

# STRATASYS LTD.

## FORM 6-K (Report of Foreign Issuer)

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Address	7665 COMMERCE WAY EDEN PRAIRIE, MN 55344
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2013

Commission File Number 001-35751

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**STRATASYS LTD.**

(Translation of registrant's name into English)

**c/o Stratasys, Inc.  
7665 Commerce Way  
Eden Prairie, Minnesota 55344**

**2 Holtzman Street, Science Park  
P.O. Box 2496  
Rehovet, Israel 76124**

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(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

**Note** : Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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THE INFORMATION SET FORTH IN THIS REPORT ON FORM 6-K, INCLUDING THE EXHIBITS ANNEXED HERETO (OTHER THAN EXHIBIT 99.3), IS HEREBY INCORPORATED BY REFERENCE INTO THE REGISTRANT'S REGISTRATION STATEMENT ON FORM S-8 (SEC FILE NO. 333-185240), AND SHALL BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FILED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

## CONTENTS

On May 13, 2013, Stratasys Ltd., or Stratasys, released its financial results for the quarter ended March 31, 2013.

Attached hereto as Exhibit 99.1 are the unaudited, consolidated financial statements of Stratasys for the quarter ended March 31, 2013 (including the notes thereto) (the "Q1 2013 Financial Statements").

Attached hereto as Exhibit 99.2 is Stratasys' review of its results of operations and financial condition for the quarter ended March 31, 2013, including the following:

- (i) Operating and Financial Review and Prospects
- (ii) Quantitative and Qualitative Disclosures About Market Risk
- (iii) Legal Proceedings update

Attached hereto as Exhibit 99.3 is the press release issued by Stratasys on May 13, 2013 to announce its financial results for the quarter ended March 31, 2013.

Attached hereto as Exhibit 101 are the Q1 2013 Financial Statements, formatted in XBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

### Exhibit

Number	Document Description
EX-101.INS	XBRL Taxonomy Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema Document
EX-101.CAL	XBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	XBRL Taxonomy Label Linkbase Document
EX-101.PRE	XBRL Taxonomy Presentation Linkbase Document

The XBRL related information in Exhibit 101 to this report on Form 6-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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## SIGNATURES

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

Dated: May 13, 2013

**STRATASYS LTD.**

By: /s/ Erez Simha

Name: Erez Simha

Title: Chief Financial Officer and  
Chief Operating Officer (IL)

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**STRATASYS LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS**  
**ENDED MARCH 31, 2013**  
**(UNAUDITED)**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2013  
(UNAUDITED)**

<b>Item</b>	<b>Page</b>
<b>Introduction and Use of Certain Terms</b>	<b>2</b>
<b>Consolidated Balance Sheets</b>	<b>3</b>
<b>Consolidated Statements of Operations and Comprehensive Income</b>	<b>4</b>
<b>Consolidated Statements of Cash Flow</b>	<b>5</b>
<b>Notes to Condensed Consolidated Financial Statements</b>	<b>6 to 13</b>

**INTRODUCTION AND USE OF CERTAIN TERMS**

On December 1, 2012, we completed a merger with Stratasys, Inc., a Delaware corporation, which we refer to as our merger or the merger. Pursuant to the merger, Stratasys, Inc. became our indirect, wholly-owned subsidiary and we changed our name from Objet Ltd. to Stratasys Ltd. While Objet Ltd. was the legal acquirer in the merger, Stratasys, Inc. was treated as the acquiring company in the merger for accounting purposes, and the merger has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations.

Unless otherwise indicated or the context otherwise requires, references to “Stratasys,” “our company,” “the Company,” “we,” “us,” and “our” refer to Stratasys Ltd. (formerly known as Objet Ltd.), and its consolidated subsidiaries. References to “Objet” generally refer to Objet Ltd. and its consolidated subsidiaries prior to the effective time of the merger on December 1, 2012, and sometimes also are used as references to our current, ongoing operations related to the historical Objet that continue following the merger. References to “Stratasys, Inc.” generally refer to Stratasys, Inc., a Delaware corporation, and its consolidated subsidiaries prior to the effective time of the merger, but sometimes (as the context requires) refer to our current, ongoing operations related to historical Stratasys, Inc. that continue following the merger. The historical financial information set forth in this quarterly report on Form 6-K, unless otherwise indicated or the context otherwise requires, reflects the consolidated results of operations and financial position of: (i) Stratasys, Inc. prior to the merger; and (ii) Stratasys Ltd. since the merger (on December 1, 2012).

**STRATASYS LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Balance Sheets**

	March 31, 2013	December 31, 2012
	(unaudited)	
<i>in thousands, except per share data</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 65,505	\$ 133,826
Short-term bank deposits	75,370	20,063
Restricted deposits	820	929
Accounts receivable:		
Trade, net	72,375	64,678
Other	20,979	22,934
Inventories	66,395	67,995
Net investment in sales-type leases, net	5,082	5,134
Prepaid expenses	2,894	2,751
Deferred income taxes	7,777	4,968
Total current assets	<u>317,197</u>	<u>323,278</u>
<b>Non-current assets</b>		
<b>Property, plant and equipment, net</b>	<u>63,842</u>	<u>62,070</u>
<b>Other assets</b>		
Goodwill	822,450	822,475
Other intangible assets, net	497,508	510,372
Net investment in sales-type leases	7,990	7,872
Long-term investments - available for sale	1,634	1,634
Amounts funded in respect of employees rights upon retirement	2,740	2,628
Other non-current assets	1,728	1,184
Total other assets	<u>1,334,050</u>	<u>1,346,165</u>
<b>Total assets</b>	<u>\$ 1,715,089</u>	<u>\$ 1,731,513</u>

**LIABILITIES AND EQUITY**

**Current liabilities**

Accounts payable	\$ 24,587	\$ 35,235
Other current liabilities	36,964	40,179
Deferred tax liabilities	137	945
Unearned revenues	21,961	18,068
Total current liabilities	<u>83,649</u>	<u>94,427</u>

**Non-current liabilities**

Employee rights upon retirement	4,238	4,188
Deferred tax liabilities	54,436	54,693
Unearned revenues - long-term	3,137	3,181
Other non-current liabilities	3,178	2,868
<b>Total liabilities</b>	<u>148,638</u>	<u>159,357</u>

**Commitments and contingencies, see note 10**

**Equity**

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Ordinary shares, NIS 0.01 nominal value, authorized 60,000 shares;

38,669 and 38,372 shares issued and outstanding at March 31,

2013 and December 31, 2012, respectively

	101	101
Additional paid-in capital	1,469,379	1,459,294
Retained earnings	96,966	112,503
Accumulated other comprehensive loss	(606)	(238)
Equity attributable to Stratasys Ltd.	1,565,840	1,571,660
Non-controlling interest	611	496
Total equity	1,566,451	1,572,156
<b>Total liabilities and equity</b>	<b>\$ 1,715,089</b>	<b>\$ 1,731,513</b>

*See accompanying notes to consolidated financial statements.*

**STRATASYS LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Statements of Operations and Comprehensive Income (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<i>in thousands, except per share data</i>		
<b>Net sales</b>		
Products	\$ 81,810	\$ 37,546
Services	15,397	7,418
	<u>97,207</u>	<u>44,964</u>
<b>Cost of sales</b>		
Products	49,043	17,811
Services	10,790	4,199
	<u>59,833</u>	<u>22,010</u>
<b>Gross profit</b>	<u>37,374</u>	<u>22,954</u>
<b>Operating expenses</b>		
Research and development, net	10,789	4,352
Selling, general and administrative	43,325	11,375
	<u>54,114</u>	<u>15,727</u>
<b>Operating income (loss)</b>	<u>(16,740)</u>	<u>7,227</u>
<b>Other income</b>	514	296
<b>Income (loss) before income taxes</b>	<u>(16,226)</u>	<u>7,523</u>
Income taxes (benefit)	(743)	3,001
<b>Net income (loss)</b>	<u>\$ (15,483)</u>	<u>\$ 4,522</u>
Net income attributable to non-controlling interest	<u>\$ 53</u>	<u>\$ -</u>
Net income (loss) attributable to Stratasys Ltd.	<u>\$ (15,536)</u>	<u>\$ 4,522</u>
<b>Net income (loss) per ordinary share attributable to Stratasys Ltd.</b>		
Basic	\$ (0.40)	\$ 0.21
Diluted	(0.40)	0.21
<b>Weighted average ordinary shares outstanding</b>		
Basic	38,494	21,266
Diluted	38,494	21,802
<b>Comprehensive Income</b>		
Net income (loss)	\$ (15,483)	\$ 4,522
Other comprehensive income (loss):		
Unrealized gain (loss) on securities, net of tax	-	-
Foreign currency translation adjustment	(368)	112
Other comprehensive income (loss), net of tax	<u>(368)</u>	<u>112</u>

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Comprehensive income	(15,851)	4,634
Less: comprehensive income attributable to non-controlling interest	115	-
<b>Comprehensive income attributable to Stratasys Ltd.</b>	<u>\$ (15,966)</u>	<u>\$ 4,634</u>

*See accompanying notes to consolidated financial statements.*

**STRATASYS LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Statements of Cash Flows (Unaudited)**

<i>in thousands</i>	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (15,483)	\$ 4,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,706	1,531
Amortization	25,622	1,118
Deferred income taxes	(3,875)	-
Stock-based compensation	5,490	481
Excess tax benefit from stock options	(986)	(191)
Loss on amounts funded in respect of employee rights upon termination	(79)	-
Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of the impact of acquisition:		
Accounts receivable, net	(9,723)	(1,919)
Inventories	(7,146)	247
Net investment in sales-type leases	(67)	(558)
Prepaid expenses	1,176	642
Other assets	(543)	(33)
Accounts payable and other current liabilities	(13,768)	227
Non-current liabilities	320	-
Provision for severance pay, net	108	-
Unearned revenues	2,996	811
<b>Net cash provided by (used in) operating activities</b>	<b>(12,252)</b>	<b>6,878</b>
<b>Cash flows from investing activities</b>		
Proceeds from the maturity of investments	-	1,500
Proceeds from the sale of investments	-	4,803
Purchase of investments		(6,806)
Purchase of short-term bank deposits	(55,307)	-
Decrease in restricted deposits	105	-
Acquisition of property and equipment	(5,046)	(2,457)
Amounts funded in respect of employee rights upon retirement	(93)	-
Acquisition of intangible and other assets	(252)	(706)
<b>Net cash provided by (used in) investing activities</b>	<b>(60,593)</b>	<b>(3,666)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	3,607	815
Excess tax benefit from stock options	986	191
<b>Net cash provided by financing activities</b>	<b>4,593</b>	<b>1,006</b>
<b>Effect of exchange rate changes on cash</b>	<b>(69)</b>	<b>118</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(68,321)</b>	<b>4,336</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>133,826</b>	<b>20,092</b>

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<b>Cash and cash equivalents, end of period</b>	<b>\$ 65,505</b>	<b>\$ 24,428</b>
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**Supplemental disclosures of cash flow information:**

Cash paid for taxes	\$ 673	\$ 2,391
Transfer of fixed assets to inventory	83	195
Transfer of inventory to fixed assets	589	1,100

*See accompanying notes to consolidated financial statements.*

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Basis of Presentation and Consolidation**

The condensed consolidated interim financial statements include the accounts of Stratasys Ltd. and its wholly-owned subsidiaries (collectively, the “Company”). All intercompany accounts and transactions, including profits from intercompany sales not yet realized outside the Company, have been eliminated in consolidation. The Company owns 51% of Objet Japan Co. Ltd. The minority owner’s non-controlling interest is included as a component of equity and a reduction to net income and to comprehensive income attributable to Stratasys Ltd. The Company has one reportable segment.

The consolidated interim financial information herein is unaudited; however, such information reflects all adjustments (consisting of normal, recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the interim period. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The reader is referred to the audited consolidated financial statements and notes thereto for the year ended December 31, 2012, filed as part of the Company’s Annual Report on Form 20-F for such year.

The Company is the result of the merger of Stratasys, Inc. and Objet Ltd. (“Objet”). On December 1, 2012 (the “merger date”), the two companies completed an all-stock merger (the “merger”), pursuant to which Stratasys, Inc. became an indirect, wholly-owned subsidiary of Objet. In connection with the merger, Objet changed its name to Stratasys Ltd.

The merger was structured as a merger of Stratasys, Inc. with and into an indirect wholly owned subsidiary of Objet. Stratasys, Inc. stockholders received one ordinary share of Stratasys Ltd. for each share of Stratasys, Inc. common stock they owned. Upon closing of the transaction, the former Stratasys, Inc. stockholders owned approximately 55 percent and the Objet shareholders retained approximately 45 percent of the ordinary shares of the company on a fully diluted basis using the treasury stock method. Accordingly, while Objet was the legal acquirer, Stratasys, Inc. is treated as the acquiring company in the merger for accounting purposes and the merger has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations. As a result, the financial statements of the Company prior to the merger date are the separate historical financial statements of only Stratasys, Inc., whereas the financial statements of the Company after the merger date reflect the results of the operations of Stratasys, Inc. and Objet on a combined basis. Accordingly, the accompanying statement of operations and comprehensive income and of cash flows for the three months ended March 31, 2013 are on a combined basis and for the three months ended March 31, 2012 are on a separate Stratasys, Inc. basis only.

**Note 2. Business Combination**

The merger was accounted for as a reverse acquisition and accordingly, the total purchase price of \$1,341 million was calculated as if Stratasys, Inc. had issued its shares to Objet’s shareholders and converted options to purchase Objet’s ordinary shares to options to purchase Stratasys, Inc. common stock (which became exercisable instead for Stratasys Ltd. ordinary shares upon consummation of the merger).

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets of Objet acquired in the merger, based on their fair values at the merger date. The estimated fair values are preliminary and based on the information that was available as of the merger date. The Company believes that the information provides a reasonable basis for estimating the fair values, but the Company is waiting for additional information necessary to finalize these amounts, particularly with respect to the estimated fair value of intangible assets and property, plant and equipment and deferred taxes related thereto. Thus the preliminary measurements of fair value reflected are subject to changes and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the merger date. There were no changes during the three months ended March 31, 2013 to the preliminary measurements of fair value. The preliminary allocation of the purchase price to assets acquired and liabilities assumed is as follows (in thousands):

	<b>Allocation of Purchase Price</b>
Cash and cash equivalents	\$ 41,524
Restricted cash	845
Short-term bank deposit	30,062
Accounts receivable - Trade	23,633
Accounts receivable - Other	12,477
Prepaid expenses	1,011
Inventories	40,364
Deferred income taxes	1,755
Property, plant and equipment	15,475
Goodwill	797,063
Intangible assets	490,176
Other non-current assets	2,539
<b>Total assets acquired</b>	<b>1,456,924</b>
Accounts payable & other liabilities	49,876
Unearned revenue	8,674
Deferred tax liabilities	51,003
Other non-current liabilities	6,474
<b>Total liabilities assumed</b>	<b>116,027</b>
<b>Total purchase price</b>	<b>\$ 1,340,897</b>

The allocation of the purchase price to the net assets acquired and liabilities assumed resulted in the recognition of the following intangible assets (in thousands):

	<b>Amount</b>	<b>Weighted Average Life - Years</b>
Developed technology	\$ 374,126	9.6
Customer relationships	72,679	10
Trade name	15,291	9
In-process R&D	28,080	Indefinite
<b>Total intangible assets</b>	<b>\$ 490,176</b>	

In addition, the allocation of the purchase price resulted in the recognition of backlog, which was valued at \$6.3 million. Backlog is included in accounts receivable - other and is being amortized to selling, general and administrative based on the pattern in which the economic benefits of backlog are estimated to be realized.

The Company incurred \$0.9 million of acquisition-related costs related to the merger that were expensed during the three months ended March 31, 2012. These costs are included in selling, general and administrative costs in the Company's consolidated statements of operations. There were no significant acquisition-related costs during the three months ended March 31, 2013.



**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 3. Inventories**

Inventories consisted of the following at March 31, 2013 and December 31, 2012, respectively (in thousands):

	<u>2013</u>	<u>2012</u>
Finished goods	\$ 33,085	\$ 37,823
Work-in-process	2,945	3,809
Raw materials	30,365	26,363
	<u>\$ 66,395</u>	<u>\$ 67,995</u>

**Note 4. Goodwill and Other Intangible Assets**

*Goodwill*

Changes in the carrying amount of our goodwill for the three months ended March 31, 2013, are as follows (in thousands):

	<u>Carrying Amount</u>
Balance at December 31, 2012	\$ 822,475
Effect of currency translation	(25)
Balance at March 31, 2013	<u>\$ 822,450</u>

*Other Intangible Assets*

Other intangible assets consisted of the following at March 31 (in thousands):

	<u>March 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Developed technology	\$ 385,759	\$ 19,182	\$ 385,735	\$ 9,058
Capitalized software development costs	15,966	13,233	15,831	12,996
Patents	13,645	5,337	13,533	4,952
Trademarks and trade names	16,858	1,029	16,877	592
Customer relationships	77,779	3,075	77,779	1,172
Non-compete agreement	350	224	350	194
In-process research and development	29,231	-	29,231	-
	539,588	<u>\$ 42,080</u>	539,336	<u>\$ 28,964</u>
Accumulated amortization	42,080		28,964	
Net book value of amortizable intangible assets	<u>\$ 497,508</u>		<u>\$ 510,372</u>	

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Changes in the gross carrying amount of our other intangible assets for the three months ended March 31, 2013, are as follows (in thousands):

	<b>Gross Carrying Amount</b>
Balance at December 31, 2012	\$ 539,336
Patents, trademarks and capitalized software	252
Balance at March 31, 2013	<u>\$ 539,588</u>

Amortization expense for the three month periods ended March 31, 2013 and 2012 was \$13.1 million and \$1.1 million, respectively.

Estimated amortization expense, for all intangible assets, for the five years subsequent to December 31, 2012 was follows (in thousands):

<b>Year ending December 31,</b>	
2013	\$ 52,468
2014	54,022
2015	54,166
2016	54,023
2017	\$ 53,551

**Note 5. Earnings (Loss) Per Share**

The Company complies with ASC 260, *Earnings Per Share*, which requires dual presentation of basic and diluted income (loss) per ordinary share attributable to Stratasys Ltd. for all periods presented. Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) by the weighted average number of shares outstanding for the reporting periods. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted into shares or resulted in the issuance of shares that then share in the income (loss) of the Company. The difference between the number of shares used to compute basic net income (loss) per share and diluted net income (loss) per share relates to additional shares, if diluted, that would be issued upon the assumed exercise of stock options and warrants, net of the shares that would hypothetically be repurchased using the proceeds received from the original exercise.

The additional ordinary shares amounted to 536,621 for the three months ended March 31, 2012. As a result of the net loss in the three months ended March 31, 2013, the outstanding stock options were considered antidilutive and, therefore, were excluded from diluted loss per share of this period. There were no options excluded from the dilution calculation for the three months ended March 31, 2012, since the market price of the Company's shares exceeded the exercise price of all outstanding options.

**Note 6. Income Taxes**

The Company uses a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies) in accordance with ASC 740, *Income Taxes*. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company reevaluates these tax positions quarterly and makes adjustments as required. The Company had unrecognized tax benefits of \$1.8 million at March 31, 2013 and \$1.7 million at December 31, 2012.

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The effective tax rate of 4.6% on the loss before income taxes for the quarter ended March 31, 2013 was lower as compared to the 39.9% effective rate on the income before income taxes for the same prior-year period. The decrease is primarily due to the lower tax rate on earnings (losses) in Israel as well as the tax benefit as a result of the realization of the deferred tax liability associated with the amortization of the intangible assets. Also, the federal research credit was reinstated on January 2, 2013, so the entire 2012 credit of approximately \$350,000, as well as the credit for the quarter ended March 31, 2013 of \$110,000 was recorded in the quarter ended March 31, 2013. The federal research credit had expired on December 31, 2011 and, therefore, was not considered in computing the effective rate for the quarter ended March 31, 2012.

**Note 7. Fair Value Measurements**

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available under the circumstances. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At March 31, 2013, the Company had foreign exchange forward contracts in effect for the conversion of €11.0 million into \$14.0 million and \$30.3 million into NIS 118.5 million. These contracts are not designated for hedge accounting. The fair value of these contracts at March 31, 2013 was \$2.2 million included in accounts receivable-other and \$0.1 million included as other current liabilities. The fair value is based on level 2 inputs. The Company did not enter into any new foreign exchange forward contracts during the three months ended March 31, 2013. During the quarter ended March 31, 2013, the Company had no other significant measurements of assets or liabilities at fair value on a recurring or nonrecurring basis subsequent to their initial recognition.

**Note 8. Collaborative Arrangements**

The Company has agreements with two manufacturing companies to jointly advance certain of its proprietary technology with each of those two companies. The agreements entitle the Company to receive reimbursement payments of costs actually incurred under joint development projects. During the three months ended March 31, 2013 and March 31, 2012, approximately \$1.0 million and \$150,000, respectively, of research and development expenses were offset by payments that were received from these companies.

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 9. Stock Options**

Stock-based compensation expense was as follows for the three months ended March 31 (in thousands):

	<b>2013</b>	<b>2012</b>
Cost of sales	\$ 634	\$ -
Research and development, net	900	-
Selling, general and administrative	3,956	481
Total stock-based compensation expenses	<u>\$ 5,490</u>	<u>\$ 481</u>

There were no options granted in the three months ended March 31, 2013 or 2012. During the three months ended March 31, 2013 and 2012 the Company issued 292,808 and 43,395 shares, respectively, upon the exercise of stock options. This resulted in an increase in equity of \$3.6 million and \$815,000 for the first quarter of 2013 and 2012, respectively.

**Note 10. Litigation**

*Claims and Proceedings*

1) On June 29, 2012, a purported class action complaint was filed in the District Court, Fourth Judicial District, Hennepin County, Minnesota (the "Minnesota Court"), naming Stratasys, Inc., the members of its board of directors, and Objet's two indirect, wholly-owned subsidiaries party to the merger agreement (Seurat Holdings Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Objet, or Holdco, and Oaktree Merger Inc., a Delaware corporation, or Merger Sub) as defendants. On July 2, 2012, another purported class action complaint was filed in the Court of Chancery of the State of Delaware (the "Delaware Court"), naming the same persons as well as Objet as defendants. A third purported class action was filed on July 17, 2012, also in the Minnesota Court naming the same parties (except for Objet) as defendants. The complaints generally allege that, in connection with approving the merger, the Stratasys, Inc. directors breached their fiduciary duties owed to Stratasys, Inc. stockholders and that Stratasys, Inc., Objet, Holdco and Merger Sub knowingly aided and abetted the Stratasys, Inc. directors' breaches of their fiduciary duties. The complaints sought, among other things, certification of the case as a class action, an injunction against the consummation of the transaction, a judgment against the defendants for damages, and an award of fees, expenses and costs to plaintiffs and their attorneys.

While the Company and the other defendants believe that each of the aforementioned lawsuits is without merit and that the Company has valid defenses to all claims, in an effort to minimize cost and expense of any litigation relating to such lawsuits, on September 6, 2012, the Company and other defendants entered into a memorandum of understanding ("MOU") with the parties to the actions pending in the Chancery Court and the Minnesota Court, pursuant to which the Company and such parties agreed in principle, and subject to certain conditions, to settle those stockholder lawsuits. Subject to approval of the appropriate court and further definitive documentation, the MOU establishes a framework to resolve the allegations against the Company and other defendants in connection with the merger agreement and contemplates a release and settlement by the plaintiffs of all claims against the Company and other defendants and their affiliates and agents in connection with the Merger Agreement. In exchange for such release and settlement, pursuant to the terms of the MOU, the parties agreed, after arm's-length negotiations, that Stratasys, Inc. would file a Current Report on Form 8-K amending and supplementing the applicable disclosure in the joint proxy statement/prospectus, dated August 8, 2012, which had been sent to Stratasys, Inc. stockholders.

The plaintiffs are presently engaged in confirmatory discovery with respect to the disclosures made in the proxy statement/prospectus. In addition, the parties are engaged in negotiating a final settlement agreement, which will be submitted to the Delaware Court for approval. However, if the conditions set forth in the MOU are not satisfied or the Delaware Court fails to approve the settlement, the litigation will proceed, and the Company intends to continue to vigorously defend these actions.

The Company recorded a provision in 2012 for probable losses, which are reasonably estimable, arising from this claim, as estimated by management.

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

2) In May 2004, a former employee sued the Company and one of the Company's directors demanding that the Company issue to him an option to purchase 1.75% of Objet's outstanding shares and compensate him in an amount equal to NIS 315,000 (\$85,000). The cause of action was an alleged breach of certain undertakings made by the Company to the former employee. Additionally, he claimed that the Company failed to pay his salary and certain social benefits with respect to a certain period of time. The Company filed a statement of defense in which the Company denied any wrongdoing in this action. In May 2011, the court ruled in the Company's favor, denying all of the former employee's claims. The former employee appealed the decision to the national labor court, but the Company reached a settlement with the former employee, agreeing to pay NIS 100,000 (\$27,000), in November 2012, which was approved by the court, and the appeal was dismissed.

3) In October 2007, a former supplier of Objet brought an action against Objet and the former directors of its European subsidiary (one of whom, Ilan Levin, is a current director of the Company) in a Brussels commercial court, claiming damages of €566,000 (\$747,000), plus interest and related legal and litigation costs. On April 26, 2010, the court held Objet and its subsidiary's former directors jointly and severally liable for the full amount claimed. Objet along with its subsidiary's former directors filed an appeal of the judgment in May 2010, with respect to which the final judgment is expected to be rendered in 2013. In keeping with required procedures related to the litigation, in July 2011, the Company deposited the full amount of the original judgment in favor of the former supplier, plus interest and litigation costs (€690,000, or \$911,000, in total) into a blocked, state-owned account in the Company's name, to be held pending the outcome of the appeal.

Objet recorded a provision in 2007 and 2008 for probable losses, which are reasonably estimable, arising from this claim, as estimated by management. Management believes that there is no material exposure to loss in excess of the amount accrued.

4) In December 2008, another employee, whose employment with the Company was subsequently terminated, filed a claim against the Company demanding that, based on an alleged undertaking the Company had made, the Company issue to him an option that would allow him to maintain an equity interest of 1.45% in the Company, as well as reimburse salary reductions he had suffered in an aggregate sum of NIS 552,000 (\$148,000). In July 2009, the Company filed its statement of defense, rejecting the claims raised by the former employee. Together with the former employee, the Company initiated mediation of the dispute, but did not reach a settlement. The former employee later amended his initial pleading to seek an additional NIS 441,000 (\$118,000) on account of alleged wrongful termination by the Company, and consequently, the Company filed an amended statement of defense on June 2011. The former employee later amended his statement of claim for the second time, so that it will include a claim that the Company never granted him options. The action is currently ongoing and is being litigated in an Israeli labor court. Evidentiary hearings took place on February 7, 2013 and April 4, 2013 and summation briefs are due to be submitted by the parties.

Objet recorded a provision in 2008 for probable losses, which are reasonably estimable, arising from this claim, as estimated by management.

It is reasonably possible that the loss arising from this claim will be greater than the amount accrued, up to the entire amount claimed.

5) On April 15, 2012, the Company and a former distributor signed a mediation / arbitration agreement in order to either amicably resolve or arbitrate, in Israel, a dispute related to a distributorship agreement with the former distributor that the Company had terminated for cause. Without waiving any of its rights, and for the purpose of mediation, the former distributor has claimed compensation of \$1.5 million for, among other things, its alleged investment in building a market for the Company's products, while the Company has claimed approximately \$0.5 million (under a similar reservation of rights), for amounts owed to it by the distributor under the distributorship agreement, damages to the Company's reputation and lost profits. The first mediation meeting under the mediation / arbitration agreement was held on July 18, 2012, and it has been followed by additional meetings that the mediator has held with each of the parties separately. The mediation is still in progress as of the date of these financial statements.

**STRATASYS LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Management does not believe that the allegations made by the former distributor will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

6) On March 4, 2013, the Company was notified of two lawsuits purportedly filed in an Israeli district court against the Company by four current or former minority shareholders and former directors of the Company. The lawsuits purportedly demand that the Company amend its capitalization table such that certain shares previously issued to Objet shareholders named as defendants would be recognized as being owned by the plaintiffs with a consequent reduction of the share ownership of the named defendants. The lawsuits also name as defendants Elchanan Jaglom, Chairman of the Executive Committee of the Company's board of directors, David Reis, Chief Executive Officer, various shareholders of the Company who were also shareholders of Objet, and, in one of the lawsuits, Ilan Levin, a director. The lawsuits allege in particular that a series of investments in Objet during 2002 and 2003 was effected at a price per share that was below fair market value, thereby illegally diluting those shareholders that did not participate in the investments. The plaintiffs also allege that a portion of the amount invested in those transactions was actually invested by an investor who was already a shareholder of Objet and allegedly acting in concert with Mr. Jaglom, and that the interest of these two shareholders in these transactions was not properly disclosed to the minority shareholders at the time. The lawsuits furthermore claim that the Company effectively engaged in backdating the issuance of certain shares, in that shares that Objet reported as having been issued in 2006 and 2007 were actually issued at a subsequent date—as late as 2009. In April 2013, the Company, the plaintiffs and all other defendants agreed that the defendants will submit their statement of defense by May 26, 2013. A pre-trial hearing will take place in June 2013. The foreign defendants accepted the jurisdiction of the Israeli court, and the hearing of both claims will be united. The court approved the parties' agreement.

The Company believes that these claims are all entirely baseless and that the transactions in question were conducted in accordance with applicable law. Management does not believe that these lawsuits will have a material adverse effect on our operations or financial condition, and the Company intends to vigorously defend these lawsuits.

The Company is a party to various other legal proceedings, in the normal course of its business. The Company accrues for a loss contingency when it determines that it is more likely than not, after consultation with management, that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, the Company believes that the outcome of these legal proceedings, either individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in this 6-K. The discussion below contains forward-looking statements (within the meaning of the United States federal securities laws) that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in “Forward-looking Statements and Factors that May Affect Future Results of Operations” and “Risk Factors”, below, as well “Risk Factors in Item 3.D of our Annual Report on Form 20-F for 2012.*

### Overview of Business and Trend Information

We are a leading global provider of additive manufacturing, or AM, solutions for the creation of parts used in the processes of designing and manufacturing products and for the direct manufacture of end parts. Our solutions are sold under seven brands. Our suite of AM systems includes affordable desktop 3D printers for idea and design development, various systems for rapid prototyping and production systems for direct digital manufacturing, or DDM. We also develop, manufacture and sell materials for use with our systems and provide various services to our customers. We believe that the range of more than 130 3D printing consumable materials that we offer is the widest in the industry. We conduct our business globally and our main operational facilities are located in Brazil, Germany, Israel, Japan and the United States. We have more than 1,100 employees and hold more than 500 granted or pending additive manufacturing patents globally.

We are the product of the 2012 merger of two leading additive manufacturing companies, Stratasys, Inc. and Objet Ltd., which we refer to as the merger. Pursuant to the merger, which closed on December 1, 2012, Stratasys, Inc. became an indirect, wholly-owned subsidiary of Objet Ltd., and Objet Ltd. changed its name to Stratasys Ltd. Immediately after giving effect to the issuance of our ordinary shares to the former stockholders of Stratasys, Inc. in the merger, approximately 55% of our ordinary shares were held by the former stockholders of Stratasys, Inc. and the remaining 45% of our ordinary shares, on a fully diluted basis (using the treasury stock method), were held by persons and entities who acquired our ordinary shares prior to the merger.

Accordingly, Stratasys, Inc. is treated as the acquiring company in the merger for accounting purposes, and the merger was accounted for as a reverse acquisition under the acquisition method of accounting for business combinations. As a result, the consolidated financial statements of Stratasys, Inc. became our consolidated financial statements. The consolidated financial statements included in this report on Form 6-K include the operations of Stratasys Ltd. (formerly Objet Ltd.) for the quarter ended March 31, 2013, but not for the quarter ended March 31, 2012 because the merger was consummated on December 1, 2012. Therefore, unless otherwise indicated or as the context otherwise requires, the historical financial information included in this quarterly report on Form 6-K for periods preceding the merger is that of Stratasys, Inc. For information regarding the historical results of the operations and financial condition of Objet Ltd., please refer to the separate Registration Statement on Form F-4 (Commission File No. 333-182025) that we filed with the Securities and Exchange Commission, which includes historical financial information for Objet Ltd., including for the last full fiscal year of Objet Ltd. as a stand-alone company (2011).

We expect that the adoption of 3D printing will continue to increase over the next several years, both in terms of Idea and Design applications, on the one hand, and DDM applications, on the other hand. We believe that the expansion of the market will be spurred by increased proliferation of 3D content and 3D authoring tools (3D CAD and other simplified 3D authoring tools). We also believe that increased market adoption of 3D printing will be facilitated by continued improvements in 3D printing technology and greater affordability and ease of use of entry-level systems.

We expect to broaden our installed base through increased adoption of our Idea series of products, featuring our recently introduced easy-to-use Mojo family of lower capacity entry-level systems, which are offered at lower price points than our other product families. Our Idea series 3D printers are expected to penetrate a broad addressable market, targeting small design teams within large organizations, small and medium-sized businesses and individual designers. Our scalable technology allows us to provide the same high resolution and accuracy of our high-end printers, but with a smaller feature set. We expect to incorporate certain additional features of our Design series of printers into the Idea series over time. We believe this will further accelerate market adoption of our products.

We believe that the proliferation of 3D content, advancements in AM technology platforms and the introduction of improved materials will continue to drive market growth. Accordingly, we will continue to invest in our R&D efforts, which focus on enhancing our AM technologies and developing consumables that offer an even broader array of physical, mechanical and aesthetic properties, thereby broadening user applications. We also intend to invest in the identification of new DDM applications for which our proprietary printing technologies and materials are appropriate. We also intend to encourage existing and potential customers to identify new applications in part by increasing awareness of the features of our technology and product offerings.

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With the introduction of entry level systems, we have seen unit volume increase faster than revenue growth and we expect that trend to continue in the near future. As we have developed appropriate sales channels, unit sales of our more affordable systems have accelerated, resulting in lower overall margins on the sale of our AM systems. We will also address the continuing increased demand in the market for higher end AM systems, through which we believe we will increase our installed base and sales of related consumables and our overall revenues and profits. However, there can be no assurance that we will be able to increase our revenue sufficiently to maintain or increase our current profitability.

We may make investments in strategic acquisitions, fixed assets, process improvements, information technology, or IT, and human resource activities that will be required for future growth. Our expense levels are based in part on our expectations of future sales and we will make adjustments as we consider appropriate. While we have adjusted, and will continue to adjust, our expense levels based on both actual and anticipated sales, fluctuations in sales in a particular period could adversely impact our operating results.

Our business, including our ability to implement our strategy for 2013, is subject to numerous uncertainties, many of which are described in “Forward-looking Statements and Factors that May Affect Future Results of Operations”, below, as well in “Risk Factors” in Item 3.D of our Annual Report on Form 20-F for 2012.

## **Summary of Financial Results**

For the quarter ended March 31, 2013, we recorded a net loss attributable to Stratasys Ltd. of \$15.5 million, or \$0.40 per diluted share, as compared to net income of \$4.5 million, or \$0.21 per diluted share, for the quarter ended March 31, 2012. Net loss during the three months ended March 31, 2013 resulted primarily from amortization of intangible assets that resulted from the merger. On a non-GAAP basis for the quarter ended March 31, 2013 and on a pro-forma combined (as if the merger occurred on January 1, 2011) non-GAAP basis (as defined below in “Supplemental Operating Results on a Non-GAAP Basis”) for the quarter ended March 31, 2012, net income attributable to Stratasys Ltd. was \$17.6 million and \$12.6 million, respectively, representing an increase of 39.7% over comparable results.

Our revenues in the first quarter of 2013 were \$97.2 million as compared to reported revenues of \$45.0 million in the first quarter of 2012, representing an increase of 116.2%. First quarter 2013 revenues of \$97.2 million rose by 17.1% as compared to revenues for the first quarter of 2012 of \$83.0 million on a pro forma combined basis that assumes the merger occurred on January 1, 2011.

As of March 31, 2013, our cash, cash equivalents and short-term bank deposits were approximately \$140.9 million, down from \$153.9 million at December 31, 2012. We used cash from operations of approximately \$12.3 million during the quarter primarily driven by payment of other current liabilities outstanding at year-end relating primarily to non-recurring merger costs. In addition, we used cash to fund our accounts receivable reflecting the growth in our business and the timing of our sales.

## **Results of Operations**

Our unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. In the opinion of our management, all adjustments considered necessary for a fair presentation of the unaudited interim consolidated financial statements have been included herein and are of a normal recurring nature. The following discussion compares the actual results (on a GAAP basis) for the quarters ended March 31, 2013 and 2012. We are also providing within this section a supplemental discussion that compares the GAAP results for the quarter ended March 31, 2013 to the results for the quarter ended March 31, 2012 on a pro forma combined basis as if the merger had closed on January 1, 2011. Since the merger actually closed on December 1, 2012, the GAAP results for the quarter ended March 31, 2013 include the combined operations of Stratasys, Inc. and Objet Ltd., but the GAAP results for the quarter ended March 31, 2012 reflect only operations of Stratasys, Inc. Therefore, we believe the pro forma combined information for the quarter ended March 31, 2012 provides useful supplemental information.

The pro forma combined financial information has been prepared in a manner consistent with SEC Regulation S-X, Article 11. The pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the combined operating results or financial position that would have occurred if the merger had been consummated on the date and in accordance with the assumptions described herein, nor is it necessarily indicative of future results of operations or financial position of the combined company

The following table sets forth for the quarter ended March 31, 2012, (a) unaudited historical GAAP combined condensed statement of operations information, which combine the historical GAAP consolidated statements of operations of Stratasys, Inc. and Objet Ltd., and (b) unaudited pro forma condensed combined statements of operations information, which adjust the combined historical GAAP consolidated statements of operations of Stratasys, Inc. and Objet, giving effect to the merger as if it had been consummated on January 1, 2011 in accordance with SEC Regulation S-X, Article 11.

This information has been derived from and should be read in conjunction with the audited consolidated financial statements of Stratasys Ltd. included in the Annual Report on Form 20-F for the year ended December 31, 2012.

(in thousands)

	Quarter ended March 31, 2012		
	GAAP		Pro Forma
	Combined	Adjustments	Combined
Net sales	\$ 83,039	\$ -	\$ 83,039
Cost of sales	36,379	10,433 (a)(b)	46,812
Gross profit	46,660	(10,433)	36,227
Research and development	8,201	871 (b)	9,072
Selling, general and administrative	27,090	6,023 (a)(b)(c)	33,112
Operating income (loss)	11,369	(17,326)	(5,957)
Other income	193	-	193
Income (loss) before taxes	11,562	(17,326)	(5,764)
Income taxes	3,646	(1,036) (d)	2,610
Net income (loss) attributable to			
Stratasys Ltd.	7,916	(16,290)	(8,374)

The specific pro forma adjustments for the quarter ended March 31, 2012 are as follows:

- a) To reflect the amortization of intangible assets arising from the merger. Accordingly, pro forma adjustments for amortization expense have been included as follows (in thousands):

	Quarter ended
	March 31, 2012
Cost of sales—products	\$ 9,824
Selling, general and administrative	2,242

- b) To reflect stock-based compensation expense. Objet stock options were only exercisable upon the consummation of a liquidity event, and accordingly, no stock-based compensation expense had been recognized on outstanding Objet stock options. The merger was a liquidity event and vested options became exercisable at the date of the merger. Under reverse acquisition accounting, Objet stock options are deemed (for accounting purposes only) to be replaced by Stratasys options. The fair value of these replacement options attributed to services to be rendered after the merger date, \$44.7 million, will be included in future stock-based compensation expense. Accordingly, pro forma adjustments to increase stock-based compensation expense have been included as follows (in thousands):

	Quarter ended
	March 31, 2012
Cost of sales—Products	\$ 262
Cost of sales—Services	347
Research and development	871
Selling, general and administrative	4,632

- c) Elimination of transaction costs. Total transaction costs related to the merger of \$851,000 were recorded as an expense in combined selling, general and administrative expenses for the three months ended March 31, 2012. The portion of the costs that were expensed has been removed from selling, general and administrative expenses with a pro forma adjustment for the three months ended March 31, 2012 as these costs relate directly to the transaction and do not have an ongoing impact.
- d) Income tax expense. To reflect the effect of the merger on the (provision) benefit for income taxes (with the exception of non-tax deductible stock-based compensation expense and transaction costs) for the quarter ended March 31, 2012.

The following table sets forth certain statement of operations data on a dollar (in thousands) and as a percentage of net sales basis for the periods indicated.

Three-Month Periods Ended March 31,	GAAP		GAAP		Pro Forma	
	2013		2012		2012	
Net sales	\$ 97,207	100.0%	\$ 44,964	100.0%	\$ 83,039	100.0%
Cost of sales	59,833	61.6%	22,010	49.0%	46,812	56.4%
Gross profit	37,374	38.4%	22,954	51.0%	36,227	43.6%
Research and development	10,789	11.1%	4,352	9.7%	9,072	10.9%
Selling, general and administrative	43,325	44.6%	11,375	25.3%	33,112	39.9%
Operating income	(16,740)	-17.2%	7,227	16.1%	(5,957)	-7.2%
Other income	514	0.5%	296	0.7%	193	0.2%
Income before income taxes	(16,226)	-16.7%	7,523	16.7%	(5,764)	-6.9%
Income taxes	(743)	-0.8%	3,001	6.7%	2,610	3.1%
Net income attributable to Stratasys Ltd.	(15,536)	-16.0%	4,522	10.1%	(8,374)	-10.1%

## Discussion of Results of Operations

### Net Sales

Net sales of our products and services for the quarters ended March 31, 2013 and 2012, as well as the percentage change, were as follows (in thousands):

	GAAP	GAAP	Pro Forma	GAAP	Pro Forma
	2013	2012	Combined	Change	Combined
			2012		Change
Products	\$ 81,810	\$ 37,546	\$ 71,241	117.9%	14.8%
Services	15,397	7,418	11,798	107.6%	30.5%
	<u>\$ 97,207</u>	<u>\$ 44,964</u>	<u>\$ 83,039</u>	116.2%	17.1%

### Product Revenues

Revenues derived from products in the first quarter of 2013 increased by \$44.3 million, or 117.9%, as compared to the first quarter of 2012. The number of systems shipped increased by 42.1% to 1,168 units as compared to 822 units shipped in 2012. The increases in both revenue and number of systems shipped primarily reflects the results of the first full quarter of combined operations of our companies after the merger.

Revenues derived from products in the first quarter of 2013 increased by \$10.6 million, or 14.8%, as compared to pro forma combined products revenues in the first quarter of 2012. The increase was primarily attributable to sales growth in systems and consumables. The number of systems shipped increased by 4.8%, to 1,168 units as compared to 1,115 units shipped in pro forma combined 2012. The units shipped in 2012 benefited from 238 units shipped pursuant to our OEM agreement with Hewlett-Packard Corporation (“HP”) that was terminated effective December 31, 2012. These increases reflect strong unit sales of our higher-priced Production and Design series systems. The demand for these high-performance systems has been driven by the development of new DDM applications for our Fortus systems and the continued adoption of our Connex systems for complex prototyping using a wide range of materials with diverse mechanical and physical properties. In addition, systems sales increased due to the increased market penetration of our entry-level Idea series systems that also benefited from the introduction of the Mojo 3D printer in the second quarter of 2012. System sales in the first quarter of 2013 included approximately \$6.0 million in revenue related to the sale of demo units to our channel partners. These demo system sales are an important part of our reseller cross-training program that is aimed at combining the sales channel and promoting the complementary product lines. Growth in system sales was offset by a \$1.0 million non-cash reduction in revenue due to amortization of purchase accounting adjustments related to the merger.

Consumables revenue in the first quarter of 2013 increased by 158.4% as compared to consumables revenues in the first quarter of 2012. This increase primarily reflects the results of the first full quarter of combined operations of our companies after the merger.

Consumables revenue in the first quarter of 2013 increased by 17.9% as compared to pro forma combined consumables revenues in the first quarter of 2012, driven by an acceleration in customer usage and our growing installed base of systems. The strong Production series and high-end Design series system sales in prior periods contributed to strong consumables sales growth given their relatively higher consumable utilization rates. We believe that the continued strength in the Production series and high-end Design series system sales and our growing installed base of systems are positive indicators of consumables revenue growth in future periods.

### ***Service Revenue***

Revenues from our service offerings in the first quarter of 2013 increased by \$8.0 million, or 107.6%, as compared to the first quarter of 2012. The increase in service revenue primarily reflects the results of the first full quarter of combined operations of our companies after the merger.

Revenues from our service offerings in the first quarter of 2013 increased by \$3.6 million, or 30.5%, as compared to pro forma combined service revenues in the first quarter of 2012. The increase in service revenues is attributable to increased revenue from maintenance contracts and service parts, reflecting our growing base of installed systems. Revenue from our RedEye paid parts service in the first quarter of 2013 increased by 41.2% as compared to the first quarter of 2012 primarily due to an increased demand for large and complex production parts and the continued development of our sales channels.

### ***Revenue by Region***

Net sales and the percentage of net sales by region for the quarters ended March 31, 2013 and 2012, as well as the percentage change were as follows (in thousands):

	<b>GAAP 2013</b>		<b>GAAP 2012</b>		<b>Pro Forma Combined 2012</b>		<b>GAAP Change</b>	<b>Pro Forma Combined Change</b>
North America	\$ 48,850	50.3%	\$ 22,147	49.3%	\$ 40,214	48.4%	133.8%	28.8%
Europe	27,373	28.2%	14,875	33.1%	26,375	31.8%	68.6%	-4.9%
Asia Pacific	19,719	20.3%	7,194	16.0%	14,397	17.3%	165.1%	32.5%
Other	1,265	1.3%	748	1.6%	2,053	2.5%	69.1%	-38.4%
	<u>\$ 97,207</u>	<u>100.0%</u>	<u>\$ 44,964</u>	<u>100.0%</u>	<u>\$ 83,039</u>	<u>100.0%</u>	<u>116.2%</u>	<u>217.1%</u>

Revenue in all regions increased in the first quarter of 2013, as a result of strong sales growth in systems and consumables. In addition, the increase in revenue reflects the results of the merger in December 2012.

## Gross Profit

Gross profit for our products and services for the quarters ended March 31, 2013 and 2012, as well as the percentage change, was as follows (in thousands):

Gross profit attributable to:	GAAP	GAAP	Pro Forma	GAAP	Pro Forma
	2013	2012	Combined 2012	Change	Combined Change
Products	\$ 32,767	\$ 19,735	\$ 32,815	66.0%	-0.1%
Services	4,607	3,219	3,412	43.1%	35.0%
	<u>\$ 37,374</u>	<u>\$ 22,954</u>	<u>\$ 36,227</u>	62.8%	3.2%

Gross profit as a percentage of sales for our products and services for the quarters ended March 31, 2013 and 2012, as well as the percentage change from year to year, was as follows:

Gross profit as a percentage of revenues from:	GAAP	GAAP	Pro Forma	GAAP	Pro Forma
	2013	2012	Combined 2012	Change	Combined Change
Products	40.1%	52.6%	46.1%	-23.8%	-13.0%
Services	29.9%	43.4%	28.9%	-31.1%	3.5%
Total gross profit	38.4%	51.1%	43.6%	-24.7%	-11.9%

Gross profit from product sales in the first quarter of 2013 increased by \$13.0 million, or 66.0%, as compared to the first quarter of 2012, due to the increase in sales discussed above. Gross profit as a percentage of related product sales in the first quarter of 2013 decreased by 12.5 percentage points as compared to the first quarter of 2012. The changes in gross profit from products and gross profit as a percentage of related sales primarily reflects the results of the merger in December 2012, which resulted in an expense of \$19.3 million in amortization of intangible assets for the first quarter of 2013.

Gross profit from product sales in the first quarter of 2013 remained essentially unchanged as compared to pro forma combined gross profit from product sales in the first quarter of 2012. Gross profit as a percentage of related product sales in the first quarter of 2013 decreased by 6.0 percentage points as compared to pro forma combined results for the first quarter of 2012. The changes in gross profit from products and gross profit as a percentage of related product sales primarily reflects the results of the merger in December 2012, which resulted in an expense of \$19.3 million in amortization of intangible assets for the first quarter of 2013 and an expense of \$9.8 million in amortization of intangible assets for the pro forma combined results of operations for the first quarter of 2012. The effect of amortization expense on gross profit from products and gross profit as a percentage of related product sales was partially offset by increased systems and consumables sales volume to cover fixed overhead, a product mix that favored our higher-margin Production series and high-end Design series systems and strong growth in our high-margin consumables sales.

Gross profit from services in the first quarter of 2013 increased by \$1.4 million, or 43.1%, as compared to the first quarter of 2012. Gross profit as a percentage of related service sales in the first quarter of 2013 decreased by 13.5 percentage points as compared to the first quarter of 2012. The change in gross profit and gross profit as a percentage of related service sales primarily reflects the results of the first full quarter of combined operations of our companies and their differing service margins after the merger.

Gross profit from services in the first quarter of 2013 increased by \$1.2 million, or 35.0%, as compared to pro forma combined gross profit from services in the first quarter of 2012. Gross profit as a percentage service revenues in the first quarter of 2013 increased by 1.0 percentage point as compared to the first quarter of 2012. The changes in gross profit from services and gross profit as a percentage of related sales primarily reflects strong growth in our customer service maintenance contracts and spare parts sales. In addition, our RedEye paid parts service experienced an increase in the average sales price of parts which was driven by the demand for large and complex production parts.

## Operating Expenses

The amount of each type of operating expense for the quarters ended March 31, 2013 and 2012, as well as the percentage change between such quarterly periods, and total operating expenses as a percentage of our total sales in each such quarterly period, was as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined 2012	GAAP Change	Pro Forma Combined Change
Research and development	\$ 10,789	\$ 4,352	\$ 9,072	147.9%	18.9%
Selling, general & administrative	43,325	11,375	33,112	280.9%	30.8%
	<u>\$ 54,114</u>	<u>\$ 15,727</u>	<u>\$ 42,184</u>	244.1%	28.3%
Percentage of Sales	55.7%	35.0%	50.8%		

Research and development expenses for the first quarter of 2013 increased by 147.9% as compared to the first quarter of 2012. The increase primarily reflects the results of the first full quarter of combined operations of our companies after the merger. Research and development expenses for the first quarter of 2013 increased by 18.9% as compared to pro forma combined research and development expenses for the first quarter of 2012. The increase was driven primarily by increased investment in new product initiatives and an increase in headcount to support these initiatives. Research and development expense as a percentage of sales increased from 55.7% in the first quarter of 2013 as compared to 50.8% in the first quarter of 2012. This increase reflects our intention to continue to invest in research and development efforts, which focus on enhancing our AM technologies and developing consumables that offer an even broader array of physical, mechanical and aesthetic properties, aimed at broadening user applications. The increase was partially offset by an increase in research and development expense reimbursements received in connection with our collaborative agreements discussed below.

We have agreements with two manufacturing companies under which we jointly advance certain of our proprietary technology with each of those two companies. The agreements entitle us to receive reimbursement payments of costs actually incurred under joint development projects. During the quarters ended March 31, 2013 and 2012 approximately \$1.0 million and \$150,000, respectively, of research and development expenses were offset by payments that we received from these companies.

Selling, general and administrative expenses for the first quarter 2013 increased by 280.9% as compared to the first quarter of 2012. The increase primarily reflects the results of the first full quarter of combined operations of our companies after the merger, which included \$3.7 million in stock compensation expense and \$5.3 million in amortization expense related to intangible assets for the first quarter of 2013.

Selling, general and administrative expenses for the first quarter of 2013 increased by 30.8% as compared to pro forma combined selling, general and administrative expenses for the first quarter of 2012. The increase was primarily due to significant legal, advisory and integration expenses related to the merger, changes in our product distribution strategy involving independent sales agents and indirect channels involving resellers, which resulted in increased sales commissions, expenses for strategic and marketing initiatives aimed at increasing our market presence and an increase in administrative expenses and headcount to support our growth. In addition, the increase was due to the inclusion of \$3.7 million in stock compensation expense and \$5.3 million in amortization expense related to intangible assets for the first quarter of 2013 as compared to \$4.6 million in stock compensation expense and \$2.3 million in amortization expense related to intangible assets for the pro forma combined first quarter of 2012.

## Operating Income (Loss)

Operating income (loss) and operating income (loss) as a percentage of our total revenues for the quarters ended March 31, 2013 and 2012, as well as the percentage change in operating income (loss) between those quarters, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined 2012	GAAP Change	Pro Forma Combined Change
Operating income (loss)	\$ (16,740)	\$ 7,227	\$ (5,957)	-331.6%	-181.0%
Percentage of sales	-17.2%	16.1%	-7.2%		

Operating income for the first quarter of 2013 decreased by \$24.0 million, or 331.6%, as compared to the first quarter of 2012. The decrease in operating income was primarily attributable to an expense of \$23.6 million from amortization of intangible assets and to stock compensation expense of \$5.2 million related to acquired Objet stock options. Operating income for the first quarter of 2013 decreased by \$10.8 million, or 181.0%, as compared to pro forma combined operating income for the first quarter of 2012 primarily due to the inclusion of amortization expense of \$12.1 million from intangible assets and a stock compensation expense of \$6.1 million related acquired Objet stock options in the pro forma combined operating income for the first quarter of 2012. The effect of amortization expense on operating income was partially offset by the increased systems, consumables and service sales discussed above.

### Income Taxes (Benefit)

Income taxes (benefit) and income taxes (benefit) as a percentage of net income (loss) before taxes for the quarters ended March 31, 2013 and 2012, as well as the percentage change in income taxes between those quarters, were as follows (in thousands):

	<b>GAAP 2013</b>	<b>GAAP 2012</b>	<b>Pro Forma Combined 2012</b>	<b>GAAP Change</b>	<b>Pro Forma Combined Change</b>
Income taxes (benefit)	\$ (743)	\$ 3,001	\$ 2,610	-124.8%	-128.5%
As a percent of income before income taxes	4.6%	39.9%	-45.3%		

The effective tax rate of 4.6% on the loss before income taxes for the quarter ended March 31, 2013 was lower as compared to the 39.9% effective rate on the income before income taxes for the same prior-year period. The decrease is primarily due to the lower tax rate on earnings (losses) in Israel as well as the tax benefit as a result of the realization of the deferred tax liability associated with the amortization of the intangible assets. Also, the federal research credit was reinstated on January 2, 2013, so the entire 2012 credit of approximately \$0.4 million, as well as the credit for the quarter ended March 31, 2013 of \$0.1 million was recorded in the quarter ended March 31, 2013. The federal research credit had expired on December 31, 2011 and, therefore, was not considered in computing the effective rate for the quarter ended March 31, 2012.

### Net Income (Loss) Attributable to Stratasys Ltd.

Net income (loss) and net income (loss) as a percentage of our total revenues for the quarters ended March 31, 2013 and 2012, as well as the percentage change in net income (loss) between those quarters, were as follows (in thousands):

	<b>GAAP 2013</b>	<b>GAAP 2012</b>	<b>Pro Forma Combined 2012</b>	<b>GAAP Change</b>	<b>Pro Forma Combined Change</b>
Net income (loss) attributable to Stratasys Ltd.	\$ (15,536)	\$ 4,522	\$ (8,374)	-443.6%	85.5%
Percentage of sales	-16.0%	10.1%	-10.1%		

For the reasons cited previously in this operating and financial review and prospects section, our net income (loss) for the quarter ended March 31, 2013 was lower than the first quarter of the prior year.

## Supplemental Operating Results on a Non-GAAP Basis

### Results of Operations Data on a Non-GAAP and Pro Forma Non-GAAP Basis

The following tables sets forth certain unaudited historical non-GAAP data for the quarter ended March 31, 2013 and unaudited pro forma non-GAAP combined data for the quarter ended March 31, 2012 (in thousands).

	2013	2012
	Non-GAAP	Pro Forma Non-GAAP
Gross profit	\$ 57,909	\$ 47,096
Operating income	20,302	16,458
Net income attributable to Stratasy Ltd.	17,580	12,588

The following table sets forth certain unaudited historical non-GAAP data for the quarter ended March 31, 2013 and unaudited pro forma non-GAAP combined data for the quarter ended March 31, 2012.

	2013	2012
	Non-GAAP	Pro Forma Non-GAAP
Net sales	100.0%	100.0%
Gross profit	59.0%	56.7%
Operating income	20.7%	19.8%
Net income attributable to Stratasy Ltd.	17.9%	15.2%

The foregoing pro forma non-GAAP data, which exclude the categories of expenses described below, are non-GAAP financial measures. Our management believes that these non-GAAP financial measures are useful information for investors and shareholders of our company in gauging our results of operations (x) on an ongoing basis after the merger, when the exceptional expenses related to the merger and to Objet's proposed IPO, as well as merger integration costs will not recur, and (y) excluding non-cash charges for share-based compensation and amortization of intangible assets, which do not reflect actual cash outlays that impact our liquidity or our financial condition, as assessed by management. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management assesses our performance. The limitations of using these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all events during a period, such as the effects of merger-related, non-cash compensation and other charges, and may not provide a comparable view of our performance to other companies in our industry. The presentation of these non-GAAP measures is not meant to be considered in isolation or as an alternative to any measure of financial performance calculated in accordance with GAAP.

### Discussion of Results of Operations on Non-GAAP Basis

#### Gross Profit

Gross profit for the quarters ended March 31, 2013 and 2012, gross profit as a percentage of sales, as well as the percentage change, were as follows (in thousands):

	2013	2012	Change
	Non-GAAP	Pro Forma Non-GAAP	
Gross profit	\$ 57,909	\$ 47,096	23.0%
Percentage of sales	59%	57%	

Non-GAAP gross profit for the first quarter of 2013 increased by \$10.8 million, or 23.0%, as compared to the first quarter of 2012. The increase was primarily attributable to sales growth in systems and consumables. The number of systems shipped increased by 4.8%, to 1,168 units as compared to 1,115 units shipped in the first quarter of 2012 on a pro forma combined basis. The units shipped in 2012 included 238 units related to our OEM agreement with HP that was terminated effective December 31, 2012. The increase in system sales in the first quarter of 2013 reflects strong unit sales of our higher-priced Production and Design series systems and increased market penetration of our entry-level Idea series systems as discussed above. Consumables revenue in the first quarter of 2013 increased by 17.9% as compared to pro forma combined consumables revenue in the first quarter of 2012, driven by an acceleration in customer usage and our growing installed base of



Non-GAAP gross profit as a percentage of sales increased as compared to the first quarter of 2012 primarily due to increased systems and consumables sales volume to cover fixed overhead, a product mix that favored our higher-margin Production series and high-end Design series systems and strong growth in our high-margin consumables sales.

## Operating Income

Operating income and operating income as a percentage of our total revenues for the quarters ended March 31, 2013 and 2012, as well as the percentage change in operating income between those quarters, were as follows (in thousands):

	2012		
	2013	Pro Forma	Change
	Non-GAAP	Non-GAAP	
Operating income	\$ 20,302	\$ 16,458	23.4%
Percentage of sales	20.7%	19.8%	

Non-GAAP operating income in 2013 increased by \$3.8 million, or 23.4%, as compared to pro forma combined 2012. The increase in operating income was primarily due to the increase in sales and gross profit discussed above. The increase in operating income attributable to sales growth was partially offset by an increase in operating expenses related to research and development initiatives, changes in our product distribution strategy involving independent sales agents and indirect channels involving resellers, which resulted in increased sales commissions, expenses for strategic initiatives to increase our market presence by intensifying marketing efforts and an increase in administrative expenses and headcount to support our growth. The growth in operating income as a percentage of sales as compared to the prior year reflects our ability to leverage fixed costs and grow sales faster than operating expenses.

## Net Income Attributable to Stratasys Ltd.

Net income and net income as a percentage of our total revenues for the quarters ended March 31, 2013 and 2012, as well as the percentage change in net income between those quarters, were as follows:

	2012		
	2013	Pro Forma	Change
	Non-GAAP	Non-GAAP	
Net income attributable to Stratasys Ltd.	\$ 17,580	\$ 12,588	39.7%
Percentage of sales	17.9%	15.2%	

Non-GAAP net income for the first quarter of 2013 increased by \$5.0 million, or 39.7%, as compared to pro forma combined for the first quarter of 2012. In addition to the factors discussed above, net income increased as compared to the first quarter of the prior year primarily due to a decrease in the effective tax rate. The decrease is primarily due to the lower tax rate on earnings in Israel. In addition, the federal research credit was reinstated on January 2, 2013, so the entire 2012 credit of approximately \$0.4 million, as well as the credit for the quarter ended March 31, 2013 of \$0.1 million was recorded in the quarter ended March 31, 2013. The federal research credit had expired on December 31, 2011 and, therefore, was not considered in computing the effective rate for the quarter ended March 31, 2012.

A significant portion of our income after the December 1, 2012 merger date will be taxed in Israel. We expect to realize significant tax savings based on the determination that some of our industrial projects that have been granted "Approved Enterprise" and "Privileged Enterprise" status, which provides certain benefits, including tax exemptions for undistributed income and reduced tax rates. In addition, we are a Foreign Investors Company and Industrial Company as defined by the Israeli Investment Law, which entitles us to further reductions in the tax rate normally applicable to Approved Enterprises and Privileged Enterprises, depending on the level of foreign ownership, and certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual instalments and amortization of other intangible property rights for tax purposes.

The entitlement to the above benefits is conditional upon our fulfilling the conditions stipulated by the Investment Law and related regulations. Should we fail to meet such requirements in the future, income attributable to our Approved Enterprise and Privileged Enterprise programs could be subject to the statutory Israeli corporate tax rate and we could be required to refund a portion of the tax benefits already received with respect to such programs.

For additional information relating to the Israeli tax benefits that we expect to receive, please refer to “Israeli Tax Considerations and Government Programs” in Item 4.B of our annual report on Form 20-F for the year ended December 31, 2012.

## Reconciliation of Pro Forma GAAP and Pro Forma Non-GAAP Results of Operations

(in thousands)

					<b>2012</b>	
	<b>2013</b>	<b>Non-GAAP</b>	<b>2013</b>	<b>2012</b>	<b>Non-GAAP</b>	<b>Pro Forma</b>
	<b>2013</b>	<b>Adjustments</b>	<b>Non-GAAP</b>	<b>Pro Forma</b>	<b>Adjustments</b>	<b>Non-GAAP</b>
Gross profit (1)	\$ 37,374	\$ 20,535	\$ 57,909	\$ 36,227	\$ 10,869	\$ 47,096
Operating income (loss) (1,2)	(16,740)	37,042	20,302	(5,957)	22,415	16,458
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(15,536)	33,116	17,580	(8,374)	20,962	12,588
(1) Acquired Objet intangible assets amortization expense		18,326			9,824	
Acquired Solidscape intangible assets amortization expense		436			436	
Non-cash stock-based compensation expense		634			609	
Fair value of Objet deferred revenue pre- merger		1,015				
Merger related expense		124				
		<u>20,535</u>			<u>10,869</u>	
(2) Acquired Objet intangible assets amortization expense		5,328			2,242	
Acquired Solidscape intangible assets amortization expense		133			133	
Non-cash stock-based compensation expense		4,857			5,984	
Solidscape acquisition expense		-			130	
Merger related expense		6,189			3,057	
		<u>16,507</u>			<u>11,546</u>	
		<u>37,042</u>			<u>22,415</u>	
(3) Tax expense related to adjustments		(3,886)			(1,453)	
Depreciation and amortization expense attributable to non-controlling interest		(40)				
		<u>\$ 33,116</u>			<u>\$ 20,962</u>	

## Liquidity and Capital Resources

A summary of our statement of cash flows for the quarters ended March 31 2013 and 2012 is as follows (in thousands):

	2013	2012
Net income	\$ (15,483)	\$ 4,522
Depreciation and amortization	29,328	2,649
Deferred income taxes	(3,875)	-
Stock-based compensation	5,490	481
Excess tax benefit from stock options	(986)	(191)
Loss on amount funded in respect of employees' rights upon retirement	(79)	-
Change in working capital and other	(26,647)	(583)
Net cash provided by (used in) operating and other activities	(12,252)	6,878
Net cash from provided by (used in) investing activities	(60,593)	(3,666)
Net cash provided by financing activities	4,593	1,006
Effect of exchange rate changes on cash	(69)	118
Net increase (decrease) in cash and cash equivalents	(68,321)	4,336
Cash and cash equivalents, beginning of year	133,826	20,092
Cash and cash equivalents, end of year	<u>\$ 65,505</u>	<u>\$ 24,428</u>

Our cash and cash equivalents balance decreased by \$68.3 million to \$65.5 million at March 31, 2013 from \$133.8 million at December 31, 2012. The decrease was primarily due to \$60.6 million of cash used in investing activities, which reflected the purchase of short term deposits, property and equipment and intangibles. In addition, cash used in operating activities was \$12.3 million.

### *Cash flow from operating activities*

We had a \$12.3 million deficit in cash from operating activities during the three months ended March 31, 2013. The net loss of \$15.5 million was favorably adjusted due to non-cash charges of \$29.3 million in depreciation and amortization and a stock-based compensation expense of \$5.5 million. Non-cash charges that unfavorably affected cash from operating activities were a \$3.9 million deferred tax benefit and a \$1.0 million excess tax benefit from stock option exercises. Changes in working capital using cash from operations included a \$9.7 million increase in accounts receivable due to strong order flow and the merger and an increase in inventory of \$7.1 million in anticipation of strong order flow expected as a result of the merger. In addition, a decrease in accounts payable and other current liabilities primarily driven by an overall increase in operating expenses and timing of payments for merger related expenses resulted in cash used in operating activities of \$13.8 million. Changes in working capital providing cash from operations included a \$3.0 million increase in unearned revenues and a \$1.2 million decrease in prepaid expenses.

We generated \$6.9 million in cash from operating activities during the three months ended March 31, 2012, primarily driven by net income of \$4.5 million. Net income was favorably adjusted due to non-cash charges of \$2.6 million in depreciation and amortization and a stock-based compensation expense of \$0.5 million. Non-cash charges that unfavorably affected cash provided by operating activities were related to the excess tax benefits on stock option exercises of \$0.2 million. Changes in working capital using cash from operations included a \$1.9 million increase in accounts receivable due to strong order flow and a \$0.6 million increase in receivables from sales-type leases reflecting strong sales growth and continued success of our leasing program. Changes in working capital providing cash from operations included a \$0.8 million increase in unearned revenues and a \$0.6 million decrease in prepaid expenses.

### *Cash flow from investing activities*

Our investing activities used cash of \$60.6 million and \$3.7 million in the three months ended March 31, 2013 and 2012, respectively.

Property and equipment acquisitions, net of sales, totaled \$5.0 million and \$2.5 million in the three months ended March 31, 2013 and 2012, respectively. Our principal property and equipment acquisitions were for manufacturing or engineering development equipment, tooling, property, leasehold improvements and the acquisition of computer systems and software applications. Payments for intangible assets, including patents and capitalized software, amounted to \$252,000 and \$706,000 in the three months ended March 31, 2013 and 2012, respectively.

In the three months ended March 31, 2013, \$55.3 million was used in the purchasing of short-term bank deposits. In the three months ended March 31, 2012, \$0.5 million for investing activities was used in the purchasing of investments, net of sale and maturity of investments and redemption of short-term bank deposits.



### ***Cash flow from financing activities***

Proceeds from the exercise of stock options and the related excess tax benefit provided cash of \$4.6 million and \$1.0 million in the three months ended March 31, 2013 and 2012, respectively.

### ***Capital resources and capital expenditures***

Our total current assets amounted to \$317.2 million at March 31, 2013, most of which consisted of cash and cash equivalents, short-term bank deposits, accounts receivable, and inventories. Total current liabilities amounted to \$83.6 million. We believe that we will have adequate cash and cash generated from operating activities to fund our ongoing operations for the next 12 months. We may make investments in fixed assets, process improvements, information technology, or IT, and human resource development activities that will be required for future growth. We estimate that we will spend between approximately \$35.0 million and \$45.0 million in 2013 for property and equipment.

As part of our business strategy, we plan to consider and, as appropriate, make acquisitions of other businesses, products, product rights or technologies. Our cash reserves and other liquid assets may be inadequate to consummate such acquisitions and it may be necessary for us to issue stock or raise substantial additional funds in the future to complete future transactions. In addition, as a result of our acquisition efforts, we are likely to experience significant charges to earnings and significant cash outflows for merger and related expenses (whether or not our efforts are successful) that may include transaction costs, closure costs or costs of restructuring activities.

### **Critical Accounting Policies**

We have prepared our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America. This has required us to make estimates, judgments, and assumptions that affected the amounts we reported. Actual results may differ from those estimates. To facilitate the understanding of our business activities, certain accounting policies that are important to the presentation of our financial condition and results of operations and the require management's subjective judgments are described in our Annual Report on Form 20-F for the year ended December 31, 2012. We base our judgments on our experience and various assumptions that we believe to be reasonable under the circumstances.

### **Forward-looking Statements and Factors That May Affect Future Results of Operations**

Certain information included or incorporated by reference in this report on Form 6-K may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, statements that contain projections of results of operations or of financial condition and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. We have based these forward-looking statements on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- our ability to efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger;
- the overall global economic environment;
- the impact of competition and new technologies;
- general market, political and economic conditions in the countries in which we operate;
- projected capital expenditures and liquidity;
- changes in our strategy;



- government regulations and approvals;
- changes in customers' budgeting priorities;
- litigation and regulatory proceedings; and
- those factors referred to in Item 3.D "Key Information - Risk Factors", Item 4 "Information on the Company", and Item 5 "Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2012, as well as in this annual report generally.

Readers are urged to carefully review and consider the various disclosures made throughout this report on Form 6-K and our Annual Report on Form 20-F for the year ended December 31, 2012, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Any forward-looking statements in this report on Form 6-K are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT RISK**

Reference is made to "Quantitative and Qualitative Disclosures About Market Risk" (Item 11) in our Annual Report on Form 20-F for the year ended December 31, 2012.

## **LEGAL PROCEEDINGS**

We are subject to various litigation and other legal proceedings. For a discussion of certain of these matters that we deem to be material to the Company, see "Contingencies," Note 10 to the consolidated financial statements included in this report.

## **SIGNATURE**

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

Stratasys Ltd.  
(Registrant)

Date: May 13, 2013

By: /S/ Erez Simha

Name: **Erez Simha**

Title: **Chief Financial Officer**



May 13, 2013

## Stratasys Reports Record Financial Results for the First Quarter of 2013

*First quarter non-GAAP earnings increase 40% over last year to \$0.43 per share*

*Company reports a first quarter GAAP loss of (\$0.40) per share*

*Stratasys reaffirms 2013 Revenue and EPS Guidance*

MINNEAPOLIS & REHOVOT, Israel--(BUSINESS WIRE)-- Stratasys Ltd. (NASDAQ: SSYS) today announced record financial results for the first quarter of 2013.

### Q1 Financial Results Summary:

- Non-GAAP revenue of \$98.2 million for the first quarter of 2013 represents an 18% organic increase over the \$83.0 million pro forma revenue recorded for the same period last year after giving effect to our merger as though it closed on January 1, 2012.
- GAAP revenue for the first quarter was \$97.2 million, which includes the impact of amortization expense on deferred revenue intangible assets related to the merger.
- Non-GAAP net income of \$17.6 million for the first quarter, or \$0.43 per diluted share, represents a 40% increase over the pro forma non-GAAP \$12.6 million, or \$0.32 per diluted share, reported for the same period last year.
- GAAP net income for the first quarter was a loss of \$15.5 million, or (\$0.40) per share, versus a pro forma loss of \$8.4 million, or (\$0.23) per share, for the same period last year.
- Non-GAAP gross margins improved to 59% for the first quarter from a pro forma non-GAAP 56.7% in the first quarter last year.
- GAAP gross margins declined to 38.4% for the first quarter from a pro forma 43.6% in the first quarter last year.
- The Company invested a net amount of \$10.8 million in R&D expense during the first quarter, representing 11% of sales.
- On a combined basis, the Company has shipped a cumulative 30,984 systems worldwide as of March 31, 2013.

"Our record first quarter results reflect a continuation of the strong worldwide demand we are observing for our innovative products and services," said David Reis, chief executive officer of Stratasys. "Strong sales of our higher-margin products help drive a significant increase in non-GAAP gross margin, and a 40% increase in non-GAAP net income in the first quarter over last year. We are pleased with our strong start to 2013."

### Q1 Business Highlights:

- Completed the second phase of Stratasys reseller cross-training ahead of schedule, with 112 channel partners now cross-trained, representing approximately 80% of the Company's potential worldwide revenue.
- Progressed according to plan in the sales, marketing and service team integration that resulted from the merger of Stratasys, Inc. and Objet Ltd.
- Launched a combined post-merger web and social media strategy that includes an integrated web site and social media channels.
- Initiated a merger-related re-branding campaign to increase the awareness and value proposition of Stratasys among "C" level business professionals.
- Launched the first 3D printer designed especially for smaller orthodontic labs and clinics - Objet30 OrthoDesk.

Following completion of the merger between Stratasys, Inc. and Objet Ltd., Stratasys benefits from a global network of more than 260 resellers and independent sales agents that sell Stratasys products and services worldwide. In addition, Stratasys is continuing to implement a comprehensive integration plan, which includes a cross-training program to enable its resellers and sales agents network to market and sell the combined product and service portfolio.

"Our plan to integrate the combined sales and marketing organization that resulted from our game-changing merger is ahead of schedule," continued Reis. "Channel partners representing the vast majority of our potential revenue have been cross-trained and are now selling the Company's combined product and service portfolio. New customer and cross-selling opportunities have begun to result from this initiative."

## Financial Guidance

Stratasys confirmed the following financial guidance for the fiscal year ending December 31, 2013:

- Revenue guidance of \$430 million to \$445 million.
- Non-GAAP earnings guidance of \$1.80 to \$1.95 per diluted share.
- GAAP earnings guidance of a (\$0.41) to (\$0.16) per share loss.

Non-GAAP earnings guidance excludes \$60.5 million of projected amortization of intangible assets; \$20.5 million to \$23.0 million of share-based compensation expense; and \$7.2 million to \$8.8 million in merger-related expenses. Stratasys also expects to record significant one-time integration expenses as a result of infrastructure alignment and brand unification in 2013.

Revenue growth is expected to be relatively stronger toward the end of the year as Stratasys progresses with its integration plan and realizes revenue synergies from selling the combined product portfolio.

Appropriate reconciliations between GAAP and non-GAAP financial measures are provided in a table at the end of this press release. The table provides itemized detail of the non-GAAP financial measures.

"We are thrilled by our record results for the first quarter. Although merger-related integration will remain a focus in 2013, our leading priorities remain serving our customers and investing in future growth. We remain excited about the many opportunities we see developing for Stratasys and our innovative products," Reis concluded.

## Stratasys Ltd. Q1-2013 Conference Call Details

Stratasys will hold a conference call to discuss its first quarter financial results on Monday, May 13, 2013 at 8:30 a.m. (ET).

The investor conference call will be available via live webcast on the Stratasys Web site at [www.stratasys.com](http://www.stratasys.com) under the "Investors" tab; or directly at the following web address: <http://www.media-server.com/m/p/usbmvg9b>.

To participate by telephone, the domestic dial-in number is 877-415-3182 and the international dial-in is 857-244-7325. The access code is 29258434. Investors are advised to dial into the call at least ten minutes prior to the call to register.

The webcast will be available for 90 days on the "Investors" page of the Stratasys Web site or by accessing the provided web address.

(Financial tables follow)

## Cautionary Statement Regarding Forward-Looking Statements

Certain information included or incorporated by reference in this press may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified. These forward-looking statements may include, but are not limited to, statements relating to the Company's objectives, plans and strategies, statements that contain projections of results of operations or of financial condition and all statements (other than statements of historical facts) that address activities, events or developments that the Company intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. The Company has based these forward-looking statements on assumptions and assessments made by its management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things: the Company's ability to efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger; the overall global economic environment; the impact of competition and new technologies; general market, political and economic conditions in the countries in which the Company operates; projected capital expenditures and liquidity; changes in

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the Company's strategy; government regulations and approvals; changes in customers' budgeting priorities; litigation and regulatory proceedings; and those factors referred to under "Risk Factors", "Information on the Company", "Operating and Financial Review and Prospects", and generally in the Company's annual report on Form 20-F for the year ended December 21, 2012 filed with the U.S. Securities and Exchange Commission and in other reports that the Company has filed with the SEC. Readers are urged to carefully review and consider the various disclosures made in the Company's SEC reports, which are designed to advise interested parties of the risks and factors that may affect its business, financial condition, results of operations and prospects. Any forward-looking statements in this press release are made as of the date hereof, and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

#### Non-GAAP Discussion Disclosure

The information discussed within this release includes financial results and projections that are in accordance with accounting principles generally accepted in the United States (GAAP). In addition, certain non-GAAP financial measures have been provided that exclude certain charges, expenses and income. The non-GAAP measures should be read in conjunction with the corresponding GAAP measures and should be considered in addition to, and not as an alternative or substitute for, the measures prepared in accordance with GAAP. The non-GAAP financial measures are provided in an effort to provide information that investors may deem relevant to evaluate results from the Company's core business operations and to compare the Company's performance with prior periods. The non-GAAP financial measures primarily identify and exclude certain discrete items, such as transaction-related expenses, amortization expenses and expenses associated with share-based compensation required under ASC 718. The Company uses these non-GAAP financial measures for evaluating comparable financial performance against prior periods.

This release is available on the Stratasys web site at [www.stratasys.com](http://www.stratasys.com).

**Stratasys Ltd.** (Nasdaq: SSYS) is the corporate entity formed in 2012 by the merger of 3D printing companies Stratasys Inc. and Objet Ltd., based in Minneapolis, Minn. and Rehovot, Israel. Stratasys manufactures 3D printers and materials for prototyping and production. The company's patented FDM<sup>®</sup> and PolyJet<sup>®</sup> processes produce prototypes and manufactured goods directly from 3D CAD files or other 3D content. Systems include affordable desktop 3D printers for idea development, a range of systems for prototyping, and large production systems for direct digital manufacturing. Since June 2012, the company's range of over 130 3D printing materials has been the widest in the industry and includes more than 120 proprietary inkjet-based photopolymer materials and 10 proprietary FDM-based thermoplastic materials. Stratasys also manufactures Solidscape 3D Printers and operates the RedEye On Demand digital-manufacturing service. The company has more than 1100 employees, holds more than 500 granted or pending additive manufacturing patents globally, and has received more than 20 awards for its technology and leadership. Online at: [www.stratasys.com](http://www.stratasys.com) or <http://blog.stratasys.com>.

#### Stratasys Ltd.

#### Consolidated Statements of Operations

*(in thousands, except per share data)*

	Three Months Ended March 31,	
	2013 (unaudited)	2012 (unaudited)
<b>Net sales</b>		
Products	\$ 81,810	\$ 37,546
Services	15,397	7,418
	<u>97,207</u>	<u>44,964</u>
<b>Cost of sales</b>		
Products	49,043	17,811
Services	10,790	4,199
	<u>59,833</u>	<u>22,010</u>
<b>Gross profit</b>	<u>37,374</u>	<u>22,954</u>
<b>Operating expenses</b>		
Research and development, net	10,789	4,352

Selling, general and administrative	43,325	11,375
	<u>54,114</u>	<u>15,727</u>
<b>Operating income (loss)</b>	<u>(16,740)</u>	<u>7,227</u>
<b>Other income (expense)</b>	514	296
<b>Income (loss) before income taxes</b>	<u>(16,226)</u>	<u>7,523</u>
Income taxes (benefit)	<u>(743)</u>	<u>3,001</u>
<b>Net income (loss)</b>	<b>\$ (15,483)</b>	<b>\$ 4,522</b>
Net income attributable to non-controlling interest	<u>\$ 53</u>	<u>\$ -</u>
<b>Net income (loss) attributable to Stratasys Ltd.</b>	<b><u>\$ (15,536)</u></b>	<b><u>\$ 4,522</u></b>
<b>Net income (loss) per ordinary share attributable to Stratasys Ltd.</b>		
Basic	\$ (0.40)	\$ 0.21
Diluted	(0.40)	0.21
<b>Weighted average ordinary shares outstanding</b>		
Basic	38,494	21,266
Diluted	38,494	21,802

**Stratasys Ltd.**

**Consolidated Balance Sheets**

*(in thousands)*

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 65,505	\$ 133,826
Short-term bank deposits	75,370	20,063
Restricted deposits	820	929
Accounts receivable:		
Trade, net	72,375	64,678
Other	20,979	22,934
Inventories	66,395	67,995
Net investment in sales-type leases, net	5,082	5,134
Prepaid expenses	2,894	2,751
Deferred income taxes	<u>7,777</u>	<u>4,968</u>
<b>Total current assets</b>	<u>317,197</u>	<u>323,278</u>
<b>Property, plant and equipment, net</b>	<u>63,842</u>	<u>62,070</u>
<b>Other assets</b>		
Goodwill	822,450	822,475
Other intangible assets, net	497,508	510,372

Net investment in sales-type leases	7,990	7,872
Long-term investments	1,634	1,634
Amounts funded in respect of employees rights upon retirement	2,740	2,628
Other non-current assets	<u>1,728</u>	<u>1,184</u>
Total other assets	<u>1,334,050</u>	<u>1,346,165</u>
<b>Total assets</b>	<b><u>\$1,715,089</u></b>	<b><u>\$ 1,731,513</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 24,587	\$ 35,235
Other current liabilities	36,964	40,179
Deferred tax liabilities	137	945
Unearned revenues	<u>21,961</u>	<u>18,068</u>
Total current liabilities	<u>83,649</u>	<u>94,427</u>
<b>Non-current liabilities</b>		
Employee rights upon retirement	4,238	4,188
Deferred tax liabilities	54,436	54,693
Unearned revenues - long-term	3,137	3,181
Other non-current liabilities	<u>3,178</u>	<u>2,868</u>
<b>Total liabilities</b>	<u>148,638</u>	<u>159,357</u>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Ordinary shares, NIS 0.01 nominal value, authorized 60,000 shares; 38,669 and 38,372 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	101	101
Additional paid-in capital	1,469,379	1,459,294
Retained earnings	96,966	112,503
Accumulated other comprehensive loss	<u>(606)</u>	<u>(238)</u>
Equity attributable to Stratasys Ltd.	1,565,840	1,571,660
Non-controlling interest	<u>611</u>	<u>496</u>
Total equity	<u>1,566,451</u>	<u>1,572,156</u>
<b>Total liabilities and equity</b>	<b><u>\$1,715,089</u></b>	<b><u>\$ 1,731,513</u></b>

#### Stratasys Ltd.

#### Reconciliation of Pro Forma GAAP to Pro Forma Non-GAAP Results of Operations

*(in thousands, except per share data)*

Three Months Ended March 31, 2013

Three Months Ended March 31, 2012

Pro Forma

Pro Forma

	GAAP (unaudited)	Adjustments*	Non-GAAP (unaudited)	GAAP (unaudited)	Adjustments*	Non-GAAP (unaudited)
<b>Net sales</b>						
Products	\$ 81,810	\$ 1,015	\$ 82,825	\$ 71,241	\$ -	\$ 71,241
Services	15,397	-	15,397	11,798	-	11,798
	<u>97,207</u>	<u>1,015</u>	<u>98,222</u>	<u>83,039</u>	<u>-</u>	<u>83,039</u>
<b>Cost of sales</b>						
Products	49,043	(19,177)	29,866	38,426	(10,522)	27,904
Services	10,790	(343)	10,447	8,386	(347)	8,039
	<u>59,833</u>	<u>(19,520)</u>	<u>40,313</u>	<u>46,812</u>	<u>(10,869)</u>	<u>35,943</u>
<b>Gross profit</b>	<u>37,374</u>	<u>20,535</u>	<u>57,909</u>	<u>36,227</u>	<u>10,869</u>	<u>47,096</u>
<b>Operating expenses</b>						
Research and development, net	10,789	(899)	9,890	9,072	(871)	8,201
Selling, general and administrative	43,325	(15,608)	27,717	33,112	(10,675)	22,437
	<u>54,114</u>	<u>(16,507)</u>	<u>37,607</u>	<u>42,184</u>	<u>(11,546)</u>	<u>30,638</u>
<b>Operating income (loss)</b>	<u>(16,740)</u>	<u>37,042</u>	<u>20,302</u>	<u>(5,957)</u>	<u>22,415</u>	<u>16,458</u>
<b>Other income (expense)</b>	514	-	514	193	-	193
<b>Income (loss) before income taxes</b>	<u>(16,226)</u>	<u>37,042</u>	<u>20,816</u>	<u>(5,764)</u>	<u>22,415</u>	<u>16,651</u>
Income taxes	<u>(743)</u>	<u>3,886</u>	<u>3,143</u>	<u>2,610</u>	<u>1,453</u>	<u>4,063</u>
<b>Net income (loss)</b>	<u>\$ (15,483)</u>	<u>\$ 33,156</u>	<u>\$ 17,673</u>	<u>\$ (8,374)</u>	<u>\$ 20,962</u>	<u>\$ 12,588</u>
Net income attributable to non-controlling interest	<u>\$ 53</u>	<u>\$ 40</u>	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net income (loss) attributable to Stratasys Ltd.	<u>\$ (15,536)</u>	<u>\$ 33,116</u>	<u>\$ 17,580</u>	<u>\$ (8,374)</u>	<u>\$ 20,962</u>	<u>\$ 12,588</u>
<b>Net income (loss) per ordinary share attributable to Stratasys Ltd.</b>						
Basic	\$ (0.40)		\$ 0.46	\$ (0.23)		\$ 0.34
Diluted	(0.40)		0.43	(0.23)		0.32
<b>Weighted average ordinary shares outstanding</b>						
Basic	38,494		38,494	36,710		36,710
Diluted	38,494		41,057	36,710		39,857

The Company considers these non-GAAP measures to be indicative of its core operating results and facilitates a comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes, however these measures should not be viewed as a substitute for the Company's GAAP results.

\* Refer to the "Reconciliation of Non-GAAP Adjustments" herein for further information regarding adjustments.

**Stratasys Ltd.****Reconciliation of Non-GAAP Adjustments***(in thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Net sales, products</b>		
Deferred revenue step-up	1,015	-
<b>Cost of sales, products</b>		
Objet intangible assets amortization expense	(18,295)	(9,824)
Solidstate intangible assets amortization expense	(436)	(436)
Non-cash stock-based compensation expense	(318)	(262)
Merger related expense	(97)	-
Fasotech Co., Ltd intangible assets amortization expense	(31)	-
	<u>(19,177)</u>	<u>(10,522)</u>
<b>Cost of sales, services</b>		
Non-cash stock-based compensation expense	(316)	(347)
Merger related expense	(27)	-
	<u>(343)</u>	<u>(347)</u>
<b>Research and development, net</b>		
Non-cash stock-based compensation expense	(899)	(871)
<b>Selling, general and administrative</b>		
Objet intangible assets amortization expense	(5,276)	(2,242)
Solidstate intangible assets amortization expense	(133)	(133)
Fasotech Co., Ltd intangible assets amortization expense	(52)	-
Non-cash stock-based compensation expense	(3,957)	(5,113)
Solidstate acquisition expense	-	(130)
Merger related expense	(6,190)	(3,057)
	<u>(15,608)</u>	<u>(10,675)</u>
<b>Income taxes</b>		
Tax expense related to non-GAAP adjustments	3,886	1,453
<b>Net income attributable to non-controlling interest</b>		
Depreciation and amortization expense attributable to non-controlling interest	40	-
<b>Net income</b>	<u>\$ 33,116</u>	<u>\$ 20,962</u>

**Stratasys Ltd.****Reconciliation of GAAP to Non-GAAP Forward Looking Guidance****Fiscal Year 2013****Earnings (loss) Per Diluted Share Range****U.S. GAAP measure****(\$0.41) to (\$0.16)**

**Adjustments**

Stock-based compensation expense	\$0.49 to \$0.55
Intangible assets amortization expense	\$1.45
Merger related expense	\$0.17 to \$0.21

**Non-GAAP estimate** **\$1.80 to \$1.95**

Stratasys Ltd.  
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Source: Stratasys Ltd.

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