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

Form 6-K

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

For the month of November, 2023

Commission File Number 001-35751

STRATASYS LTD.

(Translation of registrant's name into English)

c/o Stratasys, Inc. **9600 West 76th Street** **Eden Prairie, Minnesota 55344**	**1 Holtzman Street, Science Park** **P.O. Box 2496** **Rehovot, Israel 76124**

(Address of principal executive office)

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

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, 333-262952, and 333-270249 filed by the Registrant with the SEC on September 3, 2013, March 4, 2020, March 1, 2021, February 24, 2022 and March 3, 2023 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as amended, and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.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

Quarterly Financial Statements and Review of Results of Operations, Financial Condition and Prospects

On November 16, 2023, Stratasys Ltd., or Stratasys, released its financial results for the three and nine months ended September 30, 2023.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasys as of, and for the three and nine months ended, September 30, 2023 (including the notes thereto), or the Q3 2023 Financial Statements

Attached hereto as Exhibit 99.2 is Stratasys' review of its results of operations and financial condition for the three and nine months ended September 30, 2023, including the following:

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

Attached hereto as Exhibit 101 are the Q3 2023 Financial Statements, formatted in IXBRL (eXtensible Business Reporting Language), consisting of the sub-exhibits listed below.

Exhibits

Exhibit Number	Document Description
99.1	Unaudited, condensed consolidated financial statements of Stratasys as of, and for the three and nine months ended, September 30, 2023
99.2	Stratasys' review of its results of operations and financial condition for the three and nine months ended September 30, 2023
EX-101.INS	IXBRL Taxonomy Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
EX-101.SCH	IXBRL Taxonomy Extension Schema Document
EX-101.CAL	IXBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	IXBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	IXBRL Taxonomy Label Linkbase Document
EX-101.PRE	IXBRL Taxonomy Presentation Linkbase Document
EX-104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

SIGNATURES

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

	STRATASYS LTD.	
Dated: November 16, 2023	By:	/s/ Eitan Zamir
	Name:	Eitan Zamir
	Title:	Chief Financial Officer

Exhibit 99.1

STRATASYS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2023

(UNAUDITED)

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023
(UNAUDITED)

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

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 104,563	$ 150,470
Short-term deposits	80,000	177,367
Accounts receivable, net of allowance for credit losses of $1.4 million and $0.9 million as of September 30, 2023 and December 31, 2022, respectively	164,075	144,739
Inventories	197,420	194,054
Prepaid expenses	9,732	5,767
Other current assets	27,534	27,823
Total current assets	583,324	700,220
Non-current assets		
Property, plant and equipment, net	198,272	195,063
Goodwill	90,187	64,953
Other intangible assets, net	141,201	121,402
Operating lease right-of-use assets	19,533	18,122
Long-term investments	129,738	141,610
Other non-current assets	19,510	18,420
Total non-current assets	598,441	559,570
Total assets	$ 1,181,765	$ 1,259,790
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 60,845	$ 72,921
Accrued expenses and other current liabilities	49,817	45,912
Accrued compensation and related benefits	31,502	34,432
Deferred revenues - short term	51,751	50,220
Operating lease liabilities - short term	6,511	7,169
Total current liabilities	200,426	210,654
Non-current liabilities		
Deferred revenues - long term	28,559	25,214
Deferred income taxes - long term	6,889	5,638
Operating lease liabilities - long term	12,692	10,670
Contingent consideration - long term	25,884	23,707
Other non-current liabilities	24,172	24,475
Total non-current liabilities	98,196	89,704
Total liabilities	$ 298,622	$ 300,358
Contingencies (see note 13)		
Equity		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 shares; 69,165 shares and 67,086 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	194	187
Additional paid-in capital	3,080,877	3,048,915
Accumulated other comprehensive loss	(12,958)	(12,818)

Accumulated deficit	(2,184,970)	(2,076,852)
Total equity	883,143	959,432
Total liabilities and equity	$ 1,181,765	$ 1,259,790

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 September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenues				
Products	$ 113,270	$ 112,133	$ 323,353	$ 340,927
Services	48,863	50,059	147,908	151,297
	162,133	162,192	471,261	492,224
Cost of revenues				
Products	59,546	55,916	168,235	176,421
Services	36,938	35,527	105,760	107,984
	96,484	91,443	273,995	284,405
Gross profit	65,649	70,749	197,266	207,819
Operating expenses				
Research and development, net	23,567	23,145	69,347	71,489
Selling, general and administrative	84,880	63,230	221,173	195,085
	108,447	86,375	290,520	266,574
Operating loss	(42,798)	(15,626)	(93,254)	(58,755)
Gain from deconsolidation of subsidiary	-	39,136	-	39,136
Financial income (expenses), net	687	452	2,147	(2,080)
Income (loss) before income taxes	(42,111)	23,962	(91,107)	(21,699)
Income tax expenses	(645)	(3,298)	(5,145)	(2,796)
Share in losses of associated companies	(4,523)	(1,915)	(11,866)	(2,089)
Net income (loss)	$ (47,279)	$ 18,749	$ (108,118)	$ (26,584)
Net income (loss) per share - basic and diluted	$ (0.68)	$ 0.28	$ (1.58)	$ (0.40)
Weighted average ordinary shares outstanding. - basic	69,093	66,772	68,432	66,356
Weighted average ordinary shares outstanding. - diluted	69,093	67,038	68,432	66,356
Comprehensive income (loss)				
Net income (loss)	(47,279)	18,749	(108,118)	(26,584)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(1,353)	(1,598)	482	(5,089)
Unrealized gains (losses) on derivatives designated as cash flow hedges	1,066	729	(622)	(363)
Other comprehensive loss, net of tax	(287)	(869)	(140)	(5,452)
Comprehensive income (loss)	$ (47,566)	$ 17,880	$ (108,258)	$ (32,036)

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

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
Consolidated Statements of Changes in Equity
(in thousands)
Three and Nine Months Ended September 30, 2023

	Ordinary Shares		**Additional Paid-In**	**Accumulated**	**Accumulated Other Comprehensive**	**Total**
	Number of shares	**Par Value**	**Capital**	**deficit**	**Loss**	**Equity**
Balance as of December 31, 2022	67,086	$ 187	$ 3,048,915	$ (2,076,852)	$ (12,818)	$ 959,432
Issuance of shares in connection with stock-based compensation plans	1,017	3	1	-	-	4
Stock-based compensation	-	-	8,241	-	-	8,241
Comprehensive loss	-	-	-	(22,224)	(990)	(23,214)
Balance as of March 31, 2023	68,103	$ 190	$ 3,057,157	$ (2,099,076)	$ (13,808)	$ 944,463
Issuance of shares in connection with stock-based compensation plans	268	1	4	-	-	5
Stock-based compensation	-	-	8,022	-	-	8,022

Comprehensive income (loss)	-	-	-	(38,615)	1,137	(37,478)
Issuance of Common stock under employee stock purchase plan	253	1	3,013	-	-	3,014
Issuance of shares as part of the Covestro acquisition	318	1	5,200	-	-	5,201
Balance as of June 30, 2023	68,942	$ 193	$ 3,073,396	$ (2,137,691)	$ (12,671)	$ 923,227
Issuance of shares in connection with stock-based compensation plans	223	1	-	-	-	1
Stock-based compensation	-	-	7,481	-	-	7,481
Comprehensive loss	-	-	-	(47,279)	(287)	(47,566)
Balance as of September 30, 2023	69,165	$ 194	$ 3,080,877	$ (2,184,970)	$ (12,958)	$ 883,143

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

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
Consolidated Statements of Changes in Equity
(in thousands)
Three and Nine Months Ended September 30, 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
Issuance of shares in connection with stock-based compensation plans	336	1	91	-	-	92
Stock-based compensation	- $	- $	8,831 $	- $	- $	8,831
Comprehensive loss	-	-	-	(24,385)	(3,530)	(27,915)
Balance as of June 30, 2022	66,744	186	3,030,088	(2,093,211)	(13,354)	923,709
Issuance of shares in connection with stock-based compensation plans	40	-	13	-	-	13
Stock-based compensation	-	-	7,391	-	-	7,391
Other items	-	-	(267)	-	-	(267)
Comprehensive income (loss)	-	-	-	18,749	(869)	17,880
Balance as of September 30, 2022	66,784	$ 186	$ 3,037,225	$ (2,074,462)	$ (14,223)	$ 948,726

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)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	$ (108,118)	$ (26,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment of other long-lived assets	4,471	3,865
Depreciation and amortization	37,198	44,451
Stock-based compensation	23,744	24,755
Foreign currency transaction loss	4,087	13,978
Gain from deconsolidation of subsidiary	-	(39,136)
Share in losses of associated companies	11,866	2,089
Revaluation of investments	5,681	3,217
Other non-cash items, net	2,494	826
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	(19,676)	(21,832)
Inventories	(752)	(64,286)
Other current assets and prepaid expenses	(3,512)	3,898
Other non-current assets	4,198	(17,003)
Accounts payable	(13,031)	17,286
Other current liabilities	(2,967)	2,013
Deferred revenues	5,123	4,860

Deferred income taxes, net and uncertain tax positions	2,891	(301)
Other non-current liabilities	(7,609)	(9,385)
Net cash used in operating activities	(53,912)	(57,289)
Cash flows from investing activities		
Cash paid for acquisitions, net of cash acquired	(68,360)	-
Purchase of property and equipment	(8,816)	(11,761)
Investments in short-term bank deposits	(31,448)	(307,485)
Proceeds from short-term bank deposits	128,815	368,429
Purchase of intangible assets	(1,487)	(5,980)
Other investing activities	(1,585)	84
Investments in unconsolidated entities	(6,274)	(67,274)
Net cash provided by (used in) investing activities	10,845	(23,987)
Cash flows from financing activities		
Proceeds from exercise of stock options	10	260
Payment of contingent consideration	(906)	(1,386)
Other financing activities	(188)	(281)
Net cash used in financing activities	(1,084)	(1,407)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,703)	(9,787)
Net change in cash, cash equivalents and restricted cash	(45,854)	(92,470)
Cash, cash equivalents and restricted cash, beginning of period	150,686	243,293
Cash, cash equivalents and restricted cash, end of period	$ 104,832	$ 150,823
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities		
Transfer of inventory to fixed assets	7,316	6,306
Transfer of fixed assets to inventory	118	123
Issuance of Common stock under employee stock purchase plan	3,014	-
Issuance of shares as part of Covestro acquisition (Refer to Note 3)	5,201	-
Contingent consideration	2,794	-
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:		
Cash and cash equivalents	104,563	150,672
Restricted cash included in other current assets	269	151
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 104,832	$ 150,823

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

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

Note 1. Business Description and Basis of Presentation

Stratasys Ltd. (collectively with its subsidiaries, the “Company” 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, which the Company views as having the largest and fastest growing total addressable market The Company’s approximately 2,400 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, fashion and education. Stratasys’ products and comprehensive solutions improve product quality, development time, cost, time-to-market and patient care. 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 global events and other longer-term macroeconomic conditions, most prominently, the extent and speed at which inflation subsides, whether interest rate hikes continue, tighter credit markets and whether capital markets and global supply chains fully recover. As a result, the accounting estimates and assumptions may change over time. Such changes could have an additional impact on the Company’s long-lived asset and intangible asset valuation; and the allowance for expected credit losses. These consolidated financial statements reflect the financial statement effects based upon management’s estimates and assumptions utilizing the most currently available information.

The results of operations for the three and nine months periods ended September 30, 2023 are not necessarily 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 Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 3, 2023 as part of the Company’s Annual Report on Form 20-F for such year.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted in 2023

In October 2021, the Financial Accounting Standards Board (the“FASB”) issued Accounting Standards Update (“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 Accounting Standards Codification (“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. The Company adopted this guidance effective January 1, 2023, with no material impact on its consolidated financial statements.

Note 3. Certain Transactions

MakerBot and Ultimaker transaction (“Ultimaker”)

On August 31, 2022, Stratasys completed the merger of MakerBot (previously, a fully owned subsidiary) with Ultimaker, which together formed a new entity under the name Ultimaker. The Company recorded a net gain of $39.1 million from the deconsolidation of MakerBot, representing the difference between the book value of MakerBot’s net assets and the fair value allocated to such net assets in the transaction, as follows:

		U.S. $ in thousands
Fair Value, net	$	55,751
Net assets deconsolidated		(14,146)
Transaction expenses		(2,469)
Gain on deconsolidation of subsidiary	$	39,136

The Company accounts for its investment in the combined company Ultimaker 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. The Company recognized an equity method investment in a total amount of $105.4 million comprised of the assumed fair value of the MakerBot shares and additional amount invested in cash by the Company, representing a 46.5% share in the new entity.

The allocation of the purchase price (“PPA”) to the underlying net assets acquired and liability assumed resulted in the recognition of intangible assets with a value of $27.4 million, goodwill of $49.3 million and other net assets of $28.7 million. The value assigned to intangible assets is amortized over a period of 4 to 13 years and the related amortization is included under share in net losses (profits) from associated companies. The estimated fair values are based on the information that was available as of August 31, 2022.

As of September 30, 2023 and December 31, 2022 the equity investment in Ultimaker amounted to $88.4 million and $100.2 million, respectively, which represented the original investment in Ultimaker, net of share in net losses for the respective periods (the nine months ended September 30, 2023 and year ended December 31, 2022) in amounts of $11.8 million and $5.4 million, respectively.

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

Covestro AG assets acquisition

On April 3, 2023 (the “Covestro transaction date”), the Company completed the acquisition of the additive manufacturing materials business of Covestro AG. Covestro’s additive manufacturing business is expected to give the Company the ability to accelerate innovative developments in 3D printing materials and to thereby further grow adoption of its newest technologies. Also, the Company acquired an IP portfolio comprised of hundreds of patents and pending patents, including all of the SOMOS™ portfolio.

The Covestro transaction is reflected in accordance with ASC Topic 805, “Business Combinations”. The assets acquisition transaction meets the definition of a business and was accounted for as a “Business Combinations” transaction, using the acquisition method of accounting with the Company as the acquirer. The following table summarizes the fair value of the consideration transferred to Covestro AG for the Covestro transaction:

		U.S. $ in thousands
Cash payments*	$	53,816
Issuance of ordinary shares to Covestro stockholders		5,201
Contingent consideration at estimated fair value		659
Total consideration	$	59,676

*Of which $50.0 million was paid on April 3, 2023 and the balance was paid on October 2, 2023.

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

In accordance with ASC Topic 805, the estimated contingent consideration as of the Covestro transaction date was included in the purchase price. The total contingent payments could amount to a maximum aggregate amount of up to $37 million. The payment will 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 operating expenses. Refer to note 10.

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

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Covestro transaction date. The estimated fair values are preliminary and based on the information that was available as of April 3, 2023. 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)
Inventory	$	10,342
Fixed assets		8,245
Goodwill		20,199
Intangible assets		21,495
Total assets acquired		60,281

Other current liabilities		605
Total liabilities assumed		605
Net assets acquired	$	59,676

The preliminary allocation of the PPA to net assets acquired and liability assumed resulted in the recognition of intangible assets related to developed technology, customer relationship, and trade name. These intangible assets have a useful life of 7 to 10 years. The fair value estimate of the intangible assets 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 the 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 results would not be material.

Other investments

In addition to the investment in Ultimaker, other investments included under Long-term investments primarily consist of investments in non-marketable equity securities of several companies without readily determinable fair value in which the Company does not have a controlling interest or significant influence. During the nine months ended September 30, 2023 and during 2022, the Company invested a total of $5.4 million and $16.7 million, respectively, in non-marketable equity securities and convertible notes of several companies.

Restructuring and divestments

During the nine months ended September 30, 2023, the Company initiated certain restructuring activities for some parts of its operations, as part of aligning the business to the Company's growth strategy and streamlining the organization for improved efficiency. In connection with these activities, certain operations were discontinued, and others were divested. This restructuring resulted in an impairment charge to fixed assets, inventory write-off, employees related expenses and other charges. The restructuring activities were substantially completed by September 30, 2023. The Company recorded during the nine months ended September 30, 2023 restructuring charges of $12.0 million, $2.5 million and $3.9 million under Cost of sales, Research and development and Selling, general and administrative, respectively.

Note 4. Recent developments

Termination of Merger Agreement with Desktop Metal

On May 25, 2023, the Company and Desktop Metal, Inc., ("Desktop Metal"), jointly announced their entry into a merger agreement, whereby a wholly-owned Delaware subsidiary of the company was to merge with and into Desktop Metal, with Desktop Metal surviving the merger as a wholly-owned subsidiary of the Company. On September 28, 2023, the Company held an extraordinary general meeting of its shareholders, at which the merger was presented for the approval of the Company's shareholders. The merger proposal was not approved by the Company's shareholders at that meeting, and accordingly, pursuant to its rights under the merger agreement, Stratasys terminated the merger agreement with Desktop Metal, effective immediately on September 28, 2023. As a result, the Company recorded a termination fee of $10.0 million, which was included under selling, general & administrative expenses and waspaid to Desktop Metal after the balance sheet date.

Nano Dimension Tender Offer and Board Contest

On May 25, 2023, following the announcement of the then-prospective merger with Desktop Metal, Nano Dimension Ltd. ("Nano"), a14.1% shareholder of the Company in the 3D printing industry, launched a hostile partial tender offer whereby it sought to acquire—including shares already held by it— between 53% and 55% of the Company's outstanding ordinary shares, at a price of $18.00 per share. The tender offer was subject to various conditions and was originally set to expire on June 26, 2023. Over the course of subsequent periods of time, the price offered by Nano in its tender offer was ultimately raised to $25.00 per share, with an accompanying reduction as to the percentage of Company shares to be held by it upon consummation of the offer, to between 46% and 51%, and the offer was extended ultimately through July 31, 2023. The offer expired on July 31, 2023 and Nano did not receive enough tendered shares and was therefore unable to complete the purchase of any of the Company ordinary shares pursuant to the offer.

The Company has also been subject to litigation with Nano in an Israeli district court regarding our shareholder rights plan, Nano's tender offer, and the contested board election. The litigation has not changed the outcome of any of the developments described above. Please see note 13.

3D Systems Offers

On May 30, 2023, and then again on June 27, 2023, the Company received an unsolicited non-binding indicative proposal from 3D Systems Corporation ("3D Systems") to merge with the Company. On July 13, 2023, the Company received an updated proposal from 3D Systems, pursuant to which it would merge with the Company for $7.50 in cash and 1.5444 newly issued shares of common stock of 3D Systems per Stratasys ordinary share. The Stratasys board at first determined that the 3D Systems proposal of July 13th would reasonably be expected to result in a "Superior Proposal" under the merger agreement with Desktop Metal and authorized Company management to enter into discussions with 3D Systems with respect to the proposal. Following an extensive due diligence process, Stratasys communicated its concerns regarding the 3D Systems' proposal to 3D Systems and indicated that the last proposal was not itself a transaction which Stratasys would be prepared to enter into. 3D Systems revised its proposal on September 6, 2023, offering $7.00 in cash and 1.6387 newly issued shares of common stock of 3D Systems per Stratasys ordinary share. After consultation with its outside financial and legal advisors, the Stratasys board of directors unanimously determined that the September 6 proposal continued to significantly undervalue Stratasys and did not constitute a "Superior Proposal" pursuant to the terms of the merger agreement with Desktop Metal, and accordingly terminated discussions with 3D Systems.

Initiation of Strategic Alternatives Process

On September 28, 2023, the Company announced that it has initiated a comprehensive process to explore strategic alternatives for the Company. The Company noted that following the termination of the merger agreement with Desktop Metal, Stratasys is no longer subject to restrictions under that agreement regarding the solicitation of or entry into potential transactions.

Note 5. Revenues

Disaggregation of Revenues

The following table presents the Company's revenues disaggregated by geographical region (based on the Company's customers' locations) and revenue type for the three and nine months ended September 30, 2023 and 2022:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022

	(U.S. $ in thousands)		(U.S. $ in thousands)	
Americas				
Systems	$ 30,545	$ 34,869	$ 80,706	$ 96,719
Consumables	33,471	33,303	99,800	99,319
Service	37,809	39,281	113,594	117,207
Total Americas	101,825	107,453	294,100	313,245
EMEA				
Systems	14,967	11,811	38,423	41,648
Consumables	18,654	13,666	55,475	45,759
Service	6,980	5,983	21,467	19,320
Total EMEA	40,601	31,460	115,365	106,727
Asia Pacific				
Systems	5,978	9,626	21,126	31,319
Consumables	9,655	8,861	27,823	26,166
Service	4,074	4,792	12,847	14,767
Total Asia Pacific	19,707	23,279	61,796	72,252
Total Revenues	$ 162,133	$ 162,192	$ 471,261	$ 492,224

The following table presents the Company's revenues disaggregated based on the timing of revenue recognition (at a specific point in time or over the course of time) for the three and nine months ended September 30, 2023 and 2022:

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**
	(U.S. $ in thousands)		(U.S. $ in thousands)	
Revenues recognized in point in time from:				
Products	$ 113,270	$ 112,133	$ 323,353	$ 340,927
Services	13,303	13,519	41,150	39,158
Total revenues recognized in point in time	126,573	125,652	364,503	380,085
Revenues recognized over time from:				
Services	35,560	36,540	106,758	112,139
Total revenues recognized over time	35,560	36,540	106,758	112,139
Total Revenues	$ 162,133	$ 162,192	$ 471,261	$ 492,224

Contract Assets and Contract Liabilities

Contract assets are recorded when the Company's right to consideration is conditional on constraints other than the passage of time. The Company had no material contract assets as of September 30, 2023 and December 31, 2022.

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 September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023	**December 31, 2022**
	U.S. $ in thousands	
Deferred revenue*	$ 80,310	$ 75,434

*Includes $28.5 million and $25.2 million under long-term deferred revenue in the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively.

Revenue recognized in 2023 that was included in deferred revenue balance as of December 31, 2022 wa $8.8 million and $36.7 million for the three and nine months ended September 30, 2023.

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 September 30, 2023, the total RPO amounted to $93.5 million. The Company expects to recognize $61.8 million of this RPO during the next 12 months, $19.9 million over the subsequent 12 months and the remaining $11.7 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 and comprehensive loss. As of September 30, 2023 and December 31, 2022, the deferred commissions amounted to $9.8 million and $9.6 million, respectively.

Note 6. Inventories

Inventories consisted of the following as of the below balance sheet dates:

	September 30, 2023	**December 31, 2022**
	U.S. $ in thousands	
Finished goods	$ 86,980	$ 81,564
Work-in-process	10,595	7,562
Raw materials	99,845	104,928

	$ 197,420	$ 194,054

Note 7. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of the Company's goodwill during the nine months ended September 30, 2023 were as follows:

	U.S. $ in thousands
Goodwill as of January 1, 2023	$ 64,953
Goodwill acquired	24,973
Foreign currency translation adjustments	261
Goodwill as of September 30, 2023	$ 90,187

Other Intangible Assets

Other intangible assets consisted of the following as of the below balance sheet dates:

	September 30, 2023			December 31, 2022		
	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	$ 406,822	$ (296,590)	$ 110,232	$ 387,603	$ (283,671)	$ 103,932
Patents	18,963	(9,989)	8,974	17,508	(8,970)	8,538
Trademarks and trade names	21,355	(15,224)	6,131	16,278	(14,030)	2,248
Customer relationships	107,948	(92,084)	15,864	93,609	(86,925)	6,684
Capitalized software development costs	7,066	(7,066)	-	7,066	(7,066)	-
	$ 562,154	$ (420,953)	$ 141,201	$ 522,064	$ (400,662)	$ 121,402

Amortization expenses relating to intangible assets for the three-month periods ended September 30, 2023 and 2022 were approximately $7.0 million and $9.0 million, respectively. Amortization expenses relating to intangible assets for the nine-month periods ended September 30, 2023 and 2022 were approximately $20.5 million and $27.4 million, respectively.

As of September 30, 2023, the estimated amortization expenses relating to intangible assets for each of the following future periods were as follows:

	Estimated amortization expenses
	(U.S. $ in thousands)
Remaining 3 months of 2023	$ 7,368
2024	23,725
2025	22,323
2026	22,246
2027	20,845
2028 and thereafter	44,694
Total	$ 141,201

Note 8. 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 nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	In thousands, except per share amounts		In thousands, except per share amounts	
Numerator:				
Net income(loss) for basic and diluted net loss per share	$ (47,279)	$ 18,749	$ (108,118)	$ (26,584)
Denominator:				
Weighted average shares - for basic net income(loss) per share	69,093	66,772	68,432	66,356
Weighted average shares - for diluted net income(loss) per share	69,093	67,038	68,432	66,356
Net income(loss) per share				
Basic and diluted	$ (0.68)	$ 0.28	$ (1.58)	$ (0.40)

The computation of diluted net loss per share excluded share awards of 2.4 million shares and 4.1 million shares for the three months ended September 30, 2023 and 2022, respectively, because the inclusion of those shares would have had an anti-dilutive effect on the diluted net loss per share.

The computation of diluted net loss per share excluded share awards of 2.1 million shares and 5.0 million shares for the nine months ended September 30, 2023 and 2022, respectively, because the inclusion of those shares would have had an anti-dilutive effect on the diluted net loss per share.

Note 9. Income Taxes

The Company's effective tax rate as of September 30, 2023, was primarily impacted by the geographic mix of its earnings and losses, movements in its valuation allowance and changes in its uncertain tax positions.

Note 10. Fair Value Measurements

Financial instruments measured at fair value

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

	September 30, 2023		December 31, 2022	
	Level 2	Level 3	Level 2	Level 3
	(U.S. $ in thousands)			
Assets:				
Foreign exchange forward contracts not designated as hedging instruments	$ 58	$ -	$ 159	$ -
Foreign exchange forward contracts designated as hedging instruments	920	-	3	-
Convertible notes	-	5,423	-	1,894
Liabilities:				
Foreign exchange forward contracts not designated as hedging instruments	(7)	-	(38)	-
Foreign exchange forward contracts designated as hedging instruments	(2,129)	-	(1,640)	-
Contingent consideration*	-	(41,221)	-	(38,341)
	$ (1,158)	$ (35,798)	$ (1,516)	$ (36,447)

*Includes $15.3 million and $14.6 million under accrued expenses and other current liabilities in the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively.

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 11. 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, British Pound, 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 2023.

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	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
		U.S. $ in thousands			
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	$ 58	$ 159	$ 41,202	$ 101,733
Assets derivatives -Foreign exchange contracts, designated as cash flow hedge	Other current assets	920	3	24,798	4,900
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(7)	(38)	15,962	16,751
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	(2,129)	(1,640)	46,807	72,273
		$ (1,158)	$ (1,516)	$ 128,769	$ 195,657

Foreign exchange contracts not designated as hedging instruments

As of September 30, 2023, the notional amounts of the Company’s outstanding exchange forward contracts, not designated as hedging instruments, were $57.2 million, and were used to reduce foreign currency exposures. With respect to such derivatives, a gain of $1.3 million and a gain of $2.9 million were recognized under financial expenses, net for the three-month periods ended September 30, 2023 and 2022, respectively and a gain of $2.6 million and a gain of $6.0 million were recognized under financial expenses, net for the nine-month periods ended September 30, 2023 and 2022, 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 September 30, 2023, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of $51.6 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 September 30, 2023, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of 20.0 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 12. Equity

a. Stock-based compensation plans

Stock-based compensation expenses for equity-classified stock options, restricted share units ("RSUs"), performance-based restricted share units ("PSUs") and ordinary shares purchased by the Company's employees under the Company's Employee Share Purchase Plan ("ESPP") were allocated as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	U.S $ in thousands		U.S $ in thousands	
Cost of revenues	$ 891	$ 1,061	$ 2,822	$ 3,041
Research and development, net	1,605	1,487	5,561	4,879
Selling, general and administrative	4,985	4,843	15,361	16,835
Total stock-based compensation expenses	$ 7,481	$ 7,391	$ 23,744	$ 24,755

A summary of the Company's stock option activity for the nine months ended September30, 2023 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding as of January 1, 2023	1,619,559	27.62
Granted	54,632	14.54
Exercised	(2,549)	3.56
Forfeited	(312,921)	55.29
Options outstanding as of September 30, 2023	1,358,721	21.03
Options exercisable as of September 30, 2023	1,003,935	22.41

As of September 30, 2023, the unrecognized compensation cost of $2.5 million related to all unvested, equity-classified stock options is expected to be recognized as an expense over a weighted-average period of 2.4 years.

A summary of the Company's RSUs and PSUs activity for the nine months ended September30, 2023 is as follows:

	Number of RSUs and PSUs	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2023	3,496,099	23.98
Granted	1,832,498	13.28
Vested	(1,485,905)	23.52
Forfeited	(275,910)	23.48
Unvested as of September 30, 2023	3,566,782	18.71

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

As of September 30, 2023, the unrecognized compensation cost of $51.26 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as expense over a weighted-average period of 2.52 years.

Employee Share Purchase Plan

In November 2021, the Company adopted the 2021 ESPP. Under the ESPP, eligible employees may use up to 15% of their salaries to purchase ordinary shares. The price of an ordinary share purchased under the ESPP is equal to 85% of the lower of the fair market value of the ordinary share on the beginning of each offering period or on the purchase date. There are two offering periods every year, first offering period commence on June 1, and the second period commence on November 30.

In accordance with ASC Topic 718, the ESPP is considered compensatory and, as such, results in recognition of stock-based compensation expenses.

b. Accumulated other comprehensive loss

The following tables present the changes in the components of accumulated other comprehensive income (loss), net of taxes, for the nine months ended September30, 2023 and 2022, respectively:

	Nine Months Ended September 30, 2023		
	Net Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
	U.S. $ in thousands		
Balance as of January 1, 2023	$ (299)	$ (12,519)	$ (12,818)
Other comprehensive income (loss) before reclassifications	(3,122)	482	(2,640)
Amounts reclassified from accumulated other comprehensive loss	2,500	-	2,500
Other comprehensive loss	(622)	482	(140)
Balance as of September 30, 2023	$ (921)	$ (12,037)	$ (12,958)

	Nine Months Ended September 30, 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 before reclassifications	(506)	(5,089)	(5,595)
Amounts reclassified from accumulated other comprehensive loss	143	-	143
Other comprehensive income	(363)	(5,089)	(5,452)
Balance as of September 30, 2022	$ 1,209	$ (15,432)	$ (14,223)

c. Rights plan

On July 24, 2022, the Company's Board of Directors adopted a shareholder rights plan (the "Rights Plan") to protect the interests of the Company's shareholders. Each Right entitles the registered holder thereof to purchase from the Company one ordinary share, par value NIS 0.01, of the Company ("ordinary share") at a price of $0.01 per share, subject to adjustment, once the Rights become exercisable, and subject to the exercise terms and conditions thereof described in the agreement governing the Rights Plan (the "Rights Agreement"). The rights would become exercisable only if an entity, person, or group acquires beneficial ownership of 15% or more of the Company's outstanding ordinary shares in a transaction not approved by the Company's Board. The Rights Plan originally had a 364-day term, expiring on July 24, 2023. On May 25, 2023, in connection with the execution and delivery on that day of the Company's merger agreement with Desktop Metal (as described in Note 4, under the heading "*Termination of Merger Agreement with Desktop Metal*"), Stratasys entered into an amendment to the Rights Agreement with the rights agent that extended the expiration date of the Rights Agreement to the later of (a) July 24, 2023 and (b) the conclusion of Stratasys' shareholder meeting (or, if adjourned, the conclusion of the reconvened meeting) at which the merger under the merger agreement with Desktop Metal would be brought for approval, or such time as that merger agreement would be terminated in accordance with its terms.

On September 28, 2023, in connection with Stratasys' termination of the merger agreement with Desktop Metal, Stratasys entered into a second amendment to the Rights Agreement with the rights agent, under which the expiration date of the Rights Agreement was extended through December 31, 2023.

The Rights Plan is intended to protect the long-term interests of Stratasys and all Stratasys shareholders. The Rights Plan is designed to reduce the likelihood that any entity, person, or group would gain control of, or significant influence over, Stratasys through the open-market accumulation of the Company's shares without appropriately compensating all Stratasys shareholders for control. The Rights Plan will encourage anyone seeking to gain a significant interest in Stratasys to negotiate directly with the Board prior to attempting to control or significantly influence the Company. Further to those goals, the Rights may cause substantial dilution to a person or group that acquires 15% or more of the ordinary shares or any existing holder of 15% or more of the ordinary shares who shall acquire any additional ordinary shares.

Note 13. Contingencies

Legal proceedings

Litigation with Nano Dimension regarding Stratasys' Rights Plan and Nano Dimension's tender offer

On April 25, 2023, the Company was named as a defendant in an action filed by Nano in the Tel-Aviv District Court in which Nano sought declaratory relief declaring that Stratasys' shareholder rights plan is both illegal and void, and also requested a court order enjoining the Company and its directors from intervening with, or hindering in any way, a tender offer that Nano at the time intended to launch to acquire Stratasys ordinary shares.

On June 8, 2023, in its statement of defense, the Company rejected all of Nano's claims, stating, among other things, that there was a substantial change of circumstance since Nano's action was filed due to Stratasys' entry into the Desktop Metal Merger Agreement on May 25, 2023 and the launch of Nano's tender offer on May 25, 2023. The Company argued that its rights plan is legal under Israeli law, and that due to the many flaws and unlawful conditions of Nano's tender offer and Nano's conduct and circumstances, The Company's board was obligated to get involved and protect the Company and its shareholders. The Company also submitted a counterclaim to the court, seeking an order restraining Nano from completing its tender offer until certain conditions were to be fulfilled.

On July 18, 2023, in the context of an interim procedural decision, the Israeli court took the opportunity to express its preliminary view on the legality of shareholder rights plans for Israeli companies. The court indicated that it is inclined to view rights plans as permissible under Israeli law; that the adoption of a rights plan by a board should be viewed "with suspicion"; and that the board would bear the burden of proving certain matters related to the adoption of such a plan.

After Nano's tender offer expired on July 31, 2023, the Tel-Aviv District Court decided that the litigation should be put on hold. On October 10, 2023, the court issued an order instructing the parties to inform the court by October 24, 2023 whether they consent to the dismissal of the claim and counter-claim, with no order for costs. This deadline has been postponed until November 15, 2023.On November 15, 2023, Nano informed the court that it requests to resume the proceedings.

Litigation with Nano Dimension regarding Stratasys board election

In a separate action, on July 13, 2023, Nano filed a motion in an Israeli court requesting that the court order, among other things, that (i) the Company correct the agenda sent out to its shareholders in advance of an annual general shareholder meeting scheduled for August 8, 2023, so that the agenda would include Nano's individual director nominees for the Company's board, and (ii) the Company issue a new proxy statement and proxy card for the annual general shareholder meeting.

On July 28, 2023, Nano issued a press release in which it announced that it intends to withdraw its nominees for the Company's board, which Nano reiterated in a press release that it issued on August 1, 2023.

On September 26, 2023, at the parties' request, the court dismissed the proceedings, without prejudice.

Ordinary course litigation

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

Note 14. Subsequent events

In October 2023, Israel was attacked by a terrorist organization and entered a state of war. As of the date of these financial statements, the situation is evolving. One of the Company's global headquarters and one of its manufacturing facilities are located in Israel. Currently, such activities in Israel remain largely unaffected. The Company continues to maintain business continuity plans backed by our inventory levels located outside of Israel. As of the date of these financial statements, the impact of the war on the Company's results of operations and financial condition is limited, but such impact may change, and could be significant, as a result of the continuation, escalation or expansion of such war.

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, 2022, filed with the Securities and Exchange Commission, or SEC, on March 3, 2023, or our 2022 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 2,400 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, fashion and education. Our products and comprehensive solutions improve product quality, development time, cost, time-to-market and patient care. Our 3D ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production. By end of 2022, we estimate that we derived over 32.5% of our revenues from manufacturing solutions.

A series of recent acquisitions and other transactions has strengthened our leadership in various facets of our business, and haveadded incremental growth engines to our platform. Our acquisition, in December 2020, of Origin Laboratories, Inc., or Origin, significantly strengthened our leadership in mass production for polymer 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, has begun to accelerate our growth in production-scale 3D printing. The recently completed transaction between our former subsidiary, MakerBot, a leader in desktop 3D printing, and Ultimaker, gave us a significant (approximately 46.5%) 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. Our October 2022 asset acquisition from the quality assurance software company Riven, a Berkeley, California-based start-up, enables us to fully integrate its cloud-based software solution into our GrabCAD® Additive Manufacturing Platform, thereby enabling more manufacturing customers to adopt Stratasys solutions for end-use parts production. Our acquisition, in April 2023, of Covestro's additive manufacturing business gives us the ability to accelerate innovative developments in 3D printing materials and to thereby further grow adoption of our newest technologies, including our Origin P3™, Neo® stereolithography, and H350™ printers, with which Covestro's resins can be used. Also, as part of this acquisition we acquired an IP portfolio comprised of hundreds of patents and pending patents.

Recent Developments- Potential Business Combinations and Strategic Alternatives

During the third quarter of 2023, we continued to be involved in, and were the subject of, potential business combination transactions that would have been potentially transformative to the additive manufacturing industry. At the end of the fiscal quarter, after none of such transactions had been completed (for various reasons), we initiated a whole-scale, comprehensive analysis of our strategic options, which we have been conducting together with our advisors during the fourth quarter of 2023. We provide a brief overview of recent developments concerning strategic transactions and processes below.

Termination of Merger Agreement with Desktop Metal

On May 25, 2023, we and Desktop Metal, Inc., ("Desktop Metal"), had jointly announced our entry into a merger agreement, whereby our wholly-owned Delaware subsidiary was to merge with and into Desktop Metal, with Desktop Metal surviving the merger as a wholly-owned subsidiary of ours. On September 28, 2023, we held an extraordinary general meeting of shareholders, at which the merger was presented for the approval of our shareholders. The merger proposal was not approved by our shareholders at that meeting, and accordingly, pursuant to our rights under the merger agreement, we terminated the merger agreement with Desktop Metal, effective immediately on September 28, 2023. As a result, we recorded a termination fee of $10.0 million, which was included under selling, general & administrative expenses and was paid to Desktop Metal after the balance sheet date.

Nano Dimension Uncompleted Tender Offer and Unsuccessful Board Contest

On May 25, 2023, following the announcement of the then-prospective merger with Desktop Metal, Nano Dimension Ltd, ("Nano"), a 14.1% shareholder of our company in the 3D printing industry, launched a hostile partial tender offer whereby it sought to acquire—including shares already held by it— between 53% and 55% of our outstanding ordinary shares, at a price of $18.00 per share. The tender offer was subject to various conditions and was originally set to expire on June 26, 2023. Over the course of subsequent periods of time, the price offered by Nano in its tender offer was ultimately raised to $25.00 per share, with an accompanying reduction as to the percentage of our shares to be held by it upon consummation of the offer, to between 46% and 51%, and the offer was extended ultimately through July 31, 2023. The offer expired on July 31, 2023 and Nano did not receive enough tendered shares and was therefore unable to complete the purchase of any of our ordinary shares pursuant to the offer.

Nano also requested from our company, pursuant to its rights under the Israeli Companies Law as a 5% or greater shareholder, that we convene an extraordinary shareholder meeting at which a vote would be held on the removal of all of our directors (except for S, Scott Crump) and their replacement with officers of Nano whom it had nominated. After discussions with Nano and related court proceedings, we ultimately brought to a vote at our annual general meeting of shareholders held on August 8, 2023 a contested election of directors, at which our board's eight nominees and Nano's seven nominees were subject to election on a nominee-by-nominee basis, with the eight nominees receiving more "FOR" votes than "AGAINST" votes to be deemed elected. Based on that agreed voting format, at the annual meeting, each of our board's eight nominees, and none of Nano's seven nominees, were elected. We have also been subject to litigation with Nano in an Israeli district court regarding our shareholder rights plan, Nano's uncompleted tender offer, and the above-described contested board election. The litigation has not changed the outcome of any of the developments described above.

3D Systems Offers

On May 30, 2023, and then again on June 27, 2023, we received an unsolicited non-binding indicative proposal from 3D Systems Corporation ("3D Systems") to merge with us. On July 13, 2023, we received an updated proposal from 3D Systems, pursuant to which it would merge with our company for $7.50 in cash and 1.5444 newly issued shares of common stock of 3D Systems per Stratasys ordinary share. Our board initially determined that the 3D Systems proposal of July 13 would reasonably be expected to result in a "Superior Proposal" under the merger agreement with Desktop Metal and authorized our management to enter into discussions with 3D Systems with respect to the proposal. Following an extensive due diligence process, however, we communicated our concerns regarding the 3D Systems' proposal to 3D Systems and indicated that the last proposal was not itself a transaction that we would be prepared to enter into. 3D Systems revised its proposal on September 6, 2023, offering $7.00 in cash and 1.6387 newly issued shares of common stock of 3D Systems per Stratasys ordinary share. After consultation with our outside financial and legal advisors, our board of directors unanimously determined that the September 6 proposal continued to significantly undervalue our company and did not constitute a "Superior Proposal" pursuant to the terms of our then-effective merger agreement with Desktop Metal, and the board accordingly terminated discussions with 3D Systems.

Initiation of Strategic Alternatives Process

On September 28, 2023, following the failure of the vote for approval of the merger with Desktop Metal and our consequent termination of the related merger agreement, we announced that we had initiated a comprehensive process to explore strategic alternatives for our company. We noted that we are no longer subject to restrictions under that merger agreement regarding the solicitation of or entry into potential transactions. Our board has been conducting that process together with our advisors during the fourth quarter of 2023.

Business Performance in Macro-Economic Environment

Our current outlook, as well as our results of operations for the three and nine month periods ended September 30, 2023, should be evaluated in light of current global macroeconomic conditions, including certain challenging trends that have also impacted the additive manufacturing industry. Our revenues in the three months ended September 30, 2023 remained essentially flat compared to the corresponding quarter of 2022. For the initial nine months of 2023, revenues decreased by 4.3% relative to the corresponding, nine months ended September 30, 2022. These quarterly and nine-month revenue results evidence macro-economic pressure on capital expenditure budgets of our customers, which has been causing longer sales cycles for our systems and occasional deferral of orders of our systems. The decrease in systems revenues was also attributable in part to the disposition of our former subsidiary, MakerBot, in August 2022, and unfavorable currency exchange rates. On the other hand, the quarterly and nine months results also evidence stronger utilization of our installed systems by our customers, which drove higher revenues in consumables, as well as increase in consumables revenue based on sales of consumables to customers of our recently acquired entities.

We continue to closely monitor macro-economic conditions, including the headwinds caused by inflation, increased interest rates and other trends that have been adversely impacting economic activity on a global scale, and which have also adversely affected the additive manufacturing industry generally and our company, in particular. We have been assessing, on an ongoing basis, the implications of those global conditions 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 estimate that those conditions have impacted us most notably by limiting our ability to increase our gross margins and our operating margins more significantly in the short-term, given the increased cost of goods and operating expenses associated with inflation. We have used price increases to offset those cost pressures. Assuming that those logistical issues and inflationary pressures ease, and the global economy remains relatively stable, we expect that those margins will improve, as we execute on our growth plans and as a result of a favorable products mix.

Specific developments that may potentially impact our operating performance in an adverse manner include:

- Israel's retaliatory war against the terrorist organization Hamas, currently had a limited impact on our Israeli or global operations. However given the fact that 25% of our employees reside in Israel and work at our Israeli offices, and certain of our facilities are located in central and southern Israel, in case the war widens into a regional conflict and/or worsens Israeli or global economic conditions, that could have an adverse impact on our operations;
- further actions taken by central banks in Europe and the U.S. to increase interest rates as a means to reduce inflation even more, which may worsen credit/financing conditions for our customers who purchase our products; and
- potential contraction of economic activities and recessionary conditions that could arise as a result of interest rate increases and a decrease in consumer demand;

We cannot provide any assurances as to the extent of our resilience to the adverse impact of these specific developments in future periods.

We ended the third quarter of 2023 with $184.6 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. We have continued to selectively apply certain cost controls, which we began doing at the start of the COVID-19 pandemic, while ensuring that our NPI programs are 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 and nine months ended September 30, 2023 with the corresponding period in 2022.

Results of Operations

Comparison of Three Months Ended September 30, 2023 to Three Months Ended September 30, 2022

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

	Three Months Ended September 30,			
	2023		2022	
	U.S. $ in thousands	% of Revenues	U.S. $ in thousands	% of Revenues
Revenues	$ 162,133	100.0%	$ 162,192	100.0%
Cost of revenues	96,484	59.5%	91,443	56.4%
Gross profit	65,649	40.5%	70,749	43.6%
Research and development, net	23,567	14.5%	23,145	14.3%
Selling, general and administrative	84,880	52.4%	63,230	39.0%
Operating loss	(42,798)	(26.4)%	(15,626)	(9.6)%
Gain from deconsolidation of subsidiary	-	0.0%	39,136	24.1%
Financial income, net	687	0.4%	452	0.3%
Income(loss) before income taxes	(42,111)	(26.0)%	23,962	14.8%
Income tax expenses	(645)	(0.4)%	(3,298)	(2.0)%
Share in losses of associated companies	(4,523)	(2.8)%	(1,915)	(1.2)%
Net income (loss)	(47,279)	(29.2)%	18,749	11.6%

Discussion of Results of Operations

Revenues

Our products and services revenues in the three months ended September 30, 2023 and 2022, as well as the percentage change reflected thereby, were as follows:

	Three Months Ended September 30,		
	2023	2022	% Change
	U.S. $ in thousands		
Products	$ 113,270	$ 112,133	1.0%
Services	48,863	50,059	(2.4)%
Total Revenues	$ 162,133	$ 162,192	0.0%

Products Revenues

Revenues derived from products (including systems and consumable materials) increased by $1.1 million, or 1.0%, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, mainly attributable to higher consumables revenues of $5.9 million, as a result of higher usage of our systems, and revenues from recent acquisitions, partially offset by a decrease in systems revenues as a result of longer sales cycles, and the impact of the divestiture of MakerBot, which had accounted for $4.8 million of products revenues in the three months ended September 30, 2022.

Revenues derived from systems decreased by $4.8 million, or 8.6%, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. The decrease was mainly attributable to longer sales cycles as well as the impact of the divestiture of MakerBot, which occurred at the end of August 2022, which was partially offset by favorable exchange rates of $0.6 million.

Revenues derived from consumables increased by $5.9 million, or 10.7%, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. The increase in consumables revenues is mainly attributable to revenues driven from our recently acquired entities, and higher utilization rates of systems which requires that initial materials be replenished, as well as favorable exchange rates, partially offset by the impact of the divestiture of MakerBot.

Services Revenues

Services revenues (including Stratasys Direct, maintenance contracts, time and materials and other services) decreased by $1.2 million for the three months ended September 30, 2023, or 2.4%, as compared to the three months ended September 30, 2022. The decrease was driven primarily by a decrease in Stratasys Direct, or SDM, revenues in an amount of $1.5 million as well as the divestiture of MakerBot, partially offset by an increase in service contracts and favorable exchange rates. Within services revenues, customer support revenue, which includes revenues generated mainly by maintenance contracts on our systems, increased by 3.6% in three months ended September 30, 2023 compared to the corresponding period of 2022.

Revenues by Region

Revenues and the percentage of revenues by region for the three months ended September 30, 2023 and 2022, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Three Months Ended September 30,				
	2023		2022		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 101,815	62.8%	$ 107,453	66.3%	(5.2)%
EMEA	40,611	25.0%	31,460	19.4%	29.1%
Asia Pacific	19,707	12.2%	23,279	14.3%	(15.3)%
	$ 162,133	100.0%	$ 162,192	100.0%	0.0%

* Represent the United States, Canada and Latin America

Revenues in the Americas region decreased by $5.7 million, or 5.2%, to $101.8 million for the three months ended September 30, 2023, compared to $107.5 million for the three months ended September 30, 2022. The decrease is mainly attributable to the impact of the MakerBot divestiture in an amount of $3.5 million as well as a decrease in systems revenues as a result of longer sales cycles, partially offset by higher consumables revenues driven by our recent acquisitions.

Revenues in the EMEA region increased by $9.1 million, or 29.1%, to $40.6 million for the three months ended September 30, 2023, compared to $31.5 million for the three months ended September 30, 2022. The increase was primarily attributable to higher consumables revenuesdriven by our recent acquisitions in an aggregate amount of $2.8 million as well as higher systems and services revenues.

Revenues in the Asia Pacific region decreased by $3.6 million, or 15.3%, to $19.7 million for the three months ended September 30, 2023, compared to $23.3 million for the three months ended September 30, 2022. The decrease was primarily attributable to a slowdown in systems revenues, partially offset by higher consumables revenues.

Gross Profit

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

	Three Months Ended September 30,		
	2023	2022	Change in %
	U.S. $ in thousands		
Gross profit attributable to:			
Products	$ 53,724	$ 56,217	(4.4)%
Services	11,925	14,532	(17.9)%
	$ 65,649	$ 70,749	(7.2)%

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

	Three Months Ended September 30,	
	2023	2022
Gross profit as a percentage of revenues from:		
Products	47.4%	50.1%
Services	24.4%	29.0%
Total gross margin	40.5%	43.6%

Gross profit attributable to products revenues decreased by $2.5 million, or 4.4%, to $53.7 million for the three months ended September 30, 2023, compared to gross profit of $56.2 million for the three months ended September 30, 2022. Gross margin attributable to products revenues decreased to 47.4% for the three months ended September 30, 2023, as compared to 50.1% for the three months ended September 30, 2022. The decrease in gross profit is mainly attributable to lower operational efficiencies as a result of reduction in inventories, the impact of unfavorable product mix and the divestiture of MakerBot partially offset by lower amortization expenses, and an increase in revenues driven by our recent acquisitions.

Gross profit attributable to services revenues decreased by $2.6 million, or 17.9%, to $11.9 million for the three months ended September 30, 2023, compared to $14.5 million for the three months ended September 30, 2022. Gross margin attributable to services revenues decreased to 24.4% for the three months ended September 30, 2023, as compared to 29.0% for the three months ended September 30, 2022. Our gross profit from services revenues decreased mainly as a result ofStratasys Direct restructuring and divestments cost, partially offset by favorable product mix.

Operating Expenses

The amount of each type of operating expense for the three months endedSeptember 30, 2023 and 2022, as well as the percentage change reflected thereby, and total operating expenses as a percentage of our total revenues in each such quarter, were as follows:

	Three Months Ended September 30,		
	2023	2022	% Change
	U.S. $ in thousands		
Research and development, net	$ 23,567	$ 23,145	1.8%
Selling, general and administrative	84,880	63,230	34.2%
	108,447	86,375	25.6%
Percentage of revenues	66.9%	53.3%	13.6%

Operating expenses were $108.4 million in the third quarter of 2023, compared to operating expenses of $86.4 million in the third quarter of 2022. The 25.6% increase in operating expenses was primarily driven by costs related to prospective and potential mergers and acquisitions, our defense against a hostile tender offer and a proxy contest, and related professional fees, in an aggregate amount of $17.2 million, our recent acquisitions, and a loss due to the revaluation of our investment in unconsolidated entities, in an amount of $4.3 million partially offset by lower operating expenses due to the divestiture of MakerBot.

Research and development expenses increased by approximately $0.4 million, or 1.8%, to $23.6 million for the three months ended September 30, 2023, compared to $23.1 million for the three months ended September 30, 2022. The amount of Research and Development expenses constituted 14.5% of our revenues for the three months ended September 30, 2023, as compared to 14.3% for the three months ended September 30, 2022. The Research and development expenses have not changed significantly mainly due to the offsetting effects of our divestiture of MakerBot, and higher costs driven by our recent acquisitions.

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 that will enhance our current solutions offerings.

Selling, general and administrative expenses increased by $21.7 million, or 34.2%, to $84.9 million for the three months ended September 30, 2023, compared to $63.2 million for the three months ended September 30, 2022. The absolute increase in selling, general and administrative expenses, was mainly attributable to higher costs related to prospective and potential mergers and acquisitions, our defense against a hostile tender offer and a proxy contest, and related professional fees, in an aggregate amount of $17.2 million, a loss due to the revaluation of our investment in unconsolidated entities, and higher expenses driven by our recent acquisitions, partially offset by expenses associated with our divestiture of MakerBot. The amount of selling, general and administrative expenses constituted52.4% of our revenues for the three months ended September 30, 2023, as compared to 39.0% for the three months ended September 30, 2022.

Operating Loss

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

	Three Months Ended September 30,	
	2023	2022
	U.S. $ in thousands	
Operating loss	$ (42,798)	$ (15,626)
Percentage of revenues	(26.4)%	(9.6)%

Operating loss amounted to $42.8 million for the three months ended September 30, 2023, compared to an operating loss of $15.6 million for the three months ended September 30, 2022. The absolute increase in the operating loss of $27.2 million, as well as the increase of operating loss as a percentage of revenues by16.8%, were mainly attributable to the 13.6% increase in operating expenses as a percentage of revenues due to highercosts related to prospective and potential mergers and acquisitions, our defense against a hostile tender offer and a proxy contest, and related professional fees, and by the decrease in gross profit.

Financial Income (Expenses), net

Financial income, net, which was primarily comprised of foreign currencies effects, interest income and interest expenses, was $0.7 million for the three months ended September 30, 2023, compared to financial expenses, net of $0.5 million for the three months ended September 30, 2022.

Income Taxes

Income tax benefit (expenses) and income tax benefit (expenses) as a percentage of net loss before taxes were as follows:

	Three Months Ended September 30,	
	2023	2022
	U.S. $ in thousands	
Income tax benefit (expenses)	$ (645)	$ (3,298)
As a percentage of loss before income taxes	(1.5)%	(13.8)%

We had an effective tax rate of (1.5)% for the three-month period ended September 30, 2023, compared to an effective tax rate of (13.8)% for the three-month period ended September 30, 2022. Our effective tax rate in the third quarter of 2023 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 September 30, 2023, the loss from our proportionate share of the losses of our equity method investments was $4.5 million, compared to a loss of $1.9 million in the three months ended September 30, 2022; this increase in our share of those losses following our divestiture of MakerBot and investment in Ultimaker, which occurred late in August 2022.

Net Loss and Net Loss Per Share

Net loss, and net loss per share were as follows:

	Three Months Ended September 30, 2023	2022
	U.S. $ in thousands	
Net income (loss)	$ (47,279)	$ 18,749
Percentage of revenues	(29.2)%	11.6%
Basic and diluted net loss per share	$ (0.68)	$ 0.28

Net loss was $47.3 million for the three months ended September 30, 2023 compared to net income of $18.7 million for the three months ended September 30, 2022. The increase in net loss was attributable to higher costs related to prospective and potential mergers and acquisitions, our defense against a hostile tender offer and a proxy contest, and related professional fees, in an aggregate amount of $17.2 million, the gain from deconsolidation of subsidiary in amount of $39.1 million, that we recorded in the corresponding period of 2022, the increase of $2.6 million in our share in losses of associated companies offset, in part, by the reduction in our income tax expenses by approximately $2.7 million.

Net loss per share was $0.68 for the three months ended September 30, 2023 as compared to ne income per share of $0.28 for the three months ended September 30, 2022. The weighted average fully diluted share count was 69.1 million during the three months ended September 30, 2023, compared to 67.0 million during the three months ended September 30, 2022.

Results of Operations

Comparison of Nine Months Ended September 30, 2023 to Nine Months Ended September 30, 2022

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

	Nine Months Ended September 30, 2023 U.S. $ in thousands	2023 % of Revenues	2022 U.S. $ in thousands	2022 % of Revenues
Revenues	$ 471,261	100.0%	$ 492,224	100.0%
Cost of revenues	273,995	58.1%	284,405	57.8%
Gross profit	197,266	41.9%	207,819	42.2%
Research and development, net	69,347	14.7%	71,489	14.5%
Selling, general and administrative	221,173	46.9%	195,085	39.6%
Operating loss	(93,254)	(19.8)%	(58,755)	(11.9)%
Gain from deconsolidation of subsidiary	-	0.0%	39,136	8.0%
Financial income (expenses), net	2,147	0.5%	(2,080)	(0.4)%
Loss before income taxes	(91,107)	(19.3)%	(21,699)	(4.4)%
Income tax expenses	(5,145)	(1.1)%	(2,796)	(0.6)%
Share in losses of associated companies	(11,866)	(2.5)%	(2,089)	(0.4)%
Net loss	(108,118)	(22.9)%	(26,584)	(5.4)%

Discussion of Results of Operations

Revenues

Our products and services revenues in the ninemonths ended September 30, 2023 and 2022, as well as the percentage change reflected thereby, were as follows:

	Nine Months Ended September 30, 2023	2022	% Change
	U.S. $ in thousands		
Products	$ 323,353	$ 340,927	(5.2)%
Services	147,908	151,297	(2.2)%
Total Revenues	$ 471,261	$ 492,224	(4.3)%

Products Revenues

Revenues derived from product (including systems and consumable materials) decrease by $17.5 million, or 5.2%, in the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, mainly due to longer sales cycles, the divestiture of MakerBot in late August 2022, and unfavorable exchange rates partially offset by an increase attributable to revenues driven from our recently acquired entities, and higher utilization rates of systems which requires that initial materials be replenished.

Revenues derived from systems for the nine months ended September 30, 2023 decreased by $29.4 million, or 17.3% as compared to the nine months ended September 30, 2022. The decrease was mainly attributable to longer sales cycles as well as the impact of the divestiture of MakerBot.

Revenues derived from consumables increased by $11.9 million, or 6.9%, for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. The increase in consumables revenues was mainly attributable to consumables revenues derived from our recently acquired entities, and higher utilization rates of systems as initial materials are replenished, partially offset by the impact of divestiture of MakerBot.

Services Revenues

Services revenues (including Stratasys Direct, maintenance contracts, time and materials and other services) decreased by $3.4 million for the nine months ended September 30, 2023, or 2.2%, as compared to the nine months ended September 30, 2022 mainly due to the reduction of the services revenues that had been associated with MakerBot, which was divested in late August 2022, and a decrease in SDM revenues. Within services revenues, customer support revenue, which includes revenue generated mainly from maintenance contracts on our systems, increased by 5.5%.

Revenues by Region

Revenues and the percentage of revenues by region for the nine months ended September 30, 2023 and 2022, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Nine Months Ended September 30,				
	2023		2022		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 294,099	62.4%	$ 313,245	63.6%	(6.1)%
EMEA	115,365	24.5%	106,727	21.7%	8.1%
Asia Pacific	61,797	13.1%	72,252	14.7%	(14.5)%
	$ 471,261	100.0%	$ 492,224	100.0%	(4.3)%

* Consists of the United States, Canada and Latin America

Revenues in the Americas region decreased by $19.1 million, or 6.1%, to $294.1 million for the nine months ended September 30, 2023, compared to $313.2 million for the nine months ended September 30, 2022. The decrease was mainly related to the reduction in revenues caused by the divestiture of MakerBot, partially offset by $2.3 million of revenues derived from our recently acquired entities.

Revenues in the EMEA region increased by $8.7 million, or 8.1%, to $115.4 million for the nine months ended September 30, 2023, compared to $106.7 million for the nine months ended September 30, 2022. The increase was primarily driven by higher consumables revenuesattributable to our recently acquired entities.

Revenues in the Asia Pacific region decreased by $10.5 million, or 14.5%, to $61.8 million for the nine months ended September 30, 2023, compared to $72.3 million for the nine months ended September 30, 2022. The decrease was primarily driven by a slowdown in systems revenues and unfavorable exchange rates.

Gross Profit

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

	Nine Months Ended September 30,		
	2023	2022	
	U.S. $ in thousands		Change in %
Gross profit attributable to:			
Products	$ 155,118	$ 164,506	(5.7) %
Services	42,148	43,313	(2.7) %
	$ 197,266	$ 207,819	(5.1) %

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

	Nine Months Ended September 30,	
	2023	2022
Gross profit as a percentage of revenues from:		
Products	48.0%	48.3%
Services	28.5%	28.6%
Total gross margin	41.9%	42.2%

Gross profit attributable to products revenues decreased by $9.4 million, or 5.7%, to $155.1 million for the nine months ended September 30, 2023, compared to gross profit of $164.5 million for the nine months ended September 30, 2022. Gross margin attributable to products revenues decreased to 48.0% for the nine months ended September 30, 2023, compared to 48.3% for the nine months ended September 30, 2022. Our gross profit from products revenues decreased mainly as a result of lower year over year products sales and the divestiture of MakerBot, partially offset by lower amortization expenses and higher revenues driven by our recent acquisitions.

Gross profit attributable to services revenues decreased by $1.2 million, or 2.7%, to $42.1 million for the nine months ended September 30, 2023, compared to $43.3 million for the nine months ended September 30, 2022. Gross margin attributable to services revenues in the nine months ended September 30, 2023 decreased to 28.5%, as compared to 28.6% for the nine months ended September 30, 2022. Our gross profit from services revenues decreased mainly as a result of restructuring and divestments costs, partially offset by favorable product mix.

Operating Expenses

The amount of each type of operating expense for the nine months endedSeptember 30, 2023 and 2022, as well as the percentage change from period to period reflected thereby, and total operating expenses as a percentage of our total revenues in each such nine month period, were as follows:

	Nine Months Ended September 30,		
	2023	2022	% Change
	U.S. $ in thousands		
Research and development, net	$ 69,347	$ 71,489	(3.0)%
Selling, general and administrative	221,173	195,085	13.4%
	$ 290,520	$ 266,574	9.0%
Percentage of revenues	61.6%	54.2%	

Operating expenses were $290.5 million in the nine months ended September 30, 2023, compared to operating expenses of $266.6 million in the nine months ended September 30, 2022. The increase in operating expenses was primarily driven by costs related to prospective and potential mergers and acquisitions, our defense against a hostile tender offer and a proxy contest, and related professional fees in an aggregate amount of $30.5 million, $7.9 million higher costs driven by our recent acquisitions, partially offset by the $13.4 million reduction in expenses due to our divestiture of MakerBot in late August 2022, and favorable exchange rate.

Research and development expenses, net decreased by $2.2 million, or 3.0%, to $69.3 million for the nine months ended September 30, 2023, compared to $71.5 million for the nine months ended September 30, 2022. The decrease was mainly attributable to the divestiture of MakerBot, partially offset by higher costs driven by our recent acquisitions. The amount of research and development expenses as a percentage of revenues remained fairly consistent from period to period, constituting 147% of our revenues for the nine months ended September 30, 2023, as compared to 14.5% for the nine months ended September 30, 2022.

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 that will enhance our current solutions offerings.

Selling, general and administrative expenses increased by $26.1 million, or 13.4%, to $221.2 million for the nine months ended September 30, 2023, compared to $195.1 million for the nine months ended September 30, 2022. The amount of selling, general and administrative expenses constituted 46.9% of our revenues for the nine months ended September 30, 2023, as compared to 39.6% for the nine months ended September 30, 2022. The increase is mainly attributable to costs related to prospective and potential mergers and acquisitions, defense against hostile tender offer, proxy contest and related professional fees in an amount of $30.5 million and restructuring costs, partially offset by a reduction of selling, general and administrative costs due to our divestiture of MakerBot in August 2022.

Operating Loss

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

	Nine Months Ended September 30,	
	2023	2022
	U.S. $ in thousands	
Operating loss	$ (93,254)	$ (58,755)
Percentage of revenues	(19.8)%	(11.9)%

Operating loss amounted to $93.3 million for the nine months ended September 30, 2023, compared to an operating loss of $58.8 million for the nine months ended September 30, 2022. Our operating loss increased both on an absolute basis, and as a percentage of our revenues in the nine months ended September 30, 2023 compared to in the nine months ended September 30, 2022, for the reasons described in the discussion of the above line items.

Financial Expenses (Income), net

Financial income, net, which was primarily comprised of foreign currencies effects, interest income and interest expenses, was $2.1 million for the nine months ended September 30, 2023, compared to $2.1 million of financial expenses, net for the nine months ended September 30, 2022.

Income Taxes

Income tax benefit (expenses) and income tax benefit (expenses) as a percentage of net loss before taxes were as follows:

	Nine Months Ended September 30,	
	2023	2022
	U.S. $ in thousands	
Income tax expenses	$ (5,145)	$ (2,796)
As a percent of loss before income taxes	(5.6)%	(12.9)%

We had an effective tax rate of (5.6)% for the nine month period ended September 30, 2023, compared to an effective tax rate of (12.9)% for the nine month period ended September 30, 2022. Our effective tax rate in the nine months ended September 30, 2023 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 nine months ended September 30, 2023, the loss from our proportionate share of the earnings of our equity method investments increased to $11.9 million, compared to a loss of $2.1 million in the nine months ended September 30, 2022. This increase in our share of those losses Resulted from our divestiture of MakerBot and investment in Ultimaker, which occurred late in August 2022

Net Loss and Net Loss Per Share

Net loss (on an absolute basis and as a percentage of revenues), and net loss per share were as follows:

	Nine Months Ended September 30,	
	2023	2022
	U.S. $ in thousands	
Net loss	$ (108,118)	$ (26,584)
Percentage of revenues	(22.9)%	(5.4)%
Basic and diluted net loss per share	$ (1.58)	$ (0.40)

Net loss was $108.1 million for the nine months ended September 30, 2023 compared to a net loss of $26.6 million for the nine months ended September 30, 2022. Our net loss increased as a percentage of our revenues in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, mainly due to higher costs related to prospective and potential mergers and acquisitions, termination costs related to the termination of our merger transaction with Desktop Metal, our defense against a hostile tender offer and our proxy contest and related professional fees, lower gross profit and increased amounts for our share in losses of associated companies, and higher income tax expenses by approximately $2.3 million.

Net loss per share was $1.58 and $0.4 for the nine months ended September 30, 2023 and 2022, respectively. The weighted average fully diluted share count was 68.4 million for the nine months ended September 30, 2023, compared to 66.4 million for the nine months ended September 30, 2022.

The absolute increase in net loss and basic and diluted net loss per share, as well as the increase in net loss as a percentage of our revenues, resulted from the aggregate impact of the foregoing line items in our results of operations in the first nine months of 2023 as compared to the corresponding period in 2022.

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 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 tables 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 September 30,					
		2023 GAAP	Non-GAAP Adjustments	2023 Non-GAAP	2022 GAAP	Non-GAAP Adjustments	2022 Non-GAAP
		U.S. dollars and shares in thousands (except per share amounts)					
	Gross profit (1)	$65,649	$12,617	$78,266	70,749	7,990	78,739
	Operating income (loss) (1,2)	(42,798)	46,885	4,087	(15,626)	20,149	4,523
	Net income (loss) (1,2,3)	(47,279)	49,725	2,446	18,749	(15,423)	3,326
	Net income (loss) per diluted share (4)	$ (0.68)	$ 0.72	$ 0.04	$ 0.28	$ (0.23)	$ 0.05
(1)	Acquired intangible assets amortization expense		5,142			6,941	
	Non-cash stock-based compensation expense		891			1,061	
	Restructuring and other related costs		6,584			(12)	
			12,617			7,990	
(2)	Acquired intangible assets amortization expense		2,599			2,138	
	Non-cash stock-based compensation expense		6,588			6,330	
	Restructuring and other related costs		2,360			1,309	
	Revaluation of investments		4,300			901	
	Contingent consideration		265			394	
	Legal, consulting and other expenses		18,156			1,087	
			34,268			12,159	
			46,885			20,149	
(3)	Corresponding tax effect		153			2,993	
	Finance expenses		162				
	Equity method related amortization and other		2,525			571	
	Gain from deconsolidation of subsidiary		-			(39,136)	
			$49,725			(15,423)	
(4)	Weighted average number of ordinary shares outstanding- Diluted	69,093		69,815	67,038		67,038

		Nine Months Ended September 30,					
		2023 GAAP	Non-GAAP Adjustments	2023 Non-GAAP	2022 GAAP	Non-GAAP Adjustments	2022 Non-GAAP
		U.S. dollars and shares in thousands (except per share amounts)					
	Gross profit (1)	$ 197,266	$ 29,199	$ 226,465	$ 207,819	$ 27,593	$ 235,412
	Operating income (loss) (1,2)	(93,254)	103,866	10,612	(58,755)	67,235	8,480
	Net income (loss) (1,2,3)	(108,118)	114,179	6,061	(26,584)	32,295	5,711
	Net income (loss) per diluted share (4)	$ (1.58)	$ 1.67	$ 0.09	$ (0.40)	$ 0.49	$ 0.09
(1)	Acquired intangible assets amortization expense		14,157			20,861	
	Non-cash stock-based compensation expense		2,822			3,041	
	Restructuring and other related costs		12,220			3,691	
			29,199			27,593	
(2)	Acquired intangible assets amortization expense		7,479			6,581	
	Non-cash stock-based compensation expense		20,920			21,714	
	Restructuring and other related costs		6,626			1,864	
	Revaluation of investments		4,880			3,217	
	Contingent consideration		877			1,197	
	Legal, consulting and other expenses		33,885			5,069	
			74,667			39,642	
			103,866			67,235	
(3)	Corresponding tax effect		3,404			3,219	
	Equity method related amortization and other		$ 1,827			$ 571	
	Finance expenses		$ 5,081			$ 406	
	Gain from deconsolidation of subsidiary		$ -			$ (39,136)	
			$ 114,179			$ 32,295	
(4)	Weighted average number of ordinary shares outstanding- Diluted	68,432		69,046	66,356		67,007

Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2023	2022
	U.S $ in thousands	

Net loss	$ (108,118)	$ (26,584)
Depreciation and amortization	37,198	44,451
Impairment of other long-lived assets	4,471	3,865
Stock-based compensation	23,744	24,755
Foreign currency transactions loss	4,087	13,978
Gain from deconsolidation of subsidiary	-	(39,136)
Other non-cash items, net	20,041	6,132
Change in working capital and other items	(35,335)	(84,750)
Net cash used in operating activities	(53,912)	(57,289)
Net cash provided by investing activities	10,845	(23,987)
Net cash used in financing activities	(1,084)	(1,407)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,703)	(9,787)
Net change in cash, cash equivalents and restricted cash	(45,854)	(92,470)
Cash, cash equivalents and restricted cash, beginning of period	150,686	243,293
Cash, cash equivalents and restricted cash, end of period	104,832	150,823

Our cash, cash equivalents, restricted cash and short-term deposits amounted to $184.6 million, of which $104.8 million are cash, cash equivalents and restricted cash, and $80.0 million short-term deposits. Our cash, cash equivalents and restricted cash decreased to $104.8 million as of September 30, 2023 from $150.7 million as of September 30,2022. The decrease in cash, cash equivalents and restricted cash in the nine months ended September 30, 2023 was primarily due to $53.9 million of cash used in operating activities, partially offset by $10.8 million of cash generated by investing activities.

Cash used in operating activities

We used $53.9 million of cash in operating activities during the nine months ended September 30, 2023. Cash used in operating activities reflects our $108.1 million net loss, negative changes in our working capital of $35.3 million, as reduced in part to eliminate non-cash line items included in net loss, including depreciation and amortization in an aggregate amount of $37.2 million, stock-based compensation of $23.7 million and foreign currency transactions loss of $4.1 million. The negative impact of changes in our working capital on our cash flows from operations, in an amount of $35.3 million, was mainly attributable to an increase of $19.7 million in accounts receivable, as well as a decrease of $13.0 million in accounts payable.

Cash flows from investing activities

We generated $10.8 million of cash from our investing activities during the nine months ended September 30, 2023, as opposed to using $24.0 million of cash in investing activities in the corresponding period of 2022. The increase in cash flows from investment activities was mainly attributable to the withdrawal of $97.4 million of net proceeds from short-term bank deposits, partially offset by the investment of $74.6 million of cash in the complete acquisitions and investments in unconsolidated entities, as well as the investment of $8.8 million in the purchases of property and equipment.

Cash used in financing activities

We used $1.1 million of cash in financing activities during the nine months ended September 30, 2023. These financing costs were mostly related to contingent consideration that we paid for acquisitions.

Capital resources and capital expenditures

Our total current assets amounted to$583.3 million as of September 30, 2023, of which $184.8 million consisted of cash, cash equivalents, short-term deposits and restricted cash. Total current liabilities amounted to $200.4 million. Most of our cash and cash equivalents and short-term deposits are held in banks in Israel, the US and the U.K.

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 Estimates

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 affect the amounts we report. Actual results may differ from those estimates. To better understand 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 2022 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;
- the global macro-economic environment, including headwinds caused by inflation, rising interest rates, changing currency exchange rates and potential recessionary conditions;

- 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;
- the outcome and degree of success of our board's comprehensive process to explore strategic alternatives for our company;
- the degree to which our company's operations remain resistant to potential adverse effects of Israel's war against the terrorist organization Hamas, despite our Israeli headquarters, facilities and significant operations;

- the impact of unsolicited non-binding indicative proposals by 3D Systems to acquire our company on our efforts to pursue alternative transactions that we believe may be more beneficial for maximizing value for our shareholders;
- 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 effects that inflation, and actions taken to reduce inflation, such as increased interest rates, are having or may have on the macro-economic environment, and the degree of our resilience (and that of our customers and suppliers) to those effects, which may have significant consequences for our operations, financial position and cash flows;
- 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;
- 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 2022 Annual Report, as supplemented herein, as well as in other portions of the 2022 Annual Report Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2022 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 2022 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 13-"Contingencies" in the notes to our unaudited condensed consolidated interim financial statements attached as Exhibit 99.1 to the Form 6-K.

RISK FACTORS

Adverse macro-economic trends such as inflation and higher interest rates have been adversely affecting, and may continue to adversely affect, potentially in a more material manner our business, results of operations and financial condition.

Certain recent global macro-economic trends have been adversely impacting the global economic environment in recent times. The infusion of money into circulation as part of a "loose" monetary policy to encourage consumer spending, along with historically low interest rates for an extended period of time, which were designed to ease economic conditions during the COVID-19 pandemic, triggered upwards pressure on prices of goods and services. The high rates of inflation globally caused governments and central banks to act to curb inflation, including by raising interest rates, which may potentially stifle economic activity to a large enough extent to cause a recession, whether in individual countries or regions, or globally. In certain cases, shifts in interest rates have impacted investor preferences as to investments in different countries, which has triggered shifts in exchange rates between various currencies, which has, in turn, exerted an unsteady impact on our results of operations.

Since 2022, these macro-economic trends have been adversely impacting our target markets and our results of operations. For example, higher interest rates, which were imposed by central banks to slow down inflation, have been worsening credit/financing conditions for our customers and adversely impacting their ability to purchase our products.

In light of these uncertainties, we continue to monitor the cost-control measures that we first implemented in February 2020, when the COVID-19 pandemic began, some of which we have maintained in place since that time.

While we believe that we remain well-positioned to withstand the current adverse macro-economic trends, given our balance sheet (primarily due to our cash reserves and lack of debt) and our emphasis on operational efficiencies and execution, 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. However, there is no assurance that we will continue to succeed at doing so.

A potential downturn could also have a material adverse impact on our business partners' stability and financial strength. Given the uncertainties associated with these macroeconomic trends, it is difficult to fully predict the magnitude of their effects on our, and our business partners', business, financial condition and results of operations.

The guidance that we provide for the rest of 2023 and for future periods (including medium term guidance) may lack the degree of certainty that we once had in providing guidance, due to the number of variables surrounding the current macro-economic environment.

The trends associated with the current economic environment 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 2022 Annual Report.

If Nano's legal challenge to our shareholder rights plan is successful, Nano launches and successfully completes an unsolicited tender offer that is similar to the recently expired Nano tender offer, or Nano attempts once again and succeeds at removing and replacing Stratasys' directors with its own nominees, that could have a material adverse impact on shareholders' investment in the combined company.

We are currently subject to litigation in Israel initiated by Nano in which Nano is challenging the validity, under Israeli law, of our shareholder rights plan. The Israeli courts have not previously ruled on the legality of a shareholder rights plan or so-called “poison pill” under the Israeli Companies Law, 5759-1999, or the Companies Law. On July 18, 2023, in the context of an interim procedural decision, the court expressed its preliminary view that: it is inclined to rule that rights plans are permissible under Israeli law; the adoption of a rights plan by a board should be viewed “with suspicion”; and a board bears the burden of proving that it was informed, that it acted in good faith, that experts were consulted, and that it considered the interests of the company and its shareholders, rather than acting for the sake of entrenching itself, when adopting a shareholder rights plan. While this interim ruling opens the way for a potential final court ruling that our shareholder rights plan was valid and validly adopted, there can be no assurance that the Israeli court will determine that our board of directors actually met the requisite burden of proof for upholding such validity.

In addition to its legal challenge to Stratasys’ shareholder rights plan, Nano may also launch, in the future, a hostile tender offer that may be similar to the Nano tender offer that it launched on May 25, 2023 and that expired on July 31, 2023, pursuant to which it may seek to acquire our ordinary shares which, together with any ordinary shares that it already owns, may represent a majority or, even if less than a majority, a significant percentage of the outstanding ordinary shares.

Nano may also utilize its rights pursuant to the provisions of the Companies Law to demand, as a greater-than 5% shareholder, to call an extraordinary general meeting of shareholders at which the removal of some or all of our then-incumbent directors and the election of Nano’s nominees in their stead would be on the agenda. The relevant majority for approval of any such proposal would be an ordinary majority of shares represented in person or by proxy and voting at a general meeting, without excluding the shares of interested shareholders. If Nano were to hold a substantial portion of our ordinary shares when doing so, Nano’s votes in favor of such a proposal would give it an advantage in having the proposal approved.

To the extent that the Israeli court invalidates our shareholder rights plan, declares or provides any further remedies to Nano that facilitate, and thereby allow, Nano to launch a new tender offer that is similar to the expired Nano tender offer, that may result in Nano having another opportunity to attempt to become a majority or significant shareholder of our company. Nano would then have significant ability to impact the operations of Stratasys. Similarly, if Nano succeeds in the future in replacing any of our directors, that would also give it significant influence over the management and policies of Stratasys. Either or both of those outcomes would enable Nano to influence the operations of Stratasys for its own interests, which may be to the detriment of our public/minority shareholders. Nano could use its voting power, whether as a substantial (or even controlling) shareholder or on the Stratasys board, to significantly influence the policies of our company in a manner that benefits Nano and adversely impacts the company and its results of operations in a material way. Nano’s possession of a substantial or controlling interest in Stratasys could also adversely impact trading in Stratasys’ ordinary shares and liquidity for Stratasys’ public/minority shareholders, potentially causing a decline in the value of public shareholders’ investment in Stratasys.

The recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel’s war against them and its hostilities with additional regional terrorist groups may adversely affect our operations.

In October 2023, Israel was attacked by Hamas and other terrorist organizations and declared war in response. As part of the war, Israel has also had lower-level hostilities with Hezbollah, a Lebanese terrorist group. Our senior executives, some of our board members and some of our employees live in Israel. A small group of our employees have been called for military service, and such persons may be unavailable for extended periods of time. Our operations may be disrupted by such absence, which, if involving several senior executives or board members (although not currently the case) may materially affect our operations in an adverse manner. In the event that our facilities are damaged as a result of hostile actions, or hostilities otherwise disrupt our ongoing operations, our ability to deliver or provide products and services in a timely manner to meet our contractual obligations towards customers and vendors could be affected.

Currently, our activities in Israel remain largely unaffected, and we maintain business continuity plans backed by our inventory levels located outside of Israel. As of the date of the Form 6-K, the impact of the war on our results of operations and financial condition is not material, but such impact may increase, and could become material, as a result of the continuation, escalation or expansion of the war.