S. and the potential for COVID-19 infections to increase in other markets coupled with additional policy responses outlined by governments and other authorities, we cannot reliably estimate the impact to procedure volume in the third quarter of 2020 and beyond.

### *System Demand*

Most of the sales cycle for approximately half of the system placements in the first quarter of 2020 were completed in the fourth quarter of 2019. As we progressed through the first and second quarters of 2020 and the impact of the COVID-19 pandemic progressed, customers deferred decisions to purchase or lease systems into future quarters and, in some cases, indefinitely. In addition, the decline in procedures and, in turn, the reduced utilization of our systems resulted in unused capacity in the existing installed base. We expect hospitals to first fill their capacity before purchasing additional systems. The depth and extent to which the COVID-19 pandemic will impact individual markets will vary based on the availability of testing capabilities, personal protective equipment, intensive care units and operating rooms, and medical staff as well as government interventions. As COVID-19 continues to disrupt healthcare operations and patient flow, we would expect that system placements will lag behind the recovery of da Vinci procedure volume. While we cannot reliably estimate the extent or period of time over which the COVID-19 pandemic and the resultant economic recession will impact hospital spending, we anticipate lower year-over-year system placements for the remainder of 2020.

### *Customer Relief Program*

In April, we announced a program to provide financial relief to our customers. The program is comprised of three main elements. The first element provides credits against service fees otherwise due in the six-month period from April 1 through September 30 that generally reflects the under-utilization of the system during that period. Those credits were offered to most customers worldwide. The second element deferred certain lease payments, and the third element extended certain payment terms for accounts receivable. Service fee credits resulted in an approximately \$59 million decrease in service revenue in the second quarter of 2020. The extent to which credits will be issued for the third quarter of 2020 is dependent on the spread and resurgence of COVID-19 and the impact that it has on da Vinci surgeries. Given the second quarter da Vinci procedures rates coupled with the U.S. resurgence, we estimate credits issued for the third quarter of 2020 to be in the range of \$20 to \$50 million. While the short-term payment relief offered did not have a material impact to the results of operations, we deferred \$10 million of lease billings and extended payment terms associated with \$65 million of trade receivables since the start of the program, of which \$37 million would otherwise have been due in the second quarter of 2020. Service revenue in the third quarter of 2020 could be reduced further if COVID-19 infections increase and, correspondingly, da Vinci procedures decline. We may also be subject to increased credit risks resulting in collection delinquencies and defaults, which could materially impact our bad debt write-offs and provisions for credit losses. Although we have programs in place that are designed to monitor and mitigate the associated risks, there can be no assurance that such programs will be effective in reducing credit risks relating to these lease financing arrangements and extended payment terms.

### *General Increase in Risks*

Capital markets and worldwide economies have been significantly impacted by the COVID-19 pandemic, and it is possible that it could cause a prolonged recession in local and/or global economies. Such 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 or the facilities of our suppliers and their contract manufacturers, could further significantly impact our sales and our ability to 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*

We set our priorities and actions during the COVID-19 pandemic within the context of the phased framework described in the American Enterprise Institute’s paper entitled “National coronavirus response – a road map to reopening.” In Phases 1 and 2, which are the ‘Slow the Spread’ and ‘State-by-State Reopening’ phases of coronavirus response, our priorities are as follows. First, we are focused on the health and safety of all those we serve – our customers, our communities, our employees, and our suppliers – implementing early and continuous updates to our health and safety policies and processes. Second, we are supporting our customers according to their priorities – clinical, operational, and economic. Third, we are focused on continuity of supply by working with our suppliers and our distributors. Fourth, we are securing our workforce economically. We have built a valuable team over the years, and we believe they will be important in the recovery that follows the pandemic. Fifth, in partnership with our Intuitive Foundation, we are contributing material, product, and volunteers to the front lines of COVID-19 support – we have designed, produced, and delivered personal protective equipment to local hospitals, and our employees have volunteered in several communities. Finally, we are eliminating avoidable spend during Phases 1 and 2 of the COVID-19 pandemic.

## **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 \$700 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, we plan to launch our Extended Use Program (refer to further discussion immediately below), which 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.

We generate revenue from the placements of the Ion endoluminal system in a business model consistent with the da Vinci Surgical System model described above. 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, 2020, Ion's contribution to revenue and gross margin was not significant.

### **Extended Use Program**

In July 2020, we introduced our "Extended Use Program." Beginning in the fourth quarter of 2020, we plan to introduce select Xi/X instruments possessing 12 to 18 uses compared to the current 10 use instruments. The Extended Use Program 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. In addition, in the fourth quarter of 2020, we will lower the price of certain other instruments that are most commonly used in lower acuity procedures. 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. The 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 \$3.2 billion, or 72% of total revenue in 2019, compared with \$2.6 billion, or 71% of total revenue in 2018, and \$2.2 billion, or 71% of total revenue in 2017.

Instruments and accessories revenue has grown at a faster rate than systems revenue over time. Instruments and accessories revenue increased to \$2.4 billion in 2019, compared with \$2.0 billion in 2018 and \$1.6 billion in 2017. The growth of instruments and accessories revenue largely reflects continued procedure adoption.

Service revenue increased to \$724 million in 2019, compared with \$635 million in 2018 and \$573 million in 2017. Service revenue growth has been driven by the growth of the installed base of da Vinci Surgical Systems. The installed base of da Vinci Surgical Systems grew 12% to approximately 5,582 at December 31, 2019; 13% to approximately 4,986 at December 31, 2018; and 13% to approximately 4,409 at December 31, 2017.

We use the installed base and number of shipments 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 and number of shipments of da Vinci Surgical Systems provide meaningful supplemental information regarding our performance, as management believes that the installed base and number of shipments 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 and number of shipments of da Vinci Surgical Systems in assessing our performance and when planning, forecasting, and analyzing future periods. The installed base and number of shipments of da Vinci Surgical Systems also facilitate management's internal comparisons of our historical performance. We believe that the installed base and number of shipments 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 and number of shipments 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 and number of shipments of da Vinci Surgical Systems and our revenues may fluctuate from period to period, and growth in the installed base and in the number of shipments of da Vinci Surgical Systems may not correspond to an increase in revenue. The installed base and number of shipments 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.

The COVID-19 pandemic reduced the number of shipments of da Vinci Surgical Systems in the second quarter of 2020 as compared to the prior year. Based on the factors outlined in the *COVID-19 Pandemic* section above, historical system shipment trends may not be a good indicator of future system shipments.

### ***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 with other third-party entities that offer equipment leasing. We have also entered into usage-based arrangements with larger customers that have committed da Vinci programs where we charge for the system and service as the systems are utilized. 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, 2019, 2018, and 2017, we shipped 425, 272, and 139 systems, respectively, under lease and usage-based arrangements, of which 384, 229, and 108 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. For usage-based arrangements, systems revenue and service revenue are recognized as the systems are used. We 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 is included in our operating lease metrics herein. Operating lease revenue has grown at a faster rate than overall systems revenue and was \$106.9 million, \$51.4 million, \$25.9 million for the years ended December 31, 2019, 2018, and 2017, respectively. Generally, lease transactions generate similar gross margins as our sale transactions.

Our system leasing and usage-based models provide customers with flexibility regarding how they acquire or obtain access to our systems. 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. As revenue for operating leases 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.

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, including disruption associated with the current COVID-19 pandemic, or other customer-specific factors. In addition, as customers divert significant resources to the treatment of or the preparation to treat patients with the COVID-19 virus, 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 \$92.8 million, \$48.8 million, and \$39.5 million for the years ended December 31, 2019, 2018, and 2017, 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 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. System revenue grew 19% to \$1,346 million in 2019; 21% to \$1,127 million in 2018; and 16% to \$928 million in 2017. Based on the factors outlined in the *COVID-19 Pandemic* section above, the ability to forecast future system shipments has been significantly disrupted and, therefore, 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 the EndoWrist Vessel Sealer and EndoWrist 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 these 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 the 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.

### ***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 2018, we obtained regulatory clearances for the following products:

- In November 2019, we obtained FDA clearance for our SynchroSeal instrument and E-100 generator. In March 2020, we received regulatory clearance in Japan to market both our SynchroSeal instrument and 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 X/Xi 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 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.
- 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 21 Ion systems for commercial use as of June 30, 2020.
- 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 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.
- In December 2018, we received regulatory clearance for our da Vinci Xi Surgical System in China. The Xi clearance does not include advanced energy or stapling products that attach to the Xi system. Separate clearances are required for each of these products by 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. The government will allow the sale of 154 new surgical robots into China, which could include da Vinci Surgical Systems as well as surgical systems introduced by others. As of June 30, 2020, we have sold 83 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.
- In July 2018, we obtained FDA clearance to market SureForm 60, our da Vinci EndoWrist 60mm Stapler. In January 2019, we obtained FDA clearance to market SureForm 45. We have also received regulatory clearance in Taiwan, South Korea, and Japan to market both SureForm 60 and SureForm 45.
- In May 2018, we obtained FDA clearance for the da Vinci SP Surgical System for urologic surgical procedures that are appropriate for a single port approach. In March 2019, we obtained FDA clearance for the da Vinci SP Surgical System for certain transoral procedures. We also received regulatory clearance for the da Vinci SP Surgical System in South Korea in May 2018. We continue to introduce the da Vinci SP Surgical System in a measured fashion while we optimize training pathways and our supply chain. We have an installed base of 52 da Vinci SP Surgical Systems as of June 30, 2020.
- In April 2018, we obtained FDA clearance for our da Vinci Vessel Sealer Extend.

Refer to the descriptions of our products that received regulatory clearances in 2020, 2019, and 2018 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 da Vinci Prostatectomy (“dVP”) and partial nephrectomy, respectively. Most prostatectomies and partial nephrectomies were open procedures prior to da Vinci reimbursement. Da Vinci procedure reimbursement for dVP 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 dVP 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 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.

The COVID-19 pandemic reduced the number of da Vinci procedures performed by our customers in the first and second quarters of 2020 as compared to our expectations. Based on the factors outlined in the *COVID-19 Pandemic* section above, the ability to forecast future procedures based on historical procedure patterns has been disrupted. Therefore, we believe that historical procedure trends may not be a good indicator of future procedure volumes.

### **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 the 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 as compared to non-da Vinci alternatives and to provide 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. Target procedures in general surgery include hernia repair (both ventral and inguinal) and colorectal procedures. Target procedures in gynecology include da Vinci hysterectomy (“dVH”), for both cancer and benign conditions, and sacrocolpopexy. Target procedures in urology include dVP and partial nephrectomy. In cardiothoracic surgery, target procedures include da Vinci lobectomy and da Vinci mitral valve repair. 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 2019, approximately 1,229,000 surgical procedures were performed with da Vinci Surgical Systems, compared with approximately 1,038,000 and 877,000 surgical procedures performed with da Vinci Surgical Systems in 2018 and 2017, respectively. The growth in our overall procedure volume in 2018 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 grew to approximately 883,000 in 2019, compared with approximately 753,000 in 2018 and approximately 644,000 in 2017. General surgery was our largest and fastest growing U.S. specialty in 2019 with procedure volume that grew to approximately 421,000 in 2019, compared with approximately 325,000 in 2018 and approximately 246,000 in 2017. Gynecology was our second largest U.S. surgical specialty in 2019 with procedure volume that grew to approximately 282,000 in 2019, compared with approximately 265,000 in 2018 and approximately 252,000 in 2017. Urology was our third largest U.S. surgical specialty in 2019 with procedure volume that grew to approximately 138,000 in 2019, compared with approximately 128,000 in 2018 and approximately 118,000 in 2017.

### **Procedures Outside of the U.S.**

Overall OUS procedure volume with da Vinci Surgical Systems grew to approximately 346,000 in 2019, compared with approximately 285,000 in 2018 and approximately 233,000 in 2017. Procedure growth in most OUS markets was driven largely by urology procedure volume, which grew to approximately 206,000 in 2019, compared with approximately 175,000 in 2018 and approximately 149,000 in 2017. General surgery and gynecology procedures also contributed to OUS procedure growth.

## **Recent Business Events and Trends**

### **Procedures**

*Overall.* Total da Vinci procedures performed by our customers declined approximately 19% for the three months ended June 30, 2020, as compared with the same period in the prior year. Total da Vinci procedures grew approximately 17% for the three months ended June 30, 2019. Total da Vinci procedures performed by our customers declined approximately 5% for the six months ended June 30, 2020, as compared with the same period in the prior year. Total da Vinci procedures grew approximately 17% for the six months ended June 30, 2019. The second quarter and year-to-date 2020 procedure decline reflects significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. While we saw procedure declines in all categories during the second quarter of 2020, urology and thoracic procedures were impacted to a lesser degree, while gynecology experienced the greatest decline. The rates of recovery from their lows by procedure type were more uniform.

**U.S. Procedures.** U.S. da Vinci procedures declined approximately 24% for the three months ended June 30, 2020, as compared with the same period in the prior year. U.S. da Vinci procedures grew approximately 16% for the three months ended June 30, 2019. U.S. da Vinci procedures declined approximately 8% for the six months ended June 30, 2020, as compared with the same period in the prior year. U.S. da Vinci procedures grew approximately 16% for the six months ended June 30, 2019. The second quarter and year-to-date 2020 U.S. procedure decline reflects significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. While cancer procedures saw a more modest decline and recovery, benign procedures saw a more pronounced decline but have since recovered consistent with cancer procedures. We expect that benign procedures will continue to be more volatile, particularly if elective procedures continue to be deferred in certain states.

**OUS Procedures.** OUS da Vinci procedures declined approximately 7% for the three months ended June 30, 2020, as compared with the same period in the prior year. OUS da Vinci procedures grew approximately 20% for the three months ended June 30, 2019. OUS da Vinci procedures grew approximately 2% for the six months ended June 30, 2020, compared with approximately 21% for the six months ended June 30, 2019. The second quarter and year-to-date 2020 OUS procedure growth reflects significant procedure disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. The disruption was most pronounced in the UK, Italy, and France. Due to the COVID-19 outbreak in China during the first quarter of 2020, as noted in the *COVID-19 Pandemic* section above, the procedure volume decreased by 23% as compared to the first quarter of 2019. However, during the second quarter of 2020, the procedure volume increased by 21% as compared to the second quarter of 2019. During the first and second quarters of 2020, the impact of the COVID-19 pandemic on procedure volume in Japan was limited. In Germany, Italy, and France, we have seen a similar decline and recovery as has been experienced in the U.S. Overall, we have not seen a significant change in the mix of da Vinci procedures performed during the three and six months ended June 30, 2020 as compared with the same period in the prior year.

### **System Demand**

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 under the current U.S. administration; 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 including, but not limited to, Avatera Medical GmbH; CMR Surgical Limited; Johnson & Johnson (including their wholly owned subsidiaries Auris Health, Inc. and Verb Surgical Inc.); Medcaroid Inc.; MedRobotics Corp.; Medtronic plc; meerecompany Inc.; Olympus Corp.; Samsung Corporation; Smart Robot Technology Group Co. Ltd.; Titan Medical, Inc.; TransEnterix, Inc.; and Wego Holding Co., Ltd.

Many of the above factors will also impact future demand for our recently cleared 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. In March 2020, we received regulatory clearance in Japan to market both our SynchroSeal instrument and 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 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 in Europe 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 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. 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 21 Ion systems for commercial use as of June 30, 2020.

*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.

*SureForm 60 and SureForm 45 Staplers.* In July 2018, we obtained FDA clearance for the SureForm 60 instrument with White, Blue, Green, and Black 60mm reloads. In January 2019, we obtained FDA clearance for the SureForm 45 instrument with White, Blue, Green, and Black 45mm reloads. Additionally, we received regulatory clearance in South Korea for the SureForm 60 instrument and 60mm reloads in June 2018 and July 2018, respectively, and for the SureForm 45 instrument and 45mm reloads in June 2019 and September 2019, respectively. Also, we received regulatory clearance in Japan for the SureForm 60 instrument and 60mm reloads in June 2018 and November 2018, respectively, and for the SureForm 45 instrument and 45mm reloads in September 2019. The SureForm 60 and SureForm 45 Staplers are single-use, fully wristed stapling instruments intended for resection, transection, and/or creation of anastomoses. The SureForm 60 instrument has particular utility in bariatric procedures, while the SureForm 45 instrument has particular utility in colorectal procedures. The SureForm 60 and SureForm 45 Staplers broaden our existing stapler product line, which also includes EndoWrist Stapler 45 with White, Blue, and Green, 45mm reloads and EndoWrist Stapler 30 with White, Blue, Green, and Gray 30mm reloads. Not all reloads or staplers are available for use on all systems or in all countries.

*Da Vinci SP Surgical System.* In May 2018, we obtained FDA clearance for the da Vinci SP Surgical System for urologic surgical procedures that are appropriate for a single port approach. In March 2019, we obtained FDA clearance for the da Vinci SP Surgical System for certain transoral procedures. The da Vinci SP Surgical System includes three, multi-jointed, wristed instruments and the first da Vinci fully wristed, 3DHD camera. The instruments and the camera all emerge through a single cannula and are triangulated around the target anatomy to avoid external instrument collisions that can occur in narrow surgical workspaces. The system enables flexible port placement and broad internal and external range of motion (e.g., 360 degrees of anatomical access) through the single SP arm. Surgeons control the fully articulating instruments and the camera on the da Vinci SP system, which uses the same fourth generation surgeon console as the da Vinci X and Xi systems. The da Vinci SP Surgical System provides surgeons with robotic-assisted technology designed for deep and narrow access to tissue in the body. We anticipate pursuing further regulatory clearances for the da Vinci SP Surgical System, including colorectal applications, broadening the applicability of the SP platform over time. We continue to introduce the da Vinci SP Surgical System in a measured fashion while we optimize training pathways and our supply chain. We have an installed base of 52 da Vinci SP Surgical Systems as of June 30, 2020.

*Da Vinci Vessel Sealer Extend.* In April 2018, we obtained FDA clearance for da Vinci Vessel Sealer Extend, our newest instrument in the Vessel Sealing family of products. Da Vinci Vessel Sealer Extend is a single-use, fully wristed bipolar electro-surgical instrument compatible with our fourth generation multiport systems. It is intended for grasping and blunt

dissection of tissue and for bipolar coagulation and mechanical transection of vessels up to 7mm in diameter and tissue bundles that fit in the jaws of the instrument.

### **Acquisition of Orpheus Medical**

In February 2020, we acquired Orpheus Medical Ltd. and its wholly owned subsidiaries to deepen and expand our integrated informatics platform. Orpheus Medical provides hospitals with information technology connectivity, as well as expertise in processing and archiving surgical videos. Orpheus Medical will be a wholly owned subsidiary of Intuitive.

### **Second Quarter 2020 Operational and Financial Highlights**

- Total revenue decreased by 22% to \$852 million for the three months ended June 30, 2020, compared with \$1,099 million for the three months ended June 30, 2019.
- The service fee credits within the Customer Relief Program resulted in a \$59 million decrease in service revenue for the three months ended June 30, 2020.
- Approximately 243,000 da Vinci procedures were performed during the three months ended June 30, 2020, a decrease of 19% compared with approximately 301,000 for the three months ended June 30, 2019.
- We continued to experience a decline in da Vinci procedures in April 2020 due to the COVID-19 pandemic, reaching approximately 30% of pre-COVID-19 levels in the U.S. In May and June, U.S. procedures began a recovery phase and, by the middle of June, grew to nearly the same level as that measured in the first two weeks of the first quarter of 2020. However, in the last two weeks of June and into July, we have experienced another decline in da Vinci procedures. The impact of COVID-19 in Europe during the second quarter varied by country with procedures in Italy, France, and the UK declining more steeply. Procedure volume in Japan, China, Korea, and Germany grew as compared to the second quarter of 2019.
- Instruments and accessories revenue decreased by 20% to \$461 million for the three months ended June 30, 2020, compared with \$579 million for the three months ended June 30, 2019.
- Systems revenue decreased by 24% to \$261 million for the three months ended June 30, 2020, compared with \$344 million during the three months ended June 30, 2019.
- A total of 178 da Vinci Surgical Systems were shipped during the three months ended June 30, 2020, a decrease of 35% compared with 273 systems during the three months ended June 30, 2019.
- As of June 30, 2020, we had a da Vinci Surgical System installed base of approximately 5,764 systems, an increase of approximately 9% compared with the installed base of approximately 5,270 systems as of June 30, 2019.
- During the three months ended June 30, 2020, we placed 3 Ion systems for commercial use.
- Gross profit as a percentage of revenue was 59.0% for the three months ended June 30, 2020, compared with 69.1% for the three months ended June 30, 2019.
- Operating income decreased by 78% to \$80.6 million for the three months ended June 30, 2020, compared with \$359.0 million during the three months ended June 30, 2019. Operating income included \$96.4 million and \$82.0 million of share-based compensation expense related to employee stock plans and \$14.6 million and \$10.6 million of intangible asset-related charges for the three months ended June 30, 2020, and 2019, respectively.
- Income tax expense decreased by 51% to \$37.0 million for the three months ended June 30, 2020, compared with \$75.4 million during the three months ended June 30, 2019. Income tax expense included \$36.8 million of discrete charges arising from the conclusion of a tax case between an independent third party and the IRS related to charging foreign subsidiaries for share-based compensation.
- As of June 30, 2020, we had \$6.1 billion in cash, cash equivalents, and investments. Cash, cash equivalents, and investments increased by \$220 million, compared with December 31, 2019, primarily as a result of cash generated from operating activities, partially offset by capital expenditures.

## 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,			
	2020	% of total revenue	2019	% of total revenue	2020	% of total revenue	2019	% of total revenue
<b>Revenue:</b>								
Product	\$ 721.8	85 %	\$ 922.3	84 %	\$ 1,622.6	83 %	\$ 1,722.1	83 %
Service	130.3	15 %	176.6	16 %	329.0	17 %	350.5	17 %
Total revenue	852.1	100 %	1,098.9	100 %	1,951.6	100 %	2,072.6	100 %
<b>Cost of revenue:</b>								
Product	283.8	33 %	283.4	26 %	580.5	30 %	529.8	25 %
Service	65.4	8 %	56.5	5 %	130.0	7 %	114.2	6 %
Total cost of revenue	349.2	41 %	339.9	31 %	710.5	37 %	644.0	31 %
Product gross profit	438.0	52 %	638.9	58 %	1,042.1	53 %	1,192.3	58 %
Service gross profit	64.9	7 %	120.1	11 %	199.0	10 %	236.3	11 %
Gross profit	502.9	59 %	759.0	69 %	1,241.1	63 %	1,428.6	69 %
<b>Operating expenses:</b>								
Selling, general and administrative	279.1	33 %	279.2	25 %	587.2	30 %	552.6	27 %
Research and development	143.2	17 %	120.8	11 %	290.3	15 %	264.8	13 %
Total operating expenses	422.3	50 %	400.0	36 %	877.5	45 %	817.4	40 %
Income from operations	80.6	9 %	359.0	33 %	363.6	18 %	611.2	29 %
Interest and other income, net	26.6	3 %	32.8	3 %	51.7	3 %	60.3	3 %
Income before taxes	107.2	12 %	391.8	36 %	415.3	21 %	671.5	32 %
Income tax expense	37.0	4 %	75.4	7 %	28.9	1 %	51.1	2 %
Net income	70.2	8 %	316.4	29 %	386.4	20 %	620.4	30 %
Less: net income (loss) attributable to noncontrolling interest in joint venture	2.2	— %	(1.9)	— %	4.9	— %	(4.4)	— %
Net income attributable to Intuitive Surgical, Inc.	\$ 68.0	8 %	\$ 318.3	29 %	\$ 381.5	20 %	\$ 624.8	30 %

## Total Revenue

Total revenue decreased by 22% to \$852 million for the three months ended June 30, 2020, compared with \$1,099 million for the three months ended June 30, 2019, resulting from 20% lower instruments and accessories revenue, driven by approximately 19% lower procedure volume, 24% lower systems revenue, and 26% lower service revenue. Total revenue decreased by 6% to \$2.0 billion for the six months ended June 30, 2020, compared with \$2.1 billion for the six months ended June 30, 2019, resulting from 5% lower instruments and accessories revenue, driven by approximately 5% lower procedure volume, 8% lower systems revenue, and 6% lower service revenue. The service fee credits provided to customers as part of our Customer Relief Program resulted in a \$59 million decrease in service revenue for the three months ended June 30, 2020.

Revenue denominated in foreign currencies as a percentage of total revenue was approximately 26% and 23% for the three and six months ended June 30, 2020, respectively, and 17% and 18% for the three and six months ended June 30, 2019, 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, 2020, as compared with the three and six months ended June 30, 2019.



Revenue generated in the U.S. accounted for 63% and 67% of total revenue for the three and six months ended June 30, 2020, respectively, and 71% for both the three and six months ended June 30, 2019. 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. However, the current increase in OUS revenue as a percentage of total revenue is a result of the COVID-19 pandemic and is reflective that U.S. procedures and revenue were more impacted than OUS procedures and revenue.

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, including recommended deferrals of elective procedures by various authorities and policy makers, we cannot reliably estimate the extent procedures and system placements will be impacted in the third quarter of 2020 and beyond.

The following table summarizes our revenue and system unit shipments for the three and six months ended June 30, 2020, and 2019, respectively (in millions, except percentages and unit shipments):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenue</b>				
Instruments and accessories	\$ 460.8	\$ 578.5	\$ 1,078.3	\$ 1,130.8
Systems	261.0	343.8	544.3	591.3
Total product revenue	721.8	922.3	1,622.6	1,722.1
Services	130.3	176.6	329.0	350.5
Total revenue	\$ 852.1	\$ 1,098.9	\$ 1,951.6	\$ 2,072.6
United States	\$ 535.4	\$ 785.3	\$ 1,317.0	\$ 1,476.9
OUS	316.7	313.6	634.6	595.7
Total revenue	\$ 852.1	\$ 1,098.9	\$ 1,951.6	\$ 2,072.6
% of Revenue – U.S.	63 %	71 %	67 %	71 %
% of Revenue – OUS	37 %	29 %	33 %	29 %

Instruments and accessories	\$ 460.8	\$ 578.5	\$ 1,078.3	\$ 1,130.8
Services	130.3	176.6	329.0	350.5
Operating lease revenue	42.2	25.1	81.3	45.5
Total recurring revenue	\$ 633.3	\$ 780.2	\$ 1,488.6	\$ 1,526.8
% of Total revenue	74 %	71 %	76 %	74 %

#### Da Vinci Surgical Systems Shipments by Region:

U.S. unit shipments	106	193	288	347
OUS unit shipments	72	80	127	161
Total unit shipments*	178	273	415	508
*Systems shipped under operating leases (included in total unit shipments)	52	88	129	166
<b>Ion Systems Shipments</b>	3	—	11	—

#### Da Vinci Surgical Systems Shipments involving System Trade-ins:

Unit shipments involving trade-ins	72	103	208	188
Unit shipments not involving trade-ins	106	170	207	320

## Product Revenue

### Three months ended June 30, 2020

Product revenue decreased by 22% to \$722 million for the three months ended June 30, 2020, compared with \$922 million for the three months ended June 30, 2019.

Instruments and accessories revenue decreased by 20% to \$461 million for the three months ended June 30, 2020, compared with \$579 million for the three months ended June 30, 2019. The decrease in instruments and accessories revenue was driven primarily by a decline in procedures of approximately 19%. The second quarter 2020 U.S. procedure volumes declined by approximately 24% primarily as a result of the significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. The second quarter 2020 OUS procedure volumes declined by approximately 7%, also driven by the significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. Geographically, the second quarter 2020 OUS procedure decline was driven by the UK, France, and Italy as well as various other smaller countries, while we saw procedure expansion in Japan, China, Korea, and Germany.

Systems revenue decreased by 24% to \$261 million for the three months ended June 30, 2020, compared with \$344 million for the three months ended June 30, 2019. The lower second quarter 2020 systems revenue was primarily driven by fewer system shipments and lower lease buyouts, partially offset by higher second quarter 2020 ASPs and higher operating lease revenue.

During the second quarter of 2020, a total of 178 da Vinci Surgical Systems were shipped compared with 273 systems during the second quarter of 2019. By geography, 106 systems were shipped into the U.S., 18 into Europe, 48 into Asia, and 6 into other markets during the second quarter of 2020, compared with 193 systems shipped into the U.S., 30 into Europe, 40 into Asia, and 10 into other markets during the second quarter of 2019. The decrease in systems shipments was primarily driven by decisions by customers to defer purchases or leases of systems into future quarters and, in some cases, indefinitely as a result of the COVID-19 pandemic as well as the decline in procedures, which lead to excess capacity at certain hospitals.

We shipped 61 and 99 da Vinci Surgical Systems under lease arrangements, of which 52 and 88 systems were classified as operating leases for the three months ended June 30, 2020, and 2019, respectively. Operating lease revenue was \$42.2 million for the three months ended June 30, 2020, compared with \$25.1 million for the three months ended June 30, 2019. Systems placed as operating leases represented 29% of total shipments during the second quarter of 2020, compared with 32% during the second quarter of 2019. A total of 758 da Vinci Surgical Systems were installed at customers under operating lease or usage-based arrangements as of June 30, 2020, compared with 486 as of June 30, 2019. Revenue from Lease Buyouts was \$9.4 million for the three months ended June 30, 2020, compared with \$27.2 million for the three months ended June 30, 2019. 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 \$1.65 million for the three months ended June 30, 2020, compared with approximately \$1.54 million for the three months ended June 30, 2019. The higher second quarter 2020 ASP was largely driven by favorable geographic and product mix, partially offset by higher relative trade-in volume. 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, 2020

Product revenue decreased by 6% to \$1.6 billion for the six months ended June 30, 2020, compared with \$1.7 billion for the six months ended June 30, 2019.

Instruments and accessories revenue decreased by 5% to \$1.08 billion for the six months ended June 30, 2020, compared with \$1.13 billion for the six months ended June 30, 2019. The decrease in instruments and accessories revenue was driven primarily by a decline in procedures of approximately 5%. The year-to-date 2020 U.S. procedure volumes declined by approximately 8% primarily as a result of the significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. The year-to-date 2020 OUS procedure volumes increased by approximately 2%, also driven by the significant disruption caused by the COVID-19 pandemic, as noted in the *COVID-19 Pandemic* section above. Geographically, the year-to-date 2020 OUS procedure growth was driven by procedure expansion in Japan, Korea, Germany, and China offset by declines in the UK, France, and Italy as well as various other smaller countries.

Systems revenue decreased by 8% to \$544 million for the six months ended June 30, 2020, compared with \$591 million for the six months ended June 30, 2019. The lower year-to-date 2020 systems revenue was primarily driven by fewer system shipments and lower lease buyouts, partially offset by higher 2020 ASPs and higher operating lease revenue.



During the six months ended June 30, 2020, a total of 415 da Vinci Surgical Systems were shipped compared with 508 systems during the six months ended June 30, 2019. By geography, 288 systems were shipped into the U.S., 43 into Europe, 75 into Asia, and 9 into other markets during the six months ended June 30, 2020, compared with 347 systems shipped into the U.S., 79 into Europe, 61 into Asia, and 21 into other markets during the six months ended June 30, 2019. The decrease in systems shipments was primarily driven by decisions by customers to defer purchases or leases of systems into future quarters and, in some cases, indefinitely as a result of the COVID-19 pandemic as well as the decline in procedures, which lead to excess capacity at certain hospitals, partially offset by more customers trading in older da Vinci models for fourth generation da Vinci Xi and da Vinci X systems and the need for certain hospitals to expand or establish capacity.

We shipped 182 and 180 da Vinci Surgical Systems under lease arrangements, of which 129 and 166 systems were classified as operating leases for the six months ended June 30, 2020, and 2019, respectively. Operating lease revenue was \$81.3 million for the six months ended June 30, 2020, compared with \$45.5 million for the six months ended June 30, 2019. Systems placed as operating leases represented 31% of total shipments during the six months ended June 30, 2020, compared with 33% during the six months ended June 30, 2019. Revenue from Lease Buyouts was \$21.6 million for the six months ended June 30, 2020, compared with \$39.2 million for the six months ended June 30, 2019. 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 \$1.53 million for the six months ended June 30, 2020, compared with approximately \$1.43 million for the six months ended June 30, 2019. The higher year-to-date 2020 ASP was largely driven by favorable geographic and product mix, partially offset by higher trade-in volume. 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 decreased by 26% to \$130 million for the three months ended June 30, 2020, compared with \$177 million for the three months ended June 30, 2019. The decrease in service revenue was primarily driven by the effects of the Customer Relief Program, which resulted in a \$59 million decrease, partially offset by a larger installed base of da Vinci Surgical Systems producing service revenue.

Service revenue decreased by 6% to \$329 million for the six months ended June 30, 2020, compared with \$351 million for the six months ended June 30, 2019. The decrease in service revenue was primarily driven by the effects of the Customer Relief Program, partially offset by a larger installed base of da Vinci Surgical Systems producing service revenue.

### **Gross Profit**

Product gross profit for the three months ended June 30, 2020, decreased 31% to \$438 million, representing 60.7% of product revenue, compared with \$639 million, representing 69.3% of product revenue, for the three months ended June 30, 2019. The lower product gross profit for the three months ended June 30, 2020, was primarily driven by lower product revenue and lower product gross profit margin. The lower product gross profit margin for the three months ended June 30, 2020, was primarily driven by higher excess and obsolete inventory costs related to transitioning to new technologies coupled with the decrease in demand for older technologies, period costs in the second quarter of 2020 associated with abnormally low production, and higher freight costs. These higher charges were primarily a result of the COVID-19 pandemic.

Product gross profit for the six months ended June 30, 2020, decreased 13% to \$1.0 billion, representing 64.2% of product revenue, compared with \$1.2 billion, representing 69.2% of product revenue, for the six months ended June 30, 2019. The lower product gross profit for the six months ended June 30, 2020, was primarily driven by lower product revenue and lower product gross profit margin. The lower product gross profit margin for the six months ended June 30, 2020, was primarily driven by higher excess and obsolete inventory costs related to transitioning to new technologies coupled with the decrease in demand for older technologies, period costs in the second quarter of 2020 associated with abnormally low production, and higher freight costs. These higher charges were primarily a result of the COVID-19 pandemic. There were also increased costs associated with da Vinci Si product transitions and higher intangible assets amortization expense and share-based compensation expense.

Product gross profit for the three and six months ended June 30, 2020, included share-based compensation expense of \$14.2 million and \$27.0 million, respectively, compared with \$11.4 million and \$22.4 million, for the three and six months ended June 30, 2019, respectively. Product gross profit for the three and six months ended June 30, 2020, included intangible assets amortization expense of \$8.9 million and \$17.7 million, respectively, compared with \$7.7 million and \$15.0 million, for the three and six months ended June 30, 2019, respectively.

Service gross profit for the three months ended June 30, 2020, decreased 46% to \$64.9 million, representing 49.8% of service revenue, compared with \$120.1 million, representing 68.0% of service revenue, for the three months ended June 30, 2019. The lower service gross profit for the three months ended June 30, 2020, was primarily driven by lower service revenue and lower 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, 2020, decreased 16% to \$199 million, representing 60.5% of service revenue, compared with \$236 million, representing 67.4% of service revenue, for the six months ended June 30, 2019. The lower service gross profit for the six months ended June 30, 2020, was primarily driven by lower service revenue and lower 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, 2020, included share-based compensation expense of \$5.2 million and \$10.7 million, respectively, compared with \$4.8 million and \$9.3 million, for the three and six months ended June 30, 2019, respectively. Service gross profit for the three and six months ended June 30, 2020, included intangible assets amortization expense of \$0.9 million and \$1.8 million, respectively, compared with \$1.0 million and \$1.9 million, for the three and six and months ended June 30, 2019, respectively.

As a result of the continued impacts from the COVID-19 pandemic, we expect that our production facilities may run at less than normal capacity in the third quarter of 2020. Accordingly, certain fixed production overhead costs may be expensed as incurred, reducing our gross profit margin. We cannot reliably estimate the extent to which the COVID-19 pandemic will impact our overall demand in the third quarter and beyond.

### **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, 2020, was \$279 million, compared with \$279 million for the three months ended June 30, 2019. Selling, general and administrative expenses for the six months ended June 30, 2020, increased by 6% to \$587 million, compared with \$553 million for the six months ended June 30, 2019. The changes in selling, general and administrative expenses for the three and six months ended June 30, 2020, were primarily driven by higher headcount, including expansion of our Asian and European teams, and increased infrastructure to support our growth, partially offset by lower marketing, travel, and training expenses, particularly in the second quarter of 2020.

Selling, general and administrative expenses for the three and six months ended June 30, 2020, included share-based compensation expense of \$49.6 million and \$95.3 million, respectively, compared with \$40.7 million and \$79.3 million, for the three and six months ended June 30, 2019, respectively. Selling, general and administrative expenses for the three and six months ended June 30, 2020, included intangible assets amortization expense of \$1.7 million and \$3.4 million, respectively, compared with \$1.4 million and \$2.6 million, for the three and six months ended June 30, 2019, respectively.

Our spending in the second quarter of 2020 reflected a curtailment of certain costs associated with the impact of the COVID-19 pandemic. While certain spending will continue to decrease in the third quarter of 2020 as a result of activities limited by the COVID-19 pandemic, much of our spending will continue. We will 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. Certain costs will decline as the underlying activities are restricted by the COVID-19 pandemic, including travel and related expenses, clinical trials, surgeon training, and customer data collection. We will eliminate spending that is ineffective due to the COVID-19 pandemic, such as surgeon and hospital events, and we are pausing the hiring of volume-related roles, such as sales representatives and manufacturing employees.

### **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, 2020, increased by 19% to \$143 million, compared with \$121 million for the three months ended June 30, 2019. Research and development expenses for the six months ended June 30, 2020, increased by 10% to \$290 million, compared with \$265 million for the six months ended June 30, 2019. The increases in research and development expenses for the three and six months ended June 30, 2020, 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, partially offset by lower intangible asset-related charges in the first quarter of 2020.

Research and development expenses for the three and six months ended June 30, 2020, included share-based compensation expense of \$27.4 million and \$54.6 million, respectively, compared with \$25.1 million and \$47.9 million, for the three and six ended June 30, 2019, respectively. Research and development expenses for the three and six months ended June 30, 2020, included intangible asset charges of \$3.1 million and \$5.0 million, respectively, compared with \$0.5 million and \$21.3 million, for the three and six months ended June 30, 2019, 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, 2020, was \$26.6 million, and \$51.7 million, respectively, compared with \$32.8 million and \$60.3 million for the three and six months ended June 30, 2019, respectively. The decreases in interest and other income, net, for the three and six months ended June 30, 2020, were primarily driven by lower interest income earned, despite higher cash and investment balances, due to the decline in average interest rates and realized foreign exchange losses, partially offset by gains on the sale of certain securities.

### **Income Tax Expense**

Income tax expense for the three months ended June 30, 2020, was \$37.0 million, or 34.5% of income before taxes, compared with \$75.4 million, or 19.2% of income before taxes, for the three months ended June 30, 2019. Income tax expense for the six months ended June 30, 2020, was \$28.9 million, or 7.0% of income before taxes, compared with \$51.1 million, or 7.6% of income before taxes, for the six months ended June 30, 2019.

Our effective tax rate for the three and six ended June 30, 2020, and 2019, 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 state income taxes (net of federal benefit) and U.S. tax on foreign earnings. Our effective tax rate for the three and six months ended June 30, 2020, reflected a \$36.8 million increase in income tax expense discussed below.

In July 2015, a U.S. Tax Court opinion (the "2015 Opinion") was issued involving an independent third party related to charging foreign subsidiaries for share-based compensation. Based on the findings of the U.S. Tax Court, direct share-based compensation has been excluded from our intercompany charges starting in 2015. In June 2019, the Ninth Circuit Court of Appeals (the "Ninth Circuit") reversed the 2015 Opinion (the "Ninth Circuit Opinion"). Subsequently, a re-hearing of the case was requested but was denied in November 2019. In February 2020, a petition was filed to appeal the Ninth Circuit Opinion to the U.S. Supreme Court. The petition was denied by the U.S. Supreme Court on June 22, 2020, which makes the Ninth Circuit Opinion binding precedent in the Ninth Circuit. As a result, we increased our unrecognized tax benefits by \$36.8 million with a corresponding increase in income tax expense for the three and six months ended June 30, 2020, related to the intercompany charges for share-based compensation for relevant periods before 2020. We will continue to monitor future IRS actions or other developments regarding this matter and will assess the impact of any such developments to our income tax provision in the quarter that they occur. We are treating share-based compensation expense in accordance with the Ninth Circuit Opinion for 2020 and going forward.

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. Our provision for income taxes for the three and six months ended June 30, 2019, included excess tax benefits associated with employee equity plans of \$11.3 million and \$84.0 million, which reduced our effective tax rate by 2.9 and 12.5 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 (Loss) Attributable to Noncontrolling Interest in Joint Venture

Net income (loss) attributable to noncontrolling interest in Joint Venture for the three months ended June 30, 2020, was \$2.2 million, compared with \$(1.9) million for the three months ended June 30, 2019. Net income (loss) attributable to noncontrolling interest in Joint Venture for the six months ended June 30, 2020, was \$4.9 million, compared with \$(4.4) million for the six months ended June 30, 2019. The increases in net income attributable to noncontrolling interest in Joint Venture were primarily due to increased revenue, partially offset by a re-measurement loss related to the 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 \$0.22 billion to \$6.07 billion as of June 30, 2020, from \$5.85 billion as of December 31, 2019, primarily from cash provided by our operations and proceeds from stock option exercises and employee stock purchases, partially offset by capital expenditures, taxes paid related to net share settlements of equity awards, and common stock repurchases.

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.

However, as a result of the COVID-19 pandemic, we expect to experience reduced cash flow from operations as a result of decreased revenues and extending payment terms on sales and operating lease and usage-based arrangements. Moreover, we are focused on ensuring that we have adequate supplies on hand given the potential disruption of the COVID-19 pandemic to our suppliers and their supply chain and, accordingly, we expect to continue to increase inventory during the third quarter of 2020 and beyond.

See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K for the fiscal year ended December 31, 2019, 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, 2020, and 2019 (in millions):

	Six Months Ended June 30,	
	2020	2019
Net cash provided by (used in)		
Operating activities	\$ 582.7	\$ 649.2
Investing activities	419.6	(531.6)
Financing activities	(131.1)	(220.4)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(1.6)	(1.3)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 869.6	\$ (104.1)

### ***Operating Activities***

For the six months ended June 30, 2020, net cash provided by operating activities of \$583 million exceeded our net income of \$386 million, primarily due to the following reasons:

1. Our net income included non-cash charges of \$372 million, consisting primarily of the following significant items: share-based compensation of \$187 million; deferred income taxes of \$53 million; depreciation expense and losses on the disposal of property, plant, and equipment of \$103 million; and amortization of intangible assets of \$25 million.
2. The non-cash charges outlined above were partially offset by changes in operating assets and liabilities that resulted in \$176 million of cash used by operating activities during the six months ended June 30, 2020. Prepaid expenses and other assets increased by \$96 million, primarily due to an increase in prepaid taxes, driven by the timing of tax payments, and an increase in leasing. Accrued compensation and employee benefits decreased by \$83 million, primarily due to the payments of 2019 incentive compensation. Inventory, including the transfer of equipment from inventory to property, plant, and equipment, increased by \$120 million, primarily due to the increased number of systems under operating lease and usage-based arrangements and 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, such as the COVID-19 pandemic. The unfavorable impact of these items on cash provided by operating activities was partially offset by a \$137 million decrease in accounts receivable, primarily due to the timing of collections.

### ***Investing Activities***

Net cash provided by investing activities for the six months ended June 30, 2020, consisted primarily of proceeds from sales and maturities of investments (net of purchases of investments) of \$673 million, the acquisition of property and equipment of \$215 million, and the Orpheus Medical Acquisition, net of cash acquired, of \$38 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, 2020, consisted primarily of taxes paid on behalf of employees related to net share settlements of vested employee stock purchases of \$155 million and cash used in the repurchase of approximately 0.2 million shares of our common stock in the open market for \$100 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 \$400 million in both 2020 and 2021. 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, 2019, 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, 2020, compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2019.

### **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, 2019, 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, 2019, 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, 2019. In addition, the global economic climate and additional or unforeseen effects from the COVID-19 pandemic amplify many of these risks.

#### ***RISKS RELATING TO OUR BUSINESS***

#### **PUBLIC HEALTH CRISES, OR THE PERCEPTION OF THEIR EFFECTS, HAVE HAD AND COULD CONTINUE TO HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.**

Our global operations expose us to risks associated with public health crises and outbreaks of epidemic, pandemic, or contagious diseases, such as the current outbreak of a novel strain of coronavirus (COVID-19). To date, COVID-19 has had, and may continue to have, an adverse impact on our operations, our supply chains and distribution systems, and our expenses, including as a result of preventive and precautionary measures that we, other businesses, and governments are taking. Due to these impacts and measures, we have experienced and may continue to experience significant and unpredictable reductions in the demand for our products as healthcare customers divert medical resources and priorities towards the treatment of that disease. In addition, our customers have delayed, cancelled, and redirected and, in the future, may delay, cancel, or redirect planned capital expenditures in order to focus resources on COVID-19 or in response to economic disruption related to COVID-19. For example, as a result of the global COVID-19 pandemic, we have experienced a significant decline in procedure volume in the U.S. and Western Europe, as healthcare systems diverted resources to meet the increasing demands of managing COVID-19. In addition, U.S. and global public health bodies have recommended delaying elective surgeries during the COVID-19 pandemic, and surgeons and medical societies are evaluating the risks of minimally invasive surgeries in the presence of infectious diseases, which we expect will continue to negatively impact the usage of our products and the number of da Vinci procedures performed.

As a result of the COVID-19 outbreak, we have experienced significant business disruptions, including restrictions on our ability to travel, distribute and service our products, temporary closures of our facilities and the facilities of our suppliers and their contract manufacturers, as well as reduction in access to our customers due to diverted resources and priorities and the business hours of hospitals as governments institute prolonged shelter-in-place and/or self-quarantine mandates. For example, our corporate headquarters and many of our operations, including certain of our manufacturing facilities, are located in California, which has instituted shelter-in-place orders applicable to our employees in that region, significantly impacting the ability of our employees to get to their places of work to produce products and hampering our products from moving through the supply chain. These unprecedented measures to slow the spread of the virus taken by local governments and healthcare authorities globally, including the deferral of elective medical procedures and social distancing measures, have had, and will continue to have, a significant negative impact on our operations and financial results.

In addition, the COVID-19 pandemic has adversely affected, and may continue to adversely affect, the economies and financial markets of many countries, which may result in a period of regional, national, and global economic slowdown or regional, national, or global recessions that could curtail or delay spending by hospitals and affect demand for our products as well as increased risk of customer defaults or delays in payments. Our customers may terminate or amend their agreements for the purchase, lease, or service of our products due to bankruptcy, lack of liquidity, lack of funding, operational failures, or other reasons. COVID-19 and the current financial, economic, and capital markets environment, and future developments in these and other areas present material uncertainty and risk with respect to our performance, financial condition, volume of business, results of operations, and cash flows. Due to the uncertain scope and duration of the pandemic and uncertain timing of global recovery and economic normalization, we are unable to estimate the impacts on our operations and financial results.



**OUR BUSINESS IS SUBJECT TO COMPLEX AND EVOLVING LAWS AND REGULATIONS REGARDING PRIVACY, DATA PROTECTION, AND OTHER MATTERS RELATING TO INFORMATION COLLECTION.**

There are numerous state, federal, and foreign laws, regulations, decisions, and directives regarding privacy and the collection, storage, transmission, use, processing, disclosure, and protection of different types of personal data and personal information (“Personal Information”) and other customer or other data, the scope of which is continually evolving and subject to differing interpretations. We may be subject to significant consequences, including penalties and fines, for any failure to comply with such laws, regulations, and directives.

For example, the General Data Protection Regulation (the “GDPR”), which is in effect across the European Economic Area (the “EEA”), imposes several stringent requirements for controllers and processors of personal data and increased our obligations, for example, by imposing higher standards when obtaining consent from individuals to process their personal data, requiring more robust disclosures to individuals, strengthening individual data rights, shortening timelines for data breach notifications, limiting retention periods and secondary use of information, increasing requirements pertaining to health data as well as pseudonymised (i.e., key-coded) data, and imposing additional obligations when we contract third-party processors in connection with the processing of personal data. The GDPR provides that EU member states may make their own further laws and regulations limiting the processing of genetic, biometric, or health data, which could limit our ability to use and share personal data or could cause our costs to increase and harm our business and financial condition. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EU member states may result in fines of up to 4% of the total worldwide annual turnover of the preceding financial year and other administrative penalties. Compliance with the new data protection rules imposed by GDPR may be onerous and adversely affect our business, financial condition, and results of operations.

California recently passed the California Consumer Privacy Act (the “CCPA”), which is considered by many to be the most far-reaching data privacy law introduced in the US to date and which introduces new compliance burdens on many organizations doing business in California who collect Personal Information about California residents. The CCPA’s definition of Personal Information is very broad and specifically includes biometric information. The CCPA took effect in 2020 and will allow for significant fines by the state attorney general, as well as a private right of action from individuals in relation to certain security breaches. The enactment of the CCPA is prompting a wave of similar legislative developments in other US states and creating the potential for a patchwork of overlapping but different state laws. These developments are increasing our compliance burden and our risk, including risks of regulatory fines, litigation and associated reputational harm.

In addition, recent legal developments in Europe have created complexity and compliance uncertainty regarding certain transfers of Personal Information from the EEA to the United States. For example, on July 16, 2020, the Court of Justice of the European Union (“CJEU”) invalidated the EU-US Privacy Shield Framework (“Privacy Shield”) under which Personal Information could be transferred from the EU to US entities who had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of EU-specified standard contractual clauses (a form of contract approved by the EU commission as an adequate Personal Information transfer mechanism), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances and that their use must be assessed on a case-by-case basis taking into account the surveillance laws and right of individuals in the destination country. The CJEU went on to state that, if the competent supervisory authority believes that the standard contractual clauses cannot be complied with in the recipient country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer unless the data exporter has already done so itself.

We rely on a mixture of mechanisms to transfer personal data from our EU business to the U.S. (including having previously relied on Privacy Shield) and are evaluating what additional mechanisms may be required to establish adequate safeguards for Personal Information. As supervisory authorities issue further guidance on Personal Information export mechanisms, including circumstances where the standard contractual clauses cannot be used and/or start taking enforcement action, we could suffer additional costs, complaints, and/or regulatory investigations or fines. Moreover, if we are otherwise unable to transfer Personal Information between and among countries and regions in which we operate, it could affect the manner in which we provide our services and could adversely affect our financial results.



In Israel, The Protection of Privacy Law, 5741-1981 (the “Israeli Privacy Law”) regulates the protection of privacy and personal data, along with several other specific regulations enacted thereunder and, in particular, the Privacy Protection Regulations (Data Security), 5777-2017 (together, the “Israeli Privacy Law and Regulations”). Under the Israeli Privacy Law and Regulations, organizations are subject to various privacy and data protection requirements, including mandatory registration of databases with the Israeli Registrar of Databases (if certain conditions are met), executing data processing agreements with data recipients, safeguarding the collection and processing of personal data, safeguarding the transfer of personal data (which is specifically subject to the requirements of the Privacy Protection Regulations), personal data breach notification obligations, and other requirements. The Privacy Protection Authority (the “PPA”) is responsible for enforcement of the Israeli Privacy Law and Regulations and periodically publishes opinions and guidelines on privacy matters. In terms of enforcement, failure to comply with the Israeli Privacy Law and Regulations can result in PPA investigations, administrative fines or sanctions, and civil or criminal actions (civil proceedings may include statutory damages without the need to prove actual damages).

Furthermore, any failure, or perceived failure, by us to comply with or make effective modifications to our policies or to comply with any federal, state, or international privacy, data-retention, or data-protection-related laws, regulations, orders, or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, a loss of customer confidence, damage to our brand and reputation, and a loss of customers, any of which could have an adverse effect on our business. In addition, various federal, state, and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning privacy, data-retention, and data-protection issues, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our business or our reputation with customers. For example, some countries have adopted laws mandating that some Personal Information regarding customers in their country be maintained solely in their country. Having to maintain local data centers and redesign product, service, and business operations to limit Personal Information processing to within individual countries could increase our operating costs significantly.

## 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, 2020.

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, 2020	—	\$ —	—	\$ 1.6 billion
May 1 to May 31, 2020	—	\$ —	—	\$ 1.6 billion
June 1 to June 30, 2020	—	\$ —	—	\$ 1.6 billion
Total during quarter ended June 30, 2020	—	\$ —	—	—

(1) Since March 2009, we have had an active stock repurchase program. As of June 30, 2020, 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, 2020. 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	Exhibit Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Intuitive Surgical, Inc., as amended.</a>
3.2	<a href="#">Amended and Restated Bylaws of Intuitive Surgical, Inc. (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2020).</a>
10.1	<a href="#">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 28, 2020).</a>
10.2	<a href="#">Form of Intuitive Surgical, Inc. 2010 Incentive Award Plan Stock Option Grant Notice.</a>
10.3	<a href="#">Form of Intuitive Surgical, Inc. 2010 Incentive Award Plan Restricted Stock Unit Grant Notice.</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	The following materials from Intuitive Surgical, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, 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, 2020, formatted in Inline XBRL and contained in Exhibit 101.



**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 12<sup>th</sup> 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*

**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]



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

**GLOBAL STOCK OPTION GRANT NOTICE**

Intuitive Surgical, Inc., a Delaware corporation (the “Company”), pursuant to its Amended and Restated 2010 Incentive Award Plan (the “Plan”), hereby grants to the holder listed below (“Participant”) an option to purchase the number of shares of the Company’s Common Stock (the “Option”) set forth below. This Option is subject to all of the terms and conditions as set forth in this Global Stock Option Grant Notice (the “Grant Notice”), the Global Stock Option Agreement (including any additional terms and conditions for Participant’s country included in the appendix attached thereto) (the “Agreement”), the Plan and the Notice of Exercise, all of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Participant: \_  
Date of Grant: \_  
Vesting Commencement Date:  
Number of Shares Subject to Option: \_  
Exercise Price (Per Share):  
Total Exercise Price:  
Expiration Date: \_

**Type of Grant:**  Incentive Stock Option<sup>1</sup>  Nonstatutory Stock Option

**Exercise Schedule:** Early Exercise Is Not Permitted

**Vesting Schedule:** [ ] , subject to the Participant’s continued service with the Company through each applicable vesting date.

**Payment:** By one or a combination of the following items (described in the Global Stock Option Agreement):

- By cash or check;
- By delivery of already-owned shares if the Shares are publicly traded for participants in the United States only; or
- Through the delivery of a notice that Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, 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 Option exercise price; provided that payment of such proceeds is then made to the Company at such time as may be required by the Company, but in any event not later than the settlement of such sale.

By Participant’s signature below, or by indicating acceptance of this award through the Company’s online acceptance procedure (including online acceptance through a third-party website authorized by the Company), Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing or accepting the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

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<sup>1</sup> If this is an incentive stock option, it (plus your other outstanding incentive stock options) cannot be first exercisable for more than \$100,000 in any calendar year. Any excess over \$100,000 is a nonstatutory stock option.

**INTUITIVE SURGICAL, INC.**

**PARTICIPANT**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name \_\_\_\_\_

**ATTACHMENTS:** Global Stock Option Agreement and Amended and Restated 2010 Incentive Award Plan

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

**GLOBAL STOCK OPTION AGREEMENT**

Pursuant to your Global Stock Option Grant Notice (“Grant Notice”) and this Global Stock Option Agreement, including any additional terms and conditions for your country set forth in the appendix attached hereto (the “Appendix” and, together with the Global Stock Option Agreement, this “Agreement”), Intuitive Surgical, Inc. (the “Company”) has granted you an option under its Amended and Restated 2010 Incentive Award Plan (the “Plan”) to purchase the number of shares of the Company’s Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

The details of your option are as follows:

**1. VESTING.**

(a) Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon your Termination of Service, except as otherwise provided by the Administrator or as set forth in a written agreement between you and the Company.

(b) For purposes of your option, a Termination of Service will be deemed to have occurred as of the date you are no longer actively providing services to the Company or any Affiliate (regardless of the reason for such Termination of Service and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or other service agreement, if any). Your employment or service relationship will not be extended by any notice period (e.g., your period of service will not be extended by any contractual notice period or period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or service agreement, if any). Unless otherwise expressly provided in the Plan or determined by the Company (i) your right to vest in the option, if any, will terminate as of the date of Termination of Service, and (ii) the period (if any) during which you may exercise this option after a Termination of Service will commence on such date. Notwithstanding the forgoing, the Administrator shall have exclusive discretion to determine when a Termination of Service has occurred for purposes of the option (including when you are no longer considered to be actively providing services while on a leave of absence). In the event of your leave of absence, vesting of the option shall be governed by the Company’s leave of absence policies, as may be amended from time to time, and in accordance with applicable laws.

(c) Notwithstanding the foregoing, vesting of your option is also subject to acceleration under certain circumstances following a Change of Control (as defined in the Intuitive Surgical, Inc. Severance Plan (the “Severance Plan”)), in accordance with the terms of the Severance Plan, as may be amended from time to time. The Severance Plan is filed with the



Company's annual report on Form 10-K with the U.S. Securities and Exchange Commission ("SEC"). The terms of the Severance Plan include that the Board has the discretionary authority to amend or terminate the Severance Plan in any respect by resolution adopted by a two-thirds or greater majority of the Board, unless a Change of Control has previously occurred. Any changes to the terms of the Severance Plan properly approved by the Board shall be binding on the option being granted in the Grant Notice.

**2. NUMBER OF SHARES AND EXERCISE PRICE.** The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time pursuant to Section 13 of the Plan.

**3. METHOD OF PAYMENT.** Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner ***permitted by your Grant Notice.***

**4. WHOLE SHARES.** You may exercise your option only for whole shares of Common Stock.

**5. SECURITIES LAW COMPLIANCE.** Notwithstanding any other provision in the Plan or this Agreement, unless there is an available exemption from registration, qualification or other legal requirement applicable to the shares of Common Stock, the Company shall not be required to permit the exercise of the option and/or delivery of shares of Common Stock prior to the completion of any registration or qualification of the shares of Common Stock under any U.S. or non-U.S. local, state or federal securities or exchange control law or under rulings or regulations of the SEC or of any governmental body, or prior to obtaining any approval or other clearance from any U.S. or non-U.S. local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the shares of Common Stock with the SEC or any state or non-U.S. securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares of Common Stock. Further, you agree that the Company shall have unilateral authority to amend this Agreement without your consent, to the extent necessary to comply with securities or other laws applicable to the issuance of shares of Common Stock.

**6. TERM.** The term of your option commences on the Date of Grant and expires upon the ***earliest*** of the following:

(a) three (3) months after your Termination of Service (as described in Section 1(b)) for any reason other than your Disability or death, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after your Termination of Service;

(b) twelve (12) months after your Termination of Service due to your Disability;

(c) eighteen (18) months after your Termination of Service due to your death if you die either during your employment or within three (3) months after your Termination of Service;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

For U.S. taxpayers, if your option is an incentive stock option, note that, to obtain the federal income tax advantages associated with an “incentive stock option,” the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option’s exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an “incentive stock option” if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment terminates.

For purposes of this Agreement, “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code, as determined by the Company.

## **7. EXERCISE.**

(a) You may exercise the vested portion of your option during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any Tax-Related Items (as defined in Section 10 below) arising from the option or the underlying shares of Common Stock.

(c) For U.S. taxpayers, if your option is an incentive stock option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

**8. TRANSFERABILITY.** The Option shall be subject to the restrictions on transferability set forth in Section 11.3 of the Plan, subject to the Intuitive Surgical, Inc. Equity Domestic Relations Order Policy, effective July 1, 2014, as may be amended from time to time.

**9. OPTION NOT A SERVICE CONTRACT.** Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ or service of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment or service relationship. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective shareholders, Boards of Directors, officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

**10. WITHHOLDING OBLIGATIONS.**

(a) Regardless of any action the Company and/or the Affiliate employing or otherwise retaining you (the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. You further acknowledge that neither the Company nor the Employer (i) make any representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of your option, including, but not limited to, the grant, vesting or exercise of your option, the subsequent sale of shares of Common Stock acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit or are under any obligation to structure the terms of the grant or any aspect of your option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to the relevant taxable or tax withholding event, as applicable, you shall pay or make arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company, the Employer and/or an Affiliate; or (ii) withholding from proceeds of the sale of shares of Common Stock acquired at exercise of your option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization). In addition, upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the applicable amount of tax required to be withheld by law.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other withholding rates, including maximum withholding rates in your jurisdiction(s), in which

case, you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in shares of Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to your exercised option, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items due.

(d) You agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to permit your exercise of this option or to issue or deliver shares of Common Stock or proceeds from the sale of shares of Common Stock if you fail to comply with your obligations in connection with the Tax-Related Items.

**11. NATURE OF GRANT.** In accepting your option, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, is discretionary in nature, and may be amended, suspended or terminated by the Company at any time;

(b) the grant of your option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;

(c) all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

(d) your participation in the Plan is voluntary;

(e) your option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;

(f) your option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for purposes of, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(g) the future value of the shares of Common Stock underlying your option is unknown and cannot be predicted with certainty;

(h) if the underlying shares of Common Stock do not increase in value, your option will have no value;

(i) if you exercise your option and acquire shares of Common Stock, the value of such shares of Common Stock may increase or decrease in value, even below the exercise price;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of your option resulting from your Termination of Service (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or other service agreement, if any);

(k) unless otherwise agreed with the Company, your option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of any Parent or Affiliate;

(l) unless otherwise provided in the Plan or by the Company in its discretion, the option and the benefits evidenced by this Agreement do not create any entitlement to have the option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for in connection with any corporate transaction affecting the shares of Common Stock; and

(m) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the option or any amounts due to you pursuant to the exercise of the option or subsequent sale of shares of Common Stock acquired upon exercise.

**12. NO ADVICE REGARDING OPTION GRANT.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendation regarding your participation in the Plan, or the issuance of shares of Common Stock upon exercise of your option or the sale of the shares of Common Stock. You should consult with your personal tax, legal, and financial advisors regarding the decision to participate in the Plan and before taking any action related to the Plan.

### **13. DATA PRIVACY.**

*If you would like to participate in the Plan, you will need to review the information provided in this Section 13 and, where applicable, declare consent to the processing and/or transfer of personal data as described below.*

**(a) EEA+ Controller and Representative.** *If you are based in the European Union, the European Economic Area or the United Kingdom (collectively “EEA+”), you should note that the Company, with its address at 1020 Kifer Road, Sunnyvale, California 94086, United States of America, is the controller responsible for the processing of your personal data in connection with the Agreement and the Plan. The Company’s representative in the EEA+ is Intuitive SAS, 11 avenue de Canteranne, 33500 Pessac, France.*

**(b) Data Collection and Usage.** *The Company collects, uses and otherwise processes certain personal data about you, including but not limited to, your name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all options granted under the Plan or other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you, the Employer or otherwise in connection with this Agreement or the Plan (“Data”), for the legitimate purposes of implementing, administering and managing the Plan and allocating shares of Common Stock pursuant to the Plan.*

*If you are based in the EEA+, the legal basis, where required, for the processing of Data by the Company is the necessity of the Data processing for the Company’s performance of its obligations under the Plan, and where applicable, the Company’s legitimate interest of complying with contractual or other statutory obligations to which it is subject.*

*If you are based outside of the EEA+, the Company’s legal basis for the processing of Data is your consent, as further described below.*

**(c) Stock Plan Administration Service Providers:** *The Company transfers Data to E\*TRADE Financial Services, Inc. and certain of its affiliated companies (the “Designated Broker”), an independent service provider based in the United States, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Designated Broker may open an account for you to receive and trade shares of Common Stock acquired under the Plan. You may be asked to agree on separate terms and data processing practices with the Designated Broker, with such agreement being a condition to the ability to participate in the Plan.*

**(d) International Data Transfers:** *The Company and the Designated Broker are based in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. You should note that your country may have enacted data privacy laws that are different from the United States. For example, you understand and acknowledge that the United States is not subject to an unlimited adequacy finding by the European Commission and that your Data may not have an equivalent level of protection as compared to your country of residence.*

*If you are based in the EEA+, Data will be transferred from the EEA+ to the Company based on the Company’s registration with the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks as set forth by the U.S. Department of Commerce regarding the collection, use, and retention of Data transferred from the European Union to the United States. The Company has certified to the Department of Commerce that it adheres to the Privacy Shield Principles. The onward transfer of Data from the Company to the Designated Broker or, as the case may be, a different service provider of the Company is based solely on your consent, as further described below.*

**(e) If you are based outside of the EEA+, Data will be transferred from your jurisdiction to the Company and onward from the Company to any of its service providers based on your consent, as further described below.**

**(f) Data Retention:** The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities and labor laws.

**(g) Data Subject Rights:** You may have a number of rights under data privacy laws in your jurisdiction. Depending on where you are based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) object to the processing of Data for legitimate interests, (vi) restrict the portability of Data, (vii) lodge complaints with competent authorities in your jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive additional information regarding these rights or to exercise these rights, you can contact the Company's data privacy officer at [data.privacy@intusurg.com](mailto:data.privacy@intusurg.com).

**(h) Necessary Disclosure of Personal Data.** You understand that providing the Company with Data is necessary for the performance of the Agreement and that your refusal to provide Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.

**(i) Voluntariness and Consequences of Consent Denial or Withdrawal:** Participation in the Plan is voluntary and you are providing the consents herein on a voluntary basis. You understand that you may request to stop the transfer and processing of the Data for purposes of participation in the Plan and that your compensation from or

employment relationship with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to allow you to participate in the Plan. You understand that the Data will still be processed in relation to your employment or service relationship and for record-keeping purposes. For more information on the consequences of refusal to consent or withdrawal of consent, you should contact the Company's data privacy officer at [data.privacy@intusurg.com](mailto:data.privacy@intusurg.com).

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**Declaration of Consent.** If you are based in the EEA+, by accepting your option and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, you explicitly declare your consent to the onward transfer of Data by the Company to the Designated Broker or, as the case may be, a different service provider of the Company in the U.S. as described above.

If you are based outside of the EEA+, by accepting your option and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, you explicitly declare your consent to the entirety of the Data processing operations described above including, without limitation,

*the onward transfer of Data by the Company to the Designated Broker or, as the case may be, a different service provider of the Company in the U.S.*

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**14. GOVERNING LAW/VENUE.** This Agreement is governed by and will be interpreted and enforced under the laws of the State of Delaware without regard to such state's conflict of laws rules. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this option grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California.

**15. ELECTRONIC DELIVERY AND PARTICIPATION.** The Company may, in its sole discretion, decide to deliver any documents related to your option or future options that may be granted under the Plan by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

**16. LANGUAGE.** You acknowledge that you are sufficiently proficient in English or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the terms and conditions of this Agreement. If you have received this Agreement, or any other document(s) related to your option and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

**17. SEVERABILITY.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

**18. WAIVER.** You acknowledge that a waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other participant.

**19. APPENDIX.** Notwithstanding any provisions in this Agreement, your option shall be subject to any additional terms and conditions for your country set forth in the Appendix attached hereto. Moreover, if you relocate to one of the countries included in the Appendix, the additional terms and conditions for such country, if any, will apply to you, to the extent the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

**20. NOTICES.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to you shall be addressed to you at your last address reflected on the Company's records. By a notice given pursuant to this Section 20,



either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or any equivalent non-U.S. postal service.

**21. RIGHTS AS STOCKHOLDER.** You shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any shares of Common Stock purchasable upon the exercise of any part of the option unless and until such shares of Common Stock shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

**22. ADMINISTRATION.** The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules, in accordance with applicable laws. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon participants, the Company and all other interested persons. To the extent allowable pursuant to applicable law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

**23. INSIDER TRADING RESTRICTIONS/MARKET ABUSE LAWS.** You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States, your country, the broker's country and the country or countries in which the shares of Common Stock are listed, which may affect your ability, directly or indirectly, to purchase or sell, or attempt to sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (*e.g.*, options), or rights linked to the value of shares of Common Stock, during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations prohibit the cancellation or amendment of orders you placed before possessing the inside information. Furthermore, you understand that you may be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties by sharing with them Company insider information, or otherwise causing third parties to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may apply to you under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

**24. FOREIGN ASSET/ACCOUNT REPORTING REQUIREMENTS.** If you reside in a country outside the United States, there may be certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares of Common Stock or cash received from participating in the Plan (including from any dividends paid on shares of

Common Stock) in a brokerage account or bank outside of your country. You may be required to report such accounts, assets or related transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to your country within a certain time after receipt. It is your responsibility to comply with such regulations and you should speak to your personal legal advisor on this matter.

**25. AMENDMENTS, SUSPENSION AND TERMINATION.** To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the options in any material way without your prior written consent.

**26. SUCCESSORS AND ASSIGNS.** The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 8 hereof, this Agreement shall be binding upon you and your heirs, executors, administrators, successors and assigns.

**27. LIMITATIONS APPLICABLE TO SECTION 16 PERSONS.** Notwithstanding any other provision of the Plan or this Agreement, if you are subject to Section 16 of the Exchange Act, the Plan, the option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

**28. SECTION 409A.** Notwithstanding any other provision of the Plan, this or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code (together with any 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 date hereof, "Section 409A"). The Committee may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate to comply with the requirements of Section 409A.

**29. GOVERNING PLAN DOCUMENT.** Your option is subject to all the provisions of the Plan and the Severance Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan and the Severance Plan. In the event of any conflict between the provisions of your option and those of the Plan or the Severance Plan, the provisions of the Plan and the Severance Plan shall control.

**30. IMPOSITION OF OTHER REQUIREMENTS.** The Company reserves the right to impose other requirements on your option and the shares of Common Stock purchased upon exercise of your option, to the extent the Company determines it is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**By signing the Grant Notice, you are deemed to have read, understood and agreed to all of the provisions in this Agreement.**

## **APPENDIX**

### **TO THE AMENDED AND RESTATED INTUITIVE SURGICAL, INC.**

#### **2010 INCENTIVE AWARD PLAN GLOBAL STOCK OPTION AGREEMENT**

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Global Stock Option Agreement (the “Agreement”) or the Plan.

#### **TERMS AND CONDITIONS**

This Appendix includes additional terms and conditions that govern the option granted to you under the Plan if you work and/or reside in one of the countries listed below. This Appendix forms part of the Agreement.

If you are a citizen or resident of a country other than one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to you.

#### **NOTIFICATIONS**

This Appendix also includes information regarding exchange control and certain other issues which you should be aware with respect to participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you exercise your option and acquire shares of Common Stock or sell shares of Common Stock acquired under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your personal situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the information contained herein may not be applicable to you in the same manner.

## AUSTRALIA

### NOTIFICATIONS

**Tax Information.** The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

**Exchange Control Information.** Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers of any amount. The Australian bank assisting with the transaction will file the report for you. If there is no Australian bank involved with the transfer, you will have to file the report.

**Securities Law Information.** If you acquire shares of Common Stock pursuant to the option and offer the shares of Common Stock for sale to a person or entity resident in Australia, such offer may be subject to disclosure requirements under Australian law. You should obtain legal advice as to your disclosure obligations prior to making any such offer.

## AUSTRIA

### NOTIFICATIONS

**Exchange Control Information.** Austrian residents who hold shares of Common Stock obtained through the Plan outside Austria may be required to submit reports to the Austrian National Bank as follows: (i) on a quarterly basis if the value of the shares of Common Stock as of any given quarter meets or exceeds €30,000,000; and (ii) on an annual basis if the value of the shares of Common Stock as of December 31 meets or exceeds €5,000,000. The quarterly reporting date is as of the last day of the respective quarter; the deadline for filing the quarterly report is the 15th day of the month following the end of the respective quarter. The deadline for filing the annual report is January 31 of the following year.

In addition, when shares of Common Stock are sold, Austrian residents may be required to comply with certain exchange control obligations if the cash proceeds from the sale are held outside Austria. If the transaction volume of all accounts meets or exceeds €10,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month.

## BELGIUM

### TERMS AND CONDITIONS

**Acceptance of Option.** The timing of taxation of this option depends on whether it is accepted (i) within 60 days of the offer (for taxation at offer) or (ii) more than 60 days after the offer (for taxation at exercise). You should consult your personal tax advisor with respect to this option before taking any action.

### NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Belgian residents are required to provide the National Bank of Belgium with the account details of any foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, [www.nbb.be](http://www.nbb.be), under the *Kredietcentrales / Centrales des crédits* caption. Belgian residents should consult with their personal advisors to determine their reporting obligations.

**Stock Exchange Tax.** A stock exchange tax applies to transactions executed by a Belgian resident through a financial intermediary, such as a bank or broker. If the transaction is conducted through a Belgian financial intermediary, it may withhold the stock exchange tax, but if the transaction is conducted through a non-Belgian financial intermediary, the Belgian resident may need to report and pay the stock exchange tax directly. The stock exchange tax likely will apply when shares of Common Stock acquired under the Plan are sold, including pursuant to a cashless sell-to-cover or cashless sell-all exercise of options. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

## CANADA

### TERMS AND CONDITIONS

**Method of Payment.** The following provision supplements Section 3 of the Agreement:

As set forth in the Grant Notice, you are prohibited from surrendering shares of Common Stock that you already own or attesting to the ownership of shares of Common Stock to pay the exercise price or any Tax-Related Items in connection with your option.

**Nature of Grant.** The following provision replaces Section 1(b) of the Agreement:

For purposes of your option, your Termination of Service will be deemed to occur as of the date that is the earlier of (i) the date of your termination, (ii) the date you receive notice of termination, or (iii) the date you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under Canadian laws or the terms of your employment or service agreement, if any), regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any; unless otherwise expressly provided in this Agreement or determined by the Company, (i) your right to vest in the option under the Plan, if any, will terminate as of such date and (ii) the period (if any) during which you may exercise the option after such termination will commence on such date; in the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your option (including whether you may still be

considered to be providing services while on a leave of absence). Notwithstanding the foregoing, if applicable employment legislation explicitly requires continued vesting during a statutory notice period, your right to vest in the options, if any, will terminate effective as of the last date of the minimum statutory notice period.

*The following provisions apply to residents of Quebec:*

**Language Consent.** The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

**Consentement à la Langue Utilisée.** *Les parties reconnaissent avoir expressément souhaité que la convention, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

**Data Privacy.** The following provision supplements Section 13 of the Agreement:

*You authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. You further authorize the Company, the Employer, any Affiliate, E\*TRADE Financial Services, Inc. and any other stock plan service provider as may be selected by the Company from time to time to assist with the Plan, to disclose and discuss the Plan with their advisors. You also authorize the Company and the Employer to record such information and to keep such information in your employee file.*

## NOTIFICATIONS

**Securities Law Information.** The sale of shares of Common Stock acquired under the Plan may not take place in Canada. This requirement will be satisfied where the shares of Common Stock are sold by the designated broker under the Plan through the facilities of the U.S. stock exchange on which the Common Stock currently is listed (*i.e.*, the Nasdaq stock market).

**Foreign Asset/Account Reporting Information.** Canadian residents are required to report their foreign specified property (*e.g.*, shares of Common Stock) on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time in the year. Your option must be reported—generally at a nil cost—if the C\$100,000 threshold is exceeded because of other foreign specific property you hold. The shares of Common Stock acquired under the Plan must be reported and their cost generally is the adjusted cost base (“ACB”) of the shares of Common Stock. The ACB ordinarily would equal the fair market value of the shares of Common Stock at the time of acquisition, but if such Canadian resident owns other shares of Common Stock, this ACB may have to be averaged with the ACB of the other shares. The form T1135 generally must be filed by April 30 of the following year. Canadian residents should consult with a personal advisor to ensure compliance with the applicable reporting requirements.

## CZECH REPUBLIC

## NOTIFICATIONS

**Exchange Control Information.** The Czech National Bank may require you to fulfill certain notification duties in relation to the shares of Common Stock acquired or any dividends paid on such shares, and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, you should consult your personal legal advisor prior to the vesting to ensure compliance with current regulations. You are solely responsible for ensuring compliance with exchange control laws in the Czech Republic.

### FINLAND

No country-specific provisions apply.

### FRANCE

## TERM AND CONDITIONS

**Options Not Tax-Qualified.** The options granted under this Agreement are not intended to qualify for special tax and social security treatment pursuant to Sections L. 225-177 to L. 225-186-1 of the French Commercial Code, as amended.

**Language Consent.** By accepting your option, you confirm having read and understood the documents relating to this grant (the Plan, the Agreement and this Appendix) which were provided in English language. You accept the terms of those documents accordingly.

*En acceptant l'attribution, vous confirmez ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan, le contrat et cette Annexe) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.*



## NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** French residents holding cash or securities (including shares of Common Stock) outside of France or maintaining a foreign bank or brokerage account (including accounts opened or closed during the tax year) must declare such assets and accounts to the French tax authorities when filing an annual tax return. Failure to comply could trigger significant penalties.

## GERMANY

### NOTIFICATIONS

**Exchange Control Information.** Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). In the event you make or receive a payment in excess of this amount, you must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website ([www.bundesbank.de](http://www.bundesbank.de)).

**Foreign Asset/Account Reporting Information.** If your acquisition of shares of Common Stock acquired under the Plan leads to a so-called qualified participation at any point during the calendar year, you may need to report the acquisition when you file your tax return for the relevant year. A qualified participation is attained if (i) the value of the shares of Common Stock acquired exceeds €150,000 or (ii) in the unlikely event you hold shares of Common Stock exceeding 10% of the Company’s total Common Stock. However, if the Common Stock is listed on a recognized U.S. stock exchange and you own less than 1% of the Company, this requirement will not apply to you.

## HONG KONG

### TERMS AND CONDITIONS

**Restriction on Sale of Shares.** You agree not to sell any shares of Common Stock that are issued to you or your heirs prior to the six-month anniversary of the Date of Grant.

### NOTIFICATIONS

**Securities Warning:** *WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the grant. If you have any questions regarding the contents of this Agreement or the Plan, you should obtain independent professional advice. Neither the grant of the options nor the issuance of shares of Common Stock upon exercise constitutes a public offering of securities under Hong Kong law and is available only to eligible employees and other service providers of the Company, its Parent or Affiliates. This Agreement, the Plan and other incidental communication materials distributed in connection with the options (i) have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong and (ii), are intended only for the personal*

*use of each eligible employee or other service provider of the Company, its Parent or Affiliates and may not be distributed to any other person.*

## **IRELAND**

### **NOTIFICATIONS**

**Director Notification Information.** If you are a director, shadow director or secretary of an Irish Affiliate and have a 1% or more shareholding interest in the Company, you must notify the Irish Affiliate in writing upon receiving or disposing of an interest in the Company (*e.g.*, options, shares of Common Stock) or upon becoming aware of the event giving rise to the notification requirement, or upon becoming a director, shadow director or secretary if such an interest exists at that time. This notification requirement also applies with respect to the interests of a spouse or minor child (whose interests will be attributed to the director, shadow director or secretary).

## **ISRAEL**

**Israeli Sub-Plan.** The options are also subject to the Sub-Plan for Israeli Participants (the "Sub-Plan"). The terms used herein shall have the meaning ascribed to them in the Plan and the Sub-Plan. In the event of any conflict, whether explicit or implied between the provisions of this Agreement and the Sub-Plan, the provisions set out in the Sub-Plan shall prevail.

**Designation.** The options are intended to be subject to the Capital Gains Route under Section 102 of the Israeli Income Tax Ordinance [New Version] - 1961 (the "Ordinance" and the "Capital Gains Route"), subject to compliance with the requirements under Section 102 of the Ordinance and any rules or regulations thereunder, including the execution of this Agreement and the acknowledgments included below. However, in the event the options do not meet the requirements of Section 102 of the Ordinance, such options and the underlying Shares shall not qualify for the favorable tax treatment under the Capital Gains Route.

The Company makes no representations or guarantees that the options will qualify for favorable tax treatment and will not be liable or responsible if favorable tax treatment is not available under Section 102 of the Ordinance.

**The Trustee.** The options and the Shares issued upon exercise of such options and/or any additional rights, including without limitation any right to receive any dividends or any shares received as a result of an adjustment made under the Plan, that may be granted in connection with the options (the "Additional Rights") shall be issued to or controlled by the Trustee for the benefit of the Participant under the provisions of the Capital Gains Route for at least the period stated in Section 102 of the Ordinance and the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003 (the "Rules"). In accordance with the requirements of Section 102 of the Ordinance and the Capital Gains Route, the Participant shall not sell nor transfer from the Trustee the Shares or Additional Rights until the end of the required the period of time required under Section 102 of the Ordinance or any shorter period of time determined by the Israeli The Authority (the "Holding Period"). Notwithstanding the above, if any such sale or

transfer occurs before the end of the required Holding Period, the sanctions under Section 102 of the Ordinance shall apply to and shall be borne by the Participant.

Any fees associated with any exercise, sale, transfer or any act in relation to the options shall be borne by the Participant and the Trustee and/or the Company and/or any Subsidiary shall be entitled to withhold or deduct such fees from payments otherwise due to/from the Company or an Subsidiary or the Trustee.

**Taxes.** Any and all taxes due in relation to the options and the underlying Shares, including, but not limited to, the grant of the options and/or the vesting, exercise, transfer, waiver, or expiration of options and/or underlying Shares, and/or the sale of underlying Shares, shall be borne solely by the Participant, and in the event of death, by the Participant's heirs. The Company, any Subsidiary, the Trustee or anyone on their behalf shall not be required to bear the aforementioned tax, directly or indirectly, nor shall they be required to gross up such tax in the Participant's salary or remuneration. The Company and/or any Subsidiary and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Participant hereby agree to indemnify the Company and/or any Subsidiary and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to him. The Company and/or any Subsidiary and/or the Trustee, to the extent permitted by law, shall have the right to deduct from any payment otherwise due to the Participant or from proceeds of the sale of the Shares an amount equal to any Taxes required by law to be withheld with respect to the Shares. The Participant will pay to the Company, any subsidiary or the Trustee any amount of taxes that the Company or any Subsidiary or the Trustee may be required to withhold with respect to the Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver the Shares if the Participant fail to comply with his obligations in connection with the taxes as described in this section.

**Additional Covenants and Undertakings.** The Participant must sign a consent letter, which will be provided to the Participant separately, confirming that: (i) The Participant is familiar with and understands the provisions of Section 102 of the Ordinance and any associated rules or regulations in general, and the tax arrangement under the Capital Gains Route in particular, and agrees to comply with such provisions, as amended from time to time; (ii) The Participant agrees that the options and the Shares that may be issued in connection with the options will be held or controlled by a trustee for at least the duration of the Holding Period, as determined in Section 102 of the Ordinance under the Capital Gains Route; (iii) The Participant agrees to the provisions of the trust deed signed between the Company and/or the Subsidiary and the Trustee attached hereto; (iv) The Participant acknowledges that releasing of the Shares from trust, or any sale of the Shares prior to the termination of the Holding Period constitutes a violation of the terms of Section 102 of the Ordinance and agree to bear the relevant sanctions; (v) The Participant authorizes the Company and/or his/her employer to provide the Trustee with any information required for the purpose of administrating the grant of the options, including without limitation information about his/her options, income tax rates, salary bank account, contact details and identification number and any reasonable information required by the Trustee; (vi) The

Participant declares that he/she is a resident of the state of Israel for tax purposes and agree to notify the Company upon any change in the residence address and acknowledge that if he/she ceases to be an Israeli resident or if his/her engagement with the Company or any Subsidiary is terminated, the options and underlying Shares shall remain subject to Section 102 of the Ordinance, the trust agreement, the Plan and grant documents; (vii) The Participant acknowledges, understands and agrees that the options are an extraordinary, one-time benefit granted to the Participant, and does not create any contractual or other right to receive a future grant of options.

**Security Exemption.** The Company has obtained an exemption from the requirement to file a prospectus in Israel in respect to the offer securities of the Company under the Plan (including the Israeli Sub-Plan). Copies of the Plan (including the Israeli Sub-Plan) and Form S-8 registration statement for the Plan filed with the U.S. Securities and Exchange Commission are available, free of charge, upon request from the local human resources department.

## ITALY

### TERMS AND CONDITIONS

**Manner of Exercise.** Notwithstanding anything to the contrary in the Grant Notice, the Agreement or the Plan, due to legal restrictions in Italy, you will be required to exercise your option using a same-day sale or cashless sell-all exercise method pursuant to which all shares of Common Stock are sold immediately upon exercise and you receive the sale proceeds less the exercise price, Tax-Related Items and any applicable broker fees or commissions. You will not be entitled to hold any Shares of Common Stock acquired at exercise. The Company reserves the right to provide additional methods of exercise to you depending on the development of local law.

**Plan Document Acknowledgement.** By accepting the option, you acknowledge you have received a copy of the Plan, the Grant Notice and the Agreement (including this Appendix) and have reviewed the Plan and the Agreement (including this Appendix) in their entirety and fully accept all provisions thereof. You further acknowledge that you have read and expressly approve the Grant Notice and the following provisions of the Agreement: Section 1: Vesting; Section 3: Method of Payment; Section 5: Securities Law Compliance; Section 6: Term; Section 7: Exercise; Section 8: Transferability; Section 9: Option Not a Service Contract; Section 10: Withholding Obligations; Section 11: Nature of Grant; Section 12: No Advice Regarding Option Grant; Section 13: Data Privacy; Section 14: Governing Law/Venue; Section 15: Electronic Delivery and Participation; Section 25: Amendment, Suspension and Termination; and Section 30: Imposition of Other Requirements.

### NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Italian residents who, at any time during the fiscal year, hold foreign financial assets (e.g., cash, shares of Common Stock or options) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents

who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. You should consult with your personal legal advisor to ensure compliance with applicable reporting requirements.

**Foreign Asset Tax Information.** The value of financial assets held outside of Italy (including shares of Common Stock acquired under the Plan) by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets assessed at the end of the calendar year.

## KOREA

### NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Korean residents must declare all foreign financial accounts (*e.g.*, non-Korean bank accounts, brokerage accounts) to the Korean tax authority and file a report with respect to such accounts in June of the immediately following year if the monthly balance of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency) on any month-end date during a calendar year. *You are responsible for complying with this reporting obligation and should consult with your personal tax advisor to determine how to value your foreign accounts for such purposes and whether you are required to file a report with respect to such accounts.*

**Exchange Control Information.** If you remit funds out of Korea to pay the exercise price of the option, the remittance of funds must be confirmed by a foreign exchange bank in Korea. You may be required to submit the following supporting documents evidencing the nature of the remittance to the bank together with the confirmation application: (i) the Agreement, (ii) the Plan, and (iii) the certificate of your employment. This confirmation is not necessary if you pay the exercise price through the delivery of irrevocable instructions to sell the shares of Common Stock obtained upon exercise of the option and to deliver promptly to the Company an amount of the proceeds of such sale equal to the aggregate exercise price of the shares of Common Stock being purchased, because in this case there is no remittance of funds out of Korea.

## MEXICO

### TERMS AND CONDITIONS

**No Entitlement for Claims or Compensation.** The following section supplements Section 11 of the Agreement:

**Modification.** By accepting your option, you understand and agree that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

**Policy Statement.** The option grant the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with registered offices at 1266 Kifer Road, Sunnyvale, CA 94086, is solely responsible for the administration of the Plan, and participation in the Plan and the grant of your option do not, in any way, establish an employment relationship between you and the Company since you participating in the Plan on a wholly commercial basis and the sole employer is **Intuitive Surgical, S. De R.L. De C.V.**, nor does it establish any rights between you and the Employer.

**Plan Document Acknowledgment.** By accepting your option, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Agreement in their entirety, and fully understand and accept all provisions of the Plan and the Agreement.

In addition, you further acknowledge that you have read and specifically and expressly approve the terms and conditions in Section 11 of the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company, any Affiliate of the Company and the Employer are not responsible for any decrease in the value of the shares of Common Stock acquired upon exercise of your option.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of your participation in the Plan and therefore grant a full and broad release to the Employer, the Company and Affiliates of the Company with respect to any claim that may arise under the Plan or the Agreement.

### Spanish Translation

#### **TÉRMINOS Y CONDICIONES**

***Sin Derecho a Reclamaciones o Contraprestación.*** *La siguiente sección suplementa la Sección 11 del Contrato de Opción de Acciones:*

***Modificación.*** *La aceptación de esta opción significa que usted entiende y conviene que cualquier modificación al Plan o al Contrato de Opción de Acciones o la terminación de cualquiera de estos no constituye un cambio o detrimento de los términos y condiciones de su trabajo.*

***Declaración de Directrices.*** *El otorgamiento de la opción por la Compañía de conformidad con el Plan es unilateral y discrecional y, por lo tanto, la Compañía se reserva el derecho absoluto de modificarlo y discontinuarlo en cualquier momento sin responsabilidad alguna.*

*La Compañía, con oficinas registradas en 1266 Kifer Road, Sunnyvale, CA 94086, es únicamente responsable por la administración del Plan, y la participación en el Plan por usted y el otorgamiento de la opción a usted no establece, en forma alguna, un relación de trabajo entre usted y la Compañía, ya que usted participa en el Plan sobre bases exclusivamente comerciales y el único patrón de usted es **Intuitive Surgical, S. De R.L. De C.V.**, y el Plan tampoco establece derecho alguno entre usted y su Patrón.*

**Reconocimiento del Documento del Plan.** La aceptación de su opción significa que usted reconoce haber recibido copias del Plan, haber revisado el Plan y el Contrato de Opción de Acciones en su totalidad y que usted entiende y acepta todas las disposiciones del Plan y el Contrato de Opción de Acciones.

Adicionalmente, usted reconoce asimismo que ha leído y acepta específica y expresamente los términos y condiciones de la Sección 11 del Contrato de Opción de Acciones en la que claramente se describe y establece lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el Plan se ofrece por la Compañía de manera totalmente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, cualquier Afiliada de la Compañía y el Patrón no son responsables por la disminución del valor de las Acciones Comunes adquiridas al momento de ejercer su opción.

Finalmente, en este acto usted declara que no se reserva acción o derecho alguno de presentar cualquier reclamación en contra de la Compañía por cualquier contraprestación o daño como resultado de su participación en el Plan y, por lo tanto, otorga un finiquito amplio y bastante al Patrón, la Compañía y las Afiliadas de la Compañía en relación con cualquier reclamación que pueda surgir de conformidad con el Plan o el Contrato de Opción de Acciones.

#### **NETHERLANDS**

No country-specific provisions apply.

#### **NORWAY**

No country-specific provisions apply.

#### **SINGAPORE**

### **TERMS AND CONDITIONS**

**Restriction on Sale and Transferability.** You agree that any shares of Common Stock acquired under the Plan will not be offered for sale in Singapore prior to the six-month anniversary of the Date of Grant, unless such sale or offer is made pursuant to one or more exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the “SFA”).

**Securities Law Information.** The grant of the option under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA, on which basis it is exempt from the prospectus and registration requirements and is not made with a view to the underlying shares of Common Stock being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

**Chief Executive Officer and Director Notification Requirement.** If you are the Chief Executive Officer (“CEO”) or a director (including an alternate, substitute or shadow director) of a Singapore Affiliate, you must notify the Singapore Affiliate in writing of an interest (e.g., options, shares of Common Stock, etc.) in the Company or any Affiliate within two business

days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (*e.g.*, sale of shares of Common Stock), or (iii) becoming the CEO or a director.



## SLOVAK REPUBLIC

No country-specific provisions apply.

## SPAIN

### **TERMS AND CONDITIONS**

**Nature of Grant.** This provision supplements Section 11 of the Agreement:

By accepting the option, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan. You understand that the Company has unilaterally, gratuitously and discretionally decided to grant options under the Plan to individuals who may be employees of the Company or of a Parent or Affiliate throughout the world. This decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any Parent or Affiliate other than as expressly set forth in the Agreement. Consequently, you understand that the options are granted on the assumption and condition that the options and any shares of Common Stock acquired under the Plan are not part of any employment or service contract (either with the Company or with any Parent or Affiliate) and shall not be considered a mandatory benefit or salary for any purpose (including severance compensation) or any other right whatsoever. Further, you understand and agree that, unless otherwise expressly provided for by the Company or set forth in the Plan or the Agreement, the option will be cancelled without entitlement to any shares of Common Stock underlying the option if you incur a Termination of Service for any reason, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause (*i.e.*, subject to a “*despido improcedente*”), material modification of the terms of employment under Article 41 of the Workers’ Statute, relocation under Article 40 of the Workers’ Statute, Article 50 of the Workers’ Statute, or under Article 10.3 of Royal Decree 1382/1985.

In addition, you understand that this grant would not be made to you but for the assumptions and conditions referred to above; thus, you acknowledge and freely accept that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of, or right to, the option shall be null and void.

### **NOTIFICATIONS**

**Exchange Control Information.** You must declare the acquisition, ownership and disposition of shares of Common Stock to the *Dirección General de Comercio e Inversiones* of the Ministry of Economy and Competitiveness (the “DGCI”) on a Form D-6. Generally, the declaration must be made in January for shares of Common Stock owned as of December 31 of the prior year and/or shares of Common Stock acquired or disposed of during the prior year; however, if the value of the shares of Common Stock acquired or disposed of or the amount of the sale proceeds exceeds €1,502,530 (or if you hold 10% or more of the share capital of the Company), the declaration must be filed within one month of the acquisition or disposition, as applicable.

In addition, you may be required to electronically declare to the Bank of Spain any foreign accounts (including brokerage accounts held abroad), any foreign instruments (including shares of Common Stock acquired under the Plan), and any transactions with non-Spanish residents (including any payments of shares of Common Stock made pursuant to the Plan), depending on the balances in such accounts together with the value of such instruments as of December 31 of the relevant year, or the volume of transactions with non-Spanish residents during the relevant year.

**Securities Law Information.** The option grant described in the Agreement does not qualify under Spanish regulations as a security. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of the option. The Agreement has not been, nor will it be, registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering or prospectus.

**Foreign Asset/Account Reporting Information.** To the extent you hold rights or assets (*e.g.*, cash or shares of Common Stock held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset as of December 31 each year (or at any time during the year in which you sell or dispose of such rights or assets), you are required to report information on such rights and assets on his or her tax return for such year. After such rights or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. *You should consult with your personal tax advisor to ensure compliance with applicable reporting requirements.*

## SWEDEN

### TERMS AND CONDITIONS

**Tax Withholding.** This provision supplements Section 10 of the Agreement:

Without limiting the Company’s and the Employer’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 10 of the Agreement, in accepting the option, you authorize the Company and/or the Employer to sell or withhold shares of Common Stock otherwise deliverable to you upon exercise to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

## SWITZERLAND

### NOTIFICATIONS

**Securities Law Information.** Neither the Agreement nor any materials relating to the options (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”), (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an employee of the Company, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 of FinSA

or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (FINMA).

## TAIWAN

### NOTIFICATIONS

**Securities Law Information.** The offer of participation in the Plan is available only for employees or service providers of the Company and any Parent or Affiliate. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

**Exchange Control Information.** The acquisition or conversion of foreign currency and the remittance of such amounts (including proceeds from the sale of shares of Common Stock) to Taiwan may trigger certain annual or periodic exchange control reporting. If the transaction amount is TWD500,000 or more in a single transaction, you may be required to submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the remitting bank. *You should consult your personal legal advisor to ensure compliance with applicable exchange control laws in Taiwan.*

## UNITED KINGDOM

### TERMS AND CONDITIONS

**Withholding Obligations.** The following provision supplements Section 10 of the Agreement:

Without limitation to Section 10 of the Agreement, you hereby agree that you are liable for any Tax-Related Items related to your participation in the Plan and hereby covenant to pay such Tax-Related Items, as and when requested by the Company or (if different) the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and (if different) the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on your behalf.

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), you understand that the foregoing provision will not apply. Instead, any Tax-Related Items not collected or paid may constitute a benefit to you on which additional income tax and National Insurance Contributions ("NICs") may be payable. You understand that you will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit, which can be recovered by any means set out in the Agreement.

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

**GLOBAL RESTRICTED STOCK UNIT GRANT NOTICE**

Intuitive Surgical, Inc., a Delaware corporation (the “Company”), pursuant to its Amended and Restated 2010 Incentive Award Plan, as amended from time to time (the “Plan”), hereby grants to the holder listed below (“Participant”) the number of Restricted Stock Units (the “RSUs”) set forth below. The RSUs are subject to the terms and conditions set forth in this Global Restricted Stock Unit Grant Notice (the “Grant Notice”) and the Global Restricted Stock Unit Agreement (including any additional terms and conditions for Participant’s country included in the appendix attached thereto) attached hereto as Exhibit A (the “Agreement”) and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

<b>Grant Number</b>	_____
<b>Participant:</b>	_____
<b>Grant Date:</b>	_____
<b>Number of RSUs:</b>	_____
<b>Type of Shares Issuable:</b>	_____
<b>Vesting Schedule:</b>	[ ], subject to the Participant’s continued service with the Company through each applicable vesting date.

By Participant’s signature below, or by indicating acceptance of this award through the Company’s online acceptance procedure (including online acceptance through a third-party website authorized by the Company), Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing or accepting the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

**INTUITIVE SURGICAL, INC.**

**PARTICIPANT**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name \_\_\_\_\_

**EXHIBIT A**  
**TO THE GLOBAL RESTRICTED STOCK UNIT GRANT NOTICE**  
**GLOBAL RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice (this "Award").

**ARTICLE I.**

**GENERAL**

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock ("Stock") issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement (including any additional terms and conditions for Participant's country set forth in the appendix attached hereto (the "Appendix")) and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

**ARTICLE II.**

**AWARD OF RESTRICTED STOCK UNITS**

2.1 Award of RSUs.

(a) Effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustment as provided in Section 13.2 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2.2 Vesting of RSUs.

(a) Subject to Participant's continued employment with or service to the Company or an Affiliate on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs which are not so vested shall lapse and expire. For purposes of the

RSUs, a Termination of Service will be deemed to have occurred as of the date Participant is no longer actively providing services to the Company or any Affiliate (regardless of the reason for such Termination of Service and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or otherwise rendering services, or the terms of Participant's employment or other service agreement, if any). Participant's employment or service relationship will not be extended by any notice period (e.g., Participant's period of service will not be extended by any contractual notice period or period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or otherwise rendering services, or the terms of Participant's employment or other service agreement, if any). Notwithstanding the forgoing, the Administrator shall have exclusive discretion to determine when a Termination of Service has occurred for purposes of the RSUs (including when Participant is no longer considered to be actively providing services while on a leave of absence). In the event of Participant's leave of absence, vesting of the RSUs shall be governed by the Company's leave of absence policies, as may be amended from time to time, and in accordance with applicable laws.

(c) Notwithstanding 2.2(a) hereof and the Grant Notice, but subject to 2.2(b) hereof, vesting of the RSUs is also subject to acceleration under certain circumstances following a Change of Control (as defined in the Intuitive Surgical, Inc. Severance Plan (the "Severance Plan")), in accordance with the terms of the Severance Plan, as may be amended from time to time. The Severance Plan can be found on the Company's Infoweb. The terms of the Severance Plan include that the Board has the discretionary authority to amend or terminate the Severance Plan in any respect by resolution adopted by a two-thirds or greater majority of the Board, unless a Change of Control has previously occurred. Any changes to the terms of the Severance Plan properly approved by the Board shall be binding on the RSUs being granted in the Grant Notice.

### 2.3 Distribution or Payment of RSUs.

(a) Unless otherwise indicated in this Agreement, Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, within sixty (60) days following such vesting. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate securities laws or any other applicable law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and *provided further* that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A of the Code.

(b) In the event that the Company elects to make payment of Participant's RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the trading day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company only in the form of whole Shares. The Company, may, in its sole discretion round any fractional shares up or down to the nearest whole Share or distribute the fractional Shares in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the trading day immediately preceding the date of such distribution.

2.4 Restrictions on Issuance / Compliance with Law. Notwithstanding any other provision in the Plan or this Agreement, unless there is an available exemption from registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to issue any Shares to Participant prior to the completion of any registration or qualification of the Shares under any U.S. or non-U.S. local, state or federal securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental body, or prior to obtaining any approval or other clearance from any U.S. or non-U.S. local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolutely discretion, deem necessary or advisable. Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any state or non-U.S. securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, Participant agrees that the Company shall have unilateral authority to amend this Agreement without Participant’s consent, to the extent necessary to comply with securities or other laws applicable to the issuance of Shares.

2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) Regardless of any action the Company and/or the Affiliate employing or otherwise retaining Participant (the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the participation in the Plan and legally applicable to Participant (“Tax-Related Items”), Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that neither the Company nor the Employer (i) make any representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including but not limited to, the grant, vesting or settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; or (ii) commit to or are under any obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents at their discretion to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

(i) by requiring payment by cash or check made payable to the Company and/or the Affiliate(s) with respect to which the withholding obligation arises; or

(ii) by the deduction of such amount from salary, wages or other compensation payable to Participant;

(iii) with respect to any Tax-Related Items arising in connection with the vesting and settlement of the RSUs, by withholding a net number of vested shares of Stock otherwise issuable pursuant to the RSUs to satisfy the Tax-Related Items;



(iv) by withholding from proceeds of the sale of Shares acquired upon vesting/settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization, without further consent); or

(v) in any combination of the foregoing, or any other method determined by the Administrator to be in compliance with applicable laws.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other withholding rates, including maximum withholding rates in Participant's jurisdiction(s), in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying Tax-Related Items.

(d) Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue and/or deliver Shares or proceeds from the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

(e) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(b)(iv), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf (either through a voluntary sale or mandatory sale, without further consent) a whole number of Shares from the vested Shares then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation for Tax-Related Items and to remit the proceeds of such sale to the Company or the Affiliate with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(e), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any Shares in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, *provided* that no payment shall be delayed under this Section 2.5(e) if such delay will result in a violation of Section 409A of the Code.

2.6 Nature of Grant. In accepting this Award, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;

(c) all decisions with respect to future RSUs or other grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the RSUs and the Shares subject to the RSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;

(f) the RSUs and the Shares subject to the RSUs, and the income from and value of same are not part of normal or expected compensation for purposes of, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(h) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from Participant's Termination of Service (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or otherwise rendering services, or the terms of Participant's employment or other service agreement, if any);

(i) unless otherwise agreed with the Company, the RSUs and the Shares acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of any Parent or Affiliate;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by another company, nor to be exchanged, cashed out or substituted for in connection with any corporate transaction affecting the Stock of the Company; and

(k) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

2.7 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

### **ARTICLE III.**

#### **OTHER PROVISIONS**

3.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules, in accordance with applicable laws. All actions taken and all interpretations and

determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to applicable law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

3.2 RSUs Not Transferable. The RSUs shall be subject to the restrictions on transferability set forth in Section 11.3 of the Plan, subject to the Intuitive Surgical, Inc. Equity Domestic Relations Order Policy, effective July 1, 2014, as may be amended from time to time.

3.3 Adjustments. To the extent permitted under applicable laws, the Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 13.2 of the Plan.

3.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or any equivalent non-U.S. postal service.

3.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.6 No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant should consult with his or her own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

3.7 Data Privacy. *If Participant would like to participate in the Plan, Participant will need to review the information provided in this Section 3.7 and, where applicable, declare consent to the processing and/or transfer of personal data as described below.*

(a) EEA+ Controller and Representative. *If Participant is based in the European Union, the European Economic Area or the United Kingdom (collectively "EEA+"), Participant should note that the Company, with its registered address at 1266 Kifer Road, Sunnyvale, California 94086, United States of America, is the controller responsible for the processing of Participant's personal data in connection with the Agreement and the Plan. The Company's representative in the EEA+ is Intuitive SAS, 11 avenue de Canteranne, 33500 Pessac, France.*

(b) Data Collection and Usage. *The Company collects, uses and otherwise processes certain personal data about Participant, including but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Stock or directorships held in the Company, details of all RSUs granted under the Plan or other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, which the Company receives from*

Participant, the Employer or otherwise in connection with this Agreement or the Plan (“Data”), for the legitimate purposes of implementing, administering and managing the Plan and allocating shares of Stock pursuant to the Plan.

If Participant is based in the EEA+, the legal basis, where required, for the processing of Data by the Company is the necessity of the Data processing for the Company’s performance of its obligations under the Plan, and where applicable, the Company’s legitimate interest of complying with contractual or other statutory obligations to which it is subject.

If Participant is based outside of the EEA+, the Company’s legal basis for the processing of Data is Participant’s consent, as further described below.

(c) **Stock Plan Administration Service Providers:** The Company transfers Data to E\*TRADE Financial Services, Inc. and certain of its affiliated companies (the “Designated Broker”), an independent service provider based in the United States, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Designated Broker may open an account for Participant to receive and trade Shares acquired under the Plan. Participant may be asked to agree on separate terms and data processing practices with the Designated Broker, with such agreement being a condition to the ability to participate in the Plan.

(d) **International Data Transfers:** The Company and the Designated Broker are based in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. Participant should note that his or her country may have enacted data privacy laws that are different from the United States. For example, Participant understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that Participant’s Data may not have an equivalent level of protection as compared to Participant’s country of residence.

If Participant is based in the EEA+, Data will be transferred from the EEA+ to the Company based on the Company’s registration with the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks as set forth by the U.S. Department of Commerce regarding the collection, use, and retention of Data transferred from the European Union to the United States. The Company has certified to the Department of Commerce that it adheres to the Privacy Shield Principles. The onward transfer of Data from the Company to the Designated Broker or, as the case may be, a different service provider of the Company is based solely on Participant’s consent, as further described below.

If Participant is based outside of the EEA+, Data will be transferred from Participant’s jurisdiction to the Company and onward from the Company to any of its service providers based on Participant’s consent, as further described below.

(e) **Data Retention:** The Company will hold and use the Data only as long as is necessary to implement, administer and manage Participant’s participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities and labor laws.

(f) **Data Subject Rights:** Participant may have a number of rights under data privacy laws in Participant’s jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) object to the processing of Data for

legitimate interests, (vi) restrict the portability of Data, (vii) lodge complaints with competent authorities in Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive additional information regarding these rights or to exercise these rights, Participant can contact the Company's data privacy officer at [data.privacy@intusurg.com](mailto:data.privacy@intusurg.com).

(g) Necessary Disclosure of Personal Data. Participant understands that providing the Company with Data is necessary for the performance of the Agreement and that Participant's refusal to provide Data would make it impossible for the Company to perform its contractual obligations and may affect Participant's ability to participate in the Plan.

(h) Voluntariness and Consequences of Consent Denial or Withdrawal: Participation in the Plan is voluntary and Participant is providing the consents herein on a voluntary basis. Participant understands that he or she may request to stop the transfer and processing of the Data for purposes of participation in the Plan and that Participant's compensation from or

employment relationship with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to allow Participant to participate in the Plan. Participant understands that the Data will still be processed in relation to his or her employment or service relationship and for record-keeping purposes. For more information on the consequences of refusal to consent or withdrawal of consent, Participant should contact the Company's data privacy officer at [data.privacy@intusurg.com](mailto:data.privacy@intusurg.com).

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Declaration of Consent. If Participant is based in the EEA+, by accepting the RSUs and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, Participant explicitly declares his or her consent to the onward transfer of Data by the Company to the Designated Broker or, as the case may be, a different service provider of the Company in the U.S. as described above.

If Participant is based outside of the EEA+, by accepting the RSUs and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, Participant explicitly declares his or her consent to the entirety of the Data processing operations described above including, without limitation, the onward transfer of Data by the Company to the Designated Broker or, as the case may be, a different service provider of the Company in the U.S.

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3.8 Governing Law/Venue. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this

Agreement, the parties hereby submit to and consent the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts.

3.9 Conformity to Applicable Law. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all applicable laws, including, without limitation, the provisions of the U.S. Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the U.S. Securities and Exchange Commission, and any other laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to such applicable law. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to applicable law.

3.10 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

3.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 3.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.12 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.13 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall create an employment or service relationship with, or confer upon Participant any right to continue to serve as an employee or other service provider of, the Company or any Affiliate, or shall interfere with or restrict in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliate and Participant.

3.14 Entire Agreement. The Plan, the Grant Notice and this Agreement (including the Appendix and any other exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

3.15 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any 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 date hereof, “Section 409A”). However,

notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.16 Language. Participant acknowledges that Participant is sufficiently proficient in English or has consulted with an advisor who is sufficiently proficient in English, so as to allow Participant to understand the terms and conditions of this Agreement. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

3.17 Electronic Delivery and Acceptance. The Company may, in its sole discretion decide to deliver any documents related to current or future participation in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

3.18 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

3.19 Appendix. Notwithstanding any provisions in this Agreement, the RSUs shall be subject to any additional terms and conditions for Participant's country set forth in the Appendix attached hereto. Moreover, if Participant relocates to one of the countries included in the Appendix, the additional terms and conditions for such country, if any, will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

3.20 Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

3.21 Insider Trading Restrictions/Market Abuse Laws. Participant acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States, Participant's country, the broker's country and the country or countries in which the Stock is listed, which may affect Participant's ability, directly or indirectly, to purchase or sell, or attempt to sell or otherwise dispose of Shares, rights to Shares (e.g., RSUs), or rights linked to the value of Shares, during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations prohibit the cancellation or amendment of orders Participant placed before possessing the inside information. Furthermore, Participant understands that he or she may be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a

“need to know” basis) and (ii) “tipping” third parties by sharing with them Company insider information, or otherwise causing third parties to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may apply to Participant under any applicable Company insider trading policy. Participant acknowledges that it is Participant’s responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

3.22 Foreign Asset/Account Reporting Requirements. If Participant resides in a country outside the United States, there may be certain foreign asset and/or account reporting requirements which may affect Participant’s ability to acquire or hold Shares or cash received from participating in the Plan (including from any dividends paid on Shares) in a brokerage account or bank outside of Participant’s country. Participant may be required to report such accounts, assets or related transactions to the tax or other authorities in Participant’s country. Participant may also be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to Participant’s country within a certain time after receipt. It is Participant’s responsibility to comply with such regulations and Participant should speak to his or her personal legal advisor on this matter.

3.23 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs.

3.24 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to applicable law, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.25 Deemed Acceptance of Agreement for Participants in the United States. In the event Participant works and/or resides in the United States, unless Participant notifies the Company within ten (10) calendar days following receipt of the Grant Notice and this Agreement that Participant declines the Award, Participant will be deemed to have accepted and agreed to the terms and conditions of the Grant Notice, this Agreement and the Plan. Participant acknowledges receipt of a copy of the Plan and represents that Participant is familiar with the terms and provisions thereof, which are incorporated herein by reference.

3.26 Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

\* \* \* \* \*



**APPENDIX**

**TO THE AMENDED AND RESTATED  
INTUITIVE SURGICAL, INC. 2010 INCENTIVE AWARD PLAN  
GLOBAL RESTRICTED STOCK UNIT AGREEMENT**

**FOR PARTICIPANTS OUTSIDE OF THE UNITED STATES**

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Global Restricted Stock Unit Agreement (the “Agreement”) or the Plan.

**TERMS AND CONDITIONS**

This Appendix includes additional terms and conditions that govern the Award granted to Participant under the Plan if Participant works and/or resides in one of the countries listed below. This Appendix forms part of the Agreement.

If Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency to another country after the Grant Date, or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to Participant.

**NOTIFICATIONS**

This Appendix also includes information regarding exchange control and certain other issues which Participant should be aware with respect to participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Appendix as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant vests in the RSUs and acquires Shares or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant’s country may apply to his or her personal situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently residing and/or working, transfers employment and/or residency to another country after the Grant Date, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner.

## AUSTRALIA

### NOTIFICATIONS

**Tax Information.** The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

**Exchange Control Information.** Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers of any amount. The Australian bank assisting with the transaction will file the report for Participant. If there is no Australian bank involved with the transfer, Participant will have to file the report.

**Securities Law Information.** There are legal consequences associated with participating in the Plan. Participant should ensure that Participant understands these consequences before participating in the Plan. Any information given by or on behalf of the Company is general information only. *Participant should obtain his or her own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission (“ASIC”) to give advice about participating in the Plan.*

The grant of RSUs under the terms of the Plan and the Agreement does not require disclosure under *Corporations Act 2001* (Cth) (the “Corporations Act”). No document provided to Participant in connection with his or her participation in the Plan (including the Agreement):

- is a prospectus for purposes of the Corporations Act; or
- has been filed or reviewed by a regulatory in Australia (including ASIC).

Participant should not rely on any oral statements made in connection with his or her participation in the Plan. Participant should rely only upon the statements contained in the Agreement, including this Appendix, when considering whether to participate in the Plan.

In the event that Shares are issued to Participant under the Plan, the value of any Shares will be affected by the Australian/ United States Dollar exchange rate, in addition to fluctuations in values caused by the fortunes of the Company.

If Participant offers any Shares for sale to any person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. *Participant should consult with his or her personal legal advisor prior to making any such offer to ensure compliance with the applicable requirements.*

## AUSTRIA

### NOTIFICATIONS

**Exchange Control Information.** Austrian residents who hold Shares obtained through the Plan outside Austria may be required to submit reports to the Austrian National Bank as follows: (i) on a quarterly basis if the value of the Shares as of any given quarter meets or exceeds €30,000,000; and (ii) on an annual basis if the value of the Shares as of December 31 meets or exceeds €5,000,000. The quarterly

reporting date is as of the last day of the respective quarter; the deadline for filing the quarterly report is the 15th day of the month following the end of the respective quarter. The deadline for filing the annual report is January 31 of the following year.

In addition, when the Shares are sold, Austrian residents may be required to comply with certain exchange control obligations if the cash proceeds from the sale are held outside Austria. If the transaction volume of all accounts abroad meets or exceeds €10,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month.

## **BELGIUM**

### **NOTIFICATIONS**

**Foreign Asset/Account Reporting Information.** Belgian residents are required to report any securities (*e.g.*, Shares acquired under the Plan) or bank account (including any brokerage account) held outside Belgium on their annual tax return. In a separate report, Belgian residents are required to provide the National Bank of Belgium with the account details of any such foreign accounts (including the account number, bank name and country in which such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, [www.nbb.be](http://www.nbb.be).

**Stock Exchange Tax.** A stock exchange tax applies to transactions executed by a Belgian resident through a financial intermediary, such as a bank or broker. If the transaction is conducted through a Belgian financial intermediary, it may withhold the stock exchange tax, but if the transaction is conducted through a non-Belgian financial intermediary, the Belgian resident may need to report and pay the stock exchange tax directly. The stock exchange tax likely will apply when Shares acquired under the Plan are sold. Belgian residents should consult with a personal tax or financial advisor for additional details on their obligations with respect to the stock exchange tax.

## **CANADA**

### **TERMS AND CONDITIONS**

**Form of Delivery.** The following provision supplements Section 2.3 of the Agreement:

Notwithstanding any discretion contained in the Plan and the Agreement, the RSUs will not be settled in cash or a combination of cash and Shares. The RSUs will be settled only in Shares.

**Nature of Grant.** The following provision replaces Section 2.2(b) of the Agreement:

In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs which are not so vested shall lapse and expire.

For purposes of the RSUs, Participant's Termination of Service will be deemed to occur as of the date that is the earlier of (i) the date of Participant's termination, (ii) the date Participant receives notice of termination, or (iii) the date Participant is no longer actively providing services and will not be extended

by any notice period (e.g., active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under Canadian laws or the terms of Participant’s employment or service agreement, if any), regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of his or her employment or service agreement, if any; unless otherwise expressly provided in this Agreement or determined by the Company, Participant’s right to vest in the RSUs under the Plan, if any, will terminate as of such date; in the event that the date the Participant is no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of his or her RSUs (including whether Participant may still be considered to be providing services while on a leave of absence). Notwithstanding the foregoing, if applicable employment legislation explicitly requires continued vesting during a statutory notice period, Participant’s right to vest in the RSUs, if any, will terminate effective as of the last date of the minimum statutory notice period.

*The following provisions apply to residents of Quebec:*

**Language Consent.** The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

**Consentement à la Langue Utilisée.** *Les parties reconnaissent avoir expressément souhaité que la convention, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

**Data Privacy.** The following provision supplements Section 3.7 of the Agreement:

***Participant authorizes the Company and the Company’s representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. Participant further authorizes the Company, the Employer, any Affiliate, E\*TRADE Financial Services, Inc. and any other stock plan service provider as may be selected by the Company from time to time to assist with the Plan, to disclose and discuss the Plan with their advisors. Participant also authorizes the Company and the Employer to record such information and to keep such information in Participant’s employee file.***

## NOTIFICATIONS

**Securities Law Information.** The sale of Shares acquired under the Plan may not take place in Canada. This requirement will be satisfied where the Shares are sold by the designated broker under the Plan through the facilities of the U.S. stock exchange on which the Shares are currently listed (i.e., the Nasdaq stock market).

**Foreign Asset/Account Reporting Information.** Canadian residents are required to report their foreign specified property (e.g., Shares) on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time in the year. The RSUs must be reported—generally at a nil cost—if the C\$100,000 threshold is exceeded because of other foreign specific property held by Participant. The Shares acquired under the Plan must be reported and their cost generally is the adjusted cost base (“ACB”) of the Shares. The ACB ordinarily would equal the fair market value of the Shares at the time of acquisition, but if such Canadian resident owns other Shares, this ACB may have

to be averaged with the ACB of the other shares. The form T1135 generally must be filed by April 30 of the following year. Canadian residents should consult with a personal advisor to ensure compliance with the applicable reporting requirements.

### **CZECH REPUBLIC**

#### **NOTIFICATIONS**

**Exchange Control Information.** The Czech National Bank may require Participant to fulfill certain notification duties in relation to the Shares acquired or any dividends paid on such shares, and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult his or her personal legal advisor prior to the vesting to ensure compliance with current regulations. Participant is solely responsible for ensuring compliance with exchange control laws in the Czech Republic.

### **FINLAND**

No country-specific provisions apply.

### **FRANCE**

#### **TERMS AND CONDITIONS**

**RSUs Not Tax-Qualified.** The RSUs granted under this Agreement are not intended to qualify for special tax and social security treatment pursuant to Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended.

**Language Consent.** By accepting the RSUs, Participant confirms having read and understood the Plan and Agreement, including all terms and conditions included therein, which were provided in the English language. Participant accepts the terms of those documents accordingly.

*En acceptant ces "RSUs", le Participant confirme avoir lu et compris le Plan et Accord de, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Le Participant accepte les dispositions de ces documents en connaissance de cause.*

#### **NOTIFICATIONS**

**Foreign Asset/Account Reporting Information.** French residents holding cash or securities (including Shares) outside of France or maintaining a foreign bank or brokerage account (including accounts opened or closed during the tax year) must declare such assets and accounts to the French tax authorities when filing an annual tax return. Failure to comply could trigger significant penalties.

### **GERMANY**

#### **NOTIFICATIONS**

**Exchange Control Information.** Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). In the event Participant makes or receives a payment in excess of this amount, he or she must report the payment to Bundesbank electronically using the "General

Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

**Foreign Asset/Account Reporting Information.** If Participant’s acquisition of Shares acquired under the Plan leads to a so-called qualified participation at any point during the calendar year, Participant may need to report the acquisition when Participant files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds €150,000 or (ii) in the unlikely event Participant holds Stock exceeding 10% of the Company’s total Stock. However, if the Stock is listed on a recognized U.S. stock exchange and Participant owns less than 1% of the Company, this requirement will not apply to Participant.

## HONG KONG

### TERMS AND CONDITIONS

**Form of Delivery.** The following provision supplements Section 2.3 of the Agreement:

Notwithstanding any discretion contained in the Plan and the Agreement, the RSUs will not be settled in cash or a combination of cash and Shares. The RSUs will be settled only in Shares.

**Restriction on Sale of Shares.** Participant agrees not to sell any Shares that are issued to Participant or Participant’s heirs prior to the six-month anniversary of the Grant Date.

### NOTIFICATIONS

**Securities Law Information.** *WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Participant is advised to exercise caution in relation to the grant. If Participant has any questions regarding the contents of this Agreement or the Plan, Participant should obtain independent professional advice. Neither the grant of the RSUs nor the issuance of Shares upon vesting of the RSUs constitutes a public offering of securities under Hong Kong law and is available only to eligible employees and other service providers of the Company, its Parent or Affiliates. This Agreement, the Plan and other incidental communication materials distributed in connection with the RSUs (i) have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong and (ii), are intended only for the personal use of each eligible employee or other service provider of the Company, its Parent or Affiliates and may not be distributed to any other person.*

## IRELAND

### NOTIFICATIONS

**Director Notification Information.** If Participant is a director, shadow director or secretary of an Irish Affiliate and has a 1% or more shareholding interest in the Company, he or she must notify the Irish Affiliate in writing upon receiving or disposing of an interest in the Company (e.g., RSUs, Shares) or upon becoming aware of the event giving rise to the notification requirement, or upon becoming a director, shadow director or secretary if such an interest exists at that time. This notification requirement also applies with respect to the interests of a spouse or minor child (whose interests will be attributed to the director, shadow director or secretary).

## ISRAEL

**Israeli Sub-Plan.** The RSUs are also subject to the Sub-Plan for Israeli Participants (the "Sub-Plan"). The terms used herein shall have the meaning ascribed to them in the Plan and the Sub-Plan. In the event of any conflict, whether explicit or implied between the provisions of this Agreement and the Sub-Plan, the provisions set out in the Sub-Plan shall prevail.

**Designation.** The RSUs are intended to be subject to the Capital Gains Route under Section 102 of the Israeli Income Tax Ordinance [New Version] - 1961 (the "Ordinance" and the "Capital Gains Route"), subject to compliance with the requirements under Section 102 of the Ordinance and any rules or regulations thereunder, including the execution of this Agreement and the acknowledgments included below. However, in the event the RSUs do not meet the requirements of Section 102 of the Ordinance, such RSUs and the underlying Shares shall not qualify for the favorable tax treatment under the Capital Gains Route.

The Company makes no representations or guarantees that the RSUs will qualify for favorable tax treatment and will not be liable or responsible if favorable tax treatment is not available under Section 102 of the Ordinance.

**The Trustee.** The RSUs and the Shares issued upon settlement of such RSUs and/or any additional rights, including without limitation any right to receive any dividends or any shares received as a result of an adjustment made under the Plan, that may be granted in connection with the RSUs (the "Additional Rights") shall be issued to or controlled by the Trustee for the benefit of the Participant under the provisions of the Capital Gains Route for at least the period stated in Section 102 of the Ordinance and the Income Tax Rules (Tax Benefits in Share Issuance to Employees) 5763-2003 (the "Rules"). In accordance with the requirements of Section 102 of the Ordinance and the Capital Gains Route, the Participant shall not sell nor transfer from the Trustee the Shares or Additional Rights until the end of the required the period of time required under Section 102 of the Ordinance or any shorter period of time determined by the Israeli The Authority (the "Holding Period"). Notwithstanding the above, if any such sale or transfer occurs before the end of the required Holding Period, the sanctions under Section 102 of the Ordinance shall apply to and shall be borne by the Participant.

Any fees associated with any vesting, sale, transfer or any act in relation to the RSUs shall be borne by the Participant and the Trustee and/or the Company and/or any Subsidiary shall be entitled to withhold or deduct such fees from payments otherwise due to/from the Company or an Subsidiary or the Trustee.

**Taxes.** Any and all taxes due in relation to the RSUs and the underlying Shares, including, but not limited to, the grant of the RSUs and/or the vesting, transfer, waiver, or expiration of RSUs and/or underlying Shares, and/or the sale of underlying Shares, shall be borne solely by the Participant, and in the event of death, by the Participant's heirs. The Company, any Subsidiary, the Trustee or anyone on their behalf shall not be required to bear the aforementioned tax, directly or indirectly, nor shall they be required to gross up such tax in the Participant's salary or remuneration. The Company and/or any Subsidiary and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Participant hereby agree to indemnify the Company and/or any Subsidiary and/or the Trustee and hold them harmless against and from any

and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to him. The Company and/or any Subsidiary and/or the Trustee, to the extent permitted by law, shall have the right to deduct from any payment otherwise due to the Participant or from proceeds of the sale of the Shares an amount equal to any Taxes required by law to be withheld with respect to the Shares. The Participant will pay to the Company, any subsidiary or the Trustee any amount of taxes that the Company or any Subsidiary or the Trustee may be required to withhold with respect to the Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver the Shares if the Participant fail to comply with his obligations in connection with the taxes as described in this section.

**Additional Covenants and Undertakings.** The Participant must sign a consent letter, which will be provided to the Participant separately, confirming that: (i) The Participant is familiar with and understands the provisions of Section 102 of the Ordinance and any associated rules or regulations in general, and the tax arrangement under the Capital Gains Route in particular, and agrees to comply with such provisions, as amended from time to time; (ii) The Participant agrees that the RSUs and the Shares that may be issued in connection with the RSUs will be held or controlled by a trustee for at least the duration of the Holding Period, as determined in Section 102 of the Ordinance under the Capital Gains Route; (iii) The Participant agrees to the provisions of the trust deed signed between the Company and/or the Subsidiary and the Trustee attached hereto; (iv) The Participant acknowledges that releasing of the Shares from trust, or any sale of the Shares prior to the termination of the Holding Period constitutes a violation of the terms of Section 102 of the Ordinance and agree to bear the relevant sanctions; (v) The Participant authorizes the Company and/or his/her employer to provide the Trustee with any information required for the purpose of administrating the grant of the RSUs, including without limitation information about his/her RSUs, income tax rates, salary bank account, contact details and identification number and any reasonable information required by the Trustee; (vi) The Participant declares that he/she is a resident of the state of Israel for tax purposes and agree to notify the Company upon any change in the residence address and acknowledge that if he/she ceases to be an Israeli resident or if his/her engagement with the Company or any Subsidiary is terminated, the RSUs and underlying Shares shall remain subject to Section 102 of the Ordinance, the trust agreement, the Plan and grant documents; (vii) The Participant acknowledges, understands and agrees that the RSUs are an extraordinary, one-time benefit granted to the Participant, and does not create any contractual or other right to receive a future grant of RSUs.

**Security Exemption.** The Company has obtained an exemption from the requirement to file a prospectus in Israel in respect to the offer of the RSUs. Copies of the Plan and Form S-8 registration statement for the Plan filed with the U.S. Securities and Exchange Commission are available, free of charge, upon request from the local human resources department.

#### **ITALY**



## TERMS AND CONDITIONS

**Plan Document Acknowledgment.** By accepting the RSUs, Participant acknowledges that he or she has received a copy of the Plan, the Grant Notice, the Agreement (including this Appendix) and has reviewed the Plan and the Agreement (including this Appendix) in their entirety and fully accepts all provisions thereof. Participant further acknowledges that he or she has read and specifically and expressly approves the Grant Notice and the following provisions of the Agreement: (i) Section 2.1: Award of RSUs; (ii) Section 2.2: Vesting of RSUs; (iii) Section 2.3: Distribution or Payment of RSUs; (iv) Section 2.4: Restrictions on Issuance / Compliance with Law; (v) Section 2.5: Tax Withholding; (vi) Section 2.6: Nature of Grant; (vii) Section 2.7: Rights as Stockholder; (viii) Section 3.2: RSUs Not Transferable; (ix) Section 3.7: Data Privacy Information and Consent; (x) Section 3.8: Governing Law/Venue; (xi) Section 3.10: Amendment, Suspension and Termination; (xii) Section 3.17: Electronic Delivery and Acceptance; (xiii) Section 3.18: Agreement Severable; (xiv) Section 3.20: Imposition of Other Requirements; (xv) Section 3.21: Insider Trading Restrictions/Market Abuse Laws; and (xvi) Section 3.26: Waiver.

## NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Italian residents who, at any time during the fiscal year, hold foreign financial assets (e.g., cash, Shares or RSUs) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. Participant should consult his or her personal legal advisor to ensure compliance with applicable reporting requirements.

**Foreign Asset Tax Information.** The value of financial assets held outside of Italy (including Shares acquired under the Plan) by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets assessed at the end of the calendar year.

## JAPAN

### NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Details of any assets held outside Japan on an annual basis as of December 31 (including Shares acquired under the Plan) must be reported to the tax authorities, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report is due by March 15 each year. Participant should consult with his or her personal tax advisor to determine if the reporting obligation applies to Participant and whether Participant will be required to include details of Participant's outstanding RSUs, as well as Shares, in the report.

## KOREA

### NOTIFICATIONS

**Foreign Asset/Account Reporting Information.** Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts) to the Korean tax authority and file a report with respect to such accounts in June of the immediately following year if the monthly balance of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency) on any month-end date during a calendar year. *Participant is responsible for complying with this reporting obligation and should consult with his or her personal tax advisor to determine how to value Participant's foreign*

*accounts for such purposes and whether Participant is required to file a report with respect to such accounts.*

## **MEXICO**

### **TERMS AND CONDITIONS**

**No Entitlement for Claims or Compensation.** The following section supplements Section 2.6 of the Agreement:

**Modification.** By accepting the Award, Participant understands and agrees that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

**Policy Statement.** The Award the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with registered offices at 1266 Kifer Road, Sunnyvale, CA 94086, is solely responsible for the administration of the Plan, and participation in the Plan and the grant of the Award do not, in any way, establish an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and the sole employer is a Mexican or other Affiliate, nor does it establish any rights between Participant and the Employer.

**Plan Document Acknowledgment.** By accepting the Award, Participant acknowledges that he or she has received copies of the Plan, has reviewed the Plan, Grant Notice and the Agreement in their entirety, and fully understand and accept all provisions of the Plan, Grant Notice and the Agreement.

In addition, Participant further acknowledges that he or she has read and specifically and expressly approves the terms and conditions in Section 2.6 of the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; and (iii) participation in the Plan is voluntary.

Finally, Participant hereby declares that he or she does not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of his or her participation in the Plan and therefore grant a full and broad release to the Employer, the Company and any Affiliate with respect to any claim that may arise under the Plan or the Agreement.

### **Spanish Translation**

**Ausencia de derechos de reclamación o compensación:** Estas especificaciones complementan la Sección 2.6 del Contrato.

**Modificaciones:** Al aceptar el Premio, el Participante reconoce y acepta que cualquier modificación al Plan o al Convenio o la terminación del mismo no significará una modificación o detrimento en los términos y condiciones de su relación de trabajo.

**Establecimiento de la Política.** El Premio que la Empresa está haciendo por medio del Plan es unilateral y discesional, por tal motivo, la Empresa se reserva el derecho de modificarlo o cancelarlo sin responsabilidad alguna hacia Usted.

La Empresa, con domicilio registrado en 1266 Kifer Road, Sunnyvale, Ca, 94086, es la única responsable para la administración de Plan y que su participación en los Plan y adquisición de acciones no constituye una relación de trabajo entre la Empresa y el Participante, toda vez que su participación en el Plan es totalmente en base a una relación comercial y que el patrón del Participante es una sociedad Mexicana, afiliada o no a la Empresa. El Plan no establece derechos entre el Participante y su patrón.

**Reconocimiento de los Términos y Condiciones.** Al aceptar el Premio, el Participante reconoce que ha recibido una copia del Plan, que ha revisado el Plan y la Notificación de la Entrega y el Convenio completos y reconoce y acepta todas y cada una de las condiciones del Plan, el Aviso de Entrega y el Convenio.

Aunado a lo anterior, el Participante reconoce que ha leído y específicamente aprueba los términos y condiciones descritas en el punto 2.6 del Convenio, el cual establece que (i) La participación en el Plan no constituye un derecho adquirido, (ii) El plan y la participación en dicho Plan son ofrecidos por la Empresa en forma totalmente discrecional; y, que (iii) la participación es voluntaria.

Por último, el Participante declara que no se reserva acción legal ni derecho alguno que hacer valer en contra de la Empresa por ninguna compensación o daño derivado de su participación en el Plan; y por tal motivo en este acto otorga a favor de su patrón, la Empresa y cualquier empresa relacionada, el más amplio finiquito que en derecho corresponda en virtud de cualquier reclamación que pudiera surgir con motivo del Plan o el Convenio.

#### **NETHERLANDS**

No country-specific provisions apply.

#### **NORWAY**

No country-specific provisions apply.

#### **SINGAPORE**

## TERMS AND CONDITIONS

**Restriction on Sale and Transferability.** Participant hereby agrees that any Shares acquired under the Plan will not be offered for sale in Singapore prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to one or more exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (the “SFA”).

**Securities Law Information.** The grant of RSUs under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA, on which basis it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

**Chief Executive Officer and Director Notification Requirement.** If Participant is the Chief Executive Officer (“CEO”) or a director (including an alternate, substitute or shadow director) of a Singapore Affiliate, Participant must notify the Singapore Affiliate in writing of an interest (*e.g.*, RSUs, Shares, etc.) in the Company or any Affiliate within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously disclosed interest (*e.g.*, sale of Shares), or (iii) becoming the CEO or a director.

### SLOVAK REPUBLIC

No country-specific provisions apply.

### SPAIN

## TERMS AND CONDITIONS

**Nature of Grant.** This provision supplements Section 2.6 of the Agreement:

By accepting the RSUs, Participant consents to participation in the Plan and acknowledges that he or she has received a copy of the Plan. Participant understands that the Company has unilaterally, gratuitously and discretely decided to grant RSUs under the Plan to individuals who may be employees of the Company or of a Parent or Affiliate throughout the world. This decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any Parent or Affiliate other than as expressly set forth in the Agreement. Consequently, Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any Shares acquired under the Plan are not part of any employment or service contract (either with the Company or with any Parent or Affiliate) and shall not be considered a mandatory benefit or salary for any purpose (including severance compensation) or any other right whatsoever. Further, Participant understands and agrees that, unless otherwise expressly provided for by the Company or set forth in the Plan or the Agreement, the RSUs will be cancelled without entitlement to any Shares underlying the RSUs if Participant incurs a Termination of Service, for any reason, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause (*i.e.*, subject to a “*despido improcedente*”), material modification of the terms of employment under Article 41 of the Workers’ Statute, relocation under Article 40 of the Workers’ Statute, Article 50 of the Workers’ Statute, or under Article 10.3 of Royal Decree 1382/1985.

In addition, Participant understands that this grant would not be made to Participant but for the assumptions and conditions referred to above; thus, Participant acknowledges and freely accepts that,

should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of, or right to, the RSUs shall be null and void.

## NOTIFICATIONS

**Exchange Control Information.** Participant must declare the acquisition of Shares to the Spanish *Dirección General de Comercio e Inversiones* (the “DGCI”) for statistical purposes. Participant also must declare the ownership of any Shares each January while the Shares are owned. In addition, if the amount of Shares acquired or sold exceeds €1,502,530 (or if Participant holds 10% or more of the share capital of the Company or such other amount that would entitle Participant to join the Company’s board of directors), the declaration must be filed also within one month of the acquisition or sale, as applicable.

In addition, Participant may be required to electronically declare to the Bank of Spain any foreign accounts (including brokerage accounts held abroad), any foreign instruments (including Shares acquired under the Plan), and any transactions with non-Spanish residents (including any payments of Shares made pursuant to the Plan), depending on the balances in such accounts together with the value of such instruments as of December 31 of the relevant year, or the volume of transactions with non-Spanish residents during the relevant year.

**Securities Law Information.** The grant of RSUs described in the Agreement does not qualify under Spanish regulations as a security. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of the RSUs. The Agreement has not been, nor will it be, registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering or prospectus.

**Foreign Asset and Account Reporting Information.** To the extent that Participant holds rights or assets (*e.g.*, cash or Shares held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset as of December 31 each year (or at any time during the year in which Participant sells or disposes of such rights or assets), Participant is required to report information on such rights and assets on his or her tax return for such year. After such rights or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously reported rights or assets increases by more than €20,000. *Participant should consult with his or her personal tax advisor to ensure compliance with applicable reporting requirements.*

## SWEDEN

## TERMS AND CONDITIONS

**Tax Withholding.** This provision supplements Section 2.5 of the Agreement:

Without limiting the Company’s and the Employer’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 2.5 of the Agreement, in accepting the RSUs, Participant authorizes the Company and/or the Employer to sell or withhold Shares otherwise deliverable to Participant upon vesting to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

## SWITZERLAND

## NOTIFICATIONS

**Securities Law Information.** Neither the Agreement nor any materials relating to the RSUs (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”), (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an employee of the Company, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 of FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (FINMA).

## TAIWAN

### NOTIFICATIONS

**Securities Law Information.** The offer of participation in the Plan is available only for employees or service providers of the Company and any Parent or Affiliate. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

**Exchange Control Information.** The acquisition or conversion of foreign currency and the remittance of such amounts (including proceeds from the sale of Shares) to Taiwan may trigger certain annual or periodic exchange control reporting. If the transaction amount is TWD500,000 or more in a single transaction, Participant may be required to submit a Foreign Exchange Transaction Form and provide supporting documentation to the satisfaction of the remitting bank. *Participant should consult his or her personal legal advisor to ensure compliance with applicable exchange control laws in Taiwan.*

## UNITED KINGDOM

### TERMS AND CONDITIONS

**Tax Withholding.** This provision supplements Section 2.5 of the Agreement:

Without limitation to Section 2.5 of the Agreement, Participant hereby agrees that he or she is liable for any Tax-Related Items related to his or her participation in the Plan and hereby covenants to pay such Tax-Related Items, as and when requested by the Company or (if different) the Employer or by Her Majesty’s Revenue & Customs (“HMRC”) (or any other tax authority or any other relevant authority). Participant also hereby agrees to indemnify and keep indemnified the Company and (if different) the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant’s behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), Participant understands that the foregoing provision will not apply. Instead, any Tax-Related Items not collected or paid may constitute a benefit to Participant on which additional income tax and National Insurance Contributions (“NICs”) may be payable. Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit, which can be recovered by any means set out in the Agreement.

**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.

Date: July 23, 2020

By:

/s/ GARY S. GUTHART

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

**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.

Date: July 23, 2020

By:

/s/ MARSHALL L. MOHR

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**Marshall L. Mohr**  
**Executive Vice President and Chief Financial Officer**



**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, 2020 (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 23, 2020

By:

/s/ GARY S. GUTHART

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

**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, 2020 (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 23, 2020

By:

/s/ MARSHALL L. MOHR

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**Marshall L. Mohr**  
**Executive Vice President and Chief Financial Officer**