

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 2020

Commission File Number 001-35751

STRATASYS LTD.

(Translation of registrant's name into English)

c/o Stratasy, Inc.
9600 West 76th Street
Eden Prairie, Minnesota 55344

1 Holtzman Street, Science Park
P.O. Box 2496
Rehovot, Israel 76124

(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):

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 333-190963 and 333-236880, filed by the Registrant with the SEC on September 3, 2013 and March 4, 2020, respectively, and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.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 12, 2020, Stratasy Ltd., or Stratasy, released its financial results for the three and nine months ended September 30, 2020.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasy for the three and nine months ended September 30, 2020 (including the notes thereto) (the "Q3 2020 Financial Statements").

Attached hereto as Exhibit 99.2 is Stratasy's review of its results of operations and financial condition for the three and nine months ended September 30, 2020, including the following:

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

Attached hereto as Exhibit 101 are the Q3 2020 Financial Statements, formatted in IXBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

Exhibit Number	Document Description
EX-101.INS	IXBRL Taxonomy Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
EX-101.SCH	IXBRL Taxonomy Extension Schema Document
EX-101.CAL	IXBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	IXBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	IXBRL Taxonomy Label Linkbase Document
EX-101.PRE	IXBRL Taxonomy Presentation Linkbase Document
EX-104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.

Dated: November 12, 2020

STRATASYS LTD.

By: /s/ Lilach Payorski

Name: Lilach Payorski

Title: Chief Financial Officer

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020
(UNAUDITED)

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020
(UNAUDITED)

Item	Page
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Comprehensive Loss	3
Consolidated Statements of Changes in Equity	4-5
Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Interim Financial Statements	7-18

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 252,906	\$ 293,484
Short-term deposits	55,300	28,300
Accounts receivable, net	103,693	132,558
Inventories	152,685	168,504
Prepaid expenses	7,568	6,567
Other current assets	19,209	29,659
Total current assets	591,361	659,072
Non-current assets		
Property, plant and equipment, net	198,521	189,706
Goodwill	-	385,658
Other intangible assets, net	65,083	87,328
Operating lease right-of-use assets	18,905	20,936
Other non-current assets	35,238	38,819
Total non-current assets	317,747	722,447
Total assets	\$ 909,108	\$ 1,381,519
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 23,478	\$ 35,818
Accrued expenses and other current liabilities	26,462	28,528
Accrued compensation and related benefits	28,536	34,013
Deferred revenues	47,288	52,268
Operating lease liabilities - short term	8,675	9,292
Total current liabilities	134,439	159,919
Non-current liabilities		
Deferred revenues - long-term	13,436	16,039
Operating lease liabilities - long term	10,600	12,445
Other non-current liabilities	33,291	35,343
Total non-current liabilities	57,327	63,827
Total liabilities	\$ 191,766	\$ 223,746
Contingencies (see note 11)		
Redeemable non-controlling interests	568	622
Equity		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousands shares; 55,112 thousands shares and 54,441 thousands shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	150	148
Additional paid-in capital	2,722,839	2,706,894
Accumulated other comprehensive loss	(9,289)	(7,716)
Accumulated deficit	(1,996,926)	(1,542,175)
Total equity	716,774	1,157,151
Total liabilities and equity	\$ 909,108	\$ 1,381,519

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Consolidated Statements of Operations and Comprehensive Loss

in thousands, except per share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales				
Products	\$ 83,548	\$ 106,346	\$ 240,597	\$ 321,778
Services	44,344	51,114	137,825	154,145
	127,892	157,460	378,422	475,923
Cost of sales				
Products	47,339	44,341	126,556	135,605
Services	30,784	35,710	98,491	105,285
	78,123	80,051	225,047	240,890
Gross profit	49,769	77,409	153,375	235,033
Operating expenses				
Research and development, net	19,562	23,620	65,059	70,234
Selling, general and administrative	48,343	59,741	155,630	173,217
Goodwill impairment	386,154	-	386,154	-
	454,059	83,361	606,843	243,451
Operating loss	(404,290)	(5,952)	(453,468)	(8,418)
Financial income (expenses), net	(167)	289	(847)	2,796
Loss before income taxes	(404,457)	(5,663)	(454,315)	(5,622)
Income tax expenses (benefit)	(343)	586	(2,250)	3,084
Share in profits (losses) of associated companies	(952)	(733)	(2,740)	495
Net loss	\$ (405,066)	\$ (6,982)	\$ (454,805)	\$ (8,211)
Net loss attributable to non-controlling interests	(4)	(41)	(54)	(152)
Net loss attributable to Stratasys Ltd.	\$ (405,062)	\$ (6,941)	\$ (454,751)	\$ (8,059)
Net loss per ordinary share attributable to Stratasys Ltd. - basic and diluted	\$ (7.35)	\$ (0.13)	\$ (8.29)	\$ (0.15)
Weighted average ordinary shares outstanding - basic and diluted	55,086	54,394	54,851	54,201
Comprehensive loss				
Net loss	(405,066)	(6,982)	(454,805)	(8,211)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,056	(954)	(611)	(1,398)
Unrealized gains (losses) on derivatives designated as cash flow hedges	(1,851)	34	(962)	1,184
Other comprehensive income (loss), net of tax	(795)	(920)	(1,573)	(214)
Comprehensive loss	(405,861)	(7,902)	(456,378)	(8,425)
Less: comprehensive loss attributable to non-controlling interests	(4)	(41)	(54)	(152)
Comprehensive loss attributable to Stratasys Ltd.	\$ (405,857)	\$ (7,861)	\$ (456,324)	\$ (8,273)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Consolidated Statements of Changes in Equity

(in thousands)

Three and Nine Months Ended September 30, 2020

	Ordinary Shares		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Equity
	Number of shares	Par Value				
Balance as of December 31, 2019	54,441	148	2,706,894	(1,542,175)	(7,716)	1,157,151
Issuance of shares in connection with stock-based compensation plans	358	1	29	-	-	30
Stock-based compensation	-	-	4,907	-	-	4,907
Comprehensive loss	-	-	-	(21,703)	(1,132)	(22,835)
Balance as of March 31, 2020	54,799	\$ 149	\$ 2,711,830	\$ (1,563,878)	\$ (8,848)	\$ 1,139,253
Issuance of shares in connection with stock-based compensation plans	231	1	22	-	-	23
Stock-based compensation	-	-	6,111	-	-	6,111

Comprehensive income (loss)	-	-	-	(27,986)	354	(27,632)
Balance as of June 30, 2020	55,030	\$ 150	\$ 2,717,963	\$ (1,591,864)	\$ (8,494)	\$ 1,117,755
Issuance of shares in connection with stock-based compensation plans	82	*	-	-	-	*
Stock-based compensation	-	-	4,876	-	-	4,876
Comprehensive loss	-	-	-	(405,062)	(795)	(405,857)
Balance as of September 30, 2020	55,112	\$ 150	\$ 2,722,839	\$ (1,996,926)	\$ (9,289)	\$ 716,774

* Represents an amount less than 0.5 thousand

4

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Consolidated Statements of Changes in Equity

(in thousands)

Three and Nine Months Ended September 30, 2019

	Ordinary Shares		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Equity
	Number of shares	Par Value				
Balance as of December 31, 2018	53,881	146	2,681,048	(1,531,326)	(7,753)	1,142,115
Issuance of shares in connection with stock-based compensation plans	167	*	2,222	-	-	2,222
Stock-based compensation	-	-	4,229	-	-	4,229
Comprehensive income (loss)	-	-	-	(2,270)	568	(1,702)
Balance as of March 31, 2019	54,048	\$ 146	\$ 2,687,499	\$ (1,533,596)	\$ (7,185)	\$ 1,146,864
Issuance of shares in connection with stock-based compensation plans	296	1	2,030	-	-	2,031
Stock-based compensation	-	-	6,093	-	-	6,093
Comprehensive income	-	-	-	1,152	138	1,290
Balance as of June 30, 2019	54,344	\$ 147	\$ 2,695,622	\$ (1,532,444)	\$ (7,047)	\$ 1,156,278
Issuance of shares in connection with stock-based compensation plans	84	1	917	-	-	918
Stock-based compensation	-	-	5,435	-	-	5,435
Comprehensive loss	-	-	-	(6,941)	(920)	(7,861)
Balance as of September 30, 2019	54,428	\$ 148	\$ 2,701,974	\$ (1,539,385)	\$ (7,967)	\$ 1,154,770

* Represents an amount less than 0.5 thousand

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

5

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Consolidated Statements of Cash Flows

in thousands

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net loss	\$ (454,805)	\$ (8,211)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Goodwill impairment	386,154	-
Intangible assets impairment charges	5,256	-
Depreciation and amortization	37,428	37,934
Stock-based compensation	15,894	15,757
Foreign currency transaction loss (gain)	(2,565)	777
Deferred income taxes	(1,541)	(1,667)
Share in losses (profits) of associated companies	2,740	(495)
Gain from sale of unconsolidated entity	-	(3,578)
Other non-cash items, net	338	720
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	29,563	2,827
Inventories	15,167	(44,925)
Net investment in sales-type leases	917	2,450
Other current assets and prepaid expenses	5,805	(6,922)
Other non-current assets	1,764	5,377

Accounts payable	(17,579)	(4,793)
Other current liabilities	(8,430)	(424)
Deferred revenues	(8,070)	(2,764)
Other non-current liabilities	(3,932)	172
Net cash provided by (used in) operating activities	4,104	(7,765)
Cash flows from investing activities		
Purchase of property and equipment	(19,912)	(16,472)
Proceeds from sale of equity method investment	3,175	-
Investments in short-term bank deposits	(27,000)	-
Net proceeds from divestitures of subsidiaries and associated companies	1,000	-
Investment in unconsolidated entities	-	(4,500)
Purchase of intangible assets	(1,598)	(1,643)
Proceeds from sale of plant and property	-	129
Proceeds from sale of subsidiaries and unconsolidated entity	-	4,909
Other investing activities	89	(679)
Net cash used in investing activities	(44,246)	(18,256)
Cash flows from financing activities		
Repayment of debt	-	(27,293)
Proceeds from exercise of stock options	53	5,169
Net cash provided by (used in) financing activities	53	(22,124)
Effect of exchange rate changes on cash, cash equivalents and restricted cash		
	(484)	1,602
Net change in cash, cash equivalents and restricted cash	(40,573)	(46,543)
Cash, cash equivalents and restricted cash, beginning of period	293,597	393,734
Cash, cash equivalents and restricted cash, end of period	\$ 253,024	\$ 347,191
Supplemental disclosures of cash flow information:		
Transfer of inventory to fixed assets	2,445	2,304
Transfer of fixed assets to inventory	281	201

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

STRATASYS LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Business Description and Basis of Presentation

Stratasys Ltd. (collectively with its subsidiaries, the “Company”) is a global provider of applied additive technology solutions for a broad range of industries. The Company focuses on customers’ business requirements and seeks to create new value for its customers across their product lifecycle processes, from design prototypes to manufacturing tools and final production parts. The Company operates a 3D printing ecosystem of solutions and expertise, comprised of: 3D printers ranging from entry-level desktop 3D printers to systems for rapid prototyping (“RP”) and large production systems for direct digital manufacturing (“DDM”) based on precise fused deposition modeling (“FDM”) and PolyJet technologies; advanced materials for use with its 3D printers; software with voxel level control; application-based services; on-demand parts; and key partnerships.

The condensed 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 condensed consolidated interim financial statements include the accounts of Stratasys Ltd. and its subsidiaries. All intercompany accounts and transactions, including profits from intercompany sales not yet realized outside the Company, have been eliminated in consolidation.

The Company’s financial statements are prepared in conformity with U.S. generally accepted accounting principles (“GAAP”), which requires the Company to make estimates based on assumptions about current and, for some estimates, future economic and market conditions which affect reported amounts and related disclosures in its financial statements. Although the Company current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from the Company expectations, which could materially affect its results of operations and financial position.

In particular, a number of estimates have been and will continue to be affected by the ongoing Coronavirus Disease 2019 (“COVID-19”) pandemic. The severity, magnitude and duration, as well as the economic consequences, of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. As a result, the accounting estimates and assumptions may change over time in response to COVID-19. Such changes could have an additional impact on the Company’s long-lived asset and intangible asset valuation; inventory valuation; assessment of the annual effective tax rate; and the allowance for expected credit losses and bad debt.

The results of operations for the three and nine months ended September 30, 2020 include a goodwill impairment charge of \$86.2 million, and are not indicative of results that could be expected for the entire fiscal year. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with 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, 2019, filed with the U.S. Securities and Exchange Commission (the “SEC”) as part of the Company’s Annual Report on Form 20-F for such year on February 26, 2020.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted in the Current Period

In August 2018, the Financial Accounting Standards Board (the “FASB”) issued an Accounting Standards Update (an “ASU”) that clarifies the accounting for implementation costs in cloud computing arrangements. This ASU requires the implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customers in a software licensing arrangement. The Company adopted this guidance effective January 1, 2020, with no material impact on its consolidated financial statements.

In June 2016, the FASB issued an ASU that supersedes the existing impairment model for most financial assets to a current expected credit loss model. The new guidance requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. The ASU also requires that credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses. The Company adopted this guidance effective January 1, 2020, with no material impact on its consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles and simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of the adoption of the new guidance on its consolidated financial statements.

8

STRATASYS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Note 3. Revenues

Disaggregation of Revenues

The following table presents the Company's revenues disaggregated by geographical region (based on the Company's customers' locations) and revenue type for the three and nine months ended September 30, 2020 and 2019:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(U.S. \$ in thousands)		(U.S. \$ in thousands)	
Americas				
Products	\$ 52,827	\$ 67,088	\$ 145,871	\$ 192,279
Service	33,770	39,816	106,000	119,149
Total Americas	86,597	106,904	251,871	311,428
EMEA				
Products	17,245	22,710	53,735	74,119
Service	6,003	6,223	17,348	19,747
Total EMEA	23,248	28,933	71,083	93,866
Asia Pacific				
Products	13,476	16,548	40,991	55,380
Service	4,571	5,075	14,477	15,249
Total Asia Pacific	18,047	21,623	55,468	70,629
Total Revenues	\$ 127,892	\$ 157,460	\$ 378,422	\$ 475,923

The following table presents the Company's revenues disaggregated based on the timing of revenue recognition (at a specific point in time or over the course of time) for the three and nine months ended September 30, 2020 and 2019:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(U.S. \$ in thousands)		(U.S. \$ in thousands)	
Revenues recognized in point in time from:				
Products	\$ 83,548	\$ 106,346	\$ 240,597	\$ 321,778
Services	10,387	11,157	29,809	32,531
Total revenues recognized in point in time	93,935	117,503	270,406	354,309
Revenues recognized over time from:				
Services	33,957	39,957	108,016	121,614
Total revenues recognized over time	33,957	39,957	108,016	121,614
Total Revenues	\$ 127,892	\$ 157,460	\$ 378,422	\$ 475,923

9

STRATASYS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Contract Assets and Contract Liabilities

Contract assets are recorded when the Company's right to consideration is conditional on constraints other than the passage of time. The Company had no material contract assets as of September 30, 2020 and December 31, 2019.

Contract liabilities include advance payments and billings in excess of revenue recognized, which are primarily related to advanced billings for service type warranty. Contract liabilities are presented under deferred revenues. The Company's deferred revenues as of September 30, 2020 and December 31, 2019 were as follows:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
	U.S. \$ in thousands	
Deferred revenues*	60,724	68,307

*Includes \$13.4 million and \$16.0 million under long term deferred revenue in the Company's consolidated balance sheets as of September 30, 2020 and December 31, 2019, respectively.

Revenue recognized in 2020 that was included in deferred revenue balance as of January 1, 2020 was \$0.5 million and \$42.1 million for the three and nine months ended September 30, 2020, respectively.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of September 30, 2020, the total RPO amounted to \$82.1 million. The Company expects to recognize \$68.3 million of this RPO during the next 12 months, \$9.2 million over the subsequent 12 months and the remaining \$4.6 million thereafter.

Incremental Costs of Obtaining a Contract

Sales commissions earned mainly by the Company's sales agents are considered incremental costs of obtaining a contract with a customer, as the Company expects the benefit of those commissions to be longer than one year. The majority of the sales commissions are not subject to capitalization, as the commission expense is recognized as the related revenue is recognized. Sales commissions for initial contracts related to the service type warranty are deferred and then amortized on a straight-line basis over the expected customer relationship period if the Company expects to recover those costs. Amortization expense is included in selling, general and administrative expenses in the consolidated statements of operations. As of September 30, 2020 and December 31, 2019, the deferred commissions amounted to \$4.4 million and \$3.9 million, respectively.

10

STRATASYS LTD. NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Note 4. Inventories

Inventories consisted of the following:

	September 30, 2020	December 31, 2019
	U.S. \$ in thousands	
Finished goods	\$ 72,373	\$ 87,967
Work-in-process	2,838	3,106
Raw materials	77,474	77,431
	<u>152,685</u>	<u>168,504</u>

Note 5. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of the Company's goodwill for the nine months ended September 30, 2020 were as follows:

	U.S. \$ in thousands	
Goodwill as of January 1, 2020	\$ 385,658	
Foreign currency translation adjustments		496
Goodwill impairment		(386,154)
Goodwill as of September 30, 2020	<u>\$ -</u>	

During the fourth quarter of 2019, the Company performed a quantitative assessment for goodwill impairment for its Stratasys-Objet reporting unit.

Following its quantitative assessment, the Company concluded that the fair value of its Stratasys-Objet reporting unit exceeded its carrying amount by approximately 8.7%, with a carrying amount of goodwill assigned to this reporting unit in an amount of \$86 million.

When evaluating the fair value of its Stratasys-Objet reporting unit, the Company used a discounted cash flow model which utilized Level 3 measures that represent unobservable inputs into the valuation method. Key assumptions used to determine the estimated fair value include: (a) expected cash flows for five years following the assessment date which were based on, among other factors, expected revenue growth, costs to produce, operating profit margins and estimated capital needs; (b) an estimated terminal value that utilized a terminal year growth rate of 3.1% that was determined based on the growth prospects of the reporting unit; and (c) a discount rate of 13.5% based on management's best estimate of the after-tax weighted average cost of capital. If any of these were to vary materially from the Company's estimates, the Company could face impairment of goodwill allocated to this reporting unit in the future.

Actual results may differ from those assumed in the Company's valuation method. It is reasonably possible that the Company's assumptions described above could change in future periods. If any of these were to vary materially from the Company's plans, it may record impairment of goodwill allocated to this reporting unit in the future.

A hypothetical decrease in the growth rate of 1% or an increase of 1% to the discount rate would have reduced the fair value of Stratasys-Objet reporting unit by approximately \$45 million and \$81 million, respectively.

Based on the Company's assessment as of December 31, 2019, no goodwill was determined to be impaired.

11

STRATASYS LTD. NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

During the first quarter of 2020, the Company performed an analysis of the impact of recent events, including business and industry specific considerations, on the fair value of the Stratasys-Objet reporting unit. As part of this analysis the Company considered the potential impacts of COVID-19 and the sensitivity of estimates and assumptions used in the last annual impairment test as well as changes in market capitalization.

During the second quarter of 2020, the Company announced a restructuring plan to reduce operating expenses as part of a cost realignment program to focus on profitable growth (the "Plan"). The Plan's cost-cutting measures included workforce reductions affecting approximately 10% of employees, as well as other cost-mitigation measures. Please refer to Note 12 for further discussion. The Company reassessed its analysis from the first quarter in light of macroeconomic developments and its cost-cutting measures.

Based on the Company's goodwill assessment for the Stratasys-Objet reporting unit, the Company determined that no impairment was required as of June 30, 2020, and March 31, 2020.

During the third quarter of 2020, the Company noted that indicators of potential impairment existed which required an interim goodwill impairment analysis for Stratasys-Objet reporting unit. These indicators included longer and deeper than expected reduction in the business, refinement to the company's business focus into additional inorganic technologies and sustained decline in the Company's market capitalization during the past two quarters, all, primarily as a result of the COVID-19 impact on the global economy and the Company's business.

As a result of the factors discussed above, the Company revisited its assumptions supporting the cash flow projections for its Stratasys-Objet reporting unit, including: (i) the expected duration and depth of revenue reduction and certain revenue growth assumptions; (ii) the associated operating profit margins; and (iii) the long term growth rate. In estimating the discounted cash flow, the Company used the following key assumptions: the Company currently expects it will take approximately two years to regain the loss of revenue and return to its pre COVID-19 activity levels considering the impact of both volume and price with a similar effect on profitability. Following such period, the Company expects to return to similar growth rates as estimated in prior valuations. The Company assumes a long term terminal growth rate of 2.5% lower than the 3.1% used in prior valuations. In addition, changes in business focus due to introduction of new technologies is expected to lower the total revenues related to the Stratasys-Objet reporting unit. The resulting cash flow amounts were discounted using the same discount rate of 13.5%.

Based on the revised cash flow projections, the value of the reporting unit has decreased below its carrying value, and the Company recorded in the third quarter of 2020,

goodwill impairment charge of \$386.2 million, the entire reporting unit's goodwill.

Other Intangible Assets

Other intangible assets consisted of the following:

	September 30, 2020			December 31, 2019		
	Carrying Amount, Net of Impairment	Accumulated Amortization	Net Book Value	Carrying Amount, Net of Impairment	Accumulated Amortization	Net Book Value
U.S. \$ in thousands						
Developed technology	\$ 286,888	\$ (256,861)	\$ 30,027	\$ 299,100	\$ (252,136)	\$ 46,964
Patents	16,722	(8,145)	8,577	15,142	(7,067)	8,075
Trademarks and trade names	26,019	(20,829)	5,190	25,991	(19,966)	6,025
Customer relationships	101,745	(80,456)	21,289	102,936	(76,813)	26,123
Capitalized software development costs	18,489	(18,489)	-	18,630	(18,489)	141
	<u>\$ 449,863</u>	<u>\$ (384,780)</u>	<u>\$ 65,083</u>	<u>\$ 461,799</u>	<u>\$ (374,471)</u>	<u>\$ 87,328</u>

During the third quarter of 2020, the Company concluded that the carrying amount of certain of its definite-life purchased intangible assets are not recoverable due to certain indicators of impairment including weaker than expected operating results and due to management decision in the third quarter of 2020 to stop selling these products. The Company assessed the recoverability of its definite-life intangibles assets based on their projected undiscounted future cash flows expected to result from each intangible asset. Based on the results of the recoverability assessment, the Company determined that the carrying values of certain intangible assets exceed their undiscounted cash flow projections and therefore were not recoverable. For those unrecoverable intangible assets that considered to be fully impaired, the Company recorded impairment charges of \$5.3 million during the third quarter of 2020. Impairment charges of \$5.3 million, related to developed technology intangible assets were classified as costs of sales.

Amortization expenses relating to intangible assets for the three-month periods ended September 30, 2020 and 2019 were approximately \$6.2 million and \$6.5 million, respectively. Amortization expenses relating to intangible assets for the nine-month periods ended September 30, 2020 and 2019 were approximately \$18.6 million each.

As of September 30, 2020, the estimated amortization expenses relating to intangible assets for each of the following future periods were as follows:

	Estimated amortization expenses (U.S. \$ in thousands)
Remaining 3 months of 2020	\$ 6,019
2021	23,857
2022	21,884
2023	7,315
Thereafter	6,008
Total	<u>65,083</u>

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

Note 6. Loss Per Share

The following table presents the numerator and denominator of the basic and diluted net loss per share computations for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	In thousands, except per share amounts		In thousands, except per share amounts	
Numerator:				
Net loss attributable to Stratasys Ltd. for basic and diluted loss per share	\$ (405,062)	\$ (6,941)	\$ (454,751)	\$ (8,059)
Denominator:				
Weighted average shares - denominator for basic and diluted net loss per share	55,086	54,394	54,851	54,201
Net loss per share attributable to Stratasys Ltd.				
Basic	\$ (7.35)	\$ (0.13)	\$ (8.29)	\$ (0.15)
Diluted	\$ (7.35)	\$ (0.13)	\$ (8.29)	\$ (0.15)

The computation of diluted net loss per share excluded share awards of 4.8 million shares and 4.5 million shares for the three and nine months ended September 30, 2020 and 2019, respectively, because their inclusion would have had an anti-dilutive effect on the diluted net loss per share.

Note 7. Income Taxes

The Company had income tax benefit of \$0.3 million for the three-month period ended September 30, 2020 compared to income tax expenses of \$0.6 million for the three month period ended September 30, 2019, and income tax benefit of \$2.2 million for the nine-month period ended September 30, 2020 compared to income tax expenses of \$3.1 million for the nine-month period ended September 30, 2019. The Company's effective tax rate as of September 30, 2020 was primarily impacted by the goodwill impairment charge, which is not deductible for tax purposes.

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

Note 8. Fair Value Measurements

Financial instruments measured at fair value

The following table summarizes the Company's financial assets and liabilities that are carried at fair value on a recurring basis, in its consolidated balance sheets:

September 30, 2020	December 31, 2019
--------------------	-------------------

	(U.S. \$ in thousands)	
Assets:		
Foreign exchange forward contracts not designated as hedging instruments	\$ 100	\$ 63
Foreign exchange forward contracts designated as hedging instruments	220	315
Liabilities:		
Foreign exchange forward contracts not designated as hedging instruments	(534)	(388)
Foreign exchange forward contracts designated as hedging instruments	(552)	(326)
	<u>\$ (766)</u>	<u>\$ (336)</u>

The Company's foreign exchange forward contracts are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs, including interest rate curves and both forward and spot prices for currencies (Level 2 inputs).

Other financial instruments consist mainly of cash and cash equivalents, short-term deposits, current and non-current receivables, net investment in sales-type leases, accounts payable and other current liabilities. The fair value of these financial instruments approximates their carrying values.

14

STRATASYS LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Derivative instruments and hedging activities

Since the Company conducts its operations globally, it is exposed to global market risks and to the risk that its earnings, cash flows and equity could be adversely impacted by fluctuations in foreign currency exchange rates. The Company enters into transactions involving foreign currency exchange derivative financial instruments. The Company manages its foreign currency exposures on a consolidated basis, which allows the Company to net exposures and take advantage of any natural hedging. The transactions are designed to manage the Company's net exposure to foreign currency exchange rates and to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company is primarily exposed to foreign exchange risk with respect to recognized assets and liabilities and forecasted transactions denominated in the New Israeli Shekel ("NIS"), Euro, Korean Won, Chinese Yuan and the Japanese Yen. The gains and losses on the hedging instruments partially offset losses and gains on the hedged items. Financial markets and currency volatility may limit the Company's ability to hedge these exposures. These contracts mature through July 2021.

The following table summarizes the consolidated balance sheets classification and fair values of the Company's derivative instruments:

	Balance sheet location	Fair Value		Notional Amount	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
U.S. \$ in thousands					
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	\$ 100	\$ 63	\$ 48,847	\$ 11,001
Assets derivatives -Foreign exchange contracts, designated as cash flow hedging	Other current assets	220	315	25,635	25,045
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(534)	(388)	30,605	92,929
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	(552)	(326)	18,500	45,262
		<u>\$ (766)</u>	<u>\$ (336)</u>	<u>\$ 123,587</u>	<u>\$ 174,237</u>

Foreign exchange contracts not designated as hedging instruments

As of September 30, 2020, the notional amounts of the Company's outstanding exchange forward contracts, not designated as hedging instruments, were \$79.5 million, and were used to reduce foreign currency exposures. With respect to such derivatives, losses of \$3.2 million were recognized under financial income (expenses), net for the three-month periods ended September 30, 2020 and 2019, and losses of \$2.4 million and \$4.5 million were recognized under financial income (expenses), net for the nine-month periods ended September 30, 2020 and 2019, respectively. Such gains or losses partially offset the foreign currency revaluation changes of the balance sheet items. These foreign currencies revaluation changes are also recognized under financial income (expenses), net.

Cash Flow Hedging - Hedges of Forecasted Foreign Currency Payroll

As of September 30, 2020, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of \$23.5 million into NIS. The Company uses short-term cash flow hedge contracts to reduce its exposure to variability in expected future cash flows resulting mainly from payroll costs denominated in NIS. The changes in fair value of those contracts are included in the Company's accumulated other comprehensive loss.

15

STRATASYS LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Cash Flow Hedging - Hedges of Forecasted Foreign Currency Revenue

As of September 30, 2020, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of 18.0 million Euro into U.S. dollars. The Company transacts business in U.S. dollars and in various other currencies. The Company may use foreign exchange or forward contracts to hedge certain cash flow exposures resulting from changes in these foreign currency exchange rates. These foreign exchange contracts, carried at fair value, have maturities of up to twelve months. The Company enters into these foreign exchange contracts to hedge a portion of its forecasted foreign currency denominated revenue in the normal course of business and accordingly, they are not speculative in nature.

Note 10. Equity

a. Stock-based compensation plans

Stock-based compensation expenses for equity-classified stock options, restricted share units ("RSUs") and performance stock units ("PSUs") were allocated as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	U.S \$ in thousands		U.S \$ in thousands	
Cost of sales	\$ 524	\$ 475	\$ 1,424	\$ 1,370
Research and development, net	1,587	1,494	4,846	3,764

Selling, general and administrative	2,765	3,466	9,624	10,623
Total stock-based compensation expenses	\$ 4,876	\$ 5,435	\$ 15,894	\$ 15,757

A summary of the Company's stock option activity for the nine months ended September 30, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding as of January 1, 2020	1,961,532	\$ 31.16
Granted	360,000	17.10
Exercised	(2,237)	8.09
Forfeited	(145,504)	38.71
Options outstanding as of September 30, 2020	2,173,791	28.34
Options exercisable as of September 30, 2020	1,739,420	\$ 31.03

As of September 30, 2020, the unrecognized compensation cost of \$2.1 million related to all unvested, equity-classified stock options is expected to be recognized as an expense over a weighted-average period of 3.2 years.

16

STRATASYS LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

A summary of the Company's RSUs and PSUs activity for the nine months ended September 30, 2020 is as follows:

	Number of RSUs and PSUs	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2020	2,362,991	\$ 24.10
Granted	1,425,536	17.80
Vested	(669,477)	23.21
Forfeited	(445,400)	21.97
Unvested as of September 30, 2020	2,673,650	\$ 21.32

The fair value of RSUs and PSUs is determined based on the quoted price of the Company's ordinary shares on the date of the grant.

As of September 30, 2020, the unrecognized compensation cost of \$45.1 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as an expense over a weighted-average period of 2.7 years.

b. Accumulated other comprehensive loss

The following tables present the changes in the components of accumulated other comprehensive income (loss), net of taxes, for the nine months ended September 30, 2020 and 2019, respectively:

	Nine Months Ended September 30, 2020		
	Net Unrealized Loss on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
	U.S. \$ in thousands		
Balance as of January 1, 2020	\$ (10)	\$ (7,706)	\$ (7,716)
Other comprehensive loss before reclassifications	(299)	(611)	(910)
Amounts reclassified from accumulated other comprehensive loss	(663)	-	(663)
Other comprehensive loss	(962)	(611)	(1,573)
Balance as of September 30, 2020	\$ (972)	\$ (8,317)	\$ (9,289)

17

STRATASYS LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

	Nine Months Ended September 30, 2019		
	Net Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
	U.S. \$ in thousands		
Balance as of January 1, 2019	\$ (627)	\$ (7,126)	\$ (7,753)
Other comprehensive income (loss) before reclassifications	1,689	(1,398)	291
Amounts reclassified from accumulated other comprehensive loss	(505)	-	(505)
Other comprehensive income (loss)	1,184	(1,398)	(214)
Balance as of September 30, 2019	\$ 557	\$ (8,524)	\$ (7,967)

Note 11. Contingencies

Legal proceedings

The Company is a party to various legal proceedings from time to time, the outcome of which, in the opinion of management, will not have a significant effect on the financial position, profitability or cash flows of the Company.

Note 12. Restructuring Plan

On June 2, 2020, the Company announced a restructuring plan to reduce operating expenses as part of a cost realignment program to focus on profitable growth (the "Plan"). The Plan's cost-cutting measures included workforce reductions affecting approximately 10% of employees, as well as other cost-mitigation measures.

The Company recorded \$5.2 million and \$3.6 million of employee-related charges and other related charges, respectively, during the second quarter of 2020. During the third quarter the Company recorded an additional \$0.3 million of employee-related charges with respect to the Plan.

As of September 30, 2020, an amount of \$4.5 million was paid out the total employee-related charges recorded. The remaining amount is expected to be paid by during the fourth quarter.

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 unaudited consolidated financial statements and the related notes included as Exhibit 99.1 to the Report of Foreign Private Issuer on Form 6-K to which this Operating and Financial Review and Prospects is attached, or the 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 in the "Risk Factors" in Item 3.D of our Annual Report on Form 20-F for the year ended December 31, 2019, or our 2019 Annual Report.

Overview of Business and Trend Information

We are a leading global provider of applied additive technology solutions for industries including aerospace, automotive, healthcare, consumer products and education. We focus on customers' business requirements and seek to create new value for our customers across their product lifecycle processes, from design prototypes to manufacturing tools and final production parts. We operate a 3D printing ecosystem of solutions and expertise, comprised of advanced materials; software with voxel level control; precise, repeatable and reliable fused deposition modeling 3D printers (utilizing proprietary FDM™ technology) and inkjet-based 3D printers (utilizing proprietary PolyJet™ technology); application-based services; on-demand parts and key partnerships. We strive to ensure that our solutions are integrated seamlessly into each customer's evolving workflow. Our applications are industry-specific and geared towards accelerating business processes, optimizing value chains and driving business performance improvements. Our customers range from individuals and smaller businesses to large, global enterprises, and we include a number of Fortune 100 companies among our customers.

Our 3D printers include systems ranging from entry-level desktop 3D printers to systems for rapid prototyping, or RP, and large production systems for direct digital manufacturing, or DDM. We also develop, manufacture and sell materials for use with our systems and provide related services offerings. We offer a powerful range of additive manufacturing materials, including clear, rubberlike and biocompatible photopolymers, and tough high-performance thermoplastics. We believe that the range of 3D printing consumable materials that we offer, consisting of over 60 FDM™ spool-based filament materials, over 45 PolyJet cartridge-based resin materials, 158 non-color digital materials, and over 500,000 color variations, is the widest in the industry. Our service offerings include Stratasys Direct Manufacturing printed parts services, as well as our professional services.

We conduct our business globally and provide products and services to our global customer base through our offices in North America and internationally, including: Baden-Baden, Germany; Shanghai, China; and Tokyo, Japan, as well as through our worldwide network of approximately 160 agents and resellers. Additionally, through our MakerBot subsidiary, we deploy an online sales channel. We have approximately 2,000 employees and hold approximately 1,000 granted patents and have approximately 500 pending patent applications worldwide.

1

COVID Impact

As in the preceding two quarters, our results of operations for the three and nine-month periods ended September 30, 2020 should be understood in light of the ongoing global COVID-19 crisis, which has disrupted businesses on a global scale and was classified as a pandemic by the World Health Organization on March 11, 2020. Our third quarter results were adversely impacted by the COVID-19 pandemic, but with less of a decline than what we experienced in the second quarter.

We are encouraged by the modest recovery for revenues deriving both from hardware and consumables in the Government industry, specifically the Aerospace sector of Government, as well as from the Healthcare and Education industries.

Throughout the third quarter and through the present time, we have continued ensuring that our top priority is met—securing the well-being of our employees worldwide. Consequently, we have kept in place the travel restrictions and work-from-home options that we implemented for our staff back in the earlier stages of the pandemic. We have similarly maintained, throughout the third quarter and through the present time, the cost-control measures that we originally implemented at earlier stages of the pandemic, most importantly a reduced four-day work-week, a nonessential hiring freeze, and adjustments to our cost base and production plan. The global workforce reduction that we announced on June 2, 2020, which was part of a cost realignment program to focus on profitable growth, and which affected approximately 10% of our employees, was completed during the third quarter of 2020. These measures succeeded in reducing operating expenses during the third quarter, while our revenues were still significantly and adversely impacted by the pandemic. We will continue to monitor and evaluate the need for our cost-control measures over time.

Our cost realignment program is an essential step in our ongoing strategic process, designed to better position the company for sustainable growth. These measures are not expected to affect the progress of our forthcoming product launch plans.

The COVID-19 pandemic has also brought us certain opportunities. For example, in our efforts to support the global fight against the pandemic, we were quick to mobilize our additive manufacturing network, leverage our application expertise, our channel and partner network and our corporate-wide resources to help get a variety of printed parts quickly to where they were most needed.

We continue to monitor the situation, assessing implications for our operations, supply chain, liquidity, cash flow and customer orders, and have been acting in an effort to mitigate adverse consequences as needed. We ended the third quarter of 2020 with \$308.2 million in cash, cash equivalents and short-term deposits. We believe that we are well suited to continue to manage the COVID-19 crisis with a strong balance sheet and no debt, while focusing on cost controls and cash generation. We selectively applied the R&D cost controls to ensure that our NPI programs were not affected, and we plan to continue investing as needed in order to support our new product development programs.

2

Goodwill and Other Intangible Assets Impairment Charges

During the third quarter of 2020, we noted that indicators of potential impairment existed which required an interim goodwill impairment analysis for our Stratasys-Objet reporting unit. These indicators included longer and deeper than expected reduction in the business, refinement to our business focus into additional inorganic technologies and sustained decline in our market capitalization during the past two quarters, all, primarily as a result of the COVID-19 impact on the global economy and our business.

As a result of the factors discussed above, we have revisited our assumptions supporting the cash flow projections for our Stratasys-Objet reporting unit, including: (i) the expected duration and depth of revenue reduction and certain revenue growth assumptions; (ii) the associated operating profit margins; and (iii) the long term growth rate. In estimating the discounted cash flow, we used the following key assumptions: we currently expect it will take approximately two years to regain the loss of revenue and return to our pre COVID-19 activity levels considering the impact of both volume and price with a similar effect on profitability. Following such period, we expect to return to similar growth rates as estimated in prior valuations. We assume a long-term terminal growth rate of 2.5% lower than the 3.1% used in prior valuations. In addition, changes in business focus due to introduction of new technologies is expected to lower the total revenues related to the Stratasys-Objet reporting unit. The resulting cash flow amounts were discounted using the same discount rate of 13.5%.

Based on the revised cash flow projections, the value of the reporting unit has decreased below its carrying value, and we recorded in the third quarter of 2020 a goodwill impairment charge of \$386.1 million, the entire reporting unit's goodwill.

In addition, we tested the recoverability of our long-lived assets, including our purchased intangible assets. We concluded that the carrying amount of certain of our purchased intangible assets are not recoverable. As a result, we recorded a non-cash impairment charge of \$5.3 million, in order to fully reduce the carrying amount of certain of our purchased intangible assets to their estimated fair value.

3

Summary of Financial Results

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. In the opinion of our management, all adjustments considered necessary for a fair statement of the unaudited condensed 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, 2020 with the corresponding period in 2019.

Results of Operations**Comparison of Three Months Ended September 30, 2020 to Three Months Ended September 30, 2019**

The following table sets forth certain statement of operations data for the periods indicated:

	Three Months Ended September 30,					
	2020			2019		
	U.S. \$ in thousands	% of Revenues		U.S. \$ in thousands	% of Revenues	
Revenues	\$ 127,892	100.0%		\$ 157,460	100.0%	
Cost of sales	78,123	61.1%		80,051	50.8%	
Gross profit	49,769	38.9%		77,409	49.2%	
Research and development, net	19,562	15.3%		23,620	15.0%	
Selling, general and administrative	48,343	37.8%		59,741	37.9%	
Goodwill impairment	386,154	301.9%		-	0.0%	
Operating loss	(404,290)	(316.1)%		(5,952)	(3.8)%	
Financial income (expenses), net	(167)	(0.1)%		289	0.2%	
Loss before income taxes	(404,457)	(316.2)%		(5,663)	(3.6)%	
Income tax expenses (benefit)	(343)	(0.3)%		586	0.4%	
Share in losses of associated companies	(952)	(0.7)%		(733)	(0.5)%	
Net loss attributable to non-controlling interests	(4)	0.0%		(41)	0.0%	
Net loss attributable to Stratasys Ltd.	(405,062)	(316.7)%		(6,941)	(4.4)%	

Discussion of Results of Operations**Revenues**

Our products and services revenues in the three months ended September 30, 2020 and 2019, as well as the percentage change reflected thereby, were as follows:

	Three Months Ended September 30,		
	2020	2019	% Change
	U.S. \$ in thousands		
Products	\$ 83,548	\$ 106,346	(21.4)%

Services		44,344	51,114	(13.2)%
	\$	127,892	\$ 157,460	(18.8)%

4

Products Revenues

Revenues derived from products (including AM systems and consumable materials) decreased by \$22.8 million, or 21.4%, for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019.

System revenues for the three months ended September 30, 2020 decreased by 20.8% as compared to the three months ended September 30, 2019. Consumables revenues for the three months ended September 30, 2020 decreased by 22.0% as compared to the three months ended September 30, 2019.

Our third quarter revenue results were still significantly impacted by the COVID-19 pandemic and were still challenged by a weak macro environment and a pause in capital investments worldwide.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) decreased by \$6.8 million for the three months ended September 30, 2020, or 13.2%, as compared to the three months ended September 30, 2019. Within services revenues, customer support revenue, which includes revenue generated mainly by maintenance contracts on our systems, decreased by 1.6%, reflecting lower printer utilization due to the effects of COVID-19.

Revenues by Region

Revenues and the percentage of revenues by region for the three months ended September 30, 2020 and 2019, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Three Months Ended September 30,					
	2020		2019		% Change	
	U.S.\$ in thousands	% of Revenues	U.S.\$ in thousands	% of Revenues		
Americas*	\$ 86,597	67.7%	\$ 106,904	67.9%	(19.0)%	
EMEA	23,248	18.2%	28,933	18.4%	(19.6)%	
Asia Pacific	18,047	14.1%	21,623	13.7%	(16.5)%	
	\$ 127,892	100.0%	\$ 157,460	100.0%	(18.8)%	

* Represent the United States, Canada and Latin America

Revenues in the Americas region decreased by \$20.3 million, or 19.0%, to \$86.6 million for the three months ended September 30, 2020, compared to \$106.9 million for the three months ended September 30, 2019. The decrease was primarily driven by COVID-19 impact on some of our key industries, such as Aerospace and Auto.

Revenues in the EMEA region decreased by \$5.7 million, or 19.6%, to \$23.2 million for the three months ended September 30, 2020, compared to \$28.9 million for the three months ended September 30, 2019. The decrease was primarily driven by lower consumables revenues. On a constant currency basis when using prior period's exchange rates, revenues decreased by \$6.8 million, or 23.4%. The decrease was primarily driven by COVID-19 impact on some of our key industries, mainly Auto.

Revenues in the Asia Pacific region decreased by \$3.6 million, or 16.5%, to \$18.0 million for the three months ended September 30, 2020, compared to \$21.6 million for the three months ended September 30, 2019. The decrease was primarily driven by lower consumables revenues. The decrease was primarily driven by COVID-19 impact.

5

Gross Profit

Gross profit from our products and services, as well as the percentage change reflected thereby, was as follows:

	Three Months Ended September 30,				
	2020		2019		Change in %
	U.S. \$ in thousands				
Gross profit attributable to:					
Products	\$ 36,209	\$ 62,005			(41.6)%
Services	13,560	15,404			(12.0)%
	\$ 49,769	\$ 77,409			(35.7)%

Gross profit as a percentage of revenues from our products and services was as follows:

	Three Months Ended September 30,	
	2020	2019
Gross profit as a percentage of revenues from:		
Products	43.3%	58.3%
Services	30.6%	30.1%
Total gross profit	38.9%	49.2%

Gross profit attributable to products revenues decreased by \$25.8 million, or 41.6%, to \$36.2 million for the three months ended September 30, 2020, compared to gross profit of \$62.0 million for the three months ended September 30, 2019. Gross profit attributable to products revenues as a percentage of products revenues decreased to 43.3% for the three months ended September 30, 2020, compared to 58.3% for the three months ended September 30, 2019.

Gross profit attributable to services revenues decreased by \$1.8 million, or 12.0%, to \$13.6 million for the three months ended September 30, 2020, compared to \$15.4 million for the three months ended September 30, 2019. Gross profit attributable to services revenues as a percentage of services revenues in the three months ended September 30, 2020 increased to 30.6%, as compared to 30.1% for the three months ended September 30, 2019. Our gross profit from services revenues was impacted by the mix of revenue sources, as well as a favorable impact of foreign currencies translation.

The decrease in gross profit was primarily driven by an intangible assets impairment of \$5.3 million, as well as product mix which was based on the lower proportion of hardware and consumables out of the total revenue due to the impact of COVID-19.

6

Operating Expenses

The amount of each type of operating expense for the three months ended September 30, 2020 and 2019, as well as the percentage change reflected thereby, and total operating expenses as a percentage of our total revenues in each such quarter, were as follows:

	Three Months Ended September 30,		
	2020	2019	% Change
	U.S. \$ in thousands		
Research and development, net	\$ 19,562	\$ 23,620	(17.2)%
Selling, general and administrative	48,343	59,741	(19.1)%
Goodwill impairment	386,154	-	
	\$ 454,059	\$ 83,361	444.7%
Percentage of revenues	355.0%	52.9%	

Operating expenses were \$454.1 million in the third quarter of 2020, compared to operating expenses of \$83.4 million in the third quarter of 2019. The increase in operating expenses was mainly due to the goodwill impairment charge.

Research and development expenses, net decreased by \$4.1 million, or 17.2%, to \$19.6 million for the three months ended September 30, 2020, compared to \$23.6 million for the three months ended September 30, 2019. The amount of research and development expenses constituted 15.3% of our revenues for the three months ended September 30, 2020, as compared to 15.0% for the three months ended September 30, 2019.

Our research and development expenses were impacted by the reduction on our workweek to 80%, and the timing of project spending and product launches. We selectively applied the R&D cost controls to ensure that our new product introduction programs were not affected, and we plan to continue investing as needed in order to support our new product development programs.

Selling, general and administrative expenses decreased by \$11.4 million, or 19.1%, to \$48.3 million for the three months ended September 30, 2020, compared to \$59.7 million for the three months ended September 30, 2019, driven by the restructuring and proactive cost-cutting measures. The amount of selling, general and administrative expenses constituted 37.8% of our revenues for the three months ended September 30, 2020, as compared to 37.9% for the three months ended September 30, 2019.

Excluding the goodwill impairment charge, the reduction in operating expenses was driven by the restructuring plan and other cost-mitigation related to the COVID-19. Travel was minimal, there were no in-person trade shows, and most employees worked from home at an effective 4-day workweek. These measures are still in place and we will continue to evaluate the need to keep them active.

Operating Loss

Operating loss and operating loss as a percentage of our total revenues were as follows:

	Three Months Ended September 30,	
	2020	2019
	U.S. \$ in thousands	
Operating loss	\$ (404,290)	\$ (5,952)
Percentage of revenues	(316.1)%	(3.8)%

Operating loss amounted to \$404.3 million for the three months ended September 30, 2020, compared to an operating loss of \$6.0 million for the three months ended September 30, 2019. The increase in operating loss was primarily attributable to the goodwill impairment as well as lower gross profit for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, offset, in part, by lower operating expenses as discussed above.

Financial Income (Expenses), net

Financial expenses, net, which was primarily comprised of foreign currencies effects, interest income and interest expenses, was \$0.2 million for the three months ended September 30, 2020, compared to financial income, net of \$0.3 million for the three months ended September 30, 2019.

7

Income Taxes

Income taxes and income taxes as a percentage of net loss before taxes, as well as the percentage change in each, year over year, reflected thereby, were as follows:

	Three Months Ended September 30,		Change in %
	2020	2019	
	U.S. \$ in thousands		
Income tax expenses (benefit)	\$ (343)	\$ 586	(158.5)%
As a percent of loss before income taxes	0.1%	(10.3)%	(100.8)%

We had an effective tax rate of 0.1% for the three-month period ended September 30, 2020, compared to a negative effective tax rate of 10.3% for the three-month period ended September 30, 2019. Our tax rate for the third quarter of 2020 was mainly affected by the goodwill impairment charge, which is not deductible for tax purposes.

Share in Losses of Associated Companies

Share in losses of associated companies reflects our proportionate share of the losses of unconsolidated entities accounted for by using the equity method of accounting. During the three months ended September 30, 2020, the loss from our proportionate share of the losses of our equity method investments was \$0.95 million, compared to a loss of \$0.7 million in the three months ended September 30, 2019.

Net Loss Attributable to Stratasy Ltd. and Net Loss Per Share

Net loss attributable to Stratasy Ltd., and net loss per share were as follows:

	Three Months Ended September 30,		Change in %
	2020	2019	
	U.S. \$ in thousands		
Net loss attributable to Stratasy Ltd.	\$ (405,062)	\$ (6,941)	(6.941)%
Percentage of revenues	(316.7)%	(4.4)%	(4.4)%
Net loss per share	\$ (7.35)	\$ (0.13)	(0.13)%

Net loss attributable to Stratasy Ltd. was \$405.1 million for the three months ended September 30, 2020 compared to net loss of \$6.9 million for the three months ended September 30, 2019. The increase in the net loss attributable to Stratasy Ltd. was primarily attributable to the goodwill impairment and decreased gross profit, mainly due to the effects of COVID-19, as described above.

Net loss per share was \$7.35 for the three months ended September 30, 2020, as compared to net loss per share of \$0.13 for the three months ended September 30, 2019. The weighted average fully diluted share count was 55.1 million during the three months ended September 30, 2020, compared to 54.4 million during the three months ended September 30, 2019.

8

Results of Operations

Comparison of Nine Months Ended September 30, 2020 to Nine Months Ended September 30, 2019

The following table sets forth certain statement of operations data for the periods indicated:

	Nine Months Ended September 30,			
	2020		2019	
	U.S. \$ in thousands	% of Revenues	U.S. \$ in thousands	% of Revenues
Revenues	\$ 378,422	100.0%	\$ 475,923	100.0%
Cost of sales	225,047	59.5%	240,890	50.6%
Gross profit	153,375	40.5%	235,033	49.4%
Research and development, net	65,059	17.2%	70,234	14.8%
Selling, general and administrative	155,630	41.1%	173,217	36.4%
Goodwill impairment	386,154	102.0%	-	0.0%
Operating loss	(453,468)	(119.8)%	(8,418)	(1.8)%
Financial income (expense)	(847)	(0.2)%	2,796	0.6%
Loss before income taxes	(454,315)	(120.1)%	(5,622)	(1.2)%
Income tax expenses (benefit)	(2,250)	(0.6)%	3,084	0.6%
Share in profits (losses) of associated companies	(2,740)	(0.7)%	495	0.1%
Net loss attributable to non-controlling interests	(54)	0.0%	(152)	0.0%
Net loss attributable to Stratasy Ltd.	(454,751)	(120.2)%	(8,059)	(1.7)%

Discussion of Results of Operations

Revenues

Our products and services revenues in the nine months ended September 30, 2020 and 2019, as well as the percentage change reflected thereby, were as follows:

	Nine Months Ended September 30,		
	2020	2019	% Change
	U.S. \$ in thousands		
Products	\$ 240,597	\$ 321,778	-25.2%
Services	137,825	154,145	-10.6%
	\$ 378,422	\$ 475,923	-20.5%

9

Products Revenues

Revenues derived from products (including AM systems and consumable materials) decreased by \$81.2 million, or 25.2%, for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019.

Systems revenues for the nine months ended September 30, 2020 decreased by 32.0% as compared to the nine months ended September 30, 2019. Consumables revenues for the nine months ended September 30, 2020 decreased by 19.4% as compared to the nine months ended September 30, 2019.

The decrease in revenues was driven primarily by the effective shut-down, from a purchasing and consumption perspective, of a portion of our customer base due to the COVID-19 effects.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) decreased by \$16.3 million for the nine months ended September 30, 2020, or 10.6%, as compared to the nine months ended September 30, 2019.

Revenues by Region

Revenues and the percentage of revenues by region for the nine months ended September 30, 2020 and 2019, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Nine Months Ended September 30,				% Change
	2020		2019		
	U.S. \$ in thousands	% of Revenues	U.S. \$ in thousands	% of Revenues	

Americas*	\$ 251,871	66.5%	\$ 311,428	65.5%	(19.1)%
EMEA	71,083	18.8%	93,866	19.7%	(24.3)%
Asia Pacific	55,468	14.7%	70,629	14.8%	(21.5)%
	<u>\$ 378,422</u>	<u>100.0%</u>	<u>\$ 475,923</u>	<u>100.0%</u>	<u>(20.5)%</u>

* Consists of United States, Canada and Latin America

Revenues in the Americas region decreased by \$59.6 million, or 19.1%, to \$251.9 million for the nine months ended September 30, 2020, compared to \$311.4 million for the nine months ended September 30, 2019.

Revenues in the EMEA region decreased by \$22.8 million, or 24.3%, to \$71.1 million for the nine months ended September 30, 2020, compared to \$93.9 million for the nine months ended September 30, 2019.

Revenues in the Asia Pacific region decreased by \$15.2 million, or 21.5%, to \$55.5 million for the nine months ended September 30, 2020, compared to \$70.6 million for the nine months ended September 30, 2019.

10

Gross Profit

Gross profit from our products and services, as well as the percentage change reflected thereby, were as follows:

	Nine Months Ended September 30,		
	2020	2019	Change in %
	U.S. \$ in thousands		
Gross profit attributable to:			
Products	\$ 114,041	\$ 186,173	(38.7)%
Services	39,334	48,860	(19.5)%
	<u>\$ 153,375</u>	<u>\$ 235,033</u>	<u>(34.7)%</u>

Gross profit as a percentage of revenues from our products and services was as follows:

	Nine Months Ended September 30,	
	2020	2019
Gross profit as a percentage of revenues from:		
Products	47.4%	57.9%
Services	28.5%	31.7%
Total gross profit	40.5%	49.4%

Gross profit attributable to products revenues decreased by \$72.1 million, or 38.7%, to \$114.0 million for the nine months ended September 30, 2020, compared to gross profit of \$186.2 million for the nine months ended September 30, 2019. Gross profit attributable to products revenues as a percentage of products revenues decreased to 47.4% for the nine months ended September 30, 2020, compared to 57.9% for the nine months ended September 30, 2019.

Gross profit attributable to services revenues decreased by \$9.5 million, or 19.5%, to \$39.3 million for the nine months ended September 30, 2020, compared to \$48.9 million for the nine months ended September 30, 2019. Gross profit attributable to services revenues as a percentage of services revenues in the nine months ended September 30, 2020 decreased to 28.5%, as compared to 31.7% for the nine months ended September 30, 2019.

11

Operating Expenses

The amount of each type of operating expense for the nine months ended September 30, 2020 and 2019, as well as the percentage change reflected thereby, and total operating expenses as a percentage of our total revenues in each such quarter, were as follows:

	Nine Months Ended September 30,		
	2020	2019	% Change
	U.S. \$ in thousands		
Research and development, net	\$ 65,059	\$ 70,234	(7.4)%
Selling, general and administrative	155,630	173,217	(10.2)%
Goodwill impairment	386,154	-	
	<u>\$ 606,843</u>	<u>\$ 243,451</u>	<u>149.3%</u>
Percentage of revenues	160.4%	51.2%	

Research and development expenses, net decreased by \$5.2 million, or 7.4%, to \$65.1 million for the nine months ended September 30, 2020, compared to \$70.2 million for the nine months ended September 30, 2019. The amount of research and development expenses constituted 17.2% of our revenues for the nine months ended September 30, 2020, as compared to 14.8% for the nine months ended September 30, 2019.

Selling, general and administrative expenses decreased by \$17.6 million, or 10.2%, to \$155.6 million for the nine months ended September 30, 2020, compared to \$173.2 million for the nine months ended September 30, 2019. The amount of selling, general and administrative expenses constituted 41.1% of our revenues for the nine months ended September 30, 2020, as compared to 36.4% for the nine months ended September 30, 2019.

Operating Loss

Operating loss and operating loss as a percentage of our total revenues were as follows:

	Nine Months Ended September 30,		
	2020	2019	Change in %
	U.S. \$ in thousands		
Operating loss	\$ (453,468)	\$ (8,418)	(1.8)%
Percentage of revenues	(119.8)%	(1.8)%	

Operating loss amounted to \$453.5 million for the nine months ended September 30, 2020, compared to an operating loss of \$8.4 million for the nine months ended September 30, 2019.

Financial Income (Expenses), net

Financial expenses, net, which were primarily comprised of foreign currencies effects, interest income and interest expenses, were \$0.8 million for the nine months ended September 30, 2020, compared to financial income, net of \$2.8 million for the nine months ended September 30, 2019.

12

Income Taxes

Income taxes and income taxes as a percentage of net loss before taxes, as well as the percentage change in each, year over year, reflected thereby, were as follows:

	Nine Months Ended September 30,		
	2020	2019	Change in %
	U.S. \$ in thousands		
Income tax expenses (benefit)	\$ (2,250)	\$ 3,084	(173.0)%
As a percent of loss before income taxes	0.5%	(54.8)%	(100.9)%

We had an effective tax rate of 0.5% for the nine-month period ended September 30, 2020, compared to a negative effective tax rate of 54.8% for the nine-month period ended September 30, 2019.

Our tax rate for the first nine months of 2020 was mainly affected by the goodwill impairment charge, which is not deductible for tax purposes.

Share in Profits (Losses) of Associated Companies

Share in profit (losses) of associated companies reflects our proportionate share of the earnings of unconsolidated entities accounted for by using the equity method of accounting. During the nine months ended September 30, 2020, the loss from our proportionate share of the earnings of our equity method investments was \$2.7 million, compared to a profit of \$0.5 million in the nine months ended September 30, 2019.

Net Loss Attributable to Stratasys Ltd. and Net Loss Per Share

Net loss attributable to Stratasys Ltd., and net loss per share were as follows:

	Nine Months Ended September 30,	
	2020	2019
	U.S. \$ in thousands	

Net loss attributable to Stratasy Ltd.	\$	(454,751)	\$	(8,059)
Percentage of revenues		(120.2)%		(1.7)%
Net loss per share	\$	(8.29)	\$	(0.15)

Net loss attributable to Stratasy Ltd. was \$454.8 million for the nine months ended September 30, 2020 compared to a net loss of \$8.1 million for the nine months ended September 30, 2019.

Net loss per share was \$8.29 and \$0.15 for the nine months ended September 30, 2020 and 2019, respectively. The weighted average fully diluted share count was 54.9 million for the nine months ended September 30, 2020, compared to 54.2 million for the nine months ended September 30, 2019.

13

Supplemental Operating Results on a Non-GAAP Basis

The following non-GAAP data, which excludes certain items as 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 (i) on an ongoing basis after excluding mergers, acquisitions and divestments related expense or gains and restructuring-related charges or gains, and (ii) excluding non-cash items such as stock-based compensation expenses, acquired intangible assets amortization, including intangible assets amortization related to equity method investments and impairment of long-lived assets and goodwill. These non-GAAP adjustments either do not reflect actual cash outlays that impact our liquidity and our financial condition or have a non-recurring impact on the statement of operations, as assessed by management. These non-GAAP financial measures are presented to permit investors to more fully understand how management assesses our performance for internal planning and forecasting purposes. 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 items indicated above during a period, which may not provide a comparable view of our performance to other companies in our industry. Investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with GAAP. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table below.

14

Reconciliation of GAAP to Non-GAAP Results of Operations

The following tables present the GAAP measures, the corresponding non-GAAP amounts and the related non-GAAP adjustments for the applicable periods:

	Three Months Ended September 30,					
	2020 GAAP	Non-GAAP Adjustments	2020 Non-GAAP	2019 GAAP	Non-GAAP Adjustments	2019 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	\$ 49,769	\$ 10,036	\$ 59,805	\$ 77,409	\$ 5,087	\$ 82,496
Operating income (loss) (1,2)	(404,290)	403,268	(1,022)	(5,952)	14,055	8,103
Net income (loss) attributable to Stratasy Ltd. (1,2,3)	(405,062)	402,050	(3,012)	(6,941)	13,275	6,334
Net income (loss) per diluted share attributable to Stratasy Ltd. (4)	\$ (7.35)	\$ 7.30	\$ (0.05)	\$ (0.13)	\$ 0.25	\$ 0.12
(1) Acquired intangible assets amortization expense		4,065			3,916	
Non-cash stock-based compensation expense		524			475	
Restructuring and other related costs		191			696	
Impairment charges of intangible assets		5,256			-	
		10,036			5,087	
(2) Acquired intangible assets amortization expense		2,162			2,016	
Non-cash stock-based compensation expense		4,352			4,960	
Goodwill impairment		386,154			-	
Restructuring and other related costs		34			1,992	
Other expenses		530			-	
		393,232			8,968	
		403,268			14,055	
(3) Corresponding tax effect		(1,296)			(780)	
Equity method related amortization, divestments and impairments		78			-	
		\$ 402,050			\$ 13,275	
(4) Weighted average number of ordinary shares outstanding- Diluted	55,086		55,086	54,394		54,940

15

	Nine Months Ended September 30,					
	2020 GAAP	Non-GAAP Adjustments	2020 Non-GAAP	2019 GAAP	Non-GAAP Adjustments	2019 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	\$ 153,375	\$ 24,062	\$ 177,437	\$ 235,033	\$ 13,780	\$ 248,813
Operating income (loss) (1,2)	(453,468)	435,987	(17,481)	(8,418)	32,376	23,958
Net income (loss) attributable to Stratasy Ltd. (1,2,3)	(454,751)	433,821	(20,930)	(8,059)	28,574	20,515
Net income (loss) per diluted share attributable to Stratasy Ltd. (4)	\$ (8.29)	\$ 7.91	\$ (0.38)	\$ (0.15)	\$ 0.53	\$ 0.38
(1) Acquired intangible assets amortization expense		12,196			11,714	
Non-cash stock-based compensation expense		1,424			1,370	
Restructuring and other related costs		5,187			696	
Impairment charges of intangible assets		5,256			-	
		24,062			13,780	
(2) Acquired intangible assets amortization expense		6,430			5,688	
Non-cash stock-based compensation expense		14,470			14,387	
Goodwill impairment		386,154			-	
Restructuring and other related costs		3,863			(1,479)	
Other expenses		1,007			-	
		411,925			18,596	
		435,987			32,376	
(3) Corresponding tax effect		(2,396)			(2,198)	
Equity method related amortization, divestments and impairments		230			(1,604)	
		\$ 433,821			\$ 28,574	

Liquidity and Capital Resources

A summary of our statement of cash flows is as follows:

	Nine Months Ended September 30,	
	2020	2019
	U.S \$ in thousands	
Net loss	\$ (454,805)	\$ (8,211)
Depreciation and amortization	37,428	37,934
Goodwill impairment	386,154	-
Intangible assets impairment charges	5,256	-
Deferred income taxes	(1,541)	(1,667)
Stock-based compensation	15,894	15,757
Other non-cash items, net	513	(2,576)
Change in working capital and other items	15,205	(49,002)
Net cash provided by (used in) operating activities	4,104	(7,765)
Net cash used in investing activities	(44,246)	(18,256)
Net cash provided by (used in) by financing activities	53	(22,124)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(484)	1,602
Net change in cash, cash equivalents and restricted cash	(40,573)	(46,543)
Cash, cash equivalents and restricted cash, beginning of period	293,597	393,734
Cash, cash equivalents and restricted cash, end of period	\$ 253,024	\$ 347,191

Our cash, cash equivalents and restricted cash balance decreased to \$253.0 million as of September 30, 2020 from \$293.6 million as of December 31, 2019. The decrease in cash, cash equivalents and restricted cash in the nine months ended September 30, 2020 was primarily due to investing activities in an amount of \$44.2 million, partially offset by operating activities.

Cash flows from operating activities

We generated \$4.1 million of cash from operating activities during the nine months ended September 30, 2020. That cash generation reflects our \$454.8 million net loss, as adjusted upwards to eliminate non-cash charges included in net loss, including \$386.2 million of goodwill impairment, \$37.4 million of depreciation and amortization and \$15.9 million of stock-based compensation expenses. Favorable changes in our working capital balances were mainly driven by a decrease in our accounts receivable and inventory balances.

Cash flows from investing activities

We used \$44.2 million of cash in our investing activities during the nine months ended September 30, 2020. Cash was primarily used to invest \$20.0 million to purchase property and equipment and a \$27.0 million investment in short-term bank deposits which were partially offset by cash proceeds from our past sale of an investment that we accounted for under the equity method. Our principal property and equipment purchases were for our new buildings complex under construction in Rehovot, Israel. The new facility in Rehovot, Israel, which will contain two buildings, houses our Israeli headquarters, research and development facilities and certain marketing activities.

Cash flows from financing activities

Cash amounts provided by financing activities during the nine months ended September 30, 2020 were immaterial.

Capital resources and capital expenditures

Our total current assets amounted to \$591.4 million as of September 30, 2020, of which \$308.3 million consisted of cash, cash equivalents, short-term deposits and restricted cash. Total current liabilities amounted to \$134.4 million. Most of our cash and cash equivalents are held in banks in Israel and the U.S.

The credit risk related to our accounts receivable is limited due to the relatively large number of customers and their wide geographic distribution. In addition, we seek to reduce the credit exposure related to our accounts receivable by imposing credit limits, conducting ongoing credit evaluation, and by implementing account monitoring procedures, as well as credit insurance for many of our customers.

We believe that we will have adequate cash and cash equivalents to fund our ongoing operations and that these sources of liquidity will be sufficient to satisfy our capital expenditure and working capital needs for the next twelve months.

Long-Term Bank Loan and Credit Line

In December 2016, we entered into a secured loan agreement with Bank Hapoalim Ltd. in connection with our new office facility in Israel, which agreement we refer to as the Bank Loan Agreement. Pursuant to the Bank Loan Agreement, we borrowed \$26 million initially in December 2016, which we refer to as the Bank Loan, and secured a credit line for an additional \$24 million, or the Credit Line. Any loans to be drawn upon the Credit Line were to be under similar terms as the Bank Loan. The Bank Loan was to mature in December 2023 and was payable in equal consecutive quarterly principal installments of principal and accrued interest. Any early repayment of the Bank Loan was subject to, within the initial three year term of the Bank Loan, a maximum 1% penalty of the amount prepaid. The repayment of the Bank Loan was secured by a first-priority lien on all of our company's rights in the property of our new office facility in Israel. The Bank Loan bore interest at the rate of LIBOR plus 3.35%. The Bank Loan Agreement contained customary representations and warranties, affirmative covenants and negative covenants, which included, without limitation, restrictions on indebtedness, liens, investments, and certain dispositions with respect to the property secured by the lien.

The Bank Loan Agreement also contained customary events of default that entitled the lender to cause any or all of our company's indebtedness to become immediately due and payable and to foreclose on the lien, and included customary grace periods before certain events were to be deemed events of default. Borrowings under the Bank Loan Agreement were available mainly for the financing of our new facility in Israel.

In the first quarter of 2019, we repaid the full outstanding principal amount of the Bank Loan, in an aggregate amount of \$27.3 million, plus all interest accrued thereon, thereby fulfilling all of our remaining obligations under the Bank Loan Agreement. In connection with the repayment, the first-priority lien on all of our rights with respect to the property of our new office facility in Israel was removed.

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 2019 Annual Report. We base our judgments on our experience and various assumptions that we believe to be reasonable under the circumstances.

Forward-Looking Statements and Factors That May Affect Future Results of Operations

Certain information included in or incorporated by reference into the Report of Foreign Private Issuer on Form 6-K to which this Operating and Financial Review is appended, or the 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 shareholders. 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:

- the extent of our success at introducing new or improved products and solutions that gain market share;
- the extent of growth of the 3D printing market generally;
- the duration of the global COVID-19 pandemic, which may continue to have material adverse consequences for our operations, financial position, cash flows, and those of our customers and suppliers;
- changes in our overall strategy, including as related to any restructuring activities and our capital expenditures;
- the impact of shifts in prices or margins of the products that we sell or services we provide;
- the impact of competition and new technologies;
- impairments of goodwill or other intangible assets in respect of companies that we acquire;
- the extent of our success at efficiently and successfully integrating the operations of various companies that we have acquired or may acquire;
- global market, political and economic conditions, and in the countries in which we operate in particular;
- government regulations and approvals;

- litigation and regulatory proceedings;
- infringement of our intellectual property rights by others (including for replication and sale of consumables for use in our systems), or infringement of others' intellectual property rights by us;
- the extent of our success at maintaining our liquidity and financing our operations and capital needs;
- impact of tax regulations on our results of operations and financial conditions; and

19

- 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 2019 Annual Report, as supplemented herein, as well as in other portions of the 2019 Annual Report

Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2019 Annual Report, 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 MARKET RISK

Reference is made to Item 11, "Quantitative and Qualitative Disclosures about Market Risk" in our 2019 Annual Report.

LEGAL PROCEEDINGS

We are subject to various litigation and other legal proceedings from time to time. For a discussion of our litigation status, see Note 11—"Contingencies" in the notes to our unaudited condensed consolidated interim financial statements attached as Exhibit 99.1 to the Form 6-K.

RISK FACTORS

The global COVID-19 health pandemic has been adversely affecting and could potentially severely adversely affect, our business, results of operations and financial condition due to impacts on the industries in which our customers operate, as well as impacts from actions taken to contain the disease or treat its impact, and due to the unknown the speed and extent of the recovery from the disease.

COVID-19, which was discovered in Wuhan, China in December 2019 and which was declared by the World Health Organization to be a global pandemic on March 11, 2020, has had numerous adverse effects on the global economy. Governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures, including shutdowns and "shelter-in-place" orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventative measure, have adversely affected workforces, customers, consumer sentiment, economies and financial markets, and, along with decreased consumer spending, have led to an economic downturn in many of the markets into which we sell our products and services.

Those effects of the pandemic have been adversely impacting our financial results for our operations in all global regions, beginning already in the first quarter of 2020 and continuing for the entire second and third quarters of 2020.

While we have imposed counter-measures to try to mitigate the impact of the pandemic on our operating results, there is no certainty that those measures will succeed. As early as February 3, 2020, we imposed travel restrictions on our staff and have tried to proactively prevent any harm to our workforce wherever possible. Soon thereafter we also implemented work-from-home options. In order to try to lessen the impact of the pandemic on our profitability, we began to implement cost-control measures at the end of February 2020 and continue to closely manage them. All of our employees were effectively reduced to a four-day work-week during the second quarter of 2020, which has continued since that time and we have instituted a nonessential hiring freeze and have adjusted our cost base and production plan accordingly.

While we continue to monitor the situation, assessing further implications for our operations, supply chain, liquidity, cash flow and customer orders, and have implemented the foregoing measures in an effort to mitigate adverse consequences, while simultaneously abiding by any government-imposed restrictions, market by market, there is no assurance that we can succeed at doing so.

In addition to the adverse impact of the COVID-19 pandemic on our business and operating results, we furthermore face uncertainty as to the degree and duration of that impact going forward. We do not know the length of time that the pandemic and related disruptions will continue, the impact of governmental regulations or easing of regulations in response to the strengthening or weakening of the pandemic, and the degree of overall potentially permanent changes in consumer behavior that may be caused by the pandemic. The pandemic may furthermore even lead to a global economic downturn that is more than temporary and that could adversely affect demand for our products and services generally. A downturn could also have a material adverse impact on our business partners' stability and financial strength. Given the uncertainties associated with COVID-19, it is difficult to fully predict the magnitude of effects on our, and our business partners', business, financial condition and results of operations.

As a result of the disruption in the industries into which we sell our products and services, and the lack of visibility as to the severity and duration of the pandemic, we have maintained, as of the date hereof, our withdrawal of full-year guidance for 2020.

The COVID-19 pandemic may also have the effect of amplifying many of the other risks described under the caption "Item 3. Key Information— D. Risk Factors" in our 2019 Annual Report.

20
