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 August 2021

Commission File Number 001-35751

STRATASYS LTD.

(Translation of registrant's name into English)

c/o Stratasys, Inc.	**1 Holtzman Street, Science Park**
9600 West 76th Street	**P.O. Box 2496**
Eden Prairie, Minnesota 55344	**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 F-3, SEC file numbers 333-251938 and 333-253780, filed by the Registrant with the SEC on January 7, 2021 and March 2, 2021, respectively, and Form S-8, SEC file numbers 333-190963, 333-236880 and 333-253694, filed by the Registrant with the SEC on September 3, 2013, March 4, 2020, and March 1, 2021, respectively, and shall be a part thereof from the date on which this Form 6-K isfurnished, to the extent not superseded by documents or reports subsequently filed or furnished.

CONTENTS

Quarterly Financial Statements and Review of Results and Prospects

On August 5, 2021, Stratasys Ltd., or Stratasys, released its financial results for the three and six months ended June 30, 2021.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasys for the three and six months ended June 30, 2021 (including the notes thereto) (the "Q2 2021 Financial Statements").

Attached hereto as Exhibit 99.2 is Stratasys' review of its results of operations and financial condition for the three and six months ended June 30, 2021, 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 Q2 2021 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

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SIGNATURES

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

Dated: August 5, 2021	**STRATASYS LTD.**	
	By:	/s/ Lilach Payorski
	Name:	Lilach Payorski
	Title:	Chief Financial Officer

Exhibit 99.1

STRATASYS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2021

(UNAUDITED)

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021
(UNAUDITED)

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
Consolidated Balance Sheets
(in thousands, except share data)

		June 30, 2021		December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	$	343,733	$	272,092
Short-term deposits		179,000		27,000
Accounts receivable, net of allowance for credit losses of $0.8 million and $0.9 million as of June 30, 2021 and December 31, 2020		109,969		106,068
Inventories		124,227		131,672
Prepaid expenses		7,288		6,717
Other current assets		21,189		16,943
Total current assets		785,406		560,492
Non-current assets				
Property, plant and equipment, net		201,080		201,232
Goodwill		39,686		35,694
Other intangible assets, net		124,257		131,569
Operating lease right-of-use assets		17,514		21,298
Other non-current assets		55,081		39,717
Total non-current assets		437,618		429,510
Total assets	$	1,223,024	$	990,002
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	$	42,001	$	16,987
Accrued expenses and other current liabilities		30,134		31,061
Accrued compensation and related benefits		29,270		25,659
Deferred revenues - short term		48,943		49,165
Operating lease liabilities - short term		8,248		9,282
Total current liabilities		158,596		132,154
Non-current liabilities				
Deferred revenues - long term		15,661		14,227
Operating lease liabilities - long term		9,553		12,567
Contingent consideration		40,436		37,400
Other non-current liabilities		37,206		34,059
Total non-current liabilities		102,856		98,253
Total liabilities	$	261,452	$	230,407
Contingencies (see note 12)				
Redeemable non-controlling interests		227		227
Equity				
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousand shares; 65,396 thousand shares and 56,617 thousand shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively		181		155
Additional paid-in capital		2,992,833		2,753,955
Accumulated other comprehensive loss		(6,703)		(8,846)
Accumulated deficit		(2,024,966)		(1,985,896)
Total equity		961,345		759,368

Total liabilities and equity	$ 1,223,024	$ 990,002

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 Operations and Comprehensive Loss

in thousands, except per share data	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues				
Products	$ 100,305	$ 73,877	$ 190,629	$ 157,049
Services	46,700	43,746	90,565	93,481
	147,005	117,623	281,194	250,530
Cost of revenues				
Products	49,731	39,969	96,651	79,217
Services	34,004	33,918	65,696	67,707
	83,735	73,887	162,347	146,924
Gross profit	63,270	43,736	118,847	103,606
Operating expenses				
Research and development, net	22,437	21,303	43,038	45,497
Selling, general and administrative	63,557	51,711	116,891	107,287
	85,994	73,014	159,929	152,784
Operating loss	(22,724)	(29,278)	(41,082)	(49,178)
Financial income (expenses), net	(372)	149	(749)	(680)
Loss before income taxes	(23,096)	(29,129)	(41,831)	(49,858)
Income tax benefit	(4,368)	(2,128)	(5,310)	(1,907)
Share in losses of associated companies	(1,431)	(950)	(2,549)	(1,788)
Net loss	$ (20,159)	$ (27,951)	$ (39,070)	$ (49,739)
Net income (loss) attributable to non-controlling interests	-	35	-	(50)
Net loss attributable to Stratasys Ltd.	$ (20,159)	$ (27,986)	$ (39,070)	$ (49,689)
Net loss per ordinary share attributable to Stratasys Ltd. - basic and diluted	$ (0.31)	$ (0.51)	$ (0.63)	$ (0.91)
Weighted average ordinary shares outstanding. - basic and diluted	64,908	54,917	61,796	54,733
Comprehensive loss				
Net loss	(20,159)	(27,951)	(39,070)	(49,739)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,103	287	142	(1,667)
Unrealized gains (losses) on derivatives designated as cash flow hedges	(172)	67	2,001	889
Other comprehensive income (loss), net of tax	931	354	2,143	(778)
Comprehensive loss	(19,228)	(27,597)	(36,927)	(50,517)
Less: comprehensive income (loss) attributable to non-controlling interests	-	35	-	(50)
Comprehensive loss attributable to Stratasys Ltd.	$ (19,228)	$ (27,632)	$ (36,927)	$ (50,467)

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 Six Months Ended June 30, 2021 and 2020

	Ordinary Shares Number of shares	Ordinary Shares Par Value	Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2020	56,617	155	2,753,955	(1,985,896)	(8,846)	759,368
Issuance of shares in connection with stock-based compensation plans	670	2	2,881	-	-	2,883
Stock-based compensation	-	-	7,205	-	-	7,205
Public offering of ordinary shares, net	7,931	24	218,851	-	-	218,875
Deferred tax assets in connection with public offering expenses	-	-	1,156	-	-	1,156

Comprehensive income (loss)	-	-	-	(18,911)	1,212	(17,699)
Balance as of March 31, 2021	65,218	$ 181	$ 2,984,048	$ (2,004,807)	$ (7,634)	$ 971,788
Issuance of shares in connection with stock-based compensation plans	178	-	633	-	-	633
Stock-based compensation	-	-	7,977	-	-	7,977
Deferred tax assets in connection with public offering expenses	-	-	175	-	-	175
Comprehensive income (loss)	-	-	-	(20,159)	931	(19,228)
Balance as of June 30, 2021	65,396	$ 181	$ 2,992,833	$ (2,024,966)	$ (6,703)	$ 961,345

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
Consolidated Statements of Changes in Equity
(in thousands)
Three and Six Months Ended June 30, 2021 and 2020

	Ordinary Shares		Additional Paid-In	Accumulated deficit	Accumulated Other Comprehensive	Total
	Number of shares	Par Value	Capital		Loss	Equity
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 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

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 Cash Flows

	Six Months Ended June 30,	
in thousands	**2021**	**2020**
Cash flows from operating activities		
Net loss	$ (39,070)	$ (49,739)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,695	25,104
Stock-based compensation	15,182	11,018
Foreign currency transaction loss	3,311	1,006
Deferred income taxes	(7,524)	(26)
Share in losses of associated companies	2,549	1,788
Revaluation of investments	(1,469)	-
Other non-cash items, net	1,152	385
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	(4,272)	29,858
Inventories	5,772	2,382
Other current assets and prepaid expenses	(5,066)	6,191
Other non-current assets	2,561	3,046
Accounts payable	24,019	(8,684)
Other current liabilities	4,804	(7,992)
Deferred revenues	514	(6,092)
Other non-current liabilities	(1,772)	(6,723)
Net cash provided by operating activities	28,386	1,522
Cash flows from investing activities		

Cash paid for acquisitions, net of cash acquired	(6,669)	-
Purchase of property and equipment	(11,358)	(13,030)
Investments in unconsolidated entities	(7,000)	-
Investments in short-term bank deposits	(179,000)	-
Proceeds from maturity of short-term bank deposits	27,000	
Proceeds from sale of equity method investment	-	3,175
Net proceeds from divestitures of subsidiaries and associated companies	-	1,000
Purchase of intangible assets	(564)	(726)
Other investing activities	(85)	144
Net cash used in investing activities	(177,676)	(9,437)
Cash flows from financing activities		
Proceeds from public offering, net of issuance costs	218,875	-
Proceeds from exercise of stock options	3,516	53
Other financing activities	405	-
Net cash provided by financing activities	222,796	53
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,869)	(880)
Net change in cash, cash equivalents and restricted cash	71,637	(8,742)
Cash, cash equivalents and restricted cash, beginning of period	272,216	293,597
Cash, cash equivalents and restricted cash, end of period	$ 343,853	$ 284,855
Supplemental disclosures of cash flow information:		
Transfer of inventory to fixed assets	2,024	1,327
Transfer of fixed assets to inventory	252	21

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

Note 1. Business Description and Basis of Presentation

Stratasys Ltd. (collectively with its subsidiaries, the “Company” or “Stratasys”) is a global leader in connected, polymer-based 3D printing solutions, across the entire manufacturing value chain. The Company leverages its competitive advantages, which include a broad set of best-in-class 3D printing platforms, software, a materials and technology partner ecosystem, innovative leadership, and global GTM infrastructure, in order to position itself to capture share in a significant and growing global marketplace, with a focus on manufacturing. The Company’s approximately 1,600 granted and pending additive technology patents to date have been used to create models, prototypes, manufacturing tools, and production parts for a multitude of industries including aerospace, automotive, transportation, healthcare, consumer products, dental, medical, and education. Stratasys’ products and comprehensive solutions improve product quality, development time, cost, and time-to-market. The Company’s 3D ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production.

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 COVID-19 pandemic. The severity, magnitude and duration of, and recovery from, as well as the economic consequences of, the COVID-19 pandemic, remain 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 six months ended June 30, 2021 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, 2020, 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 March 1, 2021.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted in 2021

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 adopted this guidance effective January 1, 2021, with no material impact on its consolidated financial statements.

Note 3. Certain Transactions

Origin acquisition

On December 31, 2020 (the "Origin transaction date") the Company acquired 3D printing start-up Origin Laboratories Inc. ("Origin") for an aggregate purchase price of $97.1 million (the "Origin transaction"), including cash and shares. The acquisition enables Stratasys to expand its leadership through innovation in the fast-growing mass production parts market with a next-generation photopolymer platform. Stratasys expects Origin's proprietary Programmable PhotoPolymerization (P3) technology to be an important growth engine for the Company. The acquisition was aimed at fortifying the Company's leadership in polymers and production applications of 3D printing in industries such as dental, medical, tooling, and select industrial, defense, and consumer goods markets.

In exchange for 100% of the outstanding shares of Origin the Company issued 1,488 thousand ordinary shares, paid cash upon closing, and is obligated to pay additional payments (combination of cash and shares) subject to performance-based earn-outs over 3 years.

The Origin transaction is reflected in accordance with ASC Topic 805, "Business Combinations", using the acquisition method of accounting with the Company as the acquirer.

The following table summarizes the fair value of the consideration transferred to Origin stockholders for the Origin transaction:

		U.S. $ in thousands
Cash payments	$	33,025
Issuance of ordinary shares to Origin stockholders		26,636
Contingent consideration at estimated fair value		37,400
Total consideration	$	97,061

The fair value of the ordinary shares issued was determined based on the closing market price of the Company's ordinary shares on the Origin transaction date.

In accordance with ASC Topic 805, the estimated contingent consideration as of the Origin transaction date was included in the purchase price.The total contingent payments could reach to a maximum aggregate amount of up to $40 million. Approximately 50% of the payments shall be settled in cash, and 50% shall be settled through the issuance of ordinary shares. The estimated fair value of the contingent consideration is based on management's assessment of whether, and at what level, the financial metrics will be achieved, and the present value factors associated with the timing of the payments. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. Changes in the fair value of contingent consideration will be recorded in Consolidated Statements of Operations and Comprehensive Loss. Refer to note 9.

An additional payment of $6 million, which is subject to the founders' retention over 3 years, will be recorded as compensation expense over the retention period. Compensation expenses for the three and six months ended June 30, 2021 were approximately $1.1 million and $2.2 million respectively.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed,based on the information that is available as of June 30, 2021. Thus, the measurements of fair value reflected are subject to changes and such changes could be significant. The preliminary allocation of the purchase price to assets acquired and liabilities assumed is as follows:

		Allocation of Purchase Price (U.S. $ in thousands)
Cash and cash equivalents	$	2,083
Goodwill		37,990
Intangible assets		71,120
Other assets		3,586
Total assets acquired		114,779
Net deferred tax liabilities		14,007
Other labilities		3,711
Total liabilities assumed		17,718
Net assets acquired	$	97,061

The allocation of the purchase price to net assets acquired and liability assumed resulted in the recognition of an intangible asset related to developed technology of $71 million. This intangible asset has a useful-life of 10 years. The fair value estimate of the developed technology is determined using a variation of the income approach known as the "Multi-Period Excess Earnings Approach". This valuation technique estimates the fair value of an asset based on market participants' expectations of the cash flows an asset would generate over its remaining useful life. The net cash flows were discounted to present value.

Pro forma information giving effect to the acquisition has not been provided as the impact of the transaction for purposes of Stratasys' consolidation results of operations and financial condition would not be material.

RPS acquisition

On February 16, 2021 the Company acquired RP Support Limited ("RPS"), a provider of industrial stereolithography 3D printers and solutions. In exchange for 100% of the outstanding shares of RPS, the Company paid cash upon closing and is obligated to make additional payments (in cash), subject to performance-based criteria, via earn-out payments over two years.

Marketable equity investment

The Company recognized in the three and six months ended June 30, 2021 a loss of $2.9 million and income of $0.8 million respectively, for revaluation of an equity investment. In prior periods the investment was treated as a non-marketable equity investment without readily determinable fair value. The entity in which the Company invested became public during the first quarter and accordingly the investment is now treated as a marketable equity investment.

Note 4. 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 six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(U.S. $ in thousands)		(U.S. $ in thousands)	
Americas				
Products	$ 57,783	$ 44,800	$ 107,351	$ 93,044
Service	35,166	33,901	67,711	72,230
Total Americas	92,949	78,701	175,062	165,274
EMEA				
Products	25,826	15,743	48,327	36,490
Service	6,697	5,172	13,114	11,345
Total EMEA	32,523	20,915	61,441	47,835
Asia Pacific				
Products	16,696	13,334	34,951	27,515
Service	4,837	4,673	9,740	9,906
Total Asia Pacific	21,533	18,007	44,691	37,421
Total Revenues	$ 147,005	$ 117,623	$ 281,194	$ 250,530

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 six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(U.S. $ in thousands)		(U.S. $ in thousands)	
Revenues recognized in point in time from:				
Products	$ 100,305	$ 73,877	$ 190,629	$ 157,049
Services	11,124	8,778	21,725	19,422
Total revenues recognized in point in time	111,429	82,655	212,354	176,471
Revenues recognized over time from:				
Services	35,576	34,968	68,840	74,059
Total revenues recognized over time	35,576	34,968	68,840	74,059
Total Revenues	$ 147,005	$ 117,623	$ 281,194	$ 250,530

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 June 30, 2021 and December 31, 2020.

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 June 30, 2021 and December 31, 2020 were as follows:

	June 30, 2021	December 31, 2020
	U.S. $ in thousands	
Deferred revenue*	64,604	63,392

*Includes $15.7 million and $14.2 million under long term deferred revenue in the Company's consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively.

Revenue recognized in 2021 that was included in deferred revenue balance as of December 31, 2020 was$13.7 million and $32.1 million for the three and six months ended June 30, 2021.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represent 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 June 30, 2021, the total RPO amounted to $103.3 million. The Company expects to recognize $86.3 million of this RPO during the next 12 months, $9.9 million over the subsequent 12 months and the remaining $7.1 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 June 30, 2021 and December 31, 2020, the deferred commissions amounted to $5.9 million and $5.0 million, respectively.

Note 5. Inventories

Inventories consisted of the following:

	June 30, 2021	December 31, 2020
	U.S. $ in thousands	
Finished goods	$ 58,616	$ 61,297
Work-in-process	4,451	3,163
Raw materials	61,160	67,212
	$ 124,227	$ 131,672

Note 6. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of the Company's goodwill for the six months ended June 30, 2021 were as follows:

	U.S. $ in thousands
Goodwill as of January 1, 2021*	$ 35,694
Goodwill acquired**	1,716
Measurement period adjustments	2,295
Foreign currency translation adjustments	(19)
Goodwill as of June 30, 2021	$ 39,686

*The goodwill was acquired as part of Origin acquisition. See Note 3.

**The goodwill was acquired as part of RPS acquisition. See Note 3.

The goodwill balance as of June 30, 2020 had amounted to $385.6 in respect of the Stratasys-Objet reporting unit.

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 prior two quarters, in each case, 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%, which is 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 had 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:

	June 30, 2021			December 31, 2020		
	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	$ 365,262	$ (270,743)	$ 94,519	$ 357,863	$ (260,123)	$ 97,740
Patents	18,106	(9,171)	8,935	17,699	(8,487)	9,212
Trademarks and trade names	26,050	(21,680)	4,370	26,036	(21,114)	4,922
Customer relationships	100,913	(84,480)	16,433	101,107	(81,413)	19,695
Capitalized software development costs	7,410	(7,410)	-	7,410	(7,410)	-
	$ 517,741	$ (393,484)	$ 124,257	$ 510,115	$ (378,547)	$ 131,569

Amortization expenses relating to intangible assets for the three-month periods ended June 30, 2021 and 2020 were approximately $7.7 million and $6.2 million, respectively. Amortization expenses relating to intangible assets for the six-month periods ended June 30, 2021 and 2020 were approximately $15.2 million and $12.4 million, respectively.

As of June 30, 2021, the estimated amortization expenses relating to intangible assets for each of the following future periods were as follows:

	Estimated amortization expense (U.S. $ in thousands)
Remaining 6 months of 2021	$ 15,375
2022	30,162
2023	15,607
2024	11,725
2025 and thereafter	51,388
Total	124,257

Note 7. Net 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 six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	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	(20,159)	(27,986)	(39,070)	(49,689)
Denominator:				
Weighted average shares - for basic and diluted net loss per share	64,908	54,917	61,796	54,733
Net loss per share attributable to Stratasys Ltd.				
Basic and diluted	$ (0.31)	$ (0.51)	$ (0.63)	$ (0.91)

The computation of diluted net loss per share excluded share awards of 5.1 million shares and 4.9 million shares for the three and six months ended June 30, 2021 and 2020, respectively, because their inclusion would have had an anti-dilutive effect on the diluted net loss per share.

Note 8. Income Taxes

The Company had income tax benefit of $4.4 million for the three-month period ended June 30, 2021 compared to income tax benefit of $2.1 million for the three-month period ended June 30, 2020, and income tax benefit of $5.3 million for the six-month period ended June 30, 2021 compared to income tax benefit of $1.9 million for the six-month period ended June 30, 2020. The Company's effective tax rate as of June 30, 2021 was primarily impacted by the move to the new Israeli tax regime of "Preferred Technology Enterprise" subject to 12% tax rate as well as different geographic mixes of earnings and losses and a valuation allowance on losses of our US subsidiaries.

Note 9. 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:

	June 30, 2021		December 31, 2020	
	Level 2	Level 3	Level 2	Level 3
	(U.S. $ in thousands)			
Assets:				
Foreign exchange forward contracts not designated as hedging instruments	$ 35	-	$ 56	-
Foreign exchange forward contracts designated as hedging instruments	486	-	793	-
Liabilities:				
Foreign exchange forward contracts not designated as hedging instruments	(46)	-	(1,098)	-
Foreign exchange forward contracts designated as hedging instruments	(1)	-	(1,584)	-
Contingent consideration	-	40,436	-	37,400
	$ 474	$ 40,436	$ (1,833)	$ 37,400

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).

Contingent consideration represents liabilities recorded at fair value in connection with acquisitions, and thus represents a Level 3 measurement within the fair value hierarchy (refer to Note 3).

Other financial instruments consist mainly of cash and cash equivalents, short-term deposits, current and non-current assets, accounts payable and other current liabilities. The fair value of these financial instruments approximates their carrying values.

Note 10. 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, GBP, 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 December 2021.

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

		Fair Value		Notional Amount	
	Balance sheet location	**June 30, 2021**	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**
		U.S. $ in thousands			
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	$ 35	$ 56	$ 50,144	$ 36,882
Assets derivatives -Foreign exchange contracts, designated as cash flow hedge	Other current assets	486	793	44,052	10,417
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(46)	(1,098)	9,575	37,999
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	(1)	(1,584)	2,250	50,186
		$ 474	$ (1,833)	$ 106,021	$ 135,484

Foreign exchange contracts not designated as hedging instruments

As of June 30, 2021, the notional amounts of the Company's outstanding exchange forward contracts, not designated as hedging instruments, were $59.7 million, and were used to reduce foreign currency exposures. With respect to such derivatives, losses of $0.5 million and of $1.1 million were recognized under financial income (expenses), net for the three-month period ended June 30, 2021 and 2020, 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 and other operating expenses

As of June 30, 2021, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of $17.5 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 and other operating expenses denominated in NIS. The changes in fair value of those contracts are included in the Company's accumulated other comprehensive loss.

Cash Flow Hedging - Hedges of forecasted foreign currency revenue

As of June 30, 2021, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of €24.0 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 11. Equity

a. Stock-based compensation plans

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
	U.S $ in thousands		**U.S $ in thousands**	
Cost of sales	$ 788	$ 497	$ 1,422	$ 900
Research and development, net	1,870	1,702	3,294	3,259
Selling, general and administrative	5,319	3,912	10,466	6,859
Total stock-based compensation expenses	$ 7,977	$ 6,111	$ 15,182	$ 11,018

A summary of the Company's stock option activity for the six months ended June 30, 2021 is as follows:

	Number of Options	**Weighted Average Exercise Price**
Options outstanding as of January 1, 2021	2,102,529	$ 28.06
Granted	46,366	3.15
Exercised	(171,118)	20.54
Forfeited	(25,740)	43.82
Options outstanding as of June 30, 2021	1,952,037	27.92

Options exercisable as of June 30, 2021	1,604,542	$ 30.60

As of June 30, 2021, the unrecognized compensation cost of $2.9 million related to all unvested, equity-classified stock options is expected to be recognized as an expense over a weighted-average period of 3.3 years.

A summary of the Company's RSUs and PSUs activity for the three months ended June 30, 2021 is as follows:

	Number of RSUs and PSUs	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2021	2,801,116	$ 21.08
Granted	1,221,686	34.50
Vested	(678,073)	21.94
Forfeited	(238,387)	21.43
Unvested as of June 30, 2021	3,106,342	$ 26.14

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 June 30, 2021, the unrecognized compensation cost of $67 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as expense over a weighted-average period of 2.6 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 six months ended June 30, 2021 and 2020, respectively:

	Six Months Ended June 30, 2021		
	Net Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
	U.S. $ in thousands		
Balance as of January 1, 2021	$ (1,673)	$ (7,173)	$ (8,846)
Other comprehensive income before reclassifications	1,710	142	1,852
Amounts reclassified from accumulated other comprehensive loss	291	-	292
Other comprehensive income	2,001	142	2,143
Balance as of June 30, 2021	$ 328	$ (7,031)	$ (6,703)

	Six Months Ended June 30, 2020		
	Net Unrealized Gain (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 income (loss) before reclassifications	856	(1,667)	(811)
Amounts reclassified from accumulated other comprehensive loss	33	-	33
Other comprehensive income (loss)	889	(1,667)	(778)
Balance as of June 30, 2020	$ 879	$ (9,373)	$ (8,494)

c. Public offering of ordinary shares

During March 2021, the Company completed a public offering of $218.9 million, net of underwriting discounts and offering expenses. The total number of shares sold by the Company in the public offering was 7,931,034.

A deferred tax asset in an amount of $1.3 million was recorded in respect of a tax benefit, arising from the underwriting discounts and offering expenses, as an increase to Additional Paid-In Capital.

Note 12. 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.

Exhibit 99.2

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" and "Risk Factors" 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, 2020, filed with the Securities and Exchange Commission, or SEC, on March 1, 2021, or our 2020 Annual Report.

Overview of Business and Trend Information

We are a global leader in connected, polymer-based 3D printing solutions, across the entire manufacturing value chain. Leveraging distinct competitive advantages that include a broad set of best-in-class 3D printing platforms, software, a materials and technology partner ecosystem, innovative leadership, and global GTM infrastructure, we are positioned to capture share in a significant and growing global marketplace, with a focus on manufacturing, which we view as having the largest and fastest growing total addressable market.

Our approximately 1,600 granted and pending additive technology patents to date have been used to create models, prototypes, manufacturing tools, and production parts for a multitude of industries including aerospace, automotive, transportation, healthcare, consumer products, dental, medical, and education. Our products and comprehensive solutions improve product quality, development time, cost, and time-to-market. Our 3D ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production.

With our recent acquisition of Origin Laboratories, Inc., or Origin, we have significantly strengthened our leadership in mass production for polymer 3D printing. Origin's pioneering approach to additive manufacturing of end-use parts will enable us to serve a large market with manufacturing-grade 3D printers, utilizing P^3 Programmable PhotoPolymerization. This technology precisely controls light, heat, and force, among other variables, to produce parts with exceptional accuracy and consistency.

Our acquisition, in the first quarter of 2021, of UK-based RP Support Ltd., or RPS, a provider of industrial stereolithography 3D printers and solutions, provides us with a complementary technology that further expands our polymer suite of solutions across the product life cycle.

COVID Impact

As in preceding quarters, our results of operations for the three and six month periods ended June 30, 2021 should be evaluated in light of the ongoing global COVID-19 pandemic, which has disrupted businesses on a global scale. Our revenues in the second quarter of 2021 furthered the positive trend begun in the first quarter of the year, reflecting growth both on a year-over-year basis and on a sequential quarterly basis. The six-month results evidence these improvements on an aggregate basis, with an increase in revenues by 12.2% compared to the corresponding six month period of 2020, when the COVID-19 pandemic adversely impacted our revenues significantly. Our improved performance in the second quarter of 2021 was primarily driven by a 39.1 % increase in Consumables revenues and by a 32% increase in system revenues.

In the second quarter of 2021, we continued working at full-capacity on a global basis, with a high percentage of our employees throughout the world having received vaccines against COVID-19 during or prior to the quarter.

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.

We continue to monitor the impact of COVID-19, 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 second quarter of 2021 with $522.7 million in cash, cash equivalents and short-term deposits, which is similar to our liquid assets level as of the end of the first quarter of 2021. We believe that we are well suited to continue to manage the COVID-19 pandemic (to the extent that it continues to remain a significant factor) 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.

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 six months ended June 30, 2021 with the corresponding periods of 2020.

Results of Operations

Comparison of Three Months Ended June 30, 2021 to Three Months Ended June 30, 2020

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

	Three Months Ended June 30,			
	2021		2020	
	U.S. $ in thousands	% of Revenues	U.S. $ in thousands	% of Revenues
Revenues	$ 147,005	100.0%	$ 117,623	100.0%
Cost of revenues	83,735	57.0%	73,887	62.8%
Gross profit	63,270	43.0%	43,736	37.2%
Research and development, net	22,437	15.3%	21,303	18.1%

Selling, general and administrative	63,557	43.2%	51,711	44.0%
Operating loss	(22,724)	(15.5)%	(29,278)	(24.9)%
Financial income (expenses), net	(372)	(0.3)%	149	0.1%
Loss before income taxes	(23,096)	(15.7)%	(29,129)	(24.8)%
Income tax benefit	(4,368)	(3.0)%	(2,128)	(1.8)%
Share in losses of associated companies	(1,431)	(1.0)%	(950)	(0.8)%
Net income attributable to non-controlling interests	-	0.0%	35	0.0%
Net loss attributable to Stratasys Ltd.	(20,159)	(13.7)%	(27,986)	(23.8)%

Discussion of Results of Operations

Revenues

Our products and services revenues in the three months ended June 30, 2021 and 2020, as well as the percentage change reflected thereby, were as follows:

	Three Months Ended June 30,		
	2021	2020	% Change
	U.S. $ in thousands		
Products	$ 100,305	$ 73,877	35.8%
Services	46,700	43,746	6.8%
	$ 147,005	$ 117,623	25.0%

Products Revenues

Revenues derived from products (including AM systems and consumable materials) increased by $26.4 million, or 35.8%, for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020.

System revenues for the three months ended June 30, 2021 increased by 32.0% as compared to the three months ended June 30, 2020. Consumables revenues for the three months ended June 30, 2021 increased by 39.1% as compared to the three months ended June 30, 2020.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) increased by $3 million for the three months ended June 30, 2021, or 6.8%, as compared to the three months ended June 30, 2020. Within services revenues, customer support revenue, which includes revenue generated mainly by maintenance contracts on our systems, increased by 10.0%.

Our second quarter revenue results demonstrates that an end-market recovery is well underway compared to the corresponding quarter of 2020, which was fully impacted by the pandemic. We expect sequential growth in the third and fourth quarters of 2021.

Revenues by Region

Revenues and the percentage of revenues by region for the three months ended June 30, 2021 and 2020, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Three Months Ended June 30,				
	2021		2020		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 92,949	63.2%	$ 78,701	66.9%	18.1%
EMEA	32,523	22.1%	20,915	17.8%	55.5%
Asia Pacific	21,533	14.6%	18,007	15.3%	19.6%
	$ 147,005	100.0%	$ 117,623	100.0%	25.0%

* Represent the United States, Canada and Latin America

Revenues in the Americas region increased by $14.2 million, or 18.1%, to $92.9 million for the three months ended June 30, 2021, compared to $78.7 million for the three months ended June 30, 2020. The increase reflects recovery from COVID-19 for both product revenue and service revenue.

Revenues in the EMEA region increased by $11.6 million, or 55.5%, to $32.5 million for the three months ended June 30, 2021, compared to $20.9 million for the three months ended June 30, 2020. The increase reflects recovery from COVID-19 for both Product and Service revenue as well as revenue from the RPS acquisition in early 2021. On a constant currency basis when using prior period's exchange rates, revenues increased by $8.9 million, or 42.6%.

Revenues in the Asia Pacific region increased by $3.5 million, or 19.6%, to $21.5 million for the three months ended June 30, 2021, compared to $18 million for the three months ended June 30, 2020. The increase was primarily driven by higher products revenues and reflects recovery from COVID-19.

Gross Profit

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

	Three Months Ended June 30,		
	2021	2020	
	U.S. $ in thousands		Change in %
Gross profit attributable to:			

Products	$ 50,574	$ 33,908	49.2%
Services	12,696	9,828	29.2%
	$ 63,270	$ 43,736	44.7%

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

	Three Months Ended June 30,	
	2021	2020
Gross profit as a percentage of revenues from:		
Products	50.4%	45.9%
Services	27.2%	22.5%
Total gross profit	43.0%	37.2%

Gross profit attributable to products revenues increased by $16.7 million, or 49.2%, to $50.6 million for the three months ended June 30, 2021, compared to gross profit of $33.9 million for the three months ended June 30, 2020. Gross profit attributable to products revenues as a percentage of products revenues increased to 50.4% for the three months ended June 30, 2021, compared to 45.9% for the three months ended June 30, 2020. Our gross profit from products revenues was favorablyimpacted by the mix of revenue sources driven by an increase of hardware and consumables, partially offset by increased global cost pressures that included both logistics and raw materials and ramp-up production costs for new product introductions.

Gross profit attributable to services revenues increased by $2.9 million, or 29.2%, to $12.7 million for the three months ended June 30, 2021, compared to $9.8 million for the three months ended June 30, 2020. Gross profit attributable to services revenues as a percentage of services revenues in the three months ended June 30, 2021 increased to 27.2%, as compared to 22.5% for the three months ended June 30, 2020, reflecting recovery from COVID-19.

Operating Expenses

The amount of each type of operating expense for the three months ended June 30, 2021 and 2020, 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 June 30,		
	2021	2020	% Change
	U.S. $ in thousands		
Research and development, net	$ 22,437	$ 21,303	5.3%
Selling, general & administrative	63,557	51,711	22.9%
	$ 85,994	$ 73,014	17.8%
Percentage of revenues	58.5%	62.1%	

Operating expenses were $86.0 million in the second quarter of 2021, compared to operating expenses of $73.0 million in the second quarter of 2020. The increase in operating expenses was driven by the increase in operating activities in the second quarter of 2021 relative to the corresponding quarter of 2020. While increasing on an absolute basis, our operating expenses decreased as a percentage of our revenues in the second quarter of 2021 compared to the second quarter of 2020. Operating expenses were up primarily due to the return to a five-day workweek, post-COVID expenses as the market started opening up, and commissions due to more revenue.

Research and development expenses, net increased by $1.1 million, or 5.3%, to $22.4 million for the three months ended June 30, 2021, compared to $21.3 million for the three months ended June 30, 2020. The amount of research and development expenses constituted 15.3% of our revenues for the three months ended June 30, 2021, as compared to 18.1% for the three months ended June 30, 2020.

Our research and development expenses were impacted by the timing of project spending and product launches, based on our portfolio management. We continue to invest in strategic long-term initiatives that include advancements in our core FDM and PolyJet technologies and in our new photopolymer-based P3 technology, advanced composite materials, software and development of new applications which will enhance our current solutions offerings.

Selling, general and administrative expenses increased by $11.8 million, or 22.9%, to $63.6 million for the three months ended June 30, 2021, compared to $51.7 million for the three months ended June 30, 2020, driven by the increase in operating activities and a loss of $2.9 million for revaluation of an equity investment in the second quarter of 2021.

Operating Loss

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

	Three Months Ended June 30,	
	2021	2020
	U.S. $ in thousands	
Operating loss	$ (22,724)	$ (29,278)
Percentage of revenues	(15.5)%	(24.9)%

Operating loss amounted to $22.7 million for the three months ended June 30, 2021, compared to an operating loss of $29.3 million for the three months ended June 30, 2020. The decrease in operating loss was primarily attributable to the significant increase in gross profit for the three months ended June 30, 2021 compared to the three months ended June 30, 2020, partly offset by increased 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 $0.4 million for the three months ended June 30, 2021, compared to financial income, net of $0.1 million for the three months ended June 30, 2020.

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 June 30,		
	2021	2020	
	U.S. $ in thousands		Change in %
Income tax benefit	$ (4,368)	$ (2,128)	105.3%
As a percent of loss before income taxes	18.9%	7.3%	158.9%

We had an effective tax rate of 18.9% for the three-month period ended June 30, 2021, compared to an effective tax rate of 7.3% for the three-month period ended June 30, 2020. Our effective tax rate was primarily impacted by the move to the new Israeli tax regime of "Preferred Technology Enterprise" subject to 12% tax rate as well as different geographic mixes of earnings and losses, and valuation allowance on losses of our US subsidiaries.

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 June 30, 2021, the loss from our proportionate share of the losses of our equity method investments was $1.4 million, compared to a loss of $1.0 million in the three months ended June 30, 2020.

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:

	Three Months Ended June 30,	
	2021	2020
	U.S. $ in thousands	
Net loss attributable to Stratasys Ltd.	$ (20,159)	$ (27,986)
Percentage of revenues	(13.7)%	(23.8)%
Diluted net loss per share	$ (0.31)	$ (0.51)

Net loss attributable to Stratasys Ltd. was $20.2 million for the three months ended June 30, 2021 compared to net loss of $28 million for the three months ended June 30, 2020. The decrease in the net loss attributable to Stratasys Ltd. was primarily attributable to the higher gross profit, as well as cost-mitigation measures, which reduced operating expenses as a percentage of revenues, as described above.

Net loss per share was $0.31 for the three months ended June 30, 2021 as compared to net loss per share of $0.51 for the three months ended June 30, 2020. The weighted average fully diluted share count was 64.9 million during the three months ended June 30, 2021, compared to 54.9 million during the three months ended June 30, 2020, which increase reflected the issuance of shares in our follow-on offering that was consummated in march 2021.

Results of Operations

Comparison of Six Months Ended June 30,2021, to Six Months Ended June 30, 2020

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

	Six Months Ended June 30,			
	2021		2020	
	U.S. $ in thousands	% of Revenues	U.S. $ in thousands	% of Revenues
Revenues	$ 281,194	100.0%	$ 250,530	100.0%
Cost of revenues	162,347	57.7%	146,924	58.6%
Gross profit	118,847	42.3%	103,606	41.4%
Research and development, net	43,038	15.3%	45,497	18.2%
Selling, general and administrative	116,891	41.6%	107,287	42.8%
Operating loss	(41,082)	(14.6)%	(49,178)	(19.6)%
Financial expenses, net	(749)	(0.3)%	(680)	(0.3)%
Loss before income taxes	(41,831)	(14.9)%	(49,858)	(19.9)%
Income tax benefit	(5,310)	(1.9)%	(1,907)	(0.8)%
Share in losses of associated companies	(2,549)	(0.9)%	(1,788)	(0.7)%
Net loss attributable to non-controlling interests	-	0	(50)	0.0
Net loss attributable to Stratasys Ltd.	(39,070)	(13.9)%	(49,689)	(19.8)%

Discussion of Results of Operations

Revenues

Our products and services revenues in the six months ended June 30, 2021 and 2020, as well as the percentage change reflected thereby, were as follows:

	Six Months Ended June 30,		
	2021	2020	% Change
	U.S. $ in thousands		
Products	$ 190,629	$ 157,049	21.4%
Services	90,565	93,481	(3.1)%
	$ 281,194	$ 250,530	12.2%

Products Revenues

Revenues derived from products (including AM systems and consumable materials) increased by $33.6 million, or 21.4%, for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020.

Systems revenues for the six months ended June 30, 2021 increased by 36.0% as compared to the six months ended June 30, 2020. Consumables revenues for the six months ended June 30, 2021 increased by 11.7%% as compared to the six months ended June 30, 2020.

The increase reflects recovery from COVID-19 for products revenue as well as revenue from the RPS acquisition in early 2021.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) decreased by $2.9 million for the six months ended June 30, 2021, or 3.1%, as compared to the six months ended June 30, 2020.

Revenues by Region

Revenues and the percentage of revenues by region for the six months ended June 30, 2021 and 2020, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Six Months Ended June 30,				
	2021		2020		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 175,062	62.3%	$ 165,274	66.0%	5.9%
EMEA	61,441	21.8%	47,835	19.1%	28.4%
Asia Pacific	44,691	15.9%	37,421	14.9%	19.4%
	$ 281,194	100.0%	$ 250,530	100.0%	12.2%

* Consists of United States, Canada and Latin America

Revenues in the Americas region increased by $9.8 million, or 5.9%, to $175 million for the six months ended June 30, 2021, compared to $165.3 million for the six months ended June 30, 2020.

Revenues in the EMEA region increased by $13.6 million, or 28.4%, to $61.4 million for the six months ended June 30, 2021, compared to $47.8 million for the six months ended June 30, 2020.

Revenues in the Asia Pacific region increased by $7.3 million, or 19.4%, to $44.7 million for the six months ended June 30, 2021, compared to $37.4 million for the six months ended June 30, 2020.

Gross Profit

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

	Six Months Ended June 30,		
	2021	2020	
	U.S. $ in thousands		Change in %
Gross profit attributable to:			
Products	$ 93,978	$ 77,832	20.7 %
Services	24,869	25,774	(3.5) %
	$ 118,847	$ 103,606	14.7 %

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

	Six Months Ended June 30,	
	2021	2020
Gross profit as a percentage of revenues from:		
Products	49.3%	49.6%
Services	27.5%	27.6%
Total gross profit	42.3%	41.4%

Gross profit attributable to products revenues increased by $16.1 million, or 20.7%, to $94.0 million for the six months ended June 30, 2021, compared to gross profit of $77.8 million for the six months ended June 30, 2020. Gross profit attributable to products revenues as a percentage of products revenues decreased to 49.3% for the six months ended June 30, 2021, compared to 49.6% for the six months ended June 30, 2020.

Gross profit attributable to services revenues decreased by $0.9 million, or 3.5%, to $24.9 million for the six months ended June 30, 2021, compared to $25.8 million for the six months ended June 30, 2020. Gross profit attributable to services revenues as a percentage of services revenues in the six months ended June 30, 2021 decreased to 27.5%, as compared to 27.6% for the six months ended June 30, 2020.

Operating Expenses

The amount of each type of operating expense for the six months ended June 30, 2021 and 2020 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:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	% Change
	U.S. $ in thousands		
Research and development, net	$ 43,038	$ 45,497	(5.4)%
Selling, general and administrative	116,891	107,287	9.0%
	$ 159,929	$ 152,784	4.7%
Percentage of revenues	56.9%	61.0%	

Research and development expenses, net decreased by $2.5 million, or 5.4%, to $43.0 million for the six months ended June 30, 2021, compared to $45.5 million for the six months ended June 30, 2020. The amount of research and development expenses constituted 15.3% of our revenues for the six months ended June 30, 2021, as compared to 18.2% for the six months ended June 30, 2020.

Selling, general and administrative expenses increased by $9.6 million, or 9.0%, to $116.9 million for the six months ended June 30, 2021, compared to $107.3 million for the six months ended June 30, 2020. The amount of selling, general and administrative expenses constituted 41.6% of our revenues for the six months ended June 30, 2021, as compared to 42.8% for the six months ended June 30, 2020.

Operating Loss

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	U.S. $ in thousands	
Operating loss	$ (41,082)	$ (49,178)
Percentage of revenues	(14.6)%	(19.6)%

Operating loss amounted to $41.1 million for the six months ended June 30, 2021, compared to an operating loss of $49.2 million for the six months ended June 30, 2020.

Financial Expenses, net

Financial expenses, net, which were primarily comprised of foreign currencies effects, interest income and interest expenses, were $0.7 million for the six months ended June 30, 2021 and 2020.

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:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change in %
	U.S. $ in thousands		
Income tax benefit	$ (5,310)	$ (1,907)	178.4%
As a percent of loss before income taxes	12.7%	3.8%	234.2%

We had an effective tax rate of 12.7% for the six-month period ended June 30, 2021, compared to an effective tax rate of 3.8% for the six-month period ended June 30, 2020.

Our effective tax rate was primarily impacted by the move to the new Israeli tax regime of "Preferred Technology Enterprise" subject to 12% tax rate as well as different geographic mixes of earnings and losses, and valuation allowance on losses of our US subsidiaries.

Share in Losses of Associated Companies

Share in 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 six months ended June 30, 2021, the loss from our proportionate share of the earnings of our equity method investments was $1.5 million, compared to a loss of $1.8 million in the six months ended June 30, 2020.

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:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	U.S. $ in thousands	
Net loss attributable to Stratasys Ltd.	$ (39,070)	$ (49,689)

Percentage of revenues		(13.9)%		(19.8)%
Diluted net loss per share	$	(0.63)	$	(0.91)

Net loss attributable to Stratasys Ltd. was $39.1 million for the six months ended June 30, 2021 compared to a net loss of $49.7 million for the six months ended June 30, 2020.

Net loss per share was $0.63 and $0.91 for the six months ended June 30, 2021 and 2020, respectively. The weighted average fully diluted share count was 61.8 million for the six months ended June 30, 2021, compared to 54.7 million for the six months ended June 30, 2020, which increase reflected the issuance of shares in our follow-on offering that was consummated in March 2021.

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, impairment of long-lived assets and goodwill, revaluation of our investments and the corresponding tax effect of those items. 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.

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 June 30,					
	2021 GAAP	Non-GAAP Adjustments	2021 Non-GAAP	2020 GAAP	Non-GAAP Adjustments	2020 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	$63,270	$6,616	$69,886	$43,736	$9,612	$53,348
Operating income (loss) (1,2)	(22,724)	20,133	(2,591)	(29,278)	21,228	(8,050)
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(20,159)	18,581	(1,578)	(27,986)	20,634	(7,352)
Net income (loss) per diluted share attributable to Stratasys Ltd. (4)	$ (0.31)	$ 0.29	$ (0.02)	$ (0.51)	$ 0.38	$ (0.13)
(1) Acquired intangible assets amortization expense		5,518			4,065	
Non-cash stock-based compensation expense		788			497	
Restructuring and other related costs		310			5,050	
		6,616			9,612	
(2) Acquired intangible assets amortization expense		2,200			2,125	
Non-cash stock-based compensation expense		7,189			5,614	
Restructuring and other related costs		350			3,798	
Revaluation of investments		2,201			-	
Contingent consideration		202			-	
Other expenses		1,375			79	
		13,517			11,616	
		20,133			21,228	
(3) Corresponding tax effect		(1,637)			(669)	
Equity method related amortization, divestments and impairments		85			75	
		$ 18,581			$ 20,634	
(4) Weighted average number of ordinary shares outstanding- Diluted	64,908		64,908	54,917		54,917

	Six Months Ended June 30,					
	2021 GAAP	Non-GAAP Adjustments	2021 Non-GAAP	2020 GAAP	Non-GAAP Adjustments	2020 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	$ 118,847	$ 13,685	$ 132,532	$ 103,606	$ 14,026	$ 117,632
Operating income (loss) (1,2)	(41,082)	35,918	(5,164)	(49,178)	32,719	(16,459)
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(39,070)	33,692	(5,378)	(49,689)	31,771	(17,919)
Net income (loss) per diluted share attributable to Stratasys Ltd. (4)	$ (0.63)	$ 0.55	$ (0.09)	$ (0.91)	$ 0.58	$ (0.33)
(1) Acquired intangible assets amortization expense		10,873			8,130	
Non-cash stock-based compensation expense		1,422			899	
Restructuring and other related costs		1,390			4,997	
		13,685			14,026	
(2) Acquired intangible assets amortization expense		4,393			4,267	

Non-cash stock-based compensation expense		13,760		10,119
Restructuring and other related costs		2,159		3,829
Revaluation of investments		(1,469)		-
Contingent consideration		393		-
Other expenses		2,997		478
		22,233		18,693
		35,918		32,719
(3) Corresponding tax effect		(2,394)		(1,100)
Equity method related amortization, divestments and impairments		168		152
		$ 33,692		$ 31,771
(4) Weighted average number of ordinary shares outstanding- Diluted	61,796	61,796	54,733	54,733

Liquidity and Capital Resources

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

	Six Months Ended June 30, 2021	2020
	U.S $ in thousands	
Net loss	$ (39,070)	$ (49,739)
Depreciation and amortization	27,695	25,104
Deferred income taxes	(7,524)	(26)
Stock-based compensation	15,182	11,018
Other non-cash items, net	5,543	3,179
Change in working capital and other items	26,560	11,986
Net cash provided by operating activities	28,386	1,522
Net cash used in investing activities	(177,676)	(9,437)
Net cash provided by financing activities	222,796	53
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,869)	(880)
Net change in cash, cash equivalents and restricted cash	71,637	(8,742)
Cash, cash equivalents and restricted cash, beginning of period	272,216	293,597
Cash, cash equivalents and restricted cash, end of period	343,853	284,855

Our cash, cash equivalents and restricted cash balance increased to $343.9 million as of June 30, 2021 from $272.2 million as of December 31, 2020. The increase in cash, cash equivalents and restricted cash in the six months ended June 30, 2021 was primarily due to the public offering of shares in a net amount of $218.9 million that we completed in March 2021, partially offset by investing activities.

Cash flows from operating activities

We generated $28.4 million of cash from operating activities during the six months ended June 30, 2021. That cash generation reflects our $39.1 million net loss, as adjusted to eliminate non-cash charges included in net loss, including $27.7 million of depreciation and amortization and $15.2 million of stock-based compensation expenses. Favorable changes in our working capital balances were mainly driven by a decrease in our inventory balances and an increase in our accounts payable balance.

Cash flows from investing activities

We used $177.7 million of cash in our investing activities during the six months ended June 30, 2021. Cash was primarily used to invest $11.9 million to purchase property, equipment and intangibles and $152.0 million net investment in short-term bank deposits. 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. In addition, we used $6.7 million of cash for acquisitions, net of cash acquired.

Cash flows from financing activities

We generated $222.8 million of cash from financing activities during the six months ended June 30, 2021. Our follow-on public offering of shares generated proceeds, net of issuance costs of $218.9 million, and we generated an additional $3.5 million of proceeds from exercise of stock options

Capital resources and capital expenditures

Our total current assets amounted to $785.4 million as of June 30, 2021, of which $522.7 million consisted of cash, cash equivalents, short-term deposits and restricted cash. Total current liabilities amounted to $158.6 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.

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 2020 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 the 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 and severity of the global COVID-19 pandemic, and the strength of recovery from it, which may continue to have significant 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
- 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 2020 Annual Report, as supplemented herein, as well as in other portions of the 2020 Annual Report

Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2020 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 2020 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 12-“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 speed and extent of the recovery from the disease.

The COVID-19 global pandemic continues to have numerous adverse effects on the global economy. While a significant portion of many Western countries’ adult citizens have been vaccinated against the virus, the new Delta variant of the virus is more contagious than the original strain and has shown to be capable of spreading even among vaccinated populations. Governmental shutdowns and “shelter-in-place” orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventative measure, continue to adversely affected workforces, customers, consumer sentiment, economies and certain financial markets, and, along with decreased consumer spending, have adversely impacted 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 through the second quarter of 2021.

While we have imposed counter-measures to try to mitigate the impact of the pandemic on our operating results and our results have shown improvement concurrently with recovery in some of the markets into which we sell, there is no certainty that the success of those measures and that recovery will continue, especially in light of the entry of the Delta variant into the population in some of those markets. We continue to monitor the cost-control measures that we first began to implement in February 2020. We have maintained in place certain cost reduction mechanisms, although we have eliminated others, such as our four-day work week, as we returned to a full work week, effective as of the start of 2021.

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, and as to the degree of recovery from it. We do not know the length of time that the pandemic and related disruptions will continue, the impact of governmental regulations or easement 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 contribute towards global economic weakness that is more than temporary and that could adversely affect demand for our products and services generally. A future 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.

Any limited guidance for 2021 that we may provide will lack the certainty that we once had in providing that guidance, due to the number of variables surrounding the COVID-19 pandemic and recovery.

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 2020 Annual Report.