

1 **Q2-2014 CONFERENCE CALL SCRIPT: FINAL**

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3 **SLIDE#1: CONFERENCE CALL TITLE SLIDE**

4
5 **SPEAKER: OPERATOR**

6
7 **SLIDE#2: CONFERENCE CALL DETAILS**

8
9 **SPEAKER: SHANE GLENN**

10
11 Thank you, [OPERATOR]. Good morning everyone, and thank you for joining us to discuss our
12 second quarter financial results. On the call with us today are David Reis, CEO; and Erez
13 Simha, CFO and COO of Stratasys. A reminder that access to today's call, including the
14 prepared slide presentation, is available online at the web address provided in our press release.
15 In addition, a replay of today's call, including access to the slide presentation, will also be
16 available, and can be accessed through the Investor Section of our web site.
17

18 **SLIDE#3: FORWARD LOOKING STATEMENTS**

19
20 A reminder that certain information included or incorporated in this presentation may be deemed
21 to be "forward-looking statements" within the meaning of the Private Securities Litigation
22 Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the
23 Securities Exchange Act of 1934. Forward-looking statements are often characterized by the use
24 of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate,"
25 "continue," "believe," "should," "intend," "project" or other similar words, but are not the only
26 way these statements are identified. These forward-looking statements may include, but are not
27 limited to, statements relating to the Company's objectives, plans and strategies, statements that
28 contain projections of results of operations or of financial condition (including, with respect to
29 the MakerBot, Solid Concepts and Harvest Technologies acquisitions) and all statements (other
30 than statements of historical facts) that address activities, events or developments that the
31 Company intends, expects, projects, believes or anticipates will or may occur in the future.
32 Forward-looking statements are not guarantees of future performance and are subject to risks and
33 uncertainties. The Company has based these forward-looking statements on assumptions and
34 assessments made by its management in light of their experience and their perception of
35 historical trends, current conditions, expected future developments and other factors they believe
36 to be appropriate. Important factors that could cause actual results, developments and business
37 decisions to differ materially from those anticipated in these forward-looking statements include,
38 among other things: the Company's ability to efficiently and successfully integrate the operations
39 of Stratasys, Inc. and Objet Ltd. after their merger as well as the ability to successfully put in
40 place and execute an effective post-acquisition integration plan for MakerBot, Solid Concepts,
41 Harvest Technologies and the Company's other acquisitions; the overall global economic
42 environment; the impact of competition and new technologies; general market, political and
43 economic conditions in the countries in which the Company operates; projected capital
44 expenditures and liquidity; changes in the Company's strategy; government regulations and
45 approvals; changes in customers' budgeting priorities; litigation and regulatory proceedings; and
46 those factors referred to under "Risk Factors", "Information on the Company", "Operating and

47 Financial Review and Prospects”, and generally in the Company’s annual report for 2013 filed
48 on Form 20-F and in other reports that the Company files with the SEC, including the “Risk
49 Factors” described in our Report of Foreign Private Issuer on Form 6-K furnished to the SEC on
50 August 7, 2014. Readers are urged to carefully review and consider the various disclosures made
51 in the Company’s SEC reports, which are designed to advise interested parties of the risks and
52 factors that may affect its business, financial condition, results of operations and prospects. Any
53 forward-looking statements in this presentation are made as of the date hereof, and the Company
54 undertakes no obligation to publicly update or revise any forward-looking statements, whether as
55 a result of new information, future events or otherwise, except as required by law.

56
57 As in previous quarters, our focus on today’s call will be on non-GAAP financial results. These
58 non-GAAP financial measures should be read in combination with our GAAP metrics to
59 evaluate our performance. We also note that we are not providing any pro forma financial results
60 for the MakerBot acquisition. MakerBot results were included in the GAAP and non-GAAP
61 results commencing August 15, 2013. Certain non-GAAP to GAAP reconciliations are provided
62 in a table contained in our slide presentation and press release.

63
64 Now I would like to turn the call over to our CEO, David Reis. David.

65
66 **SLIDE#4: SUMMARY & OUTLOOK**

67
68 **SPEAKER: DAVID REIS**

69
70 Thank you, Shane, and good morning everyone. Thank you for joining today’s call.

71
72 We are very pleased with our second quarter results, which represent quarterly records for
73 revenue, non-GAAP net income and non-GAAP earnings per share.

74
75 We continued to observe strong positive sales momentum for our higher-performance systems
76 and materials, which is reflected in the impressive 35% organic revenue growth we generated
77 during the period compared to last year.

78
79 Equally impressive were the sales of MakerBot products and services, which contributed \$33.6
80 million of revenue during the second quarter, a 100% increase over the revenue MakerBot
81 generated as an independent company during the same period last year.

82
83 As we begin the second half of 2014, we expect our positive momentum to continue.
84 Accordingly, we have raised our financial guidance and long-term revenue growth target.

85
86 In addition, we continue to position Stratasy's for long term growth, through improvements in our
87 organizational structure; as well as additional investments in channel and product development.

88
89 We will also look for additional strategic acquisitions, such as our recent acquisition of Solid
90 Concepts and Harvest Technologies – two companies that we believe will contribute exciting
91 new growth opportunities for Stratasy's.

92 I will return later in the call to provide you more details on these developments and our strategy
93 moving forward, but first I would like to turn the call over to our CFO and COO, Erez Simha,
94 who will provide you details on our financial results. Erez.

95
96 **SLIDE#5: FINANCIAL SUMMARY**

97
98 **SPEAKER: EREZ SIMHA**

99
100 Thank you, David, and good morning everyone.

101
102 As David mentioned in his opening remarks, we are very pleased with our second quarter
103 performance. Financial highlights include:

- 104
105 1. Total revenue for the second quarter increasing by 67% over last year to \$178.5 million.
106 2. Impressive year-over-year organic revenue growth of 35%, an acceleration over the rate
107 observed in the first quarter
108 3. Gross margin coming in at a strong 60% for the quarter.
109 4. Non-GAAP net income for the second quarter increasing by 51% over last year to \$28.0
110 million, or \$0.55 per diluted share.
111 5. MakerBot branded products and services contributing \$33.6 million to second quarter
112 revenue, a 100% increase over the revenue MakerBot generated as an independent
113 company during the same period last year.
114 6. The company significantly raising its financial guidance for fiscal 2014 to account for our
115 improved outlook, as well as to account for the recent acquisitions of Solid Concepts and
116 Harvest Technologies.
117 7. The company raising its organic revenue growth forecast for 2014 to at least 30%, versus
118 a previous forecast of at least 25%.
119 8. And the company updating its long-term operating model, which included raising its
120 long-term annual organic revenue growth projection to at least 25%, versus the
121 company's previous projection of 20%.

122
123 **SLIDE#6: REVENUE**

124
125 Product revenue in the second quarter increased by 70% to \$154.1 million, as compared to \$90.4
126 million for the same period last year.

127
128 Within product revenue, system revenue increased by 108% in the second quarter over the same
129 period last year, driven in large part by MakerBot's impressive contribution to the quarter.

130
131 System revenue growth excluding MakerBot products was impressive, growing by 51% over last
132 year.

133
134 This included strong growth for all our 3D printer lines, driven by their ongoing adoption for a
135 broad range of applications from prototypes to direct digital manufacturing.

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137 A few notable areas of strength included:

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1. Sales of high-end Fortus systems, driven by increased demand for manufacturing applications.
2. Sales of the Objet500 Connex3 Color Multi-material 3D Printer, driven by applications for multi-material, color 3D printing.
3. And sales of entry-level Mojo and uPrint 3D printers.

Within product revenue, consumables revenue increased by 35% in the second quarter compared to the same period last year, or 24% when excluding MakerBot consumables.

The growth in consumables is driven primarily by our growing installed base of 3D printers, and the relatively higher usage of our high-end systems.

In addition, we are observing favorable results from our efforts surrounding application training and materials education.

We believe that our growing installed base, and specifically the installed base of the Production Series and high-end Design Series systems, is a positive indicator of consumables revenue growth in future periods.

Service revenue in the second quarter increased by 50% to \$24.4 million, as compared to \$16.3 million for the same period last year.

Within service revenue, customer support revenue increased by 59%. The increase in customer support revenue was driven primarily by the inclusion of MakerBot revenue, as well as the increased revenue from maintenance contracts and service parts, reflecting our growing installed base of 3D printers.

Within service revenue, revenue from our RedEye paid parts service increased by 9% during the second quarter over last year. RedEye performance improved compared to the first quarter, and we expect sales growth will continue to improve moving forward.

SLIDE#7: UNIT SALES

We shipped 14,909 3D printers and additive manufacturing systems in the second quarter, as compared to 1,261 systems shipped in the second quarter last year.

The significant increase in unit shipments resulted primarily from the inclusion of MakerBot systems.

However, we also observed strong unit sales growth across our other product lines during the second quarter, including our higher-end Fortus and Connex systems, as well as our entry-level Mojo and uPrint 3D printers.

182 Including all systems sold by Stratasys, Objet, Solidscape and MakerBot since their respective
183 inceptions, the company has now sold 99,529 units worldwide on a combined basis, as of June
184 30, 2014.

185

186 **SLIDE#8: GROSS PROFIT**

187

188 Gross margin of 59.8% for the second quarter expanded when compared to 59.2% for the same
189 period last year.

190

191 Sales of the company's higher-margin products, as well as improvements in service gross
192 margin, more than offset the impact of the relatively lower gross margin currently generated by
193 MakerBot and other entry level products.

194

195 The strong revenue contribution of MakerBot products makes the gross margin expansion even
196 more impressive.

197

198 **SLIDE#9: OPERATING PROFIT**

199

200 Operating expenses increased materially in the second quarter compared to last year, driven by
201 the inclusion of MakerBot, as well as from increased sales, marketing, and R&D investments to
202 fund growth and new product development.

203

204 In addition, we continue to make significant incremental sales and marketing investments that
205 target primarily MakerBot product expansion.

206

207 Net R&D expenses increased by 86% to \$17.6 million in the second quarter as compared to the
208 same period last year.

209

210 R&D expenses, as a percentage of sales, were 9.9%, a slight increase from 8.9% for the same
211 period last year.

212

213 SG&A expenses increased by 89% to \$60.3 million for the second quarter as compared to \$31.9
214 million for the same period last year, driven primarily by the inclusion of MakerBot, as well as:

215

- 216 • Changes in our product distribution strategy involving an increased use of independent
217 sales agents, which resulted in increased agent commissions;
- 218 • Incremental expenses for strategic and marketing initiatives; and
- 219 • An increase in headcount and infrastructure to support our growth.

220

221 Our effective tax rate was 3.8% for the second quarter compared to the effective tax rate of
222 14.8% for the same period last year.

223

224 Our tax expense was impacted by the unique mix of taxable income that favored lower effective
225 tax rate regions.

226

227 **SLIDE#10: GEOGRAPHIC MIX**

228
229 The following slide provides you a breakdown of our geographic sales.

230
231 As in prior quarters, the Asia Pacific region remains one of our faster growing regions.

232
233 However, sales in all regions increased significantly in the second quarter of 2014 as compared
234 to the same period last year, driven by the inclusion of MakerBot revenue, as well as from the
235 strong demand we are experiencing in all regions.

236
237 **Non-GAAP Appendix Reminder**

238
239 I won't be reviewing the specific reconciliations to GAAP for the non-GAAP measures we have
240 discussed throughout our presentation today.

241
242 This information is provided in the slides appearing at the end of our presentation, as well as in
243 our earnings release.

244
245 **SLIDE#11: BALANCE SHEET SUMMARY**

246
247 We maintain approximately \$577.9 million in cash and cash equivalents, and short term bank
248 deposits on our balance sheet, amounting to \$11.7 per share, compared to \$607.5 million at the
249 end of the first quarter.

250
251 The decrease in cash is a result primarily of the 2013 MakerBot earn out and performance bonus
252 payment; as well as from investments in working capital, expansion projects and acquisitions.

253
254 Net cash flow from operations in the second quarter was \$4.8 million. Capital expenditures
255 amounted to approximately \$12.6 million in facility and equipment investments.

256
257 Our strong cash balance, combined with our available \$250 million revolving credit facility
258 provides us flexibility to fund our current growth plans.

259
260 Inventories increased to \$114.3 million in the second quarter compared to \$99.8 million at the
261 end of the first quarter, primarily due to planned inventory increases to allow for increased
262 supply flexibility, as well to support new product introductions and increased demand.

263
264 Accounts receivable increased to \$113.6 million in the second quarter compared to \$106.0
265 million at the end of the first quarter, while DSO, on 12-month trailing revenue, was 68,
266 compared to 72 in the first quarter.

267
268 **SLIDE#12: FINANCIAL RESULTS & PROJECTIONS**

269
270 In summary, we are very pleased with our second quarter results.

- 271
272 1. We generated impressive organic sales growth; combined with a strong revenue
273 contribution from MakerBot.

- 274 2. We reported record financial results, driven by broad-based demand across our product
275 lines.
276 3. We should also highlight that our business, excluding MakerBot, experienced an
277 expansion in margins over last year; which was offset by significant investments in
278 MakerBot development projects to drive future growth.
279 4. We believe that we are making the appropriate investments in strategic initiatives and
280 infrastructure to accelerate our growth moving forward, and that we are on the leading
281 edge of our exciting industry.
282 5. We have a strong balance sheet and we continue to position the company for future
283 growth through strategic investments, as well as additional acquisitions.
284 6. And finally, we have raised financial guidance for 2014 and increased our long-term
285 revenue growth target based on our favorable outlook.
286

287 I would now like to turn the call over to our VP of Investor Relations, Shane Glenn, who will
288 provide you greater details on our updated financial guidance, Shane.
289

290 **SLIDE#13: GUIDANCE**

291 **SPEAKER: SHANE GLENN**

292 Thank you Erez.
293

294 To reflect our improved outlook for 2014, as well as the recently closed acquisitions of Solid
295 Concepts and Harvest Technologies, Stratasy's updated the following information regarding the
296 company's projected revenue and net income for the fiscal year ending December 31, 2014:

- 297 1. Revenue guidance was increased to \$750 – \$770 million; versus previous guidance of
298 \$660 – \$680 million.
299 2. The increase in revenue guidance includes \$35 – \$40 million in revenue attributable to
300 the recent acquisitions of Solid Concepts and Harvest Technologies; with the balance
301 related to our improved outlook.
302 3. Non-GAAP net income guidance was increased to \$117 – \$122 million, or \$2.25 – \$2.35
303 per diluted share; versus previous guidance of \$113 – \$119 million, or \$2.15 – \$2.25 per
304 diluted share.
305 4. The acquisitions of Solid Concepts and Harvest Technologies are expected to be
306 modestly accretive to Stratasy's Non-GAAP earnings per share in 2014.
307 5. The company expects organic sales growth, excluding acquisitions, of at least 30% in
308 2014 over 2013; an increase over the previous guidance of at least 25% growth.
309

310 GAAP financial guidance is not being provided at this time given that the initial accounting for
311 the business combination of Solid Concepts and Harvest Technologies is incomplete. This
312 makes the supplemental information required to calculate GAAP earnings unavailable. GAAP
313 financial guidance will be calculated and communicated upon the completion of that analysis.
314

315 Stratasys provided the following additional information regarding the company's performance
316 and strategic plans for 2014:

- 317
- 318 1. Operating expenses are projected to expand materially in 2014 compared to 2013, driven
319 by: significant investments to support MakerBot product development and sales
320 expansion; other investments in sales and marketing to drive future market adoption; and
321 increased R&D investments to fund technology innovation and new product
322 development.
 - 323 2. Growth in operating expenses in the second half of 2014 will include significant
324 investments to support the integration and alignment of the recent acquisitions of Solid
325 Concepts and Harvest Technologies.
 - 326 3. We also expect significant non-recurring integration cost related to the Solid Concepts
327 and Harvest Technologies integration.
 - 328 4. Capital expenditures are projected at \$50 million to \$70 million, which include
329 significant investments in manufacturing capacity in anticipation and support of future
330 growth.

331

332 **SLIDE#14: LONG TERM TARGET OPERATING MODEL**

333 Additionally, Stratasys updated the following information regarding the company's long-term
334 operating model:

335

- 336 1. Annual organic revenue growth of at least 25%; versus the previous projection of at least
337 20%.
- 338 2. Non-GAAP operating income as a percent of sales of 18% to 23%, versus the previous
339 projection of 20% to 25%.
- 340 3. Non-GAAP effective tax rate of 10% to 15%; versus the previous projection of 15% to 20%.
- 341 4. Non-GAAP net income as a percent of sales projection remains unchanged at 16% to 21%.

342

343 Now I would like to turn the call back over to David Reis, who will provide you with a more
344 detailed strategic overview. David.

345

346 **SLIDE#15-16: MARKET OPPORTUNITY & STRATEGIC IMPERATIVES**

347

348 **SPEAKER: DAVID REIS**

349

350 Thank you, Shane.

351

352 We are extremely pleased with our second quarter results. We begin the second half of the year
353 with significant positive momentum, as our markets continue in their rapid growth.

354

355 According to the 2014 Wohlers Report, revenue for additive manufacturing products and
356 services in 2013 grew by 35% to approximately \$3.0 billion

357

358 Wohlers projects that the market will more than quadruple by 2018, to \$12.5 billion, and then
359 will exceed \$21 billion by 2020.

360

361
362 Additive manufacturing and 3D printing solutions are disrupting enterprise processes, and
363 empowering the creativity and innovation of individuals around the globe, by changing or
364 enhancing many traditional product development and manufacturing processes.

365
366 Opportunities are developing rapidly, and we are focused on investing in projects that support
367 our core strategic imperatives. These include:

- 368
369 1. Leadership in prototyping;
370 2. The continued expansion into direct digital manufacturing;
371 3. The introduction of new niche vertical applications;
372 4. The acceleration of new solutions to the market;
373 5. Improvements in 3D printing accessibility;
374 6. And improvements in customer intimacy.

375
376 Our strategy has always been to pursue leadership in every area in which we operate, execute our
377 growth strategies to deliver shareholder value, and invest aggressively to capture future growth.

378
379 We remain focused on those objectives.

380
381 **SLIDE #17-18: SOLID CONCEPTS, HARVEST & REDEYE**

382
383 I would like to take a moment to highlight the completion of our acquisitions of Solid Concepts
384 and Harvest Technologies, and the opportunities we see developing from these exciting
385 acquisitions.

386
387 With both transactions now closed, we will begin the process of combining the companies with
388 RedEye, our existing parts services business, to establish a leading strategic platform focused on
389 meeting our customers' additive manufacturing needs.

390
391 We have an integration team composed of leaders from Stratasys, RedEye, Solid Concepts and
392 Harvest Technologies, that has been working hard on integration planning since we announced
393 the acquisitions.

394
395 The integration will be an ongoing process for a period of approximately 18 months, with our
396 plan to first combine the sales, marketing and business development teams into one unified
397 group. Final branding is yet to be determined, but we are undergoing a disciplined process to
398 ensure the best positioning within our corporate structure.

399
400 Looking at the strategic rationale of these acquisitions, we see the parts services business as a
401 growing and profitable business, which supports our strategic imperative to lead in end-use-parts
402 production, and niche vertical market applications.

403
404 Additionally, our market analysis suggests that once Solid Concepts and Harvest Technologies
405 have been integrated, Stratasys will have opportunities for the synergistic selling of systems and
406 services across our larger combined customer base.

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In short, these transactions are fundamentally about growth and being able to provide the best solutions to our customers, and we are excited to have both Solid Concepts and Harvest Technologies as part of the Stratasys family.

SLIDE #19: DISRUPTING ENTERPRISE PROCESSES – DDM

Stratasys has a growing suite of products and services that address enterprise development and manufacturing processes across many industries and markets.

Our solutions have the ability to significantly disrupt a growing number of business processes by enhancing or replacing traditional techniques.

Manufacturing is one area where we continue to observe a growing number of opportunities, and ongoing strong demand for our higher-end systems.

We believe our leadership in direct digital manufacturing is driven by the unique capabilities of many of our system and material offerings, combined with our ongoing efforts to better educate the market around solutions and applications.

Our technology disrupts the manufacturing process in the following ways:

- 1.) Additive manufacturing eliminates the restrictions that subtractive methods impose.
- 2.) Additive manufacturing significantly disrupts the economic formulas associated with shorter-run and customized production; and
- 3.) Additive manufacturing requires significantly fewer processing steps, less assembly, and generates minimum waste.

SLIDE #20: DISRUPTING ENTERPRISE PROCESSES – AUGMENTED MANUFACTURING

One area of increased utilization for our systems is for augmented manufacturing applications. These include the production of molds, patterns, jigs and fixtures used throughout the manufacturing and product assembly process.

From surveying our customers, we have learned that approximately 80 percent of Fortus system owners in the U.S. are using the technology for these types of manufacturing applications.

This continues a positive trend of customers discovering new applications for 3D printing after they have brought the technology into their organization.

In addition, these types of applications typically drive higher system utilization, which has a positive impact on consumables sales.

451 We have learned further from our surveys that organizations can realize between 40 and 90
452 percent reductions in lead-times for producing jigs and fixtures; and between 70 and 90 percent
453 cost savings for the finished part, by utilizing our additive manufacturing and 3D printing
454 solutions.

455
456 We believe the ROI for organizations is clear.

457 The rising demand for these types of applications, combined with our capabilities to address the
458 opportunity, is a major driver behind the positive momentum that we carry into the second half
459 of 2014.

460

461 **SLIDE #21: SOLUTIONS & APPLICATIONS - PROTOTYPING**

462

463 Stratasys has multiple solutions that address new product design, and we believe we continue to
464 lead the market in addressing those types of applications.

465

466 According to Wohlers Associates, modeling and prototyping applications account for more than
467 one third of 3D printing use cases.

468

469 We believe the strong demand we are observing in our MakerBot, Idea and Design Series
470 systems reflect the value that organizations are deriving from being able to produce functional
471 parts, high-quality models, and visual aids.

472

473 We are also pleased with the success of the new Objet500 Connex3 Color Multi-material 3D
474 Printer, a system that produces high-detail, color, multi-material concept models and prototypes.

475

476 Customer feedback has been very positive, with many noting that the ability to combine color
477 and multiple-materials in a single build enables them to produce fully functional parts that are
478 closer to the final product than any other technology.

479

480 To support the strong demand for multi-material and color 3D printing, in the second quarter we
481 added new flexible, rigid and opaque color palettes.

482

483 The color options are ideal for creating medical, automotive and consumer product components
484 that offer true-to-life aesthetics. This helps product designers to validate designs and make
485 decisions in advance of tooling; improving design quality and reducing tooling costs and time-to-
486 market.

487

488 We believe product design and direct digital manufacturing are two additional areas where
489 Stratasys presents a clear ROI and is able to meet the needs of customers with innovative
490 solutions.

491

492 **SLIDE #22: DENTAL APPLICATIONS**

493

494 Our strategy includes targeting niche verticals where we believe traditional processes can be
495 disrupted.

496 The dental market is an area where we believe we can address multiple applications.
497
498 To support our effort, we recently announced the establishment of the Stratasys Dental Advisory
499 Board to help advance digital dentistry.

500
501 The Stratasys Dental Advisory Board will provide thought leadership and direction to the
502 Stratasys dental business unit by developing research and content that supports the evolution
503 of Stratasys dental products; and supports the introduction of initiatives aimed to encourage
504 dental education, clinical cases, and future innovation.

505
506 Adding to our already extensive line of solutions that support the dental market, we recently
507 introduced two new 3D printers for the dental lab community, the Stratasys CrownWorx and
508 FrameWorx.

509
510 The new systems allow dental laboratories to produce wax-ups for crowns, bridges and denture
511 frameworks.

512
513 With the new additions, Stratasys now offers six systems for the dental market that utilize five
514 innovative materials.

515
516 **SLIDE #23: EDUCATION**

517
518 The education business is another area where we see significant opportunities, and are observing
519 strong growth.

520
521 Helping to drive this success are teaching institutions that increasingly use 3D printing
522 technology as a competitive advantage to attract the best and brightest students.

523
524 We are also observing a favorable trend in the sale of multiple units, as school districts adopt a
525 3D printing curriculum, and equip several schools simultaneously.

526
527 Concurrently, we are seeing a healthy product mix trend with MakerBot and Idea Series systems
528 performing well, but balanced out by orders for our higher-end systems, particularly in higher
529 education.

530
531 Several second quarter success stories are highlighted on Slide #23.

532
533 We believe our broad portfolio of products, combined with our dedicated channel strategy for
534 education, makes us well positioned to address the needs of this significant market opportunity.

535
536 **SLIDE #24-26: 3D PRINTING ACCESSIBILITY - MAKERBOT**

537
538 We were very pleased with the performance of MakerBot during the second quarter, which
539 contributed \$33.6 million in revenue during the period – a very impressive achievement.

540

541 All of the new MakerBot 5th generation products are now shipping, and we are observing strong
542 demand across the entire product line.

543
544 While our FDM, PolyJet and Solidscape product offerings enable the disruption of enterprise
545 processes, we believe our MakerBot products empower individuals by making 3D printing
546 highly accessible.

547
548 In an effort to further improve that accessibility, and lower the barriers often associated with 3D
549 printing, we continue to improve MakerBot's 3D Printing Ecosystem.

550
551 During the second quarter this included the launch of the previously announced MakerBot
552 PrintShop, as well as the addition of the MakerBot Developer Program to provide resources for
553 developers to integrate 3D printing into apps and games.

554
555 We also announced multiple content agreements for the MakerBot Digital Store.

556
557 Within the channel, we have made several significant additions to our distribution network for
558 MakerBot products that include:

- 559
- 560 1. Home Depot, which is now carrying MakerBot 5th Generation 3D Printers in several
561 stores as a pilot program;
 - 562 2. TechData which has been added as a North American master distributor.
 - 563 3. Anatek has been added as MakerBot's first reseller in Central America, and Stratasys
564 Japan is now acting as a distributor for MakerBot products in the Asia-Pacific region.
 - 565 4. We also recently created MakerBot Europe, the result of the successful acquisition of
566 our Germany-based MakerBot partner, HAFNER'S BÜRO.
- 567

568 Our goal with MakerBot is to empower the individual with easy-to-use, affordable 3D printing
569 technology – no matter the location or application.

570
571 We remain excited about the many opportunities within this rapidly growing segment, and
572 believe with MakerBot we are well positioned to lead the category.

573
574 **SLIDE #27: ORGANIZATIONAL INVESTMENTS**

575
576 To support our aggressive growth goals, we will continue to invest aggressively in product and
577 channel development; as well as building the necessary corporate infrastructure that can support
578 our growth.

579
580 As Stratasys grows, we must build a scalable foundation that allows an ongoing emphasis on
581 innovation and product development, while providing the necessary tools to fully leverage new
582 products and services into the marketplace.

583
584 We believe we are leading the industry in building such an infrastructure.

585

586

587 **SLIDE#28: SUMMARY & OUTLOOK**

588

589 In summary:

590

- 591 1. We are extremely pleased with our second quarter financial results that include record
592 revenue, non-GAAP net income, and non-GAAP earnings per share, as well as strong
593 organic growth and expanded gross margins.
- 594
- 595 2. We continue to enjoy strong positive sales momentum for our higher-performance
596 systems and materials, as well as impressive contributions from MakerBot supported by
597 our investments in sales, marketing and product development initiatives.
- 598
- 599 3. We continue to disrupt enterprise processes and expand market adoption in key areas,
600 including manufacturing, prototyping, dental, and education, as well as lead the market in
601 empowering individuals with affordable, reliable desktop 3D printing.
- 602
- 603 4. We recently closed the acquisitions of Solid Concepts and Harvest Technologies,
604 allowing us to begin the post-merger integration process, which we believe will lead to
605 many exciting opportunities as we develop a broad set of solutions to address our
606 customer's evolving needs.
- 607
- 608 5. We continue to position the company for future growth through enhancements to our
609 organizational structure, and through strategic investments in channel, product, and
610 technology development; as well as a focused M&A strategy.
- 611
- 612 6. And finally, we continue to observe a favorable market environment and have raised our
613 financial guidance for the year as well as our long term revenue growth projection.

614

615 Operator, please open the call for questions.

616

617 **SLIDE#29: Q&A**

618

619 Thank you for joining today's call. We look forward to speaking with you again next quarter.
620 Goodbye.

621

622 **SLIDE#30-31: RECONCILIATION TABLES**