

# 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 November 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  
Rehovot, 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 contents of this Report of Foreign Private Issuer on Form 6-K (this “**Form 6-K**”), including Exhibits 99.1, 99.2 and 101 annexed hereto, are incorporated by reference into the Registrant’s registration statements on Form S-8, SEC file numbers 333-185240 and 333-190963, filed by the Registrant with the SEC on December 3, 2012 and September 3, 2013, respectively, and the Registrant’s registration statement on Form F-3, SEC file number 333-190965, filed by the Registrant on September 3, 2013 (as supplemented by any prospectus supplements filed on or prior to the date of this Form 6-K), and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

## CONTENTS

On November 7, 2013, Stratasys Ltd., or Stratasys, released its financial results for the three and nine months ended September 30, 2013.

Attached hereto as Exhibit 99.1 are the unaudited, consolidated financial statements of Stratasys for the three and nine months ended September 30, 2013 (including the notes thereto) (the “Q3 2013 Financial Statements”).

Attached hereto as Exhibit 99.2 is Stratasys’ review of its results of operations and financial condition for the three and nine months ended September 30, 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 101 are the Q3 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 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.

## 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.

### STRATASYS LTD.

Dated: November 7, 2013

By: /s/ Erez Simha  
Name: Erez Simha  
Title: Chief Financial Officer and  
Chief Operating Officer (IL)

**STRATASYS LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS**  
**ENDED SEPTEMBER 30, 2013**  
**(UNAUDITED)**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013  
(UNAUDITED)**

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**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 the Objet merger. Pursuant to this 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 this merger, Stratasys, Inc. was treated as the acquiring company in this merger for accounting purposes, and this merger has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations. On August 15, 2013, we completed our acquisition of Cooperation Technology Corporation, or MakerBot, which we refer to as the MakerBot merger.

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 Objet merger on December 1, 2012, and sometimes also are used as references to our current, ongoing products related to the historical Objet that continue following this merger. References to “Stratasys, Inc.” generally refer to Stratasys, Inc. and its consolidated subsidiaries prior to the effective time of the Objet merger, but sometimes (as the context requires) refer to our current, ongoing products related to historical Stratasys, Inc. References to “MakerBot” generally refer to Cooperation Technology Corporation and its consolidated subsidiaries prior to the effective time of the MakerBot merger, but sometimes refer to our current, ongoing products related to MakerBot. 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 Objet merger; (ii) Stratasys Ltd. since the Objet merger (on December 1, 2012), including MakerBot since the MakerBot merger (on August 15, 2013).

**Consolidated Balance Sheets**

<i>in thousands, except per share data</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 414,890	\$ 133,826
Short-term bank deposits	200,000	20,063
Restricted deposits	863	929
Accounts receivable:		
Trade, net	86,588	64,678
Other	22,858	22,934
Inventories	79,784	67,995
Net investment in sales-type leases, net	6,008	5,134
Prepaid expenses	4,442	2,751
Deferred income taxes	17,045	4,968
Total current assets	<u>832,478</u>	<u>323,278</u>
<b>Non-current assets</b>		
<b>Property, plant and equipment, net</b>	<u>80,707</u>	<u>62,070</u>
<b>Other assets</b>		
Goodwill	1,195,021	822,475
Other intangible assets, net	638,170	510,372
Net investment in sales-type leases	8,990	7,872
Long-term investments - available for sale	1,634	-
Amounts funded in respect of employees rights upon retirement	2,984	2,628
Other non-current assets	2,309	2,818
Total other assets	<u>1,849,108</u>	<u>1,346,165</u>
<b>Total assets</b>	<u>\$ 2,762,293</u>	<u>\$ 1,731,513</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 31,919	\$ 35,235
Other current liabilities	46,833	41,124
Earn-out obligation	13,709	-
Unearned revenues	30,555	18,068
Total current liabilities	<u>123,016</u>	<u>94,427</u>
<b>Non-current liabilities</b>		
Employee rights upon retirement	4,694	4,188
Earn-out obligation - long-term	16,169	-
Deferred tax liabilities	112,499	54,693
Unearned revenues - long-term	3,156	3,181
Other non-current liabilities	8,203	2,868
<b>Total liabilities</b>	<u>267,737</u>	<u>159,357</u>
<b>Commitments and contingencies, see note 10</b>		
<b>Equity</b>		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 shares;		
48,738 and 38,372 shares issued and outstanding at September 30,		

2013 and December 31, 2012, respectively	131	101
Additional paid-in capital	2,404,852	1,459,294
Retained earnings	87,540	112,503
Accumulated other comprehensive income (loss)	1,447	(238)
Equity attributable to Stratasys Ltd.	2,493,970	1,571,660
Non-controlling interest	586	496
Total equity	2,494,556	1,572,156
<b>Total liabilities and equity</b>	<b>\$ 2,762,293</b>	<b>\$ 1,731,513</b>

*See accompanying notes to consolidated financial statements.*



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<i>in thousands, except per share data</i>				
<b>Net sales</b>				
Products	\$ 107,887	\$ 41,318	\$ 279,910	\$ 120,308
Services	17,739	8,406	49,408	23,786
	125,626	49,724	329,318	144,094
<b>Cost of sales</b>				
Products	53,565	17,564	148,339	54,026
Services	11,469	4,203	32,608	12,997
	65,034	21,767	180,947	67,023
<b>Gross profit</b>	60,592	27,957	148,371	77,071
<b>Operating expenses</b>				
Research and development, net	13,514	4,067	34,640	12,576
Selling, general and administrative	51,587	14,781	137,577	42,366
Change in fair value of earn-out obligations	1,607	-	1,607	-
	66,708	18,848	173,824	54,942
<b>Operating income (loss)</b>	(6,116)	9,109	(25,453)	22,129
<b>Other income (expense)</b>	(452)	163	200	518
<b>Income (loss) before income taxes</b>	(6,568)	9,272	(25,253)	22,647
Income taxes (benefit)	80	4,089	(337)	9,924
<b>Net income (loss)</b>	\$ (6,648)	\$ 5,183	\$ (24,916)	\$ 12,723
Net income (loss) attributable to non-controlling interest	\$ (22)	\$ -	\$ 46	\$ -
Net income (loss) attributable to Stratasys Ltd.	\$ (6,626)	\$ 5,183	\$ (24,962)	\$ 12,723
<b>Net income (loss) per ordinary share attributable to Stratasys Ltd.</b>				
Basic	\$ (0.16)	\$ 0.24	\$ (0.63)	\$ 0.60
Diluted	(0.16)	0.24	(0.63)	0.58
<b>Weighted average ordinary shares outstanding</b>				
Basic	41,976	21,468	39,754	21,349
Diluted	41,976	22,008	39,754	21,857
<b>Comprehensive Income</b>				
Net income (loss)	\$ (6,648)	\$ 5,183	\$ (24,916)	\$ 12,723
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,852	46	1,497	23
Fair value adjustment on derivatives designated as cash flow hedges, net of tax	188	-	188	-
<b>Comprehensive income (loss)</b>	(4,608)	5,229	(23,231)	12,746
Less: comprehensive income (loss) attributable to				

non-controlling interest	296	-	(43)	-
<b>Comprehensive income (loss) attributable to Stratasy Ltd.</b>	<u>\$ (4,904)</u>	<u>\$ 5,229</u>	<u>\$ (23,188)</u>	<u>\$ 12,746</u>

*See accompanying notes to consolidated financial statements.*

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

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (24,916)	\$ 12,723
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	10,156	5,521
Amortization	56,265	3,441
Deferred income taxes	(16,875)	-
Stock-based compensation	17,463	1,897
Excess tax benefit from stock options	(1,962)	(2,307)
Change in fair value of earn-out obligations	1,607	-
Other non-cash items	(656)	2
Net change in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(21,520)	(9,635)
Inventories	(15,643)	(12,522)
Net investment in sales-type leases	(1,992)	(2,709)
Accounts payable and other current liabilities	(3,216)	4,567
Non-current liabilities	5,045	-
Unearned revenues	6,669	300
Other assets and liabilities	5,989	1,032
<b>Net cash provided by operating activities</b>	<b>16,414</b>	<b>2,310</b>
<b>Cash flows from investing activities</b>		
Increase in short-term bank deposits	(179,937)	-
Acquisition of property and equipment	(20,607)	(7,531)
Acquisition of intangible and other assets	(1,326)	(1,818)
Proceeds from the maturity of investments	-	12,498
Proceeds from the sale of investments	-	4,803
Purchase of investments	-	(8,407)
Cash paid through merger with MakerBot, net	(8,758)	-
Other investing activities	303	-
<b>Net cash used in investing activities</b>	<b>(210,325)</b>	<b>(455)</b>
<b>Cash flows from financing activities</b>		
Proceeds from secondary offering, net of expenses	462,942	-
Proceeds from exercise of stock options	10,004	3,618
Excess tax benefit from stock options	1,962	2,307
<b>Net cash provided by financing activities</b>	<b>474,908</b>	<b>5,925</b>
<b>Effect of exchange rate changes on cash</b>	<b>67</b>	<b>28</b>
<b>Net change in cash and cash equivalents</b>	<b>281,064</b>	<b>7,808</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>133,826</b>	<b>20,092</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 414,890</b>	<b>\$ 27,900</b>
<b>Supplemental disclosures of cash flow information:</b>		
Transfer of fixed assets to inventory	802	278

Transfer of inventory to fixed assets	4,712	3,492
Fair value of assets acquired, including \$3,405 of cash	573,007	
Less liabilities assumed	(79,357)	
Net acquired assets	493,650	
Cash paid	12,163	
Shares and other consideration	481,487	
	493,650	

*See accompanying notes to consolidated financial statements.*

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

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

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

The Objet 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 this merger for accounting purposes and the Objet 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 Objet merger date are the separate historical financial statements of only Stratasys, Inc., whereas the financial statements of the Company after the Objet merger date reflect the results of the operations of Stratasys, Inc. and Objet on a combined basis.

The condensed consolidated interim financial statements include the accounts of Stratasys Ltd. and its wholly and majority 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 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 and nine months ended September 30, 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.

During the third quarter of 2013, the Company changed its annual goodwill impairment testing date from December 31 to October 1 of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with the Company’s budget and forecasting processes and with year-end financial reporting. Accordingly, management considers this accounting change preferable. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. At October 1, 2013, the Company performed the qualitative test for goodwill, based on the reporting units to which the goodwill is allocated and concluded that it is more likely than not that the fair value of the reporting units exceeds its carrying value. Therefore, the Company did not continue to perform the two-step impairment test. Based on the Company’s assessment as of October 1, 2013 no goodwill was determined to be impaired.

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

**Note 2. Business Combinations**

*Merger with MakerBot*

On August 15, 2013 ("MakerBot merger date") the Company acquired privately held Cooperation Technology Corporation ("MakerBot") for an aggregate purchase price of \$493.7 million ("MakerBot merger") paid entirely in Stratasys ordinary shares and calculated based on share price of \$97.46 as of closing date. The accompanying financial statements only include MakerBot results since the MakerBot merger date.

In exchange for 100% of MakerBot's outstanding capital stock, Stratasys issued 3.92 million shares, made tax withholding payments on behalf of certain shareholders in lieu of issuing 115 thousand shares, held back from issuing 655 thousand shares to secure the indemnification rights of Stratasys, and issued Stratasys options in exchange for certain MakerBot options with a fully diluted equivalent of 73 thousand shares. The 655 thousand shares are being held back for a period of approximately eighteen months after the MakerBot merger date to secure the indemnification rights of the Company against any losses resulting from certain specified causes.

The MakerBot merger is reflected in accordance with Accounting Standards Codification (ASC) Topic 805, "Business Combinations," using the acquisition method of accounting with Stratasys as the acquirer. The total consideration transferred to effect the MakerBot merger is as follows (in thousands):

Issuance of Stratasys ordinary shares to MakerBot stockholders	\$ 446,019
Tax withholding and other payments on behalf of MakerBot stockholders	12,163
Exchange of MakerBot stock options for Stratasys options	7,198
Earn-out at estimated fair value	28,270
<b>Total consideration</b>	<b>\$ 493,650</b>

The aggregate purchase price consideration was based on the ordinary share price of Stratasys of \$97.46 on the MakerBot merger date. The \$7.2 million fair value of the MakerBot stock options exchanged for Stratasys stock options was attributable to service prior to the MakerBot merger date using the Stratasys share price on the MakerBot merger date as an input to the Black Scholes valuation model to determine the fair value of the options. The following assumptions were applied in determining the fair value of the exchanged MakerBot stock options:

Risk-free interest rate	0.36%
Expected option term	1.38 years
Expected price volatility	59.41%
Dividend yield	-
Weighted average merger date fair value	\$ 92.73

The computation of expected volatility is based on historical volatility of the Company's stock. The expected option term was calculated in accordance with a combination of historical experience and the simplified method in ASC Topic 718. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of the MakerBot merger.

MakerBot stockholders may also qualify for two earn-out payments that provide for aggregate payments of up to 1.19 million shares depending on the level of achievement of financial metrics for the six months ending December 31, 2013 and the year ending December 31, 2014.

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

In accordance with ASC Topic 805, the estimated earn-out obligations as of the MakerBot merger date are included in the purchase price and have been recorded as a current liability for the first earn-out payment and a long-term liability for the second earn-out payment. The estimated fair value of the obligations is based on management's assessment of whether, and at what level, the financial metrics will be achieved, and the present value factors associated with the timing of the payments. Because the amount of the earn-out obligation is based on Stratasys ordinary shares, changes in the price of the Stratasys ordinary shares through the earn-out determination date will change the dollar obligation.

Management will re-measure the fair value of the earn-out obligations at the end of each reporting period, with any changes in fair value being recorded in that period's statement of operations. The current range of the undiscounted amounts that the Company could be obligated to pay in future periods under the MakerBot earn-out is between zero and approximately \$39.9 million for the first earn-out payment and between zero and approximately \$82.8 million for the second earn-out payment, based on Stratasys share price. The fair value was estimated based on a Monte Carlo simulation, under which many scenarios are computed to measure possible outcomes of the financial metrics and the likelihood of occurrence. The resultant probability-weighted financial metrics are then applied to the earn-out formula to determine the cash flows under the earn-out. Those cash flows were then discounted using rates of the yields for U.S. treasury bonds with similar terms to maturity. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. Using this valuation technique, the fair value of the contractual obligation to pay the MakerBot earn-out was determined to be approximately \$28.3 million at August 15, 2013 and \$29.9 million at September 30, 2013.

Certain MakerBot employees participate in a performance bonus plan adopted in connection with the MakerBot merger. Participating employees, contingent on certain continuing employment conditions, are entitled to bonus payments of compensation that in the aggregate will equal, dollar-for-dollar, the actual amounts determined in the earn-out calculation up to 1.19 million shares. The earn-out and bonus payments, if earned, will be made in Stratasys shares or cash, or a combination thereof, at Stratasys' discretion. Compensation expense under the performance bonus plan of \$3.2 million was accrued and expensed during the period from the MakerBot merger date through September 30, 2013. The compensation expense is accrued over the service periods in an amount estimated based upon management's assessment of the probable level of achievement of financial metrics. The current range of expense is between zero and approximately \$39.9 million for the bonus period equivalent to the first earn-out period and between zero and approximately \$82.8 million for the bonus period equivalent to the second earn-out period, based on Stratasys share price. The accrual for the performance bonus plan of \$3.2 million at September 30, 2013 approximates fair value as it is based on the same criteria as the earn-out obligation.

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

Under the acquisition method of accounting, the net tangible and intangible assets of MakerBot acquired in this merger, are recorded at their fair values at the MakerBot merger date. The estimated fair values are preliminary and based on the information that was available as of that 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. 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 MakerBot merger date. 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	\$ 3,405
Accounts receivable - Trade	878
Accounts receivable - Other	923
Deferred tax assets	5,964
Inventories	10,314
Property, plant and equipment	4,658
Goodwill	371,411
Intangible assets	168,386
Other non-current assets	7,068
<b>Total assets acquired</b>	<b>573,007</b>
Accounts payable & other liabilities	5,984
Unearned revenue	4,075
Deferred tax liabilities	69,120
Other non-current liabilities	178
<b>Total liabilities assumed</b>	<b>79,357</b>
<b>Net assets acquired</b>	<b>\$ 493,650</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	43,227	5
Trade name	42,134	11
Customer relationships - Distributors	19,315	10
Customer relationships - Direct	3,435	1
Non-compete agreement	10,004	4
IPR&D - Printers	34,189	Indefinite
IPR&D - Peripherals	16,082	Indefinite
<b>Total</b>	<b>168,386</b>	

The fair values of the developed technology, in-process research and development (“IPR&D”), customer relationships and non-compete agreement were estimated using a discounted present value income approach. Under the income approach, an intangible asset’s fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. Indications of value are developed by discounting future net cash flows to their present value at market-based rates of return. The non-compete agreement restricts a key individual from competing with the Company for a period of four years from the MakerBot merger date. The fair value of the trade name was estimated using an income approach, specifically known as the relief from royalty method. The relief from royalty method is based on the hypothetical royalty stream that would be received if the Company were to license the trade name and was based on expected revenues. The useful life of the intangible assets for amortization purposes was determined considering the period of expected cash flows used to measure the fair value of the intangible assets adjusted as appropriate for the entity-specific factors including legal, regulatory, contractual, competitive, economic or other factors that may limit the useful life of intangible assets. The peripheral product in IPR&D at the merger date was launched in September



2013 and at September 30, 2013 is classified as developed technology and is being amortized over five years.

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

The goodwill recognized as a result of the MakerBot merger is attributable primarily to the strategic and synergistic opportunities in the entry level portion of the additive manufacturing spectrum, expected corporate synergies and the assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company incurred \$1.6 million and \$5.4 million of costs related to the MakerBot merger that were expensed during the three and nine months ended September 30, 2013, respectively. These costs are included in selling, general and administrative costs in the Company's consolidated statements of operations and comprehensive income.

The below unaudited pro forma condensed consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition of MakerBot occurred on January 1, 2012, or of future results of the consolidated entities. The unaudited pro forma condensed consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.

**Actual MakerBot results of operations included in the Consolidated Results of Operations:**

Net sales	\$ 11,411
Loss attributable to MakerBot	(1,532)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
<b>Supplemental pro forma combined results of operations:</b>				
Net sales	\$ 131,170	\$ 52,624	\$ 363,161	\$ 152,210
Loss attributable to Stratasys Ltd.	(6,108)	(3,988)	(27,165)	(19,033)
Loss per ordinary share attributable to Stratasys Ltd. - basic and diluted	\$ (0.14)	\$ (0.10)	\$ (0.63)	\$ (0.47)

Adjustments for the supplemental pro forma combined results of operations are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Increase in amortization of intangibles	\$ (3,779)	\$ (5,889)	\$ (13,841)	\$ (17,667)
Adjust performance bonus expenses	1,597	(4,391)	(5,001)	(17,169)
Adjust expenses related to business combination (deal fees, inventory, interest and deferred revenues step-up)	3,069	(1,986)	8,508	(9,621)
Adjust taxes related to the adjustments to the supplemental pro forma	1,118	4,890	6,672	16,624
	<u>\$ 2,005</u>	<u>\$ (7,376)</u>	<u>\$ (3,662)</u>	<u>\$ (27,833)</u>

*Objet Merger*

The Objet 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 this merger).

Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets of Objet acquired in this merger, based on their fair values at the Objet merger date. During the three months ended September 30, 2013, the Company finalized its preliminary valuation and purchase price allocation and no changes were made.

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

**Note 3. Inventories**

Inventories consisted of the following at September 30, 2013 and December 31, 2012, respectively (in thousands):

	<b>September 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
Finished goods	\$ 39,472	\$ 37,823
Work-in-process	2,376	3,809
Raw materials	37,936	26,363
	<u>\$ 79,784</u>	<u>\$ 67,995</u>

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

*Goodwill*

Changes in the carrying amount of the Company's goodwill for the nine months ended September 30, 2013, are as follows (in thousands):

	<b>Carrying</b>
	<b>Amount</b>
Balance at December 31, 2012	\$ 822,475
Acquisition of MakerBot	371,411
Effect of currency translation	1,135
	<u>\$ 1,195,021</u>

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

*Other Intangible Assets*

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

	September 30, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Developed technology	\$ 445,420	\$ 40,616	\$ 385,735	\$ 9,058
Capitalized software development costs	16,372	13,567	15,831	12,996
Patents	13,929	6,126	13,533	4,952
Trademarks and trade names	59,008	2,408	16,877	592
Customer relationships	100,529	7,550	77,779	1,172
Non-compete agreement	10,354	595	350	194
In-process research and development	63,420	-	29,231	-
	709,032	\$ 70,862	539,336	\$ 28,964
Accumulated amortization	70,862		28,964	
Net book value of amortizable intangible assets	\$ 638,170		\$ 510,372	

Changes in the gross carrying amount of our other intangible assets for the nine months ended September 30, 2013, are as follows (in thousands):

	Gross Carrying Amount
Balance at December 31, 2012	\$ 539,336
Acquisition of MakerBot	168,386
Patents, trademarks and capitalized software	1,310
Balance at September 30, 2013	\$ 709,032

Amortization expense for intangible assets for the three month periods ended September 30, 2013 and 2012 was \$15.7 million and \$1.1 million, respectively. Amortization expense for the nine month periods ended September 30, 2013 and 2012 was \$41.9 million and \$3.4 million, respectively.

Estimated amortization expense, for all intangible assets, for the three months ended December 31, 2013 is \$18.7 million and for the five years subsequent to December 31, 2013 is as follows (in thousands):

Year ending December 31,	
2014	\$ 75,210
2015	78,371
2016	79,074
2017	78,127
2018	\$ 72,061

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

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

The Company complies with ASC Topic 260, *Earnings Per Share*, which requires dual presentation of basic and diluted income (loss) per ordinary share attributable to Stratasy 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. The 655 thousand shares held back from issuance to MakerBot shareholders to secure the indemnification rights of Stratasy are not included as basic shares outstanding. Diluted net income (loss) per share reflects the potential dilution from ordinary share equivalents that could occur if those 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 dilutive, that would be issued upon the issuance or assumed exercise of stock options and warrants, net of the shares that would hypothetically be repurchased using the proceeds received from the original exercise. Shares related to the earn-out and performance bonus plan are not included in diluted shares until the period in which earn-out targets are achieved, and at September 30, 2013, the earn-out targets had not been achieved.

The additional ordinary shares used to calculate diluted net income per share amounted to 540,865 and 507,752 for the three and nine months ended September 30, 2012, respectively. There were no options excluded from the dilution calculation for the three and nine months ended September 30, 2012. As a result of the net loss in the three and nine months ended September 30, 2013, the 655 thousand shares held back from issuance to MakerBot shareholders and the outstanding stock options were considered antidilutive and, therefore, were excluded from diluted loss per share for this period.

**Note 6. Income Taxes**

The Company's effective tax rate for the three and nine months ended September 30, 2012 was 44.1% and 43.8%, respectively, on the income before income taxes in those periods. The Company's effective tax rate has varied significantly since the December 1, 2012 Objet merger due to the lower tax rate in Israel. For the three months ended September 30, 2013, the Company had an income tax expense of \$80,000 on loss before income taxes of \$6.6 million and for the nine months ended September 30, 2013 had an income tax benefit of \$337,000 on loss before income taxes of \$25.3 million.

During the second quarter of 2013, the Company adjusted its long-term tax rates due to obtaining an approval from the Israeli Tax Authorities under the Approved Enterprise and Privileged Enterprise programs. During the third quarter of 2013, the Company adjusted its long-term tax rates due to a recent amendment of the Israeli Income Tax Ordinance, under which the corporate tax rate will be 26.5% commencing on January 1, 2014. As a result, the Company recorded a reduction of approximately \$1.2 million and an increase of approximately \$0.6 million in its income tax expense associated with the amortization of the intangible assets, for the second and third quarter, respectively.

As of September 30, 2013, MakerBot has a tax net operating loss carryforward of approximately \$28.0 million, resulting in a deferred tax asset of approximately \$11.7 million. The Company believes it is more likely than not that it will fully utilize this net operating loss carryforward, and accordingly, no valuation allowance has been provided for this deferred tax asset.

**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.

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

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.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, segregated by classes (in thousands):

	<b>September 30, 2013</b>		
	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>			
Marketable securities	\$ 1,634	\$ -	\$ 1,634
Foreign exchange forward contracts not designated as hedging instruments	946	-	946
Foreign exchange forward contracts designated as hedging instruments	188	-	188
<b>Liabilities:</b>			
Foreign exchange forward contracts not designated as hedging instruments	(1,222)	-	(1,222)
Earn-out obligations	-	(29,878)	(29,878)
	<u>\$ 1,546</u>	<u>\$ (29,878)</u>	<u>\$ (28,332)</u>
	<b>December 31, 2012</b>		
	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>			
Marketable securities	\$ 1,634	\$ -	\$ 1,634

Marketable securities consist of an investment in debt securities classified as available-for-sale and are recorded at fair value. The fair value is based on the sale of similar securities in the market, as well as last sales of these securities in the market (Level 2 inputs).

Foreign exchange forward contracts are presented as other current liabilities and other receivables and are valued primarily based on observable inputs, including interest rate curves and both forward and spot prices for currencies (Level 2 inputs). At September 30, 2013, the Company had foreign exchange forward contracts in effect for the conversion of \$51.0 million into €38.7 million and \$25.3 million into NIS 93.1 million. During the third quarter of 2013, the Company designated \$11.2 million into NIS 40.2 million of foreign exchange forward contracts as cash flow hedges for accounting purposes. The change in fair value of those contracts of \$0.2 million is included in accumulated other comprehensive income at September 30, 2013, net of deferred income taxes. These contracts mature through March 31, 2014.

The earn-out obligations are described in note 2 (Level 3 inputs).

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

Other financial instruments consist mainly of cash and cash equivalents, short term bank deposits, restricted deposits, current and non-current receivables, accounts payable and accruals and the fair value of these financial instruments approximates their carrying values.

**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 September 30, 2013 and 2012, approximately \$0.9 million and \$438,000, respectively, of research and development expenses were offset by payments that were received from these companies. During the nine months ended September 30, 2013 and 2012, approximately \$2.9 million and \$755,000, respectively, of research and development expenses were offset by payments that were received from these companies.

**Note 9. Equity Offering and Stock-Based Compensation Plan**

On September 18, 2013, the Company completed an offering of 5,175,000 of its ordinary shares and received net proceeds of \$462.9 million.

Stock-based compensation expense for stock options and restricted stock units (“RSUs”) was allocated as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Cost of sales	\$ 793	\$ -	\$ 2,059	\$ -
Research and development, net	821	-	2,567	-
Selling, general and administrative	4,998	784	12,837	1,897
Total stock-based compensation expenses	<u>\$ 6,612</u>	<u>\$ 784</u>	<u>\$ 17,463</u>	<u>\$ 1,897</u>

A summary of stock option activity for the nine months ended September 30, 2013 is as follows:

	Number of Options Outstanding	Per Share Exercise Price	Weighted Average Exercise Price
Shares under option at January 1, 2013	3,315,917	\$ 2.21 - \$ 46.87	\$ 11.83
Granted	358,239	74.95 - 91.56	84.88
Exchanged for MakerBot options from merger	77,631	2.74 - 7.30	4.76
Exercised	(1,265,673)	2.21 - 46.87	7.91
Forfeited	(26,651)	6.52 - 46.87	34.80
Shares under option at September 30, 2013	<u>2,459,463</u>	<u>\$ 2.21 - \$ 91.56</u>	<u>\$ 24.03</u>
Shares exercisable under option at September 30, 2013	<u>1,412,361</u>	<u>\$ 2.21 - \$ 46.87</u>	<u>\$ 8.94</u>

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

The outstanding options generally have a term of ten years from the grant date. Options granted become exercisable over the vesting period, which is normally a four-year period beginning on the grant date, subject to the employee's continuing service to the Company.

The weighted-average grant date fair value of options that were granted during the nine months ended September 30, 2013 was \$45.98.

The following table provides the assumptions used in the Black-Scholes pricing model valuation of options granted during the nine months ended September 30, 2013:

Risk-free interest rate	0.61 - 1.54%
Expected option term	5.11 years
Expected price volatility	55.86 - 56.87%
Dividend yield	-

During the three months ended September 30, 2013 and 2012 the Company issued 618,006 and 115,660 shares, respectively, upon the exercise of stock options. This resulted in an increase in equity of \$4.0 million and \$2.1 million for the three months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013 and 2012 the Company issued 1,265,673 and 207,800 shares, respectively, upon the exercise of stock options. This resulted in an increase in equity of \$10.0 million and \$3.6 million for the nine months ended September 30, 2013 and 2012, respectively.

During the three months ended September 30, 2013, the Company granted RSUs for 191,608 ordinary shares of the Company. Stock-based compensation expense equal to the aggregate fair value of the RSUs at grant date of \$18.5 million, less an estimate of forfeitures, is being recorded on a straight-line basis over the four-year vesting period.

At September 30, 2013, approximately \$64.4 million of total unrecognized compensation expense related to unvested stock-based compensation granted under the Company's plans. The cost is expected to be recognized over a weighted-average period of 3.6 years.

**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 Objet 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 alleged that, in connection with approving the Objet 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 to be without merit, 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") reflecting an agreement to resolve the actions. 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 Company's joint proxy statement/prospectus filed with the U.S. Securities and Exchange Commission in connection with the Objet merger (the "Supplemental Disclosures"). Plaintiffs' counsel also conducted confirmatory discovery as provided in the MOU.



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

On October 3, 2013, counsel for plaintiff, Stratasys, Inc. and other defendants documented the proposed settlement, including the Supplemental Disclosures, in a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement Agreement"), which was filed with the Delaware Court. Under the terms of the Settlement Agreement, which is subject to approval by the Delaware Court, the plaintiffs agreed, in exchange for the Supplemental Disclosures, to a dismissal of the action pending in the Delaware Court with prejudice, to voluntarily dismiss the action pending in the Minnesota Court with prejudice and without costs, and to release all claims against the defendants, subject to certain conditions. The defendants agreed not to oppose an award of attorneys' fees, costs and expenses in an amount not to exceed \$450,000. However, Delaware Court's approval of the settlement is not conditioned on court approval of such fees, costs and expenses. The Court is expected to hold a settlement hearing in January 2014 to consider final approval of the settlement and plaintiffs' counsel request for fees and reimbursement of expenses. The Company recorded a provision in 2012 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.

2) 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 (\$764,000), 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 \$931,000, 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.

3) In December 2008, an employee of Objet, whose employment with Objet was subsequently terminated, filed a claim against Objet demanding that, based on an alleged undertaking Objet had made, Objet issue to him an option that would allow him to maintain an equity interest of 1.45% in Objet, as well as reimburse salary reductions he had suffered in an aggregate sum of NIS 552,000 (\$156,000). In July 2009, Objet filed its statement of defense, rejecting the claims raised by the former employee. Together with the former employee, Objet 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 (\$125,000) on account of alleged wrongful termination by Objet, and consequently, Objet 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 Objet 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. The former employee submitted his summation briefs on June 5, 2013, the Company submitted its summation briefs on September 29, 2013 and the former employee submitted his answer briefs on October 10, 2013.

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.

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

4) 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. As of the date of these financial statements the mediation has been discontinued. Neither party has so far initiated arbitration proceedings.

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.

5) 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 Objet. 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 and issuance of new shares to the plaintiffs. The lawsuits also name as defendants Elchanan Jaglom, Chairman of the Executive Committee of the Company's board of directors, David Reis, a director and 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 Objet 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. The Company and named defendants have filed motions with the court, seeking to strike the lawsuits on certain grounds and requesting that the court order the plaintiffs to pay court fees according to the actual value of the remedies sought, instead of limited fees for declaratory remedies. The plaintiffs have filed their responses, and the Company and named defendants have filed their answer. On July 1, 2013, a pre-trial hearing was held, in which the court decided that it will first rule on the motion regarding court fees and only later will proceed, if necessary, to rule on the other motions.

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 probable, 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.

**Note 11. Subsequent Events**

**Acquisition of Non-controlling Interest in Objet Japan Co. Ltd.**

On October 1, 2013, the Company exercised its option and acquired the 49% minority owner's non-controlling interest in Objet Japan Co. Ltd. The excess consideration over the Company's historic carrying value of the non-controlling interest was allocated to the Company's additional paid-in capital.

## 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 Form 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”, below, as well “Risk Factors” in the prospectus supplement filed with our Form F-3 on September 13, 2013 and “Risk Factors” in Item 3.D of our Annual Report on Form 20-F for the year ended December 31, 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 eight brands, with products ranging from entry-level desktop 3D printers to systems for rapid prototyping, or RP, and large production systems for direct digital manufacturing, or DDM, and related service offerings. We also develop, manufacture and sell materials for use with our systems. We believe that the range of more than 130 3D printing consumable materials that we offer is the widest in the industry. Our service offerings include professional services as well as paid parts. We conduct our business globally and our main operational facilities are located in Brazil, Germany, Hong Kong, Israel, Japan and the United States. We have more than 1,600 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 Objet merger. Pursuant to this 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. Stratasys, Inc. was treated as the acquiring company in the Objet merger for accounting purposes, and the Objet 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 three and nine months ended September 30, 2013, but not for the three and nine months ended September 30, 2012 because the Objet 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 Objet 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 information for 2011, the last full fiscal year of Objet Ltd. as a stand-alone company, and to the Form 6-K filed on September 3, 2013, which includes unaudited financial statements for Objet Ltd. for the three and nine months ended September 30, 2012.

On August 15, 2013, we completed the acquisition of privately-held Cooperation Technology Corporation, which was the direct parent company of MakerBot Industries, LLC, or MakerBot, a leader in desktop 3D printing, and which owned and operated Thingiverse.com, a website dedicated to the sharing of user-created digital files. MakerBot, founded in 2009, helped to, and continues to help develop the demand for entry-level desktop 3D printing and has built the largest installed base of 3D printers in the category by making 3D printers accessible to a broad set of customers. The aggregate purchase price was \$493.7 million and the consideration was primarily through the issuance of our ordinary shares. For additional details regarding the financial terms of this transaction, including potential earn-out payments to former MakerBot stockholders and a performance bonus plan for certain MakerBot employees, see note 2 to our unaudited consolidated financial statements included elsewhere in this Report on Form 6-K.

We believe that our acquisition of MakerBot will drive faster adoption of 3D printing for multiple applications, as desktop 3D printers are becoming a mainstream tool across many market segments. Desktop 3D printer usage has shown rapid growth, with the introduction and adoption of affordable entry-level 3D printers and increased availability of content. These entry-level desktop printers are driving substantially increased market adoption. We expect that the adoption of 3D printing will continue to increase over the next several years, both in terms of RP 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 of entry-level systems.

We believe that the proliferation of 3D content, advancements in additive manufacturing 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 3D printing 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.

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 systems. We will also address the continuing increased demand in the market for higher-end systems, through which we believe we will increase our installed base and sales of related consumables, and consequently 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 other 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 that 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.

On September 18, 2013, we completed the offering of 5,175,000 of our ordinary shares and received net proceeds of \$462.9 million. We will use the proceeds for general corporate purposes, which may include financing possible acquisitions, working capital and capital expenditures. We may also use a portion of the proceeds to pay any earn-out and performance payments that may become due under the MakerBot merger agreement, if we elect to pay any such earn-out or performance payments in cash.

## **Summary of Financial Results**

Our unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United State of America, or GAAP. In the opinion of our management, all adjustments considered necessary for a fair statement 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 three and nine months ended September 30, 2013 with the corresponding periods in 2012. We are also providing within this section a supplemental discussion that compares actual results (on a GAAP basis) for the three and nine months ended September 30, 2013, to the results for the three and nine months ended September 30, 2012 on a pro forma combined basis as if the Objet merger had closed on January 1, 2012. Since the Objet merger closed on December 1, 2012, the GAAP results for the three and nine months ended September 30, 2013 include the combined operations of Stratasys, Inc. and Objet Ltd., but the GAAP results for the three and nine months ended September 30, 2012 reflect only the operations of Stratasys, Inc. Objet's sales were similar in amount to Stratasys, and therefore we believe the 2012 pro forma information combined including Objet provides useful supplemental information. The MakerBot merger closed on August 15, 2013, and its results are included only since that date. Due to MakerBot's historical results being much less significant as compared to the combined Stratasys Inc. and Objet results, the results of MakerBot prior to the August 15, 2013 acquisition are not included in the pro formas. Refer to note 2 to our unaudited consolidated financial statements included elsewhere in this Report on Form 6-K for certain pro forma information for the MakerBot acquisition.

For the three months ended September 30, 2013, we recorded a net loss attributable to Stratasys Ltd. of \$6.6 million, or \$0.16 per diluted share, as compared to net income of \$5.2 million, or \$0.24 per diluted share, for the three months ended September 30, 2012. The net loss during the three months ended September 30, 2013 was caused primarily by amortization of intangible assets that resulted from the Objet and MakerBot mergers (“the mergers”). On a pro forma combined (as if the Objet merger occurred on January 1, 2012) non-GAAP basis (as defined below in “Supplemental Operating Results on a Non-GAAP Basis”) for the three months ended September 30, 2013 and 2012, net income attributable to Stratasys Ltd. was \$20.0 million and \$16.6 million, respectively, representing an increase of 20.5% in 2013 over the corresponding period in 2012.

Our revenues in the three months ended September 30, 2013 were \$125.6 million as compared to reported revenues of \$49.7 million in the three months ended September 30, 2012, representing an increase of 152.6%. Revenues of \$125.6 million for the three months ended September 30, 2013 represent increases of 38.2% as compared to revenues of \$90.9 million for the three months ended September 30, 2012 on a pro forma combined basis.

For the nine months ended September 30, 2013, we recorded a net loss attributable to Stratasys Ltd. of \$25.0 million, or \$0.63 per diluted share, as compared to net income of \$12.7 million, or \$0.58 per diluted share, for the nine months ended September 30, 2012. Net loss during the nine months ended September 30, 2013 was caused primarily from amortization of intangible assets that resulted from the mergers. On a pro forma combined (as if the Objet merger occurred on January 1, 2012) non-GAAP basis for the nine months ended September 30, 2013 and 2012, net income attributable to Stratasys Ltd. was \$56.2 million and \$43.3 million, respectively, representing an increase of 29.6% in 2013 over the corresponding period in 2012.

Our revenues in the nine months ended September 30, 2013 were \$329.3 million as compared to reported revenues of \$144.1 million in the nine months ended September 30, 2012, representing an increase of 128.5%. Revenues of \$329.3 million and \$317.9 million (which exclude MakerBot revenues of \$11.4 million) for the nine months ended September 30, 2013 represent increases of 25.4% and 21.0%, respectively, as compared to revenues of \$262.7 million for the nine months ended September 30, 2012 on a pro forma combined basis.

As of September 30, 2013, our cash, cash equivalents and short-term bank deposits were approximately \$614.9 million, up from \$153.9 million at December 31, 2012. We received net proceeds of \$462.9 million from our secondary offering. We generated cash from operations of approximately \$16.4 million during the nine months ended September 30, 2013 and we used cash of \$20.6 million for the acquisition of property and equipment. In addition, we received cash proceeds of \$12.0 million from the exercise of stock options and related excess tax benefit.

## **Results of Operations**

The pro forma combined financial information has been prepared in a manner consistent with SEC Regulation S-X, Article 11, other than the MakerBot results and related purchase price adjustments for the periods prior to the MakerBot merger. 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 Objet 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 three and nine months ended September 30, 2012, (a) unaudited historical GAAP combined condensed statement of operations information, which combine the historical GAAP consolidated statements of operations of Stratasys Ltd. and Objet Ltd., and (b) unaudited pro forma combined condensed statements of operations information, which adjust the combined historical GAAP consolidated statements of operations of Stratasys Ltd. and Objet Ltd., giving effect to the merger as if it had been consummated on January 1, 2012. 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)

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	GAAP		Pro Forma	GAAP		Pro Forma
	Combined	Adjustments	Combined	Combined	Adjustments	Combined
Net sales	\$ 90,921	\$ -	\$ 90,921	\$ 262,693	\$ -	\$ 262,693
Cost of sales (a)(b)	37,385	10,451	47,836	111,874	31,289	143,163
Gross profit (loss)	53,536	(10,451)	43,085	150,819	(31,289)	119,530
Research and development (b)	7,920	889	8,809	24,104	2,610	26,714
Selling, general and administrative (a)(b)(c)	30,437	2,854	33,291	90,235	12,804	103,039
Operating income (loss)	15,179	(14,194)	985	36,480	(46,703)	(10,223)
Other income (expense)	(192)	-	(192)	715	-	715
Income (loss) before taxes	14,987	(14,194)	793	37,195	(46,703)	(9,508)
Income taxes (d)	4,689	(1,042)	3,647	11,764	(3,120)	8,644
Net income (loss) attributable to Stratasys Ltd.	10,393	(13,152)	(2,759)	25,526	(43,583)	(18,057)

The specific pro forma adjustments for the three and nine months ended September 30, 2012 have been made for the following purposes:

- 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):

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Cost of sales—products	\$ 9,824	\$ 29,472
Selling, general and administrative	2,242	6,726

- 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 Objet merger was a liquidity event and vested options became exercisable at the date of the Objet merger. Under reverse acquisition accounting, Objet stock options were 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 Objet merger date, \$44.7 million, is included in post-Objet merger stock-based compensation expense. Accordingly, pro forma adjustments to increase stock-based compensation expense have been included as follows (in thousands):

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Cost of sales—Products	\$ 297	\$ 830
Cost of sales—Services	330	988
Research and development	889	2,610
Selling, general and administrative	5,017	14,507

- c) To eliminate transaction costs. Transaction costs related to the merger were recorded as an expense in combined selling, general and administrative expenses. The transactions costs that were expensed have been removed from selling, general and administrative expenses as these costs relate directly to the transaction and do not have an ongoing impact.
- d) To reflect income tax expense. To reflect the effect of the Objet merger on the (provision) benefit for income taxes (with the exception of non-tax deductible stock-based compensation expense and transaction costs) for the three and nine months ended September 30, 2012.

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

Three Month Periods Ended September 30,	GAAP		GAAP		Pro Forma including	
	2013		2012		Objet 2012	
Net sales	\$ 125,626	100.0%	\$ 49,724	100.0%	\$ 90,921	100.0%
Cost of sales	65,034	51.8%	21,767	43.8%	47,836	52.6%
Gross profit	60,592	48.2%	27,957	56.2%	43,085	47.4%
Research and development	13,514	10.8%	4,067	8.2%	8,809	9.7%
Selling, general and administrative	53,194	42.3%	14,781	29.7%	33,291	36.6%
Operating income (loss)	(6,116)	-4.9%	9,109	18.3%	985	1.1%
Other income	(452)	-0.4%	163	0.3%	(192)	-0.2%
Income (loss) before income taxes	(6,568)	-5.2%	9,272	18.6%	793	0.9%
Income taxes	80	0.1%	4,089	8.2%	3,647	4.0%
Net income (loss) attributable to Stratasys Ltd.	(6,626)	-5.3%	5,183	10.4%	(2,759)	-3.0%

Nine Month Periods Ended September 30,	GAAP		GAAP		Pro Forma including	
	2013		2012		Objet 2012	
Net sales	\$ 329,318	100.0%	\$ 144,094	100.0%	\$ 262,693	100.0%
Cost of sales	180,947	54.9%	67,023	46.5%	143,163	54.5%
Gross profit	148,371	45.1%	77,071	53.5%	119,530	45.5%
Research and development	34,640	10.5%	12,576	8.7%	26,714	10.2%
Selling, general and administrative	139,184	42.3%	42,366	29.4%	103,039	39.2%
Operating income (loss)	(25,453)	-7.7%	22,129	15.4%	(10,223)	-3.9%
Other income	200	0.1%	518	0.4%	715	0.3%
Income (loss) before income taxes	(25,253)	-7.7%	22,647	15.7%	(9,508)	-3.6%
Income taxes (benefit)	(337)	-0.1%	9,924	6.9%	8,644	3.3%
Net income (loss) attributable to Stratasys Ltd.	(24,962)	-7.6%	12,723	8.8%	(18,057)	-6.9%

**Discussion of Results of Operations (note: the pro forma combined columns include Objet as if the December 1, 2012 merger had occurred on January 1, 2012)**

### Net Sales

Net sales of our products and services for the three months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013, were as follows (in thousands):

	GAAP	GAAP	Pro Forma	GAAP	Pro Forma
	2013	2012	Combined including Objet 2012	Change	Combined Change
Products	\$ 107,887	\$ 41,318	\$ 77,074	161.1%	40.0%
Services	17,739	8,406	13,847	111.0%	28.1%
	<u>\$ 125,626</u>	<u>\$ 49,724</u>	<u>\$ 90,921</u>	152.6%	38.2%

Net sales of our products and services for the nine months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013, were as follows (in thousands):

	GAAP	GAAP	Pro Forma	GAAP	Pro Forma
	2013	2012	Combined including Objet 2012	Change	Combined Change
Products	\$ 279,910	\$ 120,308	\$ 224,392	132.7%	24.7%
Services	49,408	23,786	38,301	107.7%	29.0%
	<u>\$ 329,318</u>	<u>\$ 144,094</u>	<u>\$ 262,693</u>	128.5%	25.4%

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### ***Product Revenues***

Systems and other products revenue in the three and nine months ended September 30, 2013 increased as compared to GAAP systems and other products revenue in the three and nine months ended September 30, 2012. The number of systems shipped in the three months ended September 30, 2013 increased to 5,925 units as compared to 911 units shipped in the three months ended September 30, 2012. The number of systems shipped in the nine months ended September 30, 2013 increased to 8,354 units as compared to 2,509 units shipped in the nine months ended September 30, 2012. The increase in both revenue and number of units shipped primarily reflects the results of the third full quarter of combined operations of Stratasys, Inc. and Objet after the merger and the inclusion of MakerBot units shipped after the August 15, 2013 MakerBot merger date.



Systems and other products revenue in the three and nine months ended September 30, 2013 increased as compared to pro forma combined including Objet revenue in the three and nine months ended September 30, 2012. The number of systems shipped in the three months ended September 30, 2013 increased to 5,925 units as compared to pro forma combined 1,214 units shipped in the three months ended September 30, 2012. The number of systems shipped in the nine months ended September 30, 2013 increased to 8,354 units as compared to pro forma combined 3,414 units shipped in the nine months ended September 30, 2012. The shipment of MakerBot units after the August 15, 2013 merger date contributed to the significant increase in unit sales as compared to pro forma combined prior periods, which only include the combined operations of Stratasys, Inc. and Objet Ltd.

The increase in systems and other products revenue in the three and nine months ended September 30, 2013 as compared to pro forma combined revenue in the three and nine months ended September 30, 2012, reflects strong sales growth across all product lines as well as the merger with MakerBot. This growth 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 Design and Idea series systems. The addition of MakerBot systems and other products revenue after the August 15, 2013 merger contributed to overall systems and other products revenue growth as compared to pro forma combined prior periods. MakerBot has continued to experience strong sales of its desktop 3D printers and added sales with the introduction of the Digitizer Desktop 3D Scanner in September 2013.

Systems sales in three months ended March 31, 2013 included approximately \$6.0 million in revenue related to the sale of demo units to our channel partners. These demo system sales were an important part of our reseller cross-training program that is aimed at combining the sales channel and promoting the complementary product lines of our constituent companies. We did not have significant demo system sales in the three months ended June 30, 2013 or September 30, 2013. Growth in systems and other product sales were offset by \$0.4 million and \$1.6 million non-cash reductions in revenue in the three and nine months ended September 30, 2013, respectively, due to amortization of purchase accounting adjustments related to the mergers.

Consumables revenue in the three months ended September 30, 2013 increased by 193.7% as compared to GAAP consumables revenues in the three months ended September 30, 2012. Consumables revenue in the nine months ended September 30, 2013 increased by 171.0% as compared to GAAP consumables revenues in the nine months ended September 30, 2012. This increase primarily reflects the results of the third full quarter of combined operations of Stratasys, Inc. and Objet after the Objet merger.

Consumables revenue in the three months and nine months ended September 30, 2013 increased by 29.6% and 23.6%, respectively, as compared to consumables revenues, on a pro forma combined basis for Objet, in the three months and nine months ended September 30, 2012. The increases were 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 our growing installed base, and specifically the Production series and high-end Design series systems installed base, are positive indicators of consumables revenue growth in future periods.

### ***Service Revenue***

The increase in service revenue for the three and nine months ended September 30, 2013, as compared to the GAAP service revenue for the three and nine months ended September 30, 2012, primarily reflects the results of the third full quarter of combined operations of Stratasys, Inc. and Objet after the Objet merger.

Revenues from our service offerings in the three and nine months ended September 30, 2013 increased, as compared to service revenues, on a pro forma combined basis for Objet, in the three and nine months ended September 30, 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 three and nine months ended September 30, 2013 increased by 36.9% and 37.5%, respectively, as compared to the three and nine months ended September 30, 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 three months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013 were as follows (in thousands):

	GAAP		GAAP		Pro Forma		Pro Forma	
	2013		2012		Combined including Objet 2012		Change	
North America	\$ 67,449	53.7%	\$ 28,888	58.2%	\$ 48,783	53.6%	133.5%	38.3%
Europe	33,294	26.5%	13,134	26.4%	23,779	26.2%	153.5%	40.0%
Asia Pacific	23,403	18.6%	7,183	14.4%	16,445	18.1%	225.8%	42.3%
Other	1,480	1.2%	519	1.0%	1,914	2.1%	185.2%	-22.7%
	<u>\$ 125,626</u>	<u>100.0%</u>	<u>\$ 49,724</u>	<u>100.0%</u>	<u>\$ 90,921</u>	<u>100.0%</u>	<u>152.6%</u>	<u>38.2%</u>

Net sales and the percentage of net sales by region for the nine months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013 were as follows (in thousands):

	GAAP		GAAP		Pro Forma		Pro Forma	
	2013		2012		Combined including Objet 2012		Change	
North America	\$ 177,815	54.0%	\$ 77,216	53.6%	\$ 134,931	51.4%	130.3%	31.8%
Europe	84,869	25.8%	42,119	29.2%	75,867	28.9%	101.5%	11.9%
Asia Pacific	62,723	19.0%	23,000	16.0%	46,326	17.6%	172.7%	35.4%
Other	3,911	1.2%	1,759	1.2%	5,569	2.1%	122.3%	-29.8%
	<u>\$ 329,318</u>	<u>100.0%</u>	<u>\$ 144,094</u>	<u>100.0%</u>	<u>\$ 262,693</u>	<u>100.0%</u>	<u>128.5%</u>	<u>25.4%</u>

### Gross Profit

Gross profit for our products and services for the three months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013, was as follows (in thousands):

Gross profit attributable to:	GAAP		GAAP		Pro Forma		Pro Forma	
	2013		2012		Combined including Objet 2012		Change	
Products	\$ 54,322		\$ 23,754		\$ 38,293		128.7%	41.9%
Services	6,270		4,203		4,792		49.2%	30.8%
	<u>\$ 60,592</u>		<u>\$ 27,957</u>		<u>\$ 43,085</u>		<u>116.7%</u>	<u>40.6%</u>

Gross profit for our products and services for the nine months ended September 30, 2013 and 2012, as well as the percentage change from 2012 to 2013, was as follows (in thousands):

Gross profit attributable to:	GAAP		GAAP		Pro Forma		Pro Forma	
	2013		2012		Combined including Objet 2012		Change	
Products	\$ 131,571		\$ 66,282		\$ 107,204		98.5%	22.7%
Services	16,800		10,789		12,326		55.7%	36.3%
	<u>\$ 148,371</u>		<u>\$ 77,071</u>		<u>\$ 119,530</u>		<u>92.5%</u>	<u>24.1%</u>



Gross profit as a percentage of sales for our products and services for the three months ended September 30, 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 including Objet 2012	Change	Combined Change
Products	50.4%	57.5%	49.7%	-12.4%	1.3%
Services	35.3%	50.0%	34.6%	-29.3%	2.1%
Total gross profit	48.2%	56.2%	47.4%	-14.2%	1.8%

Gross profit as a percentage of sales for our products and services for the nine months ended September 30, 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 including Objet 2012	Change	Combined Change
Products	47.0%	55.1%	47.8%	-14.7%	-1.6%
Services	34.0%	45.4%	32.2%	-25.0%	5.7%
Total gross profit	45.1%	53.5%	45.5%	-15.8%	-1.0%

Gross profit from product sales in the three and nine months ended September 30, 2013 increased, as compared to the GAAP results for the three and nine months ended September 30, 2012, due to the increase in sales discussed above. Gross profit as a percentage of related product sales in the three and nine months ended September 30, 2013 decreased as compared to the GAAP results for the three and nine months ended September 30, 2012. The changes in gross profit from products and gross profit as a percentage of related sales primarily reflects the results of the Objet and MakerBot mergers, which resulted in expenses of \$12.1 million and \$43.0 million in amortization of intangible assets and acquired deferred revenues adjustments for the three and nine months ended September 30, 2013, respectively.

Gross profit from product sales in the three and nine months ended September 30, 2013 increased as compared to gross profit from product sales, on a pro forma combined basis for Objet, in the three and nine months ended September 30, 2012, due to the increase in sales discussed above. The changes in gross profit from products and gross profit as a percentage of related product sales primarily reflects the results of the Objet and MakerBot mergers, which resulted in expenses of \$12.1 million and \$43.0 million in amortization of intangible assets and acquired deferred revenues adjustments for the three and nine months ended September 30, 2013, respectively, and expenses of \$9.8 million and \$29.5 million in amortization of intangible assets and acquired deferred revenues adjustments for the pro forma results of operations combined including Objet the three and nine months ended September 30, 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 three and nine months ended September 30, 2013 increased as compared to the GAAP results for the three and nine months ended September 30, 2012. Gross profit as a percentage of related service sales in the three and nine months ended September 30, 2013 decreased as compared to the GAAP results for the three and nine months ended September 30, 2012. The change in gross profit and gross profit as a percentage of related service sales primarily reflects the results of the first three quarters of combined operations of our companies and their differing service margins after the mergers.

Gross profit from services in the three and nine months ended September 30, 2013 increased as compared to gross profit from services, on a pro forma combined basis for Objet, in the three and nine months ended September 30, 2012. Gross profit as a percentage service revenues in the three and nine months ended September 30, 2013 increased as compared to the three and nine months ended September 30, 2012. The changes in gross profit from services and gross profit as a percentage of related sales primarily reflect strong growth in our customer service maintenance contracts and spare parts sales. In addition, our RedEye paid parts service gross profit and gross profit as a percentage of related sales increased due to growth in sales volume to cover fixed overhead.

## Operating Expenses

The amount of each type of operating expense for the three months ended September 30, 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	GAAP	Pro Forma Combined including	GAAP	Pro Forma Combined
	2013	2012	Objet 2012	Change	Change
Research and development, net	\$ 13,514	\$ 4,067	\$ 8,809	232.3%	53.4%
Selling, general & administrative	53,194	14,781	33,291	259.9%	59.8%
	<u>\$ 66,708</u>	<u>\$ 18,848</u>	<u>\$ 42,100</u>	<u>253.9%</u>	<u>58.5%</u>
Percentage of revenues	53.1%	37.9%	46.3%		

The amount of each type of operating expense for the nine months ended September 30, 2013 and 2012, as well as the percentage change between such periods, and total operating expenses as a percentage of our total sales in each such period, was as follows (in thousands):

	GAAP	GAAP	Pro Forma Combined including	GAAP	Pro Forma Combined
	2013	2012	Objet 2012	Change	Change
Research and development, net	\$ 34,640	\$ 12,576	\$ 26,714	175.4%	29.7%
Selling, general & administrative	139,184	43,366	103,039	221.0%	35.1%
	<u>\$ 173,824</u>	<u>\$ 55,942</u>	<u>\$ 129,753</u>	<u>210.7%</u>	<u>34.0%</u>
Percentage of revenues	52.8%	38.8%	49.4%		

Research and development expenses for the three and nine months ended September 30, 2013 increased as compared to the GAAP results for the three and nine months ended September 30, 2012. The increase primarily reflects the results of the combined operations of Stratasys, Inc., Objet and MakerBot after the mergers. Research and development expenses for the three and nine months ended September 30, 2013 increased as compared to research and development expenses, on a pro forma combined basis for Objet, for the three and nine months ended September 30, 2012. The increase was primarily driven by increased investment in new product initiatives, an increase in headcount to support these initiatives and the merger with MakerBot. In addition to ongoing MakerBot research and development expenses, we recorded expense of \$0.7 million for the MakerBot performance bonus plan.

Research and development expense as a percentage of sales increased in the three and nine months ended September 30, 2013 as compared to the GAAP results for the three and nine months ended September 30, 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 in note 8 to our unaudited consolidated financial statements included elsewhere in this Report on Form 6-K.

Selling, general and administrative expenses for the three and nine months ended September 30, 2013 increased as compared to the GAAP results for the three and nine months ended September 30, 2012. The increase primarily reflects the results of the combined operations of Stratasys, Inc., Objet and MakerBot after the mergers, which included \$5.0 million and \$12.8 million in stock compensation expense and \$3.7 million and \$11.2 million in amortization expense related to intangible assets for the three and nine months ended September 30, 2013, respectively. In addition, we recorded expense of \$4.1 million to selling, general and administrative expense for the MakerBot performance bonus plan and our assessment of the estimated fair value of MakerBot the earn-out at September 30, 2013.

Selling, general and administrative expenses for the three months ended September 30, 2013 increased as compared to selling, general and administrative expenses, on a pro forma combined basis for Objet, for the three months ended September 30, 2012. The increase during the three months ended September 30, 2013 was primarily due to significant integration expenses related to the mergers, changes in our product distribution strategy involving independent sales agents, which resulted in increased sales commissions, expenses for strategic and marketing initiatives aimed at increasing our market presence, an increase in administrative expenses and headcount to support our growth, and the merger with MakerBot. In addition to ongoing MakerBot selling, general and administrative expenses, we recorded expense of \$4.1 million for MakerBot performance bonus plan and earn-out. Refer to note 2 to our unaudited consolidated financial statements included elsewhere in this Report on Form 6-K.

Selling, general and administrative expenses for the nine months ended September 30, 2013 increased as compared to selling, general and administrative expenses, on a pro forma combined basis for Objet, for the nine months ended September 30, 2012. In addition to the items discussed above for the three-month period, the increase during the nine months ended September 30, 2013 was due to \$11.2 million in amortization expense related to intangible assets as compared to \$6.7 million in amortization expense related to intangible assets for the pro forma combined nine months ended September 30, 2012. Of the \$11.3 million, amortization related to the MakerBot merger was \$1.5 million.

### Operating Income (Loss)

Operating income (loss) and operating income (loss) as a percentage of our total revenues for the three months ended September 30, 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 including Objet 2012	GAAP Change	Pro Forma Combined Change
Operating income (loss)	\$ (6,116)	\$ 9,109	\$ 985	n/a	n/a
Percentage of revenues	-4.9%	18.3%	1.1%		

Operating income (loss) and operating income (loss) as a percentage of our total revenues for the nine months ended September 30, 2013 and 2012, as well as the percentage change in operating income (loss) between those periods, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined including Objet 2012	GAAP Change	Pro Forma Combined Change
Operating income (loss)	\$ (25,453)	\$ 22,129	\$ (10,223)	n/a	n/a
Percentage of revenues	-7.7%	15.4%	-3.9%		

Operating income for the three and nine months ended September 30, 2013 decreased as compared to the GAAP results for the three and nine months ended September 30, 2012. The decrease primarily reflects the results of the combined operations of Stratasys, Inc., Objet and MakerBot after the mergers. The decrease in operating income for the three months ended September 30, 2013 was primarily attributable to expense of \$15.8 million from the amortization of intangible assets and acquired deferred revenue adjustments, stock compensation expense of \$6.6 million, and expense of \$4.8 for the MakerBot performance bonus plan and revaluation of the MakerBot earn-out. The decrease in operating income for the nine months ended September 30, 2013 was primarily attributable to expense of \$54.2 million from the amortization of intangible assets and acquired deferred revenue adjustments, stock compensation expense of \$17.5 million, and expense of \$4.8 for the MakerBot performance bonus plan and MakerBot earn-out.

Operating loss for the three months ended September 30, 2013 increased as compared to operating income, on a pro forma combined basis for Objet, for the three months ended September 30, 2012. The increase in operating loss was primarily attributable to expense of \$15.8 million from the amortization of intangible assets and acquired deferred revenue adjustments and expense of \$4.8 for the MakerBot performance bonus plan and MakerBot earn-out for the three months ended September 30, 2013 as compared to amortization expense of \$12.1 million from intangible assets and acquired deferred revenue adjustments in the pro forma combined operating income for the three months ended September 30, 2012. The effect of the increase in amortization expense and MakerBot performance bonus plan and earn-out on operating income was partially offset by the increased systems, consumables and service sales discussed above.

Operating loss for the nine months ended September 30, 2013 increased as compared to operating loss, on a pro forma combined basis for Objet, for the nine months ended September 30, 2012. The increase in operating loss was primarily attributable to expense of \$54.2 million from amortization of intangible assets and acquired deferred revenue adjustments and expense of \$4.8 for the MakerBot performance bonus plan and revaluation of the MakerBot earn-out for the nine months ended September 30, 2013 as compared to amortization expense of \$36.2 million from intangible assets and acquired deferred revenue adjustments in the pro forma combined operating loss for the nine months ended September 30, 2012. The effect of the increase in amortization expense and MakerBot performance bonus plan and earn-out on operating income was partially offset by the increased systems, consumables and service sales discussed above.

### Income Taxes (Benefit)

Income taxes and income taxes as a percentage of net income (loss) before taxes for the three months ended September 30, 2013 and 2012, as well as the percentage change in income taxes between those quarters, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined including Objet 2012	GAAP Change	Pro Forma Combined Change
Income taxes	\$ 80	\$ 4,089	\$ 3,647	-98.0%	-97.8%
As a percent of income (loss) before income taxes	-1.2%	44.1%	459.9%		

Income taxes (benefit) and income taxes (benefit) as a percentage of net income (loss) before taxes for the nine months ended September 30, 2013 and 2012, as well as the percentage change in income taxes between those periods, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined including Objet 2012	GAAP Change	Pro Forma Combined Change
Income taxes (benefit)	\$ (337)	\$ 9,924	\$ 8,644	-103.4%	-103.9%
As a percent of income (loss) before income taxes	1.3%	43.8%	-90.9%		

The Company's effective tax rate for the three and nine months ended September 30, 2012 was 44.1% and 43.8%, respectively, on the income before GAAP income taxes in those periods. The Company's effective tax rate has varied significantly since the December 1, 2012 Objet merger due to the lower tax rate in Israel, and changes in mix of income (loss) between the U.S and Israel, as well as the impact of the tax benefit as a result of the realization of the deferred tax liability associated with the amortization of the intangible assets. For the three months ended September 30, 2013 the Company had income tax expense of \$80,000 on loss before income taxes of \$6.5 million and for the nine months ended September 30, 2013 had income tax benefit of \$337,000 on loss before income taxes of \$25.3 million.

During the second quarter of 2013, the Company adjusted its long-term tax rates due to obtaining an approval from the Israeli Tax Authorities under the Approved Enterprise and Privileged Enterprise programs. During the third quarter of 2013, the Company adjusted its long-term tax rates due to recent amendment of the Israeli Income Tax Ordinance, of which the corporate tax rate will be 26.5% commencing on January 1, 2014. As a result, the Company recorded a reduction of approximately \$1.2 million and an increase of approximately \$0.6 million in its income tax expense associated with the amortization of the intangible assets, for the second and third quarter, respectively.

On a pro forma combined basis, for the three months ended September 30, 2012 the Company had income tax expense of \$3.6 million on income before income taxes of \$0.8 million and for the nine months ended September 30, 2012 had income tax expense of \$8.6 million on loss before income taxes of \$9.5 million. The tax expense was caused primarily by non-deductible stock compensation expenses of \$6.5 million and \$18.9 million for the three and the nine months ended September 30, 2012, respectively.

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

Net income (loss) and net income (loss) as a percentage of our total revenues for the three months ended September 30, 2013 and 2012, as well as the percentage change in net income (loss) between those periods, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined including Objet 2012	GAAP Change	Pro Forma Combined Change
Net income (loss) attributable to Stratasys Ltd.	\$ (6,626)	\$ 5,183	\$ (2,759)	n/a	n/a
Percentage of revenues	-5.3%	10.4%	-3.0%		

Net income (loss) and net income (loss) as a percentage of our total revenues for the nine months ended September 30, 2013 and 2012, as well as the percentage change in net income (loss) between those quarters, were as follows (in thousands):

	GAAP 2013	GAAP 2012	Pro Forma Combined including Objet 2012	GAAP Change	Pro Forma Combined Change
Net income (loss) attributable to Stratasys Ltd.	\$ (24,962)	\$ 12,723	\$ (18,057)	n/a	n/a
Percentage of revenues	-7.6%	8.8%	-6.9%		

For the reasons cited previously in this “Operating and Financial Review and Prospects” section, our net income (loss) for the three months ended September 30, 2013 was lower than the prior year period and our net income (loss) for the nine months ended September 30, 2013 was lower than the prior-year period.

### Supplemental Operating Results on a Non-GAAP Basis

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

The following tables set forth certain unaudited historical non-GAAP data for the three and nine months ended September 30, 2013 and unaudited, on a pro forma basis combined including Objet, non-GAAP data for the three and nine months ended September 30, 2012 (in thousands).

	Three months ended September 30,		Nine months ended September 30,	
	2013 Non-GAAP	2012 Pro Forma including Objet Non-GAAP	2013 Non-GAAP	2012 Pro Forma including Objet Non-GAAP
Gross profit	\$ 74,134	\$ 54,482	\$ 195,160	\$ 152,637
Operating income	24,231	21,776	66,242	55,790
Net income attributable to Stratasys Ltd.	20,020	16,613	56,165	43,323



The following table sets forth certain unaudited historical non-GAAP data as a percentage of sales for the three and nine months ended September 30, 2013 and the unaudited pro forma combined non-GAAP data as a percentage of sales for the three and nine months ended September 30, 2012, in each case expressing the data from the immediately preceding table as a percentage of net sales for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2012 Pro Forma		2012 Pro Forma	
	2013	including	2013	including
	Non-GAAP	Objet Non-GAAP	Non-GAAP	Objet Non-GAAP
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	58.8%	59.9%	59.0%	58.1%
Operating income	19.2%	24.0%	20.0%	21.2%
Net income attributable to Stratasy Ltd.	15.9%	18.3%	17.0%	16.5%

The foregoing 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 mergers, when the exceptional expenses related to mergers, including the change in the earn-out obligation and the performance bonus expense, and to Objet's proposed initial public offering in 2012, 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. A reconciliation of historical and pro forma GAAP to the historical and pro forma non-GAAP results of operations is set forth at the end of the following discussion.

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

### Gross Profit

Gross profit for the three and nine months ended September 30, 2013 and 2012, gross profit as a percentage of revenues, as well as the percentage change, were as follows (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2012 Pro Forma			2012 Pro Forma		
	2013	including	Change	2013	including	Change
	Non-GAAP	Objet Non-GAAP		Non-GAAP	Objet Non-GAAP	
Gross profit	\$ 74,134	\$ 54,482	36.1%	\$ 195,160	\$ 152,637	27.9%
Percentage of revenues	58.8%	59.9%		59.0%	58.1%	

Non-GAAP gross profit for the three and nine months ended September 30, 2013 increased as compared to the three and nine months ended September 30, 2012. The increase was primarily attributable to sales growth in systems, consumables and services as well as the merger with MakerBot on August 15, 2013 as discussed above.

Non-GAAP gross profit as a percentage of sales increased as compared to the nine months ended September 30, 2012, primarily due to increased systems, consumables and service 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 three and nine months ended September 30, 2013 and 2012, as well as the percentage change in operating income between those periods in the respective years, were as follows (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2012 Pro Forma		Change	2012 Pro Forma		Change
	2013 Non-GAAP	including Objet Non-GAA P		2013 Non-GAAP	including Objet Non-GAA P	
Operating income	\$ 24,231	\$ 21,776	11.3%	\$ 66,242	\$ 55,790	18.7%
Percentage of revenues	19.2%	24.0%		20.0%	21.2%	

Non-GAAP operating income for the three and nine months ended September 30, 2013 increased as compared to operating income, on pro forma combined basis for Objet, for the three and nine months ended September 30, 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, 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 decrease in operating income as a percentage of sales in the three and nine months ended September 30, 2013 as compared to the prior year reflects our commitment to invest in strategic initiatives in order to support our long-term growth.

## Net Income Attributable to Stratasys Ltd.

Net income and net income as a percentage of our total revenues for the three and nine months ended September 30, 2013 and 2012, as well as the percentage change in net income between those periods in the respective years, were as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2012 Pro Forma		Change	2012 Pro Forma		Change
	2013 Non-GAAP	including Objet Non-GAAP		2013 Non-GAAP	including Objet Non-GAA P	
Net income attributable to Stratasys Ltd.	\$ 20,020	\$ 16,613	20.5%	\$ 56,165	\$ 43,323	29.6%
Percentage of revenues	15.9%	18.3%		17.0%	16.5%	

Non-GAAP net income for the three and nine months ended September 30, 2013 increased as compared to non-GAAP net income, on a pro forma combined basis for Objet, for the three and nine months ended September 30, 2012. In addition to the factors discussed above, net income increased as compared to the third quarter of the prior year due to a decrease in the effective tax rate in Israel as a result of our tax benefits granted under the "Approved Enterprise" and "Privileged Enterprise" status. A significant portion of our income after the December 1, 2012 Objet merger date will be taxed in Israel. We expect to realize significant tax savings based on the determination that some of our industrial projects have been granted "Approved Enterprise" and "Privileged Enterprise" status, which provide 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 installments 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 GAAP and Pro Forma GAAP to Non-GAAP Results of Operations

For the three months ended September 30, (in thousands)

	2013	Non-GAAP Adjustments	2013 Non-GAAP	2012 Pro Forma including Objet	Non-GAAP Adjustments	2012 Pro Forma including Objet Non-GAAP
Gross profit (1)	\$ 60,592	\$ 13,542	\$ 74,134	\$ 43,085	\$ 11,397	\$ 54,482
Operating income (loss) (1,2)	(6,116)	30,347	24,231	985	20,791	21,776
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(6,626)	26,646	20,020	(2,759)	19,372	16,613
<b>(1)</b>						
Acquired intangible assets amortization expense		11,579			10,260	
Deferred revenue and inventory purchase price adjustments		1,107			-	
Non-cash stock-based compensation expense		793			627	
Merger related expense		63			510	
		<u>13,542</u>			<u>11,397</u>	
<b>(2)</b>						
Acquired intangible assets amortization expense		3,838			2,375	
Non-cash stock-based compensation expense		5,819			6,690	
Earn-out obligation and performance bonus expense		4,801			-	
Merger related expense		2,347			329	
		<u>16,805</u>			<u>9,394</u>	
		<u>30,347</u>			<u>20,791</u>	
<b>(3)</b>						
Tax expense related to adjustments		(3,640)			(1,419)	
Other		(61)			-	
		<u>\$ 26,646</u>			<u>\$ 19,372</u>	

For the nine months ended September 30, (in thousands)

	2013	Non-GAAP Adjustments	2013 Non-GAAP	2012 Pro Forma including Objet	Non-GAAP Adjustments	2012 Pro Forma including Objet Non-GAAP
Gross profit (1)	\$ 148,371	\$ 46,789	\$ 195,160	\$ 119,530	\$ 33,107	\$ 152,637
Operating income (loss) (1,2)	(25,453)	91,695	66,242	(10,223)	66,013	55,790
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(24,962)	81,127	56,165	(18,057)	61,380	43,323
(1) Acquired intangible assets amortization expense		42,121			30,779	
Deferred revenue and inventory purchase price adjustments		2,321			-	
Non-cash stock-based compensation expense		2,059			1,818	
Merger related expense		288			510	
		<u>46,789</u>			<u>33,107</u>	
(2) Acquired intangible assets amortization expense		11,724			7,125	
Backlog purchase price adjustments		3,034			-	
Non-cash stock-based compensation expense		15,403			19,014	
Earn-out obligation and performance bonus expense		4,801			-	
Merger related expense		9,944			6,767	
		<u>44,906</u>			<u>32,906</u>	
		<u>91,695</u>			<u>66,013</u>	
(3) Tax expense related to adjustments		(10,442)			(4,633)	
Other		(126)			-	
		<u>\$ 81,127</u>			<u>\$ 61,380</u>	

## Liquidity and Capital Resources

A summary of our statement of cash flows for the nine months ended September 30, 2013 and 2012 is as follows (in thousands):

	2013	2012
Net income (loss)	\$ (24,916)	\$ 12,723
Depreciation and amortization	66,421	8,962
Deferred income taxes	(16,875)	-
Stock-based compensation	17,463	1,897
Excess tax benefit from stock options	(1,962)	(2,307)
Change in earn-out obligation	1,607	-
Other non-cash items	(656)	2
Change in working capital and other	(24,668)	(18,967)
Net cash provided by operating and other activities	16,414	2,310
Net cash from used in investing activities	(210,325)	(455)
Net cash provided by financing activities	474,908	5,925
Effect of exchange rate changes on cash	67	28
Net change in cash and cash equivalents	281,064	7,808
Cash and cash equivalents, beginning of period	133,826	20,092
Cash and cash equivalents, end of period	\$ 414,890	\$ 27,900

Our cash and cash equivalents balance increased to \$414.9 million at September 30, 2013 from \$133.8 million at December 31, 2012. The increase was primarily due to the net proceeds of \$462.9 million from the sale of 5,175,000 of our ordinary shares, which closed on September 18, 2013. Cash also increased due to \$12.0 million of additional cash provided by financing activities, which primarily reflected the proceeds from the exercise of stock options. These increases were offset by the \$210.3 million used in investing activities, which primarily reflected the increase of \$179.9 million in short-term bank deposits and the acquisition of \$20.6 million of property and equipment.

### *Cash flow from operating activities*

We generated cash from operating activities of \$16.4 million during the nine months ended September 30, 2013. The net loss of \$24.9 million was favorably adjusted due to non-cash charges in depreciation and amortization, the change in the earn-out obligations and a stock-based compensation expense. Non-cash charges that unfavorably affected cash from operating activities were the deferred tax benefit and excess tax benefit from stock option exercises. Changes in working capital using cash from operations included a \$21.5 million increase in accounts receivable due to strong order flow and the mergers and an increase in inventory of \$15.6 million in anticipation of strong order flow expected as a result of the mergers. In addition, a decrease in accounts payable, 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 \$3.2 million. Changes in working capital providing cash from operations included a \$6.7 million increase in unearned revenues and a \$5.0 million increase in non-current liabilities.

We generated cash from operating activities during the nine months ended September 30, 2012, primarily driven by net income. Net income was favorably adjusted due to non-cash charges in depreciation and amortization and a stock-based compensation expense. Non-cash charges that unfavorably affected cash provided by operating activities were related to the excess tax benefits on stock option exercises. Changes in working capital using cash from operations included a \$9.6 million increase in accounts receivable due to strong order flow and a \$2.7 million increase in receivables from sales-type leases reflecting strong sales growth and continued success of our leasing program. These strong sales also contributed to changes in working capital using cash from operations of \$12.5 million due to increases inventories. Changes in working capital providing cash from operations included a \$4.6 million increase in accounts payables and other current liabilities and a \$0.3 million increase in unearned revenues.

### ***Cash flow from investing activities***

Our investing activities used cash in the nine months ended September 30, 2013 and 2012.

Property and equipment acquisitions, net of sales, totaled \$20.6 million and \$7.5 million in the nine months ended September 30, 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.

In the nine months ended September 30, 2013, \$179.9 million was used by the increase in short-term bank deposits. In the nine months ended September 30, 2012, proceeds from the sale and maturity of investments and redemption of short-term bank deposits were \$8.9 million, net of the purchasing of investments.

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

On September 18, 2013, we completed the offering of 5,175,000 of our ordinary shares and received net proceeds of \$462.9 million. Proceeds from the exercise of stock options and the related excess tax benefit provided cash of \$12.0 million and \$5.9 million in the nine months ended September 30, 2013 and 2012, respectively.

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

Our total current assets amounted to \$832.5 million at September 30, 2013, most of which consisted of cash and cash equivalents, short-term bank deposits, accounts receivable, and inventories. Total current liabilities amounted to \$123 million. Cash and cash equivalents are primarily held in banks in Israel, Switzerland and the U.S., with only minor amounts subject to any restrictions on movement of balances within the Company and our subsidiaries. We also expect to enter into a five-year, unsecured \$250 million revolving credit facility. The credit facility would require us to maintain certain financial ratios and would contain other events of default and covenants that limit various actions, which are customary for credit facilities of this nature. 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.

The initial MakerBot merger consideration was in the form of issuance of our ordinary shares. MakerBot stakeholders are eligible for performance based earn-out and bonus payments up to an aggregate of 2.38 million shares. The value of any shares earned will be equal to the price of Stratasys ordinary shares on the date the amount of shares is determined. For example, had the maximum of 2.38 million shares been earned, and based on the Company share price the value would have been \$245.4 million in aggregate for the earn-out and for the bonus. The earn-out and bonus payments, if earned, will be made in issuance of our stock or in cash, or a combination thereof, at our discretion.

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 shares 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 mergers 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 that 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.

With the acquisition of MakerBot, we have an additional critical accounting policy due to the acquisition-related contingent consideration earn-out and the performance bonus plan that is based on the same earn-out criteria, as follows:

The earn-out obligation for the MakerBot merger was initially recognized at fair value and will be re-measured at each reporting period. The estimates of fair value contain uncertainties as they involve projections of the level of achievement of financial metrics in future periods and assumed discount rates. The accrual for the performance bonus plan expense is based on the same projections of the level of achievement of financial metrics. The earn-out and bonus payments can range from between zero to \$122.7 million each (based on the Company's share price). A change in our projections could likely result in a material impact on our results of operations.

Also, as an update to our critical accounting policy for goodwill, during the third quarter of 2013, the Company changed its annual goodwill impairment testing date from December 31 to October 1 of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting. Accordingly, management considers this accounting change preferable. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. At October 1, 2013, the Company performed the qualitative test for goodwill, based on the reporting units to which the goodwill is allocated and concluded that it is more likely than not that the fair value of the reporting units exceeds its carrying value. Therefore, the Company did not continue to perform the two-step impairment test. Based on the Company's assessment as of October 1, 2013 no goodwill was determined to be impaired.

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

Certain information included in or incorporated by reference into this 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 those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "may," "will," "could," "should," "expect," "anticipate," "intend," "estimate," "believe," "project," "plan," "assume" or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words.

These forward-looking statements may include, but are not limited to, statements regarding our future strategy, future operations, projected financial position, proposed products, estimated future revenues, projected costs, future prospects, the future of our industry and results that might be obtained by pursuing management's current plans and objectives..

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to certain risks, uncertainties and assumptions that are difficult to predict. Our forward-looking statements are based on the information currently available to us and speak only as of the date of this Form 6-K. Over time, our actual results, performance or achievements may differ from those expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our security holders. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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 that annual report generally.

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

## **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 our unaudited consolidated financial statements included elsewhere in this Report on Form 6-K.