UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

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

For the month of May 2022

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 S-8, SEC file numbers 333-190963, 333-236880, 333-253694, 333-262951 and 333-262952, filed by the Registrant with the SEC on September 3, 2013, March 4, 2020, March 1, 2021, February 24, 2022 and February 24, 2022, respectively, and 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, as amended, and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.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 May 17, 2022, Stratasys Ltd., or Stratasys, released its financial results for the three months ended March 31, 2022.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasys for the three months ended March 31, 2022 (including the notes thereto) (the "Q1 2022 Financial Statements").

Attached hereto as Exhibit 99.2 is Stratasys' review of its results of operations and financial condition for the three months ended March 31, 2022, 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 Q1 2022 Financial Statements, formatted in IXBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

Exhibit Number	Document Description
99.1	Unaudited, Condensed Consolidated Financial Statements of Stratasys Ltd. as of, and for the quarter ended, March 31, 2022
99.2	Review of Stratasys Ltd. Results of Operations and Financial Condition for the three months ended March 31, 2022
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: May 17, 2022

STRATASYS LTD.

By:	/s/ Eitan Zamir
Name:	Eitan Zamir
Title:	Chief Financial Officer

STRATASYS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2022

(UNAUDITED)

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

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

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 293,649	$ 243,179
Short-term deposits	182,000	259,000
Accounts receivable, net of allowance for credit losses of $0.7 million and $0.5 million as of March 31, 2022 and December 31, 2021, respectively	136,444	129,382
Inventories	143,116	129,147
Prepaid expenses	8,477	6,871
Other current assets	24,185	33,123
Total current assets	787,871	800,702
Non-current assets		
Property, plant and equipment, net	200,627	203,295
Goodwill	65,089	65,144
Other intangible assets, net	143,317	152,244
Operating lease right-of-use assets	14,162	14,651
Long-term investments	28,667	28,667
Other non-current assets	16,651	12,519
Total non-current assets	468,513	476,520
Total assets	$ 1,256,384	$ 1,277,222
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 59,010	$ 51,976
Accrued expenses and other current liabilities	44,198	55,358
Accrued compensation and related benefits	38,341	44,684
Deferred revenues - short term	52,337	51,174
Operating lease liabilities - short term	7,158	7,276
Total current liabilities	201,044	210,468
Non-current liabilities		
Deferred revenues - long term	22,026	21,133
Deferred income taxes - long term	6,258	7,341
Operating lease liabilities - long term	7,220	7,693
Contingent consideration - long term	53,648	53,478
Other non-current liabilities	23,487	21,095
Total non-current liabilities	112,639	110,740
Total liabilities	$ 313,683	$ 321,208
Contingencies (see note 12)		
Equity		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousand shares; 66,408 thousand shares and 65,677 thousand shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	$ 185	$ 182
Additional paid-in capital	3,021,166	3,012,481
Accumulated other comprehensive loss	(9,824)	(8,771)
Accumulated deficit	(2,068,826)	(2,047,878)
Total equity	942,701	956,014

Total liabilities and equity	$ 1,256,384	$ 1,277,222

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 March 31,	
	2022	**2021**
Revenues		
Products	$ 113,073	$ 90,324
Services	50,356	43,865
	163,429	134,189
Cost of revenues		
Products	59,373	46,920
Services	34,379	31,692
	93,752	78,612
Gross profit	69,677	55,577
Operating expenses		
Research and development, net	23,998	20,601
Selling, general and administrative	65,263	53,334
	89,261	73,935
Operating loss	(19,584)	(18,358)
Financial expenses, net	(1,362)	(377)
Loss before income taxes	(20,946)	(18,735)
Income tax benefit	73	942
Share in losses of associated companies	(75)	(1,118)
Net loss	$ (20,948)	$ (18,911)
Net loss per share - basic and diluted	$ (0.32)	$ (0.32)
Weighted average ordinary shares outstanding - basic and diluted	65,721	58,616
Comprehensive loss		
Net loss	(20,948)	(18,911)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(702)	(961)
Unrealized gains on derivatives designated as cash flow hedges	(351)	2,173
Other comprehensive income (loss), net of tax	(1,053)	1,212
Comprehensive loss	$ (22,001)	$ (17,699)

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 Months Ended March 31, 2022

	Ordinary Shares		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Equity
	Number of shares	Par Value				
Balance as of December 31, 2021	65,677	$ 182	$ 3,012,481	$ (2,047,878)	$ (8,771)	$ 956,014
Issuance of shares in connection with stock-based compensation plans	731	3	152	-	-	155
Stock-based compensation	-	-	8,533	-	-	8,533
Comprehensive loss	-	-	-	(20,948)	(1,053)	(22,001)
Balance as of March 31, 2022	66,408	$ 185	$ 3,021,166	$ (2,068,826)	$ (9,824)	$ 942,701

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 Months Ended March 31, 2021

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

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
(in thousands)

	Three Months Ended March 31, 2022	2021
Cash flows from operating activities		
Net loss	$ (20,948)	$ (18,911)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	15,290	13,802
Stock-based compensation	8,533	7,205
Foreign currency transaction loss	2,792	4,181
Share in losses of associated companies	75	1,118
Revaluation of investments	1,061	(3,670)
Other non-cash items, net	83	193
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	(7,950)	2,620
Inventories	(14,775)	7,046
Other current assets and prepaid expenses	7,386	(3,775)
Other non-current assets	(85)	1,595
Accounts payable	7,194	10,197
Other current liabilities	(16,037)	6,453
Deferred revenues	2,522	(433)
Deferred income taxes, net and uncertain tax positions	(381)	(1,774)
Other non-current liabilities	(823)	(3,096)
Net cash provided by (used in) operating activities	(16,063)	22,751
Cash flows from investing activities		
Cash paid for acquisitions, net of cash acquired	-	(6,356)
Purchase of property and equipment	(3,741)	(4,012)
Investments in short-term bank deposits	(40,000)	(109,000)
Proceeds from short-term bank deposits	117,000	27,000
Purchase of intangible assets	(444)	(278)
Other investing activities	(47)	(98)
Investments in unconsolidated entities	(5,030)	-
Net cash provided by (used in) investing activities	67,738	(92,744)
Cash flows from financing activities		
Proceeds from public offering, net of issuance costs	-	218,875
Proceeds from exercise of stock options	155	2,883
Other financing activities	866	407
Net cash provided by financing activities	1,021	222,165
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,228)	(2,872)
Net change in cash, cash equivalents and restricted cash	50,468	149,300
Cash, cash equivalents and restricted cash, beginning of period	243,293	272,216
Cash, cash equivalents and restricted cash, end of period	$ 293,761	$ 421,516

Supplemental disclosures of cash flow information:

Transfer of inventory to fixed assets	188	884
Transfer of fixed assets to inventory	120	210
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:		
Cash and cash equivalents	293,649	421,398
Restricted cash included in other current assets	112	118
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 293,761	$ 421,516

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 1,700 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 require 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’s current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from the Company’s 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 COVID-19 pandemic and/or by macroeconomic conditions that have been triggered as a result of steps taken by governments to counter-act the pandemic. The global economic environment that has set in after the most severe period of the COVID-19 pandemic has passed - assuming that it has passed - remains uncertain, rapidly changing and difficult to predict. The magnitude and duration of, as well as the consequences of, global macroeconomic trends triggered, in large part, by the recovery from the pandemic, such as inflationary pressures and supply chain problems, remain ambiguous currently. As a result, the accounting estimates and assumptions may change over time in response to post-COVID-19 trends. 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 months ended March 31, 2022 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, 2021, filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 24, 2022 as part of the Company’s Annual Report on Form 20-F for such year.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted in 2022

In August 2020, the FASB issued ASU 2020-06 “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40).” This guidance simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The amendments to this guidance are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company adopted this guidance effective January 1, 2022, with no material impact on its consolidated financial statements.

Recently issued accounting pronouncements, not yet adopted

In October 2021, the FASB issued ASU 2021-08 “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Note 3. Certain Transactions

Investment in Xaar 3D Ltd. ("Xaar 3D")

During the fourth quarter of 2019, the Company entered into an agreement with Xaar plc (“Xaar”) to purchase additional shares of Xaar 3D that was to increase its stake from 15 to 45 percent, with Xaar retaining the remaining 55 percent. Xaar and Stratasys had announced the formation of Xaar 3D Ltd in July 2018 for the purpose of developing Powder Bed Fusion (“PBF”) additive manufacturing solutions that Stratasys can bring to the market. In addition, the agreement included an option for Stratasys to acquire the remaining shares of Xaar 3D.

Following the additional investment, the Company considered the FASB guidance in accordance with ASC Topic 810 “Consolidation” regarding the propriety of implementing consolidation, for both the variable interest entity and voting model, or equity method accounting. The Company concluded that it should continue accounting for the investment according to the equity method, as it had retained the ability to exercise significant influence but did not control Xaar 3D. For its additional interest in Xaar 3D, the Company paid approximately $15.7 million.

The investment was presented under other non-current assets in the Company’s consolidated balance sheets.

On November 1, 2021 (the “Xaar 3D transaction date”) , the Company acquired the remaining 55% share of Xaar 3D, for an aggregate purchase price of $29.3 million. The Company paid cash upon closing and it is obligated to make additional earn-out payments and payments of royalties on products and services sales for up to 15 years.

The Xaar 3D transaction is reflected in accordance with ASC Topic 805, “Business Combinations”, using the acquisition method of accounting, with the Company as the acquirer. The Company accounted for the acquisition of the remaining equity of Xaar 3D as a step acquisition, which required re-measurement of the Company’s previous ownership interest to fair value prior to completing purchase accounting. Using step acquisition accounting, the Company increased the value of its previously-held equity investment to its fair value of $23.8 million, which resulted in a gain of approximately $14.4 million, recorded in the consolidated statements of operations in the fourth quarter of 2021. The acquisition of the remaining equity interest also resulted in the recognition of a previously unrealized foreign currency gain of $0.6 million, which was reclassified from accumulated other comprehensive income (OCI). The fair value of the previously held equity method investment was determined based upon a valuation of the acquired business, as of the date of acquisition, as detailed below.

The following table summarizes the fair value of the consideration transferred to Xaar 3D’s stockholders for the Xaar 3D transaction:

		U.S. $ in thousands
Cash payments	$	13,967
Contingent consideration at estimated fair value		15,314
Total consideration for 55% holding		29,281
Fair value of 45% holding		23,775
Total consideration	$	53,056

In accordance with ASC Topic 805, the estimated contingent consideration as of the Xaar 3D transaction date was included in the purchase price. The total contingent payments could reach a maximum aggregate amount of up to $21 million. 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 operating expenses.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Xaar 3D transaction date. The estimated fair values are preliminary and based on the information that was available as of November 1, 2021. Thus, the measurements of fair value that are 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	$	82
Goodwill		25,375
Intangible assets		45,000
Other assets		5,280
Total assets acquired		75,737
Net deferred tax liabilities		1,736
Other labilities		20,945
Total liabilities assumed		22,681
Net assets acquired	$	53,056

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 a loss of $1.1 million for revaluation of an equity investment in the first quarter of 2022 and a gain of $3.7 million in the first quarter of 2021. The entity in which the Company invested has become public during the first quarter of 2021 and accordingly the investment is treated as a marketable equity investment. Prior to the first quarter of 2021, the investment was treated as a non-marketable equity investment without readily determinable fair value.

MakerBot and Ultimaker transaction

On May 12, 2022, the company announced the creation of a new company (“the combined company”) comprised of MakerBot and Ultimaker. Under the terms of the agreement, Stratasys will contribute MakerBot assets, invest $47 million and own 45.6% of the combined company. While NPM Capital will contribute Ultimaker assets, invest $15.4 million, and own 54.4% of the combined company. The transaction expected to close within few months.

The Company will account for the investment, in the combined company according to the equity method in accordance with ASC topic 323, as it has retained the ability to exercise significant influence but does not control the new entity.

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 months ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
	(U.S. $ in thousands)	
Americas		
Systems	$ 28,982	$ 21,357
Consumables	31,354	28,211
Service	38,231	32,545
Total Americas	98,567	82,113
EMEA		
Systems	15,076	9,698
Consumables	17,825	12,803
Service	7,153	6,417
Total EMEA	40,055	28,918
Asia Pacific		
Systems	10,458	8,825
Consumables	9,377	9,430
Service	4,972	4,903
Total Asia Pacific	24,807	23,158
Total Revenues	**$** 163,429	**$** 134,189

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 months ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
	(U.S. $ in thousands)	
Revenues recognized in point in time from:		
Products	$ 113,073	$ 90,324
Services	12,492	10,601
Total revenues recognized in point in time	125,565	100,925
Revenues recognized over time from:		
Services	37,864	33,264
Total revenues recognized over time	37,864	33,264
Total Revenues	$ 163,429	$ 134,189

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 March 31, 2022 and December 31, 2021.

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 revenue. The Company's deferred revenue as of March 31, 2022 and December 31, 2021 was as follows:

	March 31, 2022	December 31, 2021
	U.S. $ in thousands	
Deferred revenue*	$ 74,363	$ 72,307

*Includes $22.0 million and $21.1 million under long term deferred revenue in the Company's consolidated balance sheets as of March 31, 2022 and December 31, 2021, respectively.

Revenue recognized in 2022 that was included in deferred revenue balance as of December 31, 2021 was $17.6 million for the three months ended March 31, 2022.

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 March 31, 2022, the total RPO amounted to $126 million. The Company expects to recognize $96.3 million of this RPO during the next 12 months, $18.3 million over the subsequent 12 months and the remaining $11.4 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 March 31, 2022 and December 31, 2021, the deferred commissions amounted to $7.9 million and $7.4 million, respectively.

Note 5. Inventories

Inventories consisted of the following:

	March 31, 2022	December 31, 2021
	U.S. $ in thousands	
Finished goods	$ 65,270	$ 58,784
Work-in-process	4,461	4,360
Raw materials	73,385	66,003
	$ 143,116	$ 129,147

Note 6. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of the Company’s goodwill during the three months ended March 31, 2022 were as follows:

	U.S. $ in thousands
Goodwill as of January 1, 2022	$ 65,144
Foreign currency translation adjustments	(55)
Goodwill as of March 31, 2022	$ 65,089

Other Intangible Assets

Other intangible assets consisted of the following:

	March 31, 2022			December 31, 2021		
	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	$ 406,371	$ (285,972)	$ 120,399	$ 406,578	$ (279,037)	$ 127,541
Patents	16,655	(8,823)	7,832	16,220	(8,503)	7,717
Trademarks and trade names	26,062	(22,522)	3,540	26,055	(22,241)	3,814
Customer relationships	100,619	(89,073)	11,546	100,731	(87,559)	13,172
Capitalized software development costs	7,066	(7,066)	-	7,410	(7,410)	-
	$ 556,773	$ (413,456)	$ 143,317	$ 556,994	$ (404,750)	$ 152,244

Amortization expenses relating to intangible assets for the three-month period ended March 31, 2022 and 2021 were approximately $9.2 million and $7.5 million, respectively.

As of March 31, 2022, 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 9 months of 2022	$ 27,706
2023	22,164
2024	18,256
2025	15,662
2026	15,591
2027 and thereafter	43,938
Total	$ 143,317

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 months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands, except per share amounts)	
Numerator:		
Net loss for basic and diluted loss per share	$ (20,948)	$ (18,911)
Denominator:		
Weighted average shares - for basic and diluted net loss per share	65,721	58,616
Net loss per share		
Basic and diluted	$ (0.32)	$ (0.32)

The computation of diluted net loss per share excluded share awards of5.4 million shares for the three months ended March 31, 2022 and 2021,because the inclusion of those shares 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 $0.1 million for the three-month period ended March 31, 2022 compared to income tax benefit of $0.9 million for the three-month period ended March 31, 2021. The Company's effective tax rate as of March 31, 2022 was primarily impacted by the geographic mix of its earnings and losses, as well as its valuation allowance.

Note 9. Fair Value Measurements

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:

	March 31, 2022		December 31, 2021	
	Level 2	Level 3	Level 2	Level 3
	(U.S. $ in thousands)			
Assets:				
Foreign exchange forward contracts not designated as hedging instruments	$ 41	-	$ 82	-
Foreign exchange forward contracts designated as hedging instruments	981	-	910	-
Liabilities:				
Foreign exchange forward contracts not designated as hedging instruments	(90)	-	(89)	-
Foreign exchange forward contracts designated as hedging instruments	(32)	-	(60)	-
Total contingent consideration*	-	56,050	-	55,919
	$ 900	$ 56,050	$ 843	$ 55,919

*Includes $2.4 million under Accrued expenses and other current liabilities in the Company's consolidated balance sheets as of March 31, 2022 and December 31, 2021.

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 receivables, 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 2022.

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	**March 31, 2022**	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
		U.S. $ in thousands			
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	$ 41	$ 82	$ 15,343	$ 12,380
Assets derivatives -Foreign exchange contracts, designated as cash flow hedge	Other current assets	981	910	72,758	60,408
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(90)	(89)	26,852	33,047
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	(32)	(60)	10,355	26,320
		$ 900	$ 843	$ 125,309	$ 132,155

Foreign exchange contracts not designated as hedging instruments

As of March 31, 2022, the notional amounts of the Company's outstanding exchange forward contracts, not designated as hedging instruments, were $42.2 million, and were used to reduce foreign currency exposures. With respect to such derivatives, gains of $0.7 million and of $2.2 million were recognized under financial income, net for the three-month period ended March 31, 2022 and 2021, 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, net.

Cash Flow Hedging - Hedges of forecasted foreign currency payroll and other operating expenses

As of March 31, 2022, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of $42.0 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 March 31, 2022, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of 41.1 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 March 31, 2022	2021
	U.S $ in thousands	
Cost of sales	$ 900	$ 634
Research and development, net	1,786	1,424
Selling, general and administrative	5,847	5,147
Total stock-based compensation expenses	$ 8,533	$ 7,205

A summary of the Company's stock option activity for the three months ended March 31, 2022 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding as of January 1, 2022	$ 1,732,368	$ 28.85
Granted	-	-
Exercised	(12,829)	12.02

Forfeited	(13,605)	25.11
Options outstanding as of March 31, 2022	1,705,934	29.01
Options exercisable as of March 31, 2022	$ 1,374,696	$ 32.04

As of March 31, 2022, 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 2.7 years.

A summary of the Company's RSUs and PSUs activity for the three months ended March 31, 2022 is as follows:

	Number of RSUs and PSUs	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2022	$ 3,082,798	$ 26.36
Granted	1,377,792	22.13
Vested	(721,316)	27.30
Forfeited	(68,830)	26.87
Unvested as of March 31, 2022	**$** 3,670,444	**$** 24.58

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 March 31, 2022, the unrecognized compensation cost of $75 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as 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 three months ended March 31, 2022 and 2021, respectively:

	Three Months Ended March 31, 2022		
	Net Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
		U.S. $ in thousands	
Balance as of January 1, 2022	$ 1,572	$ (10,343)	$ (8,771)
Other comprehensive income (loss) before reclassifications	271	(702)	(431)
Amounts reclassified from accumulated other comprehensive loss	(622)	-	(622)
Other comprehensive income (loss)	(351)	(702)	(1,053)
Balance as of March 31, 2022	$ 1,221	$ (11,045)	$ (9,824)

	Three Months Ended March 31, 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 (loss) before reclassifications	1,607	(961)	646
Amounts reclassified from accumulated other comprehensive loss	566	-	566
Other comprehensive income (loss)	2,173	(961)	1,212
Balance as of March 31, 2021	$ 500	$ (8,134)	$ (7,634)

c. Public offering of ordinary shares

During March 2021, the Company completed a capital raise 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 $1.2 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

During the fourth quarter of 2021, the Company reached preliminary settlement on an employee-related litigation matter in the US. The financial statements for the period ended March 31, 2022 and the year ended December 31, 2021 include a provision in respect of this settlement.

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”, 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, 2021, filed with the Securities and Exchange Commission, or SEC, on February 24, 2022, or our 2021 Annual Report, as updated by the “Risk Factors” section below.

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 1,700 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.

A series of recent acquisitions and other transactions has strengthened our leadership in various facets of our business. Our acquisition, in December 2020, oOrigin Laboratories, Inc., or Origin, significantly strengthened our leadership in mass production forpolymer 3D printing. Origin’s pioneering approach to additive manufacturing of end-use parts has enabled us to serve a large market with manufacturing-grade 3D printers, utilizing P^3 Programmable PhotoPolymerization. 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,provided us with a complementary technology that further expanded our polymer suite of solutions across the product life cycle.Similarly, our acquisition, in November 2021, of all remaining shares of Xaar 3D Ltd. or Xaar, is expected to accelerate our growth in production-scale 3D printing. The recently-announced transaction between our subsidiary, MakerBot, a leader in desktop 3D printing,and Ultimaker, gives us a significant (approximately 45.6%) stake in a new entity that has a broad technology offering, a larger scale, and that is well-capitalized and is therefore better equipped to compete in the attractive desktop 3D printing segment.

COVID-19 Impact, Macro-Economic Trends and Business Strategy

Our current outlook, as well as our results of operations for the first quarter of 2022, should be evaluated in light of the current state of the ongoing global COVID-19 pandemic and the complexities that it has presented. Our revenues for the first quarter of 2022 furthered a positive trend that began already in the first quarter of 2021 and that continued throughout 2021, and reflected 21.8% growth on a year-over-year basis, compared to the first quarter of 2021, when the COVID-19 pandemic adversely impacted our revenues more significantly. Our improved performance in the first quarter of 2022 was primarily driven by a 36.7% increase in system revenues, a 16.1% increase in consumables revenues, and a 14.8% increase in services revenues (in each case, compared to the corresponding quarter of 2021). Our revenues in the first quarter of 2022 surpassed pre-COVID-19 levels (an improvement of 5.2% compared to the first quarter of 2019), signaling that we continue to recover from the pandemic with respect to our top-line results.

In the first quarter of 2022, we worked at full-capacity on a global basis, with a high percentage of our employees throughout the world having received vaccines against COVID-19 over the course of the previous year.

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. Assuming that the global economy continues to remain open generally, as it was during the first quarter of 2022, we do not anticipate that the COVID-19 pandemic itself will continue to have a significant, direct adverse impact on our results of operations going forward.

While no longer having a significant direct impact on our operating results, the pandemic has given rise to certain by-products— including supply chain problems, inflation and other trends— that have been impacting macro-economic activity on a global scale and that may also adversely affect us. We have been closely monitoring the potential impact of those trends on our operating performance. More specifically, government-mandated shutdowns in significant parts of China due to COVID-19 outbreaks, along with other factors, may slow down our supply chain and thereby adversely impacting our operations. Furthermore, recent depreciation of the Euro relative to the U.S. dollar may have an adverse impact on the U.S.- denominated value of our European-derived revenues for purposes of our financial statements. We cannot provide any assurances as to the extent of our resilience to the adverse impact of these global trends in future periods.

We ended the first quarter of 2022 with $475.6 million in cash, cash equivalents and short-term deposits. We believe that we are well suited to continue to manage the current global macro-economic climate with a strong balance sheet and no debt, while focusing on cost controls and cash generation. Wehave continued to selectively apply certain research and development cost controls, which we began doing at the start of the COVID-19 pandemic, while ensuringthat our NPI programsare well-funded, 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 months ended March 31, 2022 with the corresponding period in 2021.

Results of Operations

Comparison of Three Months Ended March 31, 2022 to Three Months Ended March 31, 2021

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

	Three Months Ended March 31,			
	2022		2021	
	U.S. $ in thousands	% of Revenues	U.S. $ in thousands	% of Revenues

Revenues	$	163,429	100.0%	$ 134,189	100.0%
Cost of revenues		93,752	57.4%	78,612	58.6%
Gross profit		69,677	42.6%	55,577	41.4%
Research and development, net		23,998	14.7%	20,601	15.4%
Selling, general and administrative		65,263	39.9%	53,334	39.7%
Operating loss		(19,584)	(12.0)%	(18,358)	(13.7)%
Financial expenses, net		(1,362)	(0.8)%	(377)	(0.3)%
Loss before income taxes		(20,946)	(12.8)%	(18,735)	(14.0)%
Income tax benefit		73	0.0%	942	0.7%
Share in losses of associated companies		(75)	0.0%	(1,118)	(0.8)%
Net loss		(20,948)	(12.8)%	(18,911)	(14.1)%

Discussion of Results of Operations

Revenues

Our products and services revenues in the three months ended March 31, 2022 and 2021, as well as the percentage change reflected thereby, were as follows:

	Three Months Ended March 31, 2022	2021	% Change
	U.S. $ in thousands		
Products	$ 113,073	$ 90,324	25.2%
Services	50,356	43,865	14.8%
	$ 163,429	$ 134,189	21.8%

Products Revenues

Revenues derived from products (including systems and consumables materials) increased by $22.7 million, or 25.2%, for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021.

Revenues derived from systems increased by $14.6 million, or 36.7%, for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021. System revenues reflected the highest first quarter total in five years, strengthened by the launch of the Origin One in mid-February and the first full quarter of H350 sales.

Revenues derived from Consumables increased by $8.1 million, or 16.1%, for the three month ended March 31, 2022, as compared to the three months ended March 31, 2021. The increase in consumables reflects the impact of strong systems sales throughout 2021 and their expected flow-through as initial materials are replenished.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) increased by $6.5 million for the three months ended March 31, 2022, or 14.8%, as compared to the three months ended March 31, 2021. Within services revenues, customer support revenue, which includes revenue generated mainly by maintenance contracts on our systems, increased by 10.1%.

Revenues by Region

Revenues and the percentage of revenues by region for the three months ended March 31, 2022 and 2021, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Three Months Ended March 31, 2022		2021		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 98,567	60.3%	$ 82,113	61.2%	20.0%
EMEA	40,055	24.5%	28,918	21.6%	38.5%
Asia Pacific	24,807	15.2%	23,158	17.2%	7.1%
	$ 163,429	100.0%	$ 134,189	100.0%	21.8%

* Represent the United States, Canada and Latin America

Revenues in the Americas region increased by $16.5 million, or 20.0%, to $98.6 million for the three months ended March 31, 2022, compared to $82.1 million for the three months ended March 31, 2021. The increase was primarily driven by higher systems and services revenues.

Revenues in the EMEA region increased by $11.1 million, or 38.5%, to $40.1 million for the three months ended March 31, 2022, compared to $28.9 million for the three months ended March 31, 2021. The increase was primarily driven by higher products revenues and by the impact of our recent acquisition of RPS. On a constant currency basis when using prior period's exchange rates, revenues increased by $13.5 million, or 46.6%. The increase was primarily driven by increased products revenues.

Revenues in the Asia Pacific region increased by $1.6 million, or 7.1%, to $24.8 million for the three months ended March 31, 2022, compared to $23.2 million for the three months ended March 31, 2021. The increase was primarily driven by increased systems revenues.

Gross Profit

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

	Three Months Ended March 31, 2022	2021	Change in %
	U.S. $ in thousands		
Gross profit attributable to:			
Products	$ 53,700	$ 43,404	23.7%

Services	15,977	12,173	31.2%
	$ 69,677	$ 55,577	25.4%

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

	Three Months Ended March 31,	
	2022	2021
Gross profit as a percentage of revenues from:		
Products	47.5%	48.1%
Services	31.7%	27.8%
Total gross profit	42.6%	41.4%

Gross profit attributable to products revenues increased by $10.3 million, or 23.7%, to $53.7 million for the three months ended March 31, 2022, compared to gross profit of $43.4 million for the three months ended March 31, 2021. Gross profit attributable to products revenues as a percentage of products revenues decreased slightly to 47.5% for the three months ended March 31, 2022, compared to 48.1% for the three months ended March 31, 2021.

Gross profit attributable to services revenues increased by $3.8 million, or 31.2%, to $16.0 million for the three months ended March 31, 2022, compared to $12.2 million for the three months ended March 31, 2021. Gross profit attributable to services revenues as a percentage of services revenues in the three months ended March 31, 2022 increased to 31.7%, as compared to 27.8% for the three months ended March 31, 2021.

Margin improvement year over year was driven by higher revenues in systems, consumables and services. This was partially offset by macro issues related to logistical challenges and availability of materials.

Operating Expenses

The amount of each type of operating expense for the three months ended March 31, 2022 and 2021, 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 March 31,		
	2022	2021	% Change
	U.S. $ in thousands		
Research and development, net	$ 23,998	$ 20,601	16.5%
Selling, general and administrative	65,263	53,334	22.4%
	$ 89,261	$ 73,935	20.7%
Percentage of revenues	54.6%	55.1%	

Operating expenses were $89.3 million in the first quarter of 2022, compared to operating expenses of $73.9 million in the first quarter of 2021. The increase in operating expenses was driven primarily by the impact of three recent acquisitions: Xaar, Origin, and RPS, as well as higher commissions based on the higher revenue.

Research and development expenses, net increased by $3.4 million, or 16.5%, to $24.0 million for the three months ended March 31, 2022, compared to $20.6 million for the three months ended March 31, 2021. The amount of research and development expenses constituted 14.7% of our revenues for the three months ended March 31, 2022, as compared to 15.4% for the three months ended March 31, 2021.

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 powder-based and photopolymer-based, SAF and P3 technologies, advanced composite materials, software and development of new applications which will enhance our current solutions offerings.

Selling, general and administrative expenses increased by $11.9 million, or 22.4%, to $65.3 million for the three months ended March 31, 2022, compared to $53.3 million for the three months ended March 31, 2021. The increase in these expenses reflected the trend of increased in operating activity that occurred throughout 2021 and continued during the first quarter of 2022. The amount of selling, general and administrative expenses constituted 39.9% of our revenues for the three months ended March 31, 2022, as compared to 39.7% for the three months ended March 31, 2021, which we deem a non-material increase.

Operating Loss

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

	Three Months Ended March 31,	
	2022	2021
	U.S. $ in thousands	
Operating loss	$ (19,584)	$ (18,358)
Percentage of revenues	(12.0)%	(13.7)%

Operating loss amounted to $19.6 million for the three months ended March 31, 2022, compared to an operating loss of $18.4 million for the three months ended March 31, 2021 . While increasing on an absolute basis, our operating loss decreased as a percentage of our revenues in the first quarter of 2022 compared to the first quarter of 2021.

Financial Expenses, net

Financial expenses, net, which were primarily comprised of foreign currencies effects, interest income and interest expenses, were $1.4 million for the three months ended

March 31, 2022, compared to financial expenses, net of $0.4 million for the three months ended March 31, 2021.

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 March 31, 2022	Three Months Ended March 31, 2021	Change in %
	U.S. $ in thousands		
Income tax benefit	$ 73	$ 942	(92.3)%
As a percent of loss before income taxes	0.3%	5.0%	(93.1)%

We had an effective tax rate of 0.3% for the three-month period ended March 31, 2022, compared to an effective tax rate of 5.0% for the three-month period ended March 31, 2021. Our effective tax rate in the first quarter of 2022 was primarily impacted by the geographic mix of foreign taxable earnings and losses, as well as our valuation allowance.

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 March 31, 2022, the loss from our proportionate share of the losses of our equity method investments was $0.1 million, compared to a loss of $1.1 million in the three months ended March 31, 2021.

Net Loss and Net Loss Per Share

Net loss and net loss per share were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	U.S. $ in thousands	
Net loss attributable to Stratasys Ltd.	$ (20,948)	$ (18,911)
Percentage of revenues	(12.8)%	(14.1)%
Basic and diluted net loss per share	$ (0.32)	$ (0.32)

Net loss attributable to Stratasys Ltd. was $20.9 million for the three months ended March 31, 2022 compared to net loss of $18.9 million for the three months ended March 31, 2021. While increasing on an absolute basis, our net loss decreased as a percentage of our revenues in the first quarter of 2022 compared to the first quarter of 2021.

Net loss per share was $0.32 for each of the three month periods ended March 31, 2022 and 2021. The weighted average fully diluted share count was 65.7million during the three months ended March 31, 2022, compared to 58.6 million during the three months ended March 31, 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, legal provisions 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.

The items adjusted in our non-GAAP results 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 the table below.

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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 March 31,					
	2022 GAAP	Non-GAAP Adjustments	2022 Non-GAAP	2021 GAAP	Non-GAAP Adjustments	2021 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	$ 69,677	$ 7,689	$ 77,366	$ 55,577	$ 7,069	$ 62,646
Operating income (loss) (1,2)	(19,584)	21,607	2,023	(18,358)	15,785	(2,573)
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(20,948)	22,158	1,210	(18,911)	15,111	(3,800)
Net income (loss) per diluted share attributable to Stratasys Ltd. (4)	$ (0.32)	$ 0.34	$ 0.02	$ (0.32)	$ 0.26	$ (0.06)
(1) Acquired intangible assets amortization expense		6,966			5,356	

	Non-cash stock-based compensation expense		900		634
	Restructuring and other related costs		(177)		1,079
			7,689		7,069
(2)	Acquired intangible assets amortization expense		2,225		2,192
	Non-cash stock-based compensation expense		7,633		6,571
	Restructuring and other related costs		555		1,810
	Revaluation of investments		1,061		(3,670)
	Contingent consideration		207		191
	Other expenses		2,237		1,622
			13,918		8,716
			21,607		15,785
(3)	Corresponding tax effect and other expenses		551		(674)
			$ 22,158		$ 15,111
(4)	Weighted average number of ordinary shares outstanding-Basic and Diluted	65,721	67,060	58,616	58,616

Liquidity and Capital Resources

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

	Three Months Ended March 31, 2022	2021
	U.S $ in thousands	
Net loss	$ (20,948)	$ (18,911)
Depreciation and amortization	15,290	13,802
Stock-based compensation	8,533	7,205
Foreign currency transactions loss	2,792	4,181
Other non-cash items, net	1,219	1,822
Change in working capital and other items	(22,949)	14,652
Net cash provided by (used in) operating activities	(16,063)	22,751
Net cash provided by (used in) investing activities	67,738	(92,744)
Net cash provided by financing activities	1,021	222,165
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,228)	(2,872)
Net change in cash, cash equivalents and restricted cash	50,468	149,300
Cash, cash equivalents and restricted cash, beginning of period	243,293	272,216
Cash, cash equivalents and restricted cash, end of period	293,761	421,516

Our cash, cash equivalents and restricted cash balance increased to $293.8 million as of March 31, 2022 from $243.3 million as of December 31, 2021. The increase in cash, cash equivalents and restricted cash in the three months ended March 31, 2022 was primarily due to 67.7 million of cash generated by investing activities, partially offset by $16.1 million of cash used in operating activities.

Cash flows from operating activities

We used $16.1 million of cash in operating activities during the three months ended March 31, 2022. That cash use reflects our $20.9 million net loss, as adjusted favorably to eliminate non-cash charges included in net loss, such as $15.3 million of depreciation and amortization expense and $8.5 million of stock-based compensation expenses, as offset, in part, by elimination of changes in our working capital balances, which adjustments had an unfavorable net impact of $22.9 million on our cash flows, which changes were mainly driven by increased inventory purchases and increase in accounts receivable.

Cash flows from investing activities

We generated $67.7 million of cash from our investing activities during the three months ended March 31, 2022. The increase is mostly attributed to $77.0 million net proceeds from short-term bank deposit, partly offset by purchase of property and equipment and investment in unconsolidated entities.

Cash flows from financing activities

We generated $1.0 million of cash from financing activities during the three months ended March 31, 2022.

Capital resources and capital expenditures

Our total current assets amounted to $787.9 million as of March 31, 2022, of which $475.8 million consisted of cash, cash equivalents, short-term deposits and restricted cash. Total current liabilities amounted to $203.4 million. Most of our cash and cash equivalents and short term deposits are held in banks in Israel and in 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 better the understanding of our business activities and those accounting policies that are important to the presentation of our financial condition and results of operations and that require management's subjective judgements, please see our 2021 Annual Report. We base our judgements 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;
- 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;
- the degree of our success at locating and acquiring additional value-enhancing, inorganic technology that furthers our business plan to lead in the realm of polymers;
- the potential adverse impact that recent global interruptions and delays involving freight carriers and other third parties may have on our supply chain and distribution network, and, consequently, our ability to successfully sell both our existing and newly-launched 3D printing products;
- 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;
- potential cyber attacks against, or other breaches to, our information technologies systems;
- 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;
- the duration and severity of the global COVID-19 pandemic and/or adverse macro-economic trends that are, in part, by products of that pandemic, such as, inflation, and the strength of recovery from it and resilience to chose trends, which may have significant consequences for our operations, financial position, cash flows, and those of our customers and suppliers going forward; 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 2021 Annual Report, as supplemented herein, as well as in other portions of the 2021 Annual Report Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2021 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 2021 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 adversely affected, in the recent past, and could again directly or indirectly—through macro-economic trends triggered by it, such as inflation and supply chain problems— potentially severely adversely affect, our business, results of operations and financial condition in the future, due primarily to impacts on the industries in which we and our customers operate.

The COVID-19 global pandemic has had numerous adverse effects on the global economy. Governmental shutdowns and "shelter-in-place" orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventative measure, adversely affected workforces, customers, consumer sentiment, economies and certain financial markets, and, along with decreased consumer spending, led to an economic downturn in many of the markets into which we sell our products and services.

Those effects of the pandemic adversely impacted our results of operations in all global regions, beginning already in the first quarter of 2020 and continuing through the remaining quarters of 2020 and, to a lesser extent, all four quarters of 2021.

We imposed counter-measures that succeeded, together with improved macro-economic conditions, in each progressive quarter, at mitigating the impact of the pandemic on our operating results, and our results have improved concurrently with the economic recovery in many of the markets into which we sell, to the point that our revenues have surpassed, for the first quarter of 2022, the corresponding pre-pandemic revenue levels (for the first quarter of 2019). Nevertheless, even assuming the success of the measures that we implemented and the stable success of vaccination and other means implemented to combat the pandemic on a global basis, there is no guarantee that economic recovery from the pandemic will be sustained.

Certain global macro-economic conditions that were triggered, in large part, by the COVID-19 pandemic now threaten a downturn in economic conditions that could ruin the improved economic outlook achieved by the recovery from the pandemic. Supply chain delays and rising shipping costs, along with inflationary pressures due to the infusion of money into circulation as part of a "loose" monetary policy and low interest rates designed to ease economic conditions during the pandemic, now threaten economic prosperity globally, including in our target markets. We cannot predict what impact these new economic trends may have on our target markets and our expected results of operations.

In light of these global macro-economic uncertainties, 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, which we eliminated when 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, in an effort to mitigate potential new adverse consequences should they arise, there is no assurance that we can succeed at doing so.

We furthermore face uncertainty as to the degree and duration of the impact of these trends going forward, and as to the degree of successful macro-economic resistance to them. We do not know the impact of governmental measures (such as higher interest rates) targeted at maintaining economic prosperity in the aftermath of the trends triggered by the COVID-19 pandemic, or the degree of overall potentially permanent changes in consumer behavior that may have been caused by the pandemic. The inflationary trend, and higher interest rates in response to inflation, may contribute towards global economic weakness that is more than temporary and that could adversely affect demand for our products and services generally. A potential downturn could also have a material adverse impact on our business partners' stability and financial strength. Given the uncertainties associated with these trends in the aftermath of 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 guidance that we may provide for 2022 lacks the certainty that we once had in providing that guidance, due to the number of variables surrounding the COVID-19/post-COVID-19 pandemic period.

The trends trigged by 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 2021 Annual Report.