

REFINITIV

DELTA REPORT

10-Q

DDD - 3D SYSTEMS CORP
10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1391
CHANGES	248
DELETIONS	414
ADDITIONS	729

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

FORM 10-Q


☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2023** **June 30, 2023**
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-34220

 Image1.jpg

3D SYSTEMS CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

95-4431352

(I.R.S. Employer
Identification No.)

333 Three D Systems Circle
Rock Hill, South Carolina 29730

(Address of Principal Executive Offices and Zip Code)

(Registrant's Telephone Number, Including Area Code): (803) 326-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	DDD	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (5232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of Common Stock, par value \$0.001 per share, outstanding as of **May 4, 2023** **August 4, 2023**: **131,155,200**, **133,476,512**.

3D SYSTEMS CORPORATION

Form 10-Q

For the **Three Six Months Ended** **March 31, 2023** **June 30, 2023**

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

3D SYSTEMS CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

<i>(in thousands, except par value)</i>	<i>(in thousands, except par value)</i>	March 31, 2023	December 31, 2022	<i>(in thousands, except par value)</i>	June 30, 2023	December 31, 2022
ASSETS	ASSETS			ASSETS		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 525,898	\$ 388,134	Cash and cash equivalents	\$ 490,444	\$ 388,134
Short-term investments	Short-term investments	4,027	180,603	Short-term investments	1,135	180,603
Accounts receivable, net of reserves — \$2,922 and \$3,114		94,677	93,886			
Accounts receivable, net of reserves — \$3,009 and \$3,114				Accounts receivable, net of reserves — \$3,009 and \$3,114	96,786	93,886
Inventories	Inventories	147,365	137,832	Inventories	156,153	137,832
Prepaid expenses and other current assets	Prepaid expenses and other current assets	38,242	33,790	Prepaid expenses and other current assets	40,395	33,790
Total current assets	Total current assets	810,209	834,245	Total current assets	784,913	834,245
Property and equipment, net	Property and equipment, net	62,150	58,072	Property and equipment, net	62,789	58,072
Intangible assets, net	Intangible assets, net	88,064	90,230	Intangible assets, net	85,130	90,230
Goodwill	Goodwill	385,754	385,312	Goodwill	387,934	385,312
Right-of-use assets	Right-of-use assets	57,090	42,746	Right-of-use assets	66,076	42,746
Deferred income tax asset	Deferred income tax asset	7,214	7,038	Deferred income tax asset	4,805	7,038
Other assets	Other assets	31,813	28,970	Other assets	40,050	28,970
Total assets	Total assets	\$ 1,442,294	\$ 1,446,613	Total assets	\$ 1,431,697	\$ 1,446,613
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND EQUITY	LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND EQUITY			LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND EQUITY		
Current liabilities:	Current liabilities:			Current liabilities:		

Current lease liabilities	Current lease liabilities	\$ 10,542	\$ 9,036	Current lease liabilities	\$ 10,286	\$ 9,036
Accounts payable	Accounts payable	51,415	53,826	Accounts payable	59,023	53,826
Accrued and other liabilities	Accrued and other liabilities	54,159	55,571	Accrued and other liabilities	47,239	55,571
Customer deposits	Customer deposits	6,321	6,911	Customer deposits	7,330	6,911
Deferred revenue	Deferred revenue	31,575	26,464	Deferred revenue	30,032	26,464
Total current liabilities	Total current liabilities	154,012	151,808	Total current liabilities	153,910	151,808
Long-term debt, net of deferred financing costs	Long-term debt, net of deferred financing costs	450,179	449,510	Long-term debt, net of deferred financing costs	450,848	449,510
Long-term lease liabilities	Long-term lease liabilities	55,231	41,779	Long-term lease liabilities	64,451	41,779
Deferred income tax liability	Deferred income tax liability	7,680	7,631	Deferred income tax liability	7,923	7,631
Other liabilities	Other liabilities	43,744	44,181	Other liabilities	41,610	44,181
Total liabilities	Total liabilities	710,846	694,909	Total liabilities	718,742	694,909
Commitments and contingencies (Note 17)						
Commitments and contingencies (Note 18)				Commitments and contingencies (Note 18)		
Redeemable non-controlling interest	Redeemable non-controlling interest	1,762	1,760	Redeemable non-controlling interest	1,951	1,760
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Common stock, \$0.001 par value, authorized 220,000 shares; shares issued 131,164 and 131,207 as of March 31, 2023 and December 31, 2022, respectively		131	131			
Common stock, \$0.001 par value, authorized 220,000 shares; shares issued 133,504 and 131,207 as of June 30, 2023 and December 31, 2022, respectively					133	131
Additional paid-in capital	Additional paid-in capital	1,553,038	1,547,597	Additional paid-in capital	1,562,529	1,547,597
Accumulated deficit	Accumulated deficit	(773,383)	(743,962)	Accumulated deficit	(802,278)	(743,962)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(50,100)	(53,822)	Accumulated other comprehensive loss	(49,380)	(53,822)
Total stockholders' equity	Total stockholders' equity	729,686	749,944	Total stockholders' equity	711,004	749,944
Total liabilities, redeemable non-controlling interest and stockholders' equity	Total liabilities, redeemable non-controlling interest and stockholders' equity	\$ 1,442,294	\$ 1,446,613	Total liabilities, redeemable non-controlling interest and stockholders' equity	\$ 1,431,697	\$ 1,446,613

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended	
	March 31, 2023	March 31, 2022
Revenue:		
Products	\$ 84,388	\$ 100,551
Services	36,848	32,450
Total revenue	121,236	133,001

Cost of sales:		
Products	49,880	58,472
Services	24,258	20,734
Total cost of sales	74,138	79,206
Gross profit	47,098	53,795
Operating expenses:		
Selling, general and administrative	58,285	55,415
Research and development	22,209	21,612
Total operating expenses	80,494	77,027
Loss from operations	(33,396)	(23,232)
Interest and other income (expense), net	3,875	(2,283)
(Loss) income before income taxes	(29,521)	(25,515)
(Provision) benefit for income taxes	(8)	(1,284)
Net (loss) income before redeemable non-controlling interest	(29,529)	(26,799)
Less: net (loss) attributable to redeemable non-controlling interest	(108)	—
Net (loss) income attributable to 3D Systems Corporation	<u>\$ (29,421)</u>	<u>\$ (26,799)</u>
Net (loss) income per common share:		
Basic	<u>\$ (0.23)</u>	<u>\$ (0.21)</u>
Diluted	<u>\$ (0.23)</u>	<u>\$ (0.21)</u>
Weighted average shares outstanding:		
Basic	129,158	126,728
Diluted	129,158	126,728

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

<i>(in thousands)</i>	Three Months Ended	
	March 31, 2023	March 31, 2022
Net (loss) income before redeemable non-controlling interest	\$ (29,529)	\$ (26,799)
Other comprehensive (loss) income, net of taxes:		
Pension plan adjustments	—	101
Foreign currency translation	3,413	(3,346)
Unrealized (loss) income on short-term investments	309	(3,495)
Total other comprehensive (loss) income, net of taxes:	3,722	(6,740)
Total comprehensive (loss) income, net of taxes	(25,807)	(33,539)
Less: comprehensive loss attributable to redeemable non-controlling interest	(108)	—
Comprehensive (loss) income attributable to 3D Systems Corporation	<u>\$ (25,699)</u>	<u>\$ (33,539)</u>

<i>(in thousands, except per share amounts)</i>	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:				
Products	\$ 89,165	\$ 103,774	\$ 173,553	\$ 204,325
Services	39,029	36,271	75,877	68,721
Total revenue	128,194	140,045	249,430	273,046
Cost of sales:				
Products	56,135	65,331	106,015	123,803
Services	22,043	21,576	46,301	42,310

Total cost of sales	78,178	86,907	152,316	166,113
Gross profit	50,016	53,138	97,114	106,933
Operating expenses:				
Selling, general and administrative	58,983	64,404	117,268	119,819
Research and development	22,762	20,772	44,971	42,384
Total operating expenses	81,745	85,176	162,239	162,203
Loss from operations	(31,729)	(32,038)	(65,125)	(55,270)
Interest and other income (expense), net	3,214	329	7,089	(1,954)
(Loss) income before income taxes	(28,515)	(31,709)	(58,036)	(57,224)
(Provision) benefit for income taxes	(222)	(1,289)	(230)	(2,573)
(Loss) on equity method investment	(142)	—	(142)	—
Net (loss) income before redeemable non-controlling interest	(28,879)	(32,998)	(58,408)	(59,797)
Less: net (loss) income attributable to redeemable non-controlling interest	16	(37)	(92)	(37)
Net (loss) income attributable to 3D Systems Corporation	<u>\$ (28,895)</u>	<u>\$ (32,961)</u>	<u>\$ (58,316)</u>	<u>\$ (59,760)</u>
Net (loss) income per common share:				
Basic	<u>\$ (0.22)</u>	<u>\$ (0.26)</u>	<u>\$ (0.45)</u>	<u>\$ (0.47)</u>
Diluted	<u>\$ (0.22)</u>	<u>\$ (0.26)</u>	<u>\$ (0.45)</u>	<u>\$ (0.47)</u>
Weighted average shares outstanding:				
Basic	129,907	127,703	129,535	127,218
Diluted	129,907	127,703	129,535	127,218

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net loss before redeemable non-controlling interest	\$ (28,879)	\$ (32,998)	\$ (58,408)	\$ (59,797)
Other comprehensive (loss) income, net of taxes:				
Pension plan adjustments	(11)	165	(11)	266
Foreign currency translation	712	(16,386)	4,125	(19,732)
Unrealized (loss) gain on short-term investments	19	(528)	328	(4,023)
Total other comprehensive (loss) income, net of taxes:	720	(16,749)	4,442	(23,489)
Total comprehensive loss, net of taxes	(28,159)	(49,747)	(53,966)	(83,286)
Less: comprehensive gain (loss) attributable to redeemable non-controlling interest	16	(37)	(92)	(37)
Comprehensive loss attributable to 3D Systems Corporation	<u>\$ (28,175)</u>	<u>\$ (49,710)</u>	<u>\$ (53,874)</u>	<u>\$ (83,249)</u>

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Six Months Ended	
	June 30, 2023	June 30, 2022
Cash flows from operating activities:		
Net (loss) income before redeemable non-controlling interest	\$ (58,408)	\$ (59,797)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		

Depreciation, amortization and accretion of debt discount	18,442	18,198
Stock-based compensation	18,282	20,061
Loss on short-term investments	6	—
Non-cash operating lease expense	4,025	—
Provision for inventory obsolescence and revaluation	4,550	97
Provision for bad debts	100	1,042
Loss (gain) on the disposition of businesses, property, equipment and other assets	57	—
Benefit for deferred income taxes and reserve adjustments	—	628
Loss on equity method investment	142	—
Asset impairment	1,187	24
Changes in operating accounts:		
Accounts receivable	(2,597)	(6,173)
Inventories	(24,469)	(16,609)
Prepaid expenses and other current assets	(4,556)	(2,981)
Accounts payable	4,381	6,168
Deferred revenue and customer deposits	1,870	(704)
Accrued and other liabilities	(6,836)	1,618
All other operating activities	(2,445)	217
Net cash (used in) provided by operating activities	(46,269)	(38,211)
Cash flows from investing activities:		
Purchases of property and equipment	(13,549)	(10,368)
Purchases of short-term investments	—	(384,450)
Sales and maturities of short-term investments	179,790	41,044
Acquisitions and other investments, net of cash acquired	(15,654)	(83,312)
Net cash provided by (used in) investing activities	150,587	(437,086)
Cash flows from financing activities:		
Debt issuance costs	—	(16)
Purchase of non-controlling interests	—	(2,300)
Taxes paid related to net-share settlement of equity awards	(4,564)	(10,047)
Other financing activities	(362)	(324)
Net cash (used in) provided by financing activities	(4,926)	(12,687)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	645	(2,047)
Net (decrease) increase in cash, cash equivalents and restricted cash	100,037	(490,031)
Cash, cash equivalents and restricted cash at the beginning of the year ^(a)	391,975	789,970
Cash, cash equivalents and restricted cash at the end of the period ^(a)	\$ 492,012	\$ 299,939

(in thousands)	Three Months Ended	
	March 31, 2023	March 31, 2022
Cash flows from operating activities:		
Net (loss) income before redeemable non-controlling interest	\$ (29,529)	\$ (26,799)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation, amortization and accretion of debt discount	9,220	9,147
Stock-based compensation	10,292	12,658
Unrealized gain on exchange rate	—	(439)
Loss on short-term investments	29	—
Non-cash operating lease expense	1,903	1,709
Provision for inventory obsolescence and revaluation	2,926	(517)
Provision for bad debts	13	1,076
Loss (gain) on the disposition of businesses, property, equipment and other assets	423	137
Benefit for deferred income taxes and reserve adjustments	(259)	466
Asset impairment	—	40
Changes in operating accounts:		

Accounts receivable	(208)	3,173
Inventories	(12,327)	(8,822)
Prepaid expenses and other current assets	(4,146)	2,225
Accounts payable	(2,947)	277
Deferred revenue and customer deposits	3,120	1,901
Accrued and other liabilities	(6,994)	(8,679)
All other operating activities	762	(2,678)
Net cash (used in) provided by operating activities	(27,722)	(15,125)
Cash flows from investing activities:		
Purchases of property and equipment	(9,027)	(4,079)
Purchases of short-term investments	—	(366,005)
Sales and maturities of short-term investments	176,856	6,170
Acquisitions and other investments, net of cash acquired	—	(9,335)
Other investing activities	—	40
Net cash provided by (used in) investing activities	167,829	(373,209)
Cash flows from financing activities:		
Purchase of non-controlling interests	—	(2,300)
Taxes paid related to net-share settlement of equity awards	(2,115)	(10,052)
Other financing activities	(179)	(166)
Net cash (used in) provided by financing activities	(2,294)	(12,518)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	114	464
Net (decrease) increase in cash, cash equivalents and restricted cash	137,927	(400,388)
Cash, cash equivalents and restricted cash at the beginning of the year ^(a)	391,975	789,970
Cash, cash equivalents and restricted cash at the end of the period ^(a)	\$ 529,902	\$ 389,582

Supplemental cash flow information	Supplemental cash flow information	Supplemental cash flow information	Supplemental cash flow information
Lease assets obtained in exchange for new lease liabilities	Lease assets obtained in exchange for new lease liabilities	Lease assets obtained in exchange for new lease liabilities	Lease assets obtained in exchange for new lease liabilities
Cash interest payments	Cash interest payments	Cash interest payments	Cash interest payments
Cash income tax payments, net	Cash income tax payments, net	Cash income tax payments, net	Cash income tax payments, net
Transfer of equipment from inventory to property and equipment, net ^(b)	Transfer of equipment from inventory to property and equipment, net ^(b)	Transfer of equipment from inventory to property and equipment, net ^(b)	Transfer of equipment from inventory to property and equipment, net ^(b)

- (a) The amounts for cash and cash equivalents and restricted cash shown above include restricted cash of \$115 \$1,277 and \$114 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, which are included in prepaid expenses and other current assets. In addition, included in cash and cash equivalents and restricted cash above as of March 31, 2023 June 30, 2023 and December 31, 2022 is \$3,889 \$291 and \$3,727, respectively, of restricted cash, which, is included in other non-current assets. The amounts for cash and cash equivalents and restricted cash shown above include restricted cash of \$312 \$1,105 and \$313 as of March 31, 2022 June 30, 2022 and December 31, 2021, respectively.
- (b) Inventory is transferred to property and equipment at cost when we require additional machines for training or demonstration or for placement into on demand manufacturing services locations.

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Months Ended March 31, 2023 June 30, 2023 and 2022
(Unaudited)

Common Stock	Common Stock
--------------	--------------

(in thousands, except par value)	(in thousands, except par value)	Shares	Par Value \$0.001	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	(in thousands, except par value)	Shares	Par Value \$0.001	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income
December 31, 2022		131,207	\$ 131	\$1,547,597	\$ (743,962)	\$ (53,822)	\$ 749,944						
March 31, 2023								March 31, 2023		131,164	\$131	\$1,553,038	
Shares issued, vested & expired under equity incentive plans	Shares issued, vested & expired under equity incentive plans	165	—	—	—	—	—	Shares issued, vested & expired under equity incentive plans	2,621	2	—	—	
Shares withheld related to net-share settlement of equity awards	Shares withheld related to net-share settlement of equity awards	(208)	—	(2,115)	—	—	(2,115)	Shares withheld related to net-share settlement of equity awards	(281)	—	(2,449)	—	
Stock-based compensation expense	Stock-based compensation expense	—	—	7,644	—	—	7,644	Stock-based compensation expense	—	—	12,112	—	
Net (loss) attributable to 3D Systems Corp.	Net (loss) attributable to 3D Systems Corp.	—	—	—	(29,421)	—	(29,421)	Net (loss) attributable to 3D Systems Corp.	—	—	—	(28,895)	
Unrealized loss on short-term investments		—	—	—	—	309	309						
Pension plan adjustment								Pension plan adjustment			—	—	—
Unrealized gain on short-term investments								Unrealized gain on short-term investments			—	—	—
Redeemable non-controlling interest redemption value in excess of carrying value	Redeemable non-controlling interest redemption value in excess of carrying value	—	—	(88)	—	—	(88)	Redeemable non-controlling interest redemption value in excess of carrying value	—	—	(172)	—	
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	3,413	3,413	Foreign currency translation adjustment	—	—	—	—	
March 31, 2023		131,164	\$ 131	\$1,553,038	\$ (773,383)	\$ (50,100)	\$ 729,686						
June 30, 2023								June 30, 2023		133,504	\$133	\$1,562,529	
December 31, 2021		128,375	\$ 128	\$1,501,210	\$ (621,251)	\$ (37,706)	\$ 842,381						
Issuance (repurchase) of stock		1,991	2	(8,696)	—	—	(8,694)						
March 31, 2022								March 31, 2022		130,365	\$130	\$1,519,242	

Shares issued related to net-share settlement of stock-based compensation								Shares issued related to net-share settlement of stock-based compensation			
								(61) — (1,351)			
Stock-based compensation expense	Stock-based compensation expense	—	—	26,728	—	—	26,728	Stock-based compensation expense	—	—	7,843 —
Net loss		—	—	—	(26,799)	—	(26,799)				
Net (loss) attributable to 3D Systems Corp.								Net (loss) attributable to 3D Systems Corp.			
								— — —			
Pension adjustment	Pension adjustment	—	—	—	—	101	101	Pension adjustment	—	—	— —
Unrealized loss on short-term investments	Unrealized loss on short-term investments					(3,495)	(3,495)	Unrealized loss on short-term investments			
Foreign currency translation adjustment	Foreign currency translation adjustment					(3,346)	(3,346)	Foreign currency translation adjustment			
March 31, 2022		130,366	\$ 130	\$ 1,519,242	\$ (648,050)	\$ (44,446)	\$ 826,876				
June 30, 2022								June 30, 2022 130,304 \$130 \$1,525,734			

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2023 and 2022
(Unaudited)

(in thousands, except par value)	Common Stock					
	Shares	Par Value \$0.001	Additional Paid-In Capital	Accumulated Deficit	Accumulated	Total Stockholders' Equity
					Other Comprehensive Income (Loss)	
December 31, 2022	131,207	\$ 131	\$ 1,547,597	\$ (743,962)	\$ (53,822)	\$ 749,944
Shares issued, vested & expired under equity incentive plans	2,786	2	—	—	—	2
Shares withheld related to net-share settlement of equity awards	(489)	—	(4,564)	—	—	(4,564)
Stock-based compensation expense	—	—	19,756	—	—	19,756
Net (loss) attributable to 3D Systems Corp.	—	—	—	(58,316)	—	(58,316)
Pension plan adjustment	—	—	—	—	(11)	(11)
Unrealized gain on short-term investments	—	—	—	—	328	328
Redeemable non-controlling interest redemption value in excess of carrying value	—	—	(260)	—	—	(260)
Foreign currency translation adjustment	—	—	—	—	4,125	4,125
June 30, 2023	133,504	\$ 133	\$ 1,562,529	\$ (802,278)	\$ (49,380)	\$ 711,004
December 31, 2021	128,375	\$ 128	\$ 1,501,210	\$ (621,251)	\$ (37,706)	\$ 842,381
Shares issued related to net-share settlement of stock-based compensation	1,929	2	(10,048)	—	—	(10,046)
Stock-based compensation expense	—	—	34,572	—	—	34,572
Net (loss) attributable to 3D Systems Corp.	—	—	—	(59,760)	—	(59,760)
Pension adjustment	—	—	—	—	266	266
Unrealized loss on short-term investments	—	—	—	—	(4,023)	(4,023)
Foreign currency translation adjustment	—	—	—	—	(19,732)	(19,732)
June 30, 2022	130,304	\$ 130	\$ 1,525,734	\$ (681,011)	\$ (61,195)	\$ 783,658

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of 3D Systems Corporation and all majority and wholly-owned subsidiaries and entities in which a controlling interest is maintained ("3D Systems" or the "Company" or "we" or "our" or "us"). All significant intercompany accounts and transactions have been eliminated in consolidation.

A non-controlling interest in a subsidiary is considered reflects an ownership interest in a majority-owned subsidiary that is not attributable to the parent. Company. For the periods presented, the Company's financial statements include a redeemable non-controlling interest ("RNCI"), which has been reported in temporary equity in the consolidated balance sheets. The net income (loss) attributable to the RNCI is presented as an adjustment to the Company's consolidated net income (loss) to arrive at net income (loss) attributable to 3D Systems Corporation in the consolidated statements of operations and consolidated statements of comprehensive income (loss). Furthermore, adjustments to record the RNCI at its redemption value are recorded to additional paid-in capital, and the excess redemption value is recognized as a reduction to the net income, or increase to the net loss, attributable to 3D Systems' shareholders for purposes of reporting earnings or loss per share. See Note 10. 11 for a summary of the activity related to the reported RNCI balance during the period.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim reports. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K"). The year-end balance sheet data reported on our unaudited condensed consolidated balance sheet has been derived from the balance sheet included in our 2022 Form 10-K.

The Company believes that the disclosures included in this Form 10-Q are adequate to make the information presented not misleading. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, consisting of adjustments of a normal recurring nature, necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates and assumptions.

Our annual reporting period is the calendar year. The results of operations for the three and six months ended March 31, 2023 June 30, 2023 are not necessarily indicative of the results to be expected for the full year. All dollar amounts and other amounts presented in the accompanying footnotes are presented in thousands, except for per share information.

Summary of Significant Accounting Policies

Variable Interest Entities (VIEs)

Upon making an investment in an entity, we assess whether the entity is a VIE. The determination of whether an entity in which we hold a direct or indirect variable interest is a VIE is based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, and then a quantitative analysis, if necessary.

We analyze any investments in VIEs to determine if we are the primary beneficiary. We perform this assessment at the time that we become involved with a VIE and reevaluate our conclusion upon the occurrence of a reconsideration event. In evaluating whether we are the primary beneficiary, we evaluate our direct and indirect economic interests in the entity. Determining which reporting entity, if any, is the primary beneficiary of a VIE is primarily a qualitative approach focused on identifying which reporting entity has both (1) the power to direct the activities of a VIE that most significantly impact such entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits from such entity that could potentially be significant to such entity. Performance of such analysis requires the exercise of judgment, and we consider a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact a VIE's economic performance including, but not limited to, the ability to direct a VIE's operating decisions and activities. In addition, we consider the rights of other investors to participate in those decisions.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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In connection with our investment in Theradaptive in June 2023 (See Note 7), we concluded that Theradaptive was a VIE. We also concluded that we are not the primary beneficiary. As of June 30, 2023, our maximum exposure to losses associated with this VIE is limited to the \$8,000 carrying value of our investment in Theradaptive, which is reported in other assets in our condensed consolidated balance as of June 30, 2023. We have no other investments in unconsolidated entities that have been determined to be VIEs.

Equity Securities without a Readily Determinable Value

We recognize investments in equity securities without a readily determinable fair value at cost minus impairment. We assess these investments for potential impairment if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment If applicable, impairment charges taken with respect to these investments

are recorded to reported within interest and other income (expense), net in the consolidated statements of operations in the period in which an investment becomes impaired. No impairment charges were recorded during the three and six months ended March 31, 2023 June 30, 2023 or 2022. The aggregate carrying value of the Company's equity investments without a readily determinable value was \$13,162 and \$13,153 at March 31, 2023 and December 31, 2022, respectively, and is included in other assets on our consolidated balance sheets.

Equity Method of Accounting

During the three months ended March 31, 2023, the formation of the joint venture between the Company and the Saudi Arabian Industrial Investments Company ("Dussur") was completed, and the Company became a shareholder with a 49% ownership interest. See Note 2. The Company will account accounts for its an investment in the a joint venture using the equity method of accounting because it does not have a controlling interest and is not the primary beneficiary; however, the Company has the ability to exert significant influence. Under the equity method of accounting, the initial investment is recorded at cost, and the investment is subsequently adjusted for the Company's proportionate share of the net earnings or losses and other comprehensive income or loss of the investee. Intercompany profits or losses associated with the Company's equity method investments investment are eliminated until realized by the investee in transactions with third parties. The carrying value of the investment is recorded as other assets in the Company's consolidated balance sheets. Income or loss from this investment will be recorded as a separate line item in the consolidated statements of operations on a three-month lag. We evaluate material events occurring during the three-month lag period to determine whether the effects of such events should be disclosed in our financial statements. The Company will evaluate its investment in the joint venture for impairment whenever events or changes in circumstances indicate that the carrying amount

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

of the investment may not be recoverable. The Company has accounts receivable balances due from the joint venture of \$1,177 and \$2,247 as of March 31, 2023 and December 31, 2022, respectively, primarily related to the Company's sales of inventory and equipment to the joint venture prior to the Company becoming a shareholder.

Other Accounting Policy Updates

All other significant accounting policies described in the 2022 Form 10-K remain unchanged.

(2) Acquisitions

dp polar

On October 4, 2022, we completed the acquisition of 100% of dp polar GmbH ("dp polar"), a German-based designer and manufacturer of the industry's first additive manufacturing system designed for true high-speed mass production of customized components, for \$25,201 (including customary post-closing adjustments), which includes \$19,604 paid in cash at closing, \$7,091 paid at closing via the issuance of the Company's common stock, and a provisional \$1,494 estimated post-closing purchase price adjustment due to the Company from the sellers. See Note 11 12 for discussion of an earnout arrangement with a key individual from dp polar.

The Company acquired dp polar for access to dp polar's patented continuous printing process. This business and its technology are expected to contribute to the operations of the Company's Healthcare Solutions and Industrial Solutions segments. Central to dp polar's patented continuous printing process is a large-scale, segmented, rotating print platform that eliminates the start/stop operations of virtually all additive manufacturing platforms. With dp polar's technology and patented polar coordinate control, the print heads remain stationary above the rotating platform, providing a continuous print process.

We accounted for the acquisition of dp polar using the acquisition method, as prescribed by ASC 805, "Business Combinations" ("ASC 805"). In accordance with valuation methodologies described in ASC 820, "Fair Value Measurement" ("ASC 820"), the acquired assets and assumed liabilities were recorded at their estimated fair values as of the date of the dp polar acquisition.

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Shown below is the preliminary purchase price allocation, which summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

(in thousands)

Current assets, including cash acquired of \$243	\$	301
Intangible assets:		
In-process research and development	\$	4,989
Trade name		3,930
Total intangible assets		8,919
Goodwill		13,969 16,425
Other assets		2,376 765
Liabilities:		
Accounts payable and accrued liabilities	\$	364
Deferred tax liability		845
Total liabilities		364 1,209
Net assets acquired	\$	25,201

The goodwill recognized in connection with this acquisition is attributable to synergies that are expected to enhance and expand the Company's overall product portfolio and opportunities in new and existing markets, future products that have yet to be determined and dp polar's assembled workforce. This goodwill is not expected to be deductible for tax purposes.

As of March 31, 2023 June 30, 2023, the purchase price allocation for dp polar is continues to be preliminary. The continued review of dp polar's tax positions during the three months ended June 30, 2023 resulted in adjustments to dp polar's opening balance sheet to (1) reduce deferred tax assets (previously reported in other assets on dp polar's opening balance sheet) by \$1,611 and (2) recognize a deferred tax liability balance of \$845. These adjustments to dp polar's opening balance sheet deferred tax asset and deferred tax liability balances resulted in the recording of a corresponding increase of \$2,456 to the amount of goodwill recognized on dp polar's opening balance sheet.

The Company continues to review the final closing balance sheet of dp polar and may further adjust the acquisition-date fair values of acquired assets and assumed liabilities based on this review. The Company also continues to review dp polar's pre-acquisition tax returns to determine the final tax positions, including net operating losses and any required valuation allowance. The final Furthermore, the estimated post-closing purchase price adjustment of \$1,494 related to the finalization of dp polar's closing balance sheet net working capital and dp polar's closing balance sheet debt-like items remains provisional, subject to an agreement on such amount by the Company and dp polar's sellers.

Final purchase price allocations will be completed when (1) the Company has finished its valuation activities and the review of dp polar's closing balance sheet and the pre-acquisition tax returns. These final returns and (2) the post-closing purchase price adjustment has been agreed upon by the Company and dp polar's sellers. Final purchase price allocations could differ materially from the current preliminary allocations. The final

3D SYSTEMS CORPORATION
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allocations and may include (1) (i) changes in to the preliminary allocations to acquired intangible assets and goodwill and (2) and/or (ii) changes in to the preliminary allocations to other assets and liabilities, including but not limited to tax assets and liabilities, inclusive of deferred taxes. The estimated useful lives of acquired intangible assets are also preliminary.

Kumovis

On April 1, 2022, we completed the acquisition of 93.75% of Kumovis GmbH ("Kumovis") for an all-cash purchase price of \$37,875 (including customary post-closing adjustments), plus an estimated RNCI of \$1,559. \$3,628 of the cash payment is deferred for up to fifteen months from the closing date. date, and was paid in July 2023. Kumovis, which is part of the Healthcare Solutions segment and reporting unit, utilizes polyether ether keton or "PEEK" materials, which has properties that lend it to many medical applications that fit into our personalized healthcare solutions operations, including many implant applications.

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In conjunction with the Kumovis acquisition, the Company and the non-controlling shareholders entered into a put/call option agreement, whereby, at a later date, the Company has the option to purchase from the non-controlling shareholders, and the non-controlling shareholders have the option to sell to the Company, the remaining 6.25% ownership interest in Kumovis for an exercise price calculated based on the achievement of pre-determined revenue and gross profit targets. Fifty percent of the Kumovis common shares related to the put/call can be exercised upon the achievement of an initial revenue and gross profit target, while the remaining 50% can be exercised upon the achievement of a second revenue and gross profit target. If one or both sets of targets have not been met within 5.75 years from the acquisition date, there is a floor strike price that must be exercised. Up to 50% of the exercise price can be paid in Company common stock at the election of 3D Systems. This arrangement results in the recognition of RNCI, for which an estimated fair value of \$1,559 was recorded as of the acquisition date.

We accounted for the acquisition of Kumovis using the acquisition method, as prescribed by ASC 805, and we have completed the allocation of the final purchase price. In accordance with valuation methodologies described in ASC 820, the acquired assets and assumed liabilities were recorded at their estimated fair values as of the date of the Kumovis acquisition. The table below reflects the fair value of both the consideration transferred and the RNCI attributable to this acquisition:

(in thousands)

Cash paid at acquisition	\$	34,098
Deferred cash consideration		3,628
Estimated fair value of RNCI		1,559
Post-closing net working capital adjustment		149
Total fair value of consideration transferred	\$	<u>39,434</u>

Shown below is the final purchase price allocation, summarizing the fair values of the assets acquired and liabilities assumed at the date of acquisition:

3D SYSTEMS CORPORATION
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(in thousands)

Current assets, including cash acquired of \$125	\$	1,407
Intangible assets:		
Product technology	\$	20,770
Trade name		5,802
Total intangible assets		<u>26,572</u>
Goodwill		17,618
Other assets		705
Liabilities:		
Accounts payable and accrued liabilities	\$	332
Deferred revenue		70
Deferred tax liability		<u>6,466</u>
Total liabilities		<u>6,868</u>
Net assets acquired	\$	<u>39,434</u>

The goodwill recognized in connection with this acquisition is attributable to synergies that are expected to enhance and expand the Company's overall product portfolio and opportunities in new and existing markets, future products that have yet to be determined and Kumovis's assembled workforce. This goodwill is not expected to be deductible for tax purposes.

Titan

On April 1, 2022, we completed the acquisition of 100% of Titan Additive LLC ("Titan") for an all-cash purchase price of \$39,040. Titan, which is part of the Industrial Solutions segment and reporting unit, is a pellet-based extrusion platform that addresses customer applications requiring large build volumes, superior performance, and improved productivity at significantly lower cost. We believe the acquisition of Titan will open up new markets in the Industrial Solutions segment.

3D SYSTEMS CORPORATION
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We accounted for the acquisition of Titan using the acquisition method, as prescribed by ASC 805, and we have completed the allocation of the purchase price. Shown below is the final purchase price allocation, summarizing the fair values of the assets acquired and liabilities assumed, as determined at the date of acquisition in accordance with valuation methodologies described in ASC 820:

(in thousands)

Current assets		\$	661
Intangible assets:			
Product technology	\$	15,940	
Trade name		5,580	
Total intangible assets			21,520
Goodwill			17,430
Other assets			68
Liabilities:			
Accounts payable and accrued liabilities	\$	229	
Deferred revenue		410	
Total liabilities			639
Net assets acquired		\$	39,040

The goodwill recognized in connection with this acquisition is attributable to synergies that are expected to enhance and expand the Company's overall product portfolio and opportunities in new and existing markets, future products that have yet to be determined and Titan's assembled workforce. This goodwill is expected to be deductible for tax purposes.

3D SYSTEMS CORPORATION
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Dussur

In March 2022, we and Dussur signed an agreement to form a joint venture intended to expand the use of additive manufacturing within the Kingdom of Saudi Arabia and surrounding geographies, including the Middle East and North Africa. The joint venture is to enable the development of Saudi Arabia's domestic additive manufacturing production capabilities, consistent with the Kingdom's 'Vision 2030,' which is focused on diversification of the economy and long-term sustainability. 3D Systems is committed to an initial investment of approximately \$6,500, of which \$3,435 was deposited in an escrow account during the three months ended December 31, 2022 and is reported as restricted cash within other assets on the balance sheet as of March 31, 2023 and December 31, 2022. In February 2023, the Company became a shareholder in the joint venture and now owns 49% of its common stock. Accordingly, the \$3,435 held in escrow plus an additional approximately \$3,065 owed to the joint venture as of March 31, 2023 was deposited into a bank account of the joint venture during April 2023 for use in its operations. Additional future investments are contingent upon achievement of certain milestones by the joint venture. The impact on the Company's financial position, results of operations and cash flows is not expected to be material other than the cash outflow(s) related to the initial and contingent investments.

Enhatch

In March 2022, we made a \$10,000 investment in convertible preferred shares for an approximate 26.6% ownership interest in Enhatch Inc. ("Enhatch"), the developer of the Intelligent Surgery Ecosystem. We simultaneously entered into a supply agreement with Enhatch. We also obtained warrants to purchase additional shares of Enhatch, as well as the right to purchase in the future ("call option") the remaining shares of Enhatch that 3D Systems does not own if certain revenue targets are achieved. The investment, including the embedded call option and the warrants, is recorded in other assets on the consolidated balance sheet.

Enhatch's Intelligent Surgery Ecosystem provides technologies which streamline and scale the design and delivery of patient-specific medical devices by automating the process. Incorporating these capabilities into 3D Systems' workflow for patient-specific solutions, which includes advanced software, expert treatment planning services, custom implants and instrumentation design, and industry-leading production processes, will help more efficiently meet the growing demand for personalized medical devices.

Acquisitions of Non-controlling Interests

As of December 31, 2018, the Company owned approximately 70% of the capital and voting rights of Easyway, a service bureau and distributor of 3D printing and scanning products in China. The remaining 30% of the capital and voting rights of Easyway were acquired on January 21, 2019 for \$13,500, which has been paid in installments. The Company made the final installment payment of \$2,300 related to the acquisition of the remaining 30% interest in Easyway during the three months ended March 31, 2022.

(3) Revenue

Revenue is recognized when control of the promised products or services is transferred to customers.

Performance Obligations

At March 31, 2023 June 30, 2023, we had \$81,214 \$62,706 of outstanding performance obligations, comprised of deferred revenue, customer order backlog and customer deposits. We expect to recognize approximately 87.7% 89.5% of the \$41,648 \$40,172 of deferred revenue and customer deposits as revenue within the next twelve months, an additional 9.0% 5.0% by the end of 2024 and the remaining balance thereafter.

3D SYSTEMS CORPORATION
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Collaboration and Licensing Agreements

We enter into collaboration and licensing agreements with third parties. The nature of the activities to be performed and the consideration exchanged under the these agreements varies on a contract-by-contract basis. We evaluate these agreements to determine whether they meet the definition of a customer relationship for which revenue is should be recorded. These contracts may contain multiple performance obligations and may contain fees for licensing, research and development services, contingent milestone payments upon the achievement of contractual developmental contractual criteria and/or royalty fees based on the licensees' product revenue. We determine the revenue to be recognized for these agreements based on an evaluation of the distinct performance obligations, the identification and evaluation of material rights, the estimation of variable consideration and the determination of the pattern of transfer of control for each distinct performance obligation. The During the three and six-month periods ended June 30, 2023, the Company recognized \$4,740 \$3,463 and \$2,432 in \$8,203, respectively, of revenue related to collaboration arrangements with customers for customers. During the three months and six-month periods ended March 31, 2023 June 30, 2022, the Company recognized \$3,342 and 2022, respectively, \$5,774, respectively, of revenue related to collaboration arrangements with customers.

Contract Balances

During the three six months ended March 31, 2023 June 30, 2023, we recognized revenue of \$12,832 \$18,007 related to our contract liabilities at December 31, 2022. During the three six months ended March 31, 2022 June 30, 2022, we recognized revenue of \$11,895 \$20,996 related to our contract liabilities at at December 31, 2021.

Contract assets, consisting of unbilled receivables, were \$1,268 and \$677 as of June 30, 2023 and December 31, 2022, respectively.

Revenue Concentrations

For the three and six months ended March 31, 2023 and 2022, June 30, 2023, one customer accounted for approximately 13.5% 18.9% and 26.7% 16.3% of our consolidated revenue, respectively. For the three and six months ended June 30, 2022, one customer accounted for approximately 24.8% and 25.7% of our consolidated revenue. We expect to maintain our relationship with this customer.

Revenue by geographic region for the three and six months ended March 31, 2023 June 30, 2023 and 2022 was as follows:

		Three Months Ended				Three Months Ended	
(in thousands)	(in thousands)	March 31, 2023	March 31, 2022	(in thousands)	June 30, 2023	June 30, 2022	
Americas	Americas	\$ 68,649	\$ 74,249	Americas	\$ 76,594	\$ 79,807	
EMEA	EMEA	42,810	40,940	EMEA	41,199	44,935	
APAC	APAC	9,777	17,812	APAC	10,401	15,303	
Total	Total	\$ 121,236	\$ 133,001	Total	\$ 128,194	\$ 140,045	
United States (included in Americas above)	United States (included in Americas above)	\$ 67,783	\$ 73,620	United States (included in Americas above)	\$ 75,093	\$ 79,021	

		Six Months Ended	
(in thousands)		June 30, 2023	June 30, 2022
Americas		\$ 145,243	\$ 154,056
EMEA		84,009	85,875
APAC		20,178	33,115
Total		\$ 249,430	\$ 273,046
United States (included in Americas above)		\$ 142,878	\$ 152,645

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(4) Inventories

Components of inventories at March 31, 2023 June 30, 2023 and December 31, 2022 are summarized as follows:

(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022
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Raw materials	Raw materials	\$ 57,320	\$ 59,907	Raw materials	\$ 64,169	\$ 59,907
Work in process	Work in process	5,778	4,972	Work in process	3,695	4,972
Finished goods and parts	Finished goods and parts	84,267	72,953	Finished goods and parts	88,289	72,953
Total inventories	Total inventories	\$147,365	\$137,832	Total inventories	\$156,153	\$137,832

The inventory reserve was \$16,641 \$16,397 and \$15,550 \$15,550 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

In the second quarter of 2023, we notified one of our contract manufacturers of our intent to terminate the manufacturing services arrangement and in-source the assembly and production process. The exit agreement was finalized in June 2023 and included a \$450 exit fee expensed in the second quarter of 2023, as well as the commitment to purchase \$6,552 of inventory from the assembly manufacturer.

(5) Intangible Assets

At June 30, 2023 and December 31, 2022, the Company's intangible assets with finite lives were as follows:

(in thousands)	June 30, 2023			December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:						
Customer relationships	\$ 51,939	\$ (50,180)	\$ 1,759	\$ 51,137	\$ (48,695)	\$ 2,442
Acquired technology	55,931	(14,059)	41,872	55,480	(10,707)	44,773
Trade names	36,210	(13,965)	22,245	35,930	(12,455)	23,475
Patent costs	18,822	(11,040)	7,782	18,673	(10,909)	7,764
Acquired patents	17,526	(15,797)	1,729	17,499	(15,661)	1,838
Other	13,331	(9,129)	4,202	13,255	(8,765)	4,490
Total intangible assets	\$ 193,759	\$ (114,170)	\$ 79,589	\$ 191,974	\$ (107,192)	\$ 84,782

The Company's total intangible assets reported on the balance sheet include an indefinite-life intangible asset related to dp polar in-process research and development ("IPR&D"). The carrying value of this indefinite-life intangible asset was \$5,541 and \$5,448 as of June 30, 2023 and December 31, 2022.

Amortization expense related to intangible assets was \$3,258 and \$6,497 for the three and six months ended June 30, 2023, respectively, compared to \$3,303 and \$5,980 for the three and six months ended June 30, 2022, respectively. Amortization expense for intangible assets is estimated to be \$4,665 for the remainder of 2023, \$11,133 in 2024, \$11,058 in 2025, \$8,399 in 2026 and \$7,317 in 2027.

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(5) Intangible Assets

At March 31, 2023 and December 31, 2022, the Company's intangible assets with finite lives were as follows:

(in thousands)	March 31, 2023			December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:						
Customer relationships	\$ 51,677	\$ (49,608)	\$ 2,069	\$ 51,137	\$ (48,695)	\$ 2,442
Acquired technology	55,918	(12,421)	43,497	55,480	(10,707)	44,773
Trade names	36,194	(13,248)	22,946	35,930	(12,455)	23,475
Patent costs	18,873	(10,995)	7,878	18,673	(10,909)	7,764
Acquired patents	17,513	(15,730)	1,783	17,499	(15,661)	1,838
Other	13,258	(8,905)	4,353	13,255	(8,765)	4,490
Total intangible assets	\$ 193,433	\$ (110,907)	\$ 82,526	\$ 191,974	\$ (107,192)	\$ 84,782

The Company's total intangible assets reported on the balance sheet include an indefinite-life intangible asset related to dp polar intellectual property research and development ("IPR&D"). The carrying value of this indefinite-lived intangible asset was \$5,538 and \$5,448 as of March 31, 2023 and December 31, 2022.

Amortization expense related to intangible assets was \$3,239 and \$2,678 for the three months ended March 31, 2023 and 2022, respectively. Amortization expense for intangible assets is estimated to be \$7,935 for the remainder of 2023, \$11,146 in 2024, \$11,112 in 2025, \$9,268 in 2026 and \$7,419 in 2027.

(6) Goodwill

The following table reflects the changes in the carrying amount of goodwill by reporting unit for the **three** six months ended **March 31, 2023** June 30, 2023:

	Three Months Ended March 31, 2023														
	Healthcare			Industrial			Consolidated				Healthcare				
(in thousands)	(in thousands)	Gross Goodwill	Impairments	Net Goodwill	Gross Goodwill	Impairments	Net Goodwill	Gross Goodwill	Impairments	Net Goodwill	(in thousands)	Gross Goodwill	Impairments	Net Goodwill	Gross Goodwill
Balance at beginning of year	Balance at beginning of year	\$143,431	\$ (32,055)	\$111,376	\$316,265	\$ (42,329)	\$273,936	\$459,696	\$ (74,384)	\$385,312	Balance at beginning of year	\$143,431	\$ (32,055)	\$111,376	\$316,265
Measurement period adjustments	Measurement period adjustments	(555)	—	(555)	(703)	—	(703)	(1,258)	—	(1,258)	Measurement period adjustments	673	—	673	(703)
Foreign currency translation adjustments	Foreign currency translation adjustments	733	—	733	967	—	967	1,700	—	1,700	Foreign currency translation adjustments	614	—	614	967
Balance at end of period	Balance at end of period	\$143,609	\$ (32,055)	\$111,554	\$316,529	\$ (42,329)	\$274,200	\$460,138	\$ (74,384)	\$385,754	Balance at end of period	\$144,718	\$ (32,055)	\$112,663	\$316,529

The effect of foreign currency exchange **rates** in the table above reflects the impact on goodwill of amounts recorded in currencies other than the U.S. dollar in the financial statements of foreign subsidiaries and the resulting effect of foreign currency translation between the applicable functional currency and the U.S. dollar.

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(7) Investments and Notes Receivable

The following table summarizes our equity investment and notes receivable balances as of June 30, 2023:

(in thousands)	Balance sheet location	June 30, 2023	December 31, 2022
Equity investments under the equity method of accounting	Other assets	\$ 6,387	\$ —
Equity investments without readily determinable fair values	Other assets	20,963	12,953
Other ⁽¹⁾	Other assets	200	200
Total Equity investments		\$ 27,550	\$ 13,153
Short-term note receivable	Prepaid and other current assets	\$ 983	\$ —
Long-term note receivable ⁽²⁾	Other assets	525	515
Total notes receivable		\$ 1,508	\$ 515

(1) Reflects warrant investment carried at fair value.

(2) Includes interest amounts that have been accrued on, recorded to and reported as part of the notes receivable balance.

Equity Investments under the Equity Method of Accounting

Dussur

In March 2022, we and Dussur signed an agreement to form a joint venture intended to expand the use of additive manufacturing within the Kingdom of Saudi Arabia and surrounding geographies, including the Middle East and North Africa. The joint venture is to enable the development of Saudi Arabia's domestic additive manufacturing production capabilities, consistent with the Kingdom's 'Vision 2030,' which is focused on diversification of the economy and long-term sustainability. 3D Systems had committed to an initial investment in the joint venture of approximately \$6,500, of which \$3,435 had been deposited into an escrow account as of December 31, 2022 and, accordingly, was reported as

restricted cash within other assets on the December 31, 2022 balance sheet. In February 2023, the Company officially became a shareholder in the joint venture and, as of June 30, 2023, owns 49% of the joint venture's common stock. During April 2023, the \$3,435 held in escrow, as well as the additional amount of approximately \$3,065 owed to the joint venture as of March 31, 2023, was deposited into a bank account of the joint venture for use in its operations. Additional future investments in the joint venture are contingent upon the achievement of certain milestones. The impact of this investment on the Company's future financial condition and cash flows is expected to be limited to the cash outflow(s) related to any future contingent investments, if required.

The Company accounts for the joint venture under the equity method of accounting, which requires the Company to recognize its proportionate share of the joint venture's reported net income or loss. Due to the timing of when the joint venture's reported financial information is expected to be available, the Company records amounts required to be recognized pursuant to the equity method of accounting on a one quarter lag. For the three months ended June 30, 2023, Company has recorded and separately reported a loss on equity method investment on the condensed consolidated statement of operations.

Equity Investments without Readily Determinable Fair Values

Theradaptive

In June 2023, we made an \$8.0 million investment in Theradaptive, Inc. ("Theradaptive"), via the purchase of Series A Preferred Stock, pursuant to which we hold an approximate 9.15%, or 8.25% fully-diluted, ownership interest in Theradaptive. Theradaptive is currently developing a protein that encourages bone growth. This biotechnology could be applied to 3D printed metal splints for patients who otherwise may require amputation of a limb because the lost bone is too vast to replace with a splint. The Company expects to account for its investment in Theradaptive on a cost basis, subject to assessment for impairment, as the fair value of Theradaptive's equity is not readily determinable and the investment is not subject to the equity method of accounting due to the Company's lack of significant influence. The investment in Theradaptive is not expected to materially impact our future financial position, results of operations, or cash flows.

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Enhatch

In March 2022, we made a \$10,000 investment in convertible preferred shares for an approximate 26.6% ownership interest in Enhatch Inc. ("Enhatch"), the developer of the Intelligent Surgery Ecosystem. We simultaneously entered into a supply agreement with Enhatch. We also obtained warrants to purchase additional shares of Enhatch, as well as the right to purchase in the future ("call option") the remaining shares of Enhatch that 3D Systems does not own if certain revenue targets are achieved. As of the original investment date, the fair values of the convertible preferred shares, inclusive of the embedded call option, and warrants were bifurcated and were \$9,670 and \$330, respectively. The investment, including the embedded call option and the warrants, is recorded in other assets on the consolidated balance sheet.

Enhatch's Intelligent Surgery Ecosystem provides technologies which streamline and scale the design and delivery of patient-specific medical devices by automating the process. Incorporating these capabilities into 3D Systems' workflow for patient-specific solutions, which includes advanced software, expert treatment planning services, custom implants and instrumentation design, and industry-leading production processes, will help more efficiently meet the growing demand for personalized medical devices.

As of June 30, 2023 and December 31, 2022, the reported carrying value of the Company's convertible preferred stock investment in Enhatch, inclusive of the call option, is \$6,900, which reflects the cumulative impact of \$2,770 of historical impairment charges that have been taken since the date of the original investment. No impairment charges were recognized with respect to this investment during the three and six-month periods ended June 30, 2023 and June 30, 2022.

Short-Term Note Receivable

In April 2023, the Company and Wematter AB ("Wematter") entered into a loan and security agreement, pursuant to which the Company agreed to loan Wematter up to €1,200 via advances of up to €600, €300 and €300 occurring in April 2023, May 2023, and June 2023, respectively. Advances of the full amounts permitted under the loan and security agreement were made in April 2023 and May 2023. Pursuant to the loan and security agreement, the amounts advanced to Wematter (1) accrue interest at a non-compounded interest rate of 10% per annum (subject to an adjustment to 12% per annum upon the occurrence of an event of default) from the dates that the advances were made through the date that each is paid in full and (2) mature on April 24, 2024. Notwithstanding the agreed upon interest rate and maturity date, if the Company were to acquire Wematter prior to the date upon which the advances to Wematter become due for repayment, as was being contemplated at the time that the loan and security agreement was executed, the outstanding receivable balance related to amounts loaned to Wematter would be automatically reduced on a dollar for dollar basis by the amounts advanced plus any accrued interest thereon — except for any portion of the advanced amounts used to pay accrued pre-closing taxes, which would be deducted from the agreed up initial acquisition purchase price. Refer to Note 21 for details of the Company's acquisition of Wematter, which was consummated on July 3, 2023.

(8) Leases

We have various lease agreements for our facilities, equipment and vehicles with remaining lease terms ranging from one to fifteen years. During the three months ended March 31, 2023, a new 100,000 square foot building that was previously being constructed adjacent to our corporate office became available for use by the Company. As a result, the lease was deemed to have commenced during the that period. The total estimated base rent lease payments commenced prior to occupancy in December of 2022, prior to our occupancy of the building. Additionally, during the three months ended June 30, 2023, we extended existing leases related to two buildings with office and production spaces totaling 246,100 square feet. As of March 31, 2023, the aggregate remaining minimum base lease payments related to the new building lease and extended leases described above total \$18,861 \$34,500 and consist of \$845, \$1,143, \$1,160, \$1,178, \$1,196, \$1,593, \$3,247, \$3,797, \$3,912, \$4,031, and \$13,339 \$17,920 due, respectively, during the years ended December 31, 2023, 2024, 2025, 2026, 2027 and thereafter.

Classifications of the lease amounts reported on our balance sheet as of March 31, 2023 and December 31, 2022 are

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Classifications of the lease amounts reported on our balance sheet as of June 30, 2023 and December 31, 2022 are summarized below:

		March 31, 2023			December 31, 2022					June 30, 2023			December 31, 2022		
		Right-of-use assets	Current lease liabilities	Long-term lease liabilities	Right-of-use assets	Current lease liabilities	Long-term lease liabilities			Right-of-use assets	Current lease liabilities	Long-term lease liabilities	Right-of-use assets	Current lease liabilities	Long-term lease liabilities
(in thousands)	(in thousands)							(in thousands)	(in thousands)						
Operating leases	Operating leases	\$ 53,924	\$ 9,838	\$ 52,035	\$ 39,502	\$ 8,343	\$ 38,499	Operating leases	\$ 63,026	\$ 9,590	\$ 61,361	\$ 39,502	\$ 8,343	\$ 38,499	
Finance leases	Finance leases	3,166	704	3,196	3,244	693	3,280	Finance leases	3,050	696	3,090	3,244	693	3,280	
Total	Total	\$ 57,090	\$ 10,542	\$ 55,231	\$ 42,746	\$ 9,036	\$ 41,779	Total	\$ 66,076	\$ 10,286	\$ 64,451	\$ 42,746	\$ 9,036	\$ 41,779	

(8)(9) Accrued and Other Liabilities

Accrued liabilities at March 31, 2023, June 30, 2023 and December 31, 2022 are summarized as follows:

(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022
Compensation and benefits	Compensation and benefits	\$ 23,364	\$ 19,814	Compensation and benefits	\$ 17,222	\$ 19,814
Accrued taxes	Accrued taxes	7,605	10,694	Accrued taxes	7,778	10,694
Legal contingencies	Legal contingencies	4,774	9,948	Legal contingencies	4,812	9,948
Product warranty liability	Product warranty liability	2,812	3,677	Product warranty liability	2,921	3,677
Other accrued liabilities	Other accrued liabilities	15,604	11,438	Other accrued liabilities	14,506	11,438
Total	Total	\$ 54,159	\$ 55,571	Total	\$ 47,239	\$ 55,571

Other liabilities at March 31, 2023, June 30, 2023 and December 31, 2022 are summarized as follows:

(in thousands)	(in thousands)	March 31, 2023	December 31, 2022	(in thousands)	June 30, 2023	December 31, 2022
Long-term employee indemnity	Long-term employee indemnity	\$ 4,759	\$ 4,817	Long-term employee indemnity	\$ 4,716	\$ 4,817
Long-term tax liability	Long-term tax liability	5,797	5,711	Long-term tax liability	5,581	5,711
Defined benefit pension obligation	Defined benefit pension obligation	5,124	5,050	Defined benefit pension obligation	5,119	5,050
Long-term deferred revenue	Long-term deferred revenue	3,752	4,974	Long-term deferred revenue	2,809	4,974
Earnout liability	Earnout liability	21,224	17,244	Earnout liability	20,246	17,244
Legal contingencies	Legal contingencies	2,789	6,096	Legal contingencies	2,853	6,096
Other long-term liabilities	Other long-term liabilities	299	289	Other long-term liabilities	286	289
Total	Total	\$ 43,744	\$ 44,181	Total	\$ 41,610	\$ 44,181

Changes in the product warranty obligation for the three six months ended March 31, 2023, June 30, 2023 and 2022 are summarized below:

(in thousands)	Accruals for Warranties			
	Beginning Balance	Settlements Made	Issued	Ending Balance
March 31, 2023	\$ 3,677	\$ (561)	\$ (304)	\$ 2,812
March 31, 2022	\$ 3,585	\$ (2,254)	\$ 2,245	\$ 3,576

(in thousands)	Accruals for Warranties			
	Beginning Balance	Settlements Made	Issued	Ending Balance

June 30, 2023	\$	3,677	\$	(1,920)	\$	1,164	\$	2,921
June 30, 2022	\$	3,585	\$	(4,049)	\$	4,075	\$	3,611

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(9) (10) Borrowings

Convertible Notes

On November 16, 2021, the Company issued \$460,000 in aggregate principal amount of 0% Convertible Senior Notes due November 15, 2026 (the "Notes"), pursuant to an Indenture dated November 16, 2021 (the "Indenture") between the Company and The Bank of New York Mellon, N.A., as trustee. The net proceeds from the offering of the Notes were \$446,534 after deducting the initial purchasers' discounts and commissions and offering expenses payable by the Company in the amount of \$13,466, of which \$9,821 \$9,152 is unamortized at March 31, 2023 June 30, 2023. The annual effective interest rate of the Notes is 0.594% when including purchasers' discounts and commissions and offering expenses incurred by the Company. The Notes are senior, unsecured obligations of the Company, will not bear regular interest, and the principal amount of the Notes will not accrete. The Notes will mature on November 15, 2026, unless earlier redeemed, repurchased or converted in accordance with their terms.

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The Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding August 15, 2026, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2022 (and only during such quarter), if the last reported sale price of the Company's common stock, par value \$0.001 per share (the "Common Stock"), is equal to or greater than 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per \$1 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Common Stock and the conversion rate on each such trading day; (3) if the Company calls such Notes for redemption at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; and (4) upon the occurrence of specified corporate events, including a Fundamental Change (as defined in the Indenture), or distributions of the Common Stock. On or after August 15, 2026, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at any time, at the option of the holder, regardless of the foregoing circumstances. Upon conversion, the Company will pay cash up to the aggregate principal amount of the Notes to be converted and pay or deliver, as the case may be, cash, shares of Common Stock, or a combination of cash and shares of Common Stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Notes being converted. The Notes have an initial conversion rate of 27.8364 shares of Common Stock per \$1 principal amount of Notes (which is subject to adjustment in certain circumstances). This is equivalent to an initial conversion price of approximately \$35.92 per share. The conversion rate is subject to customary adjustments under certain circumstances in accordance with the terms of the Indenture. Holders of the Notes have the right to require the Company to repurchase for cash all or a portion of their Notes at 100% of their principal amount, plus any accrued and unpaid special interest, upon the occurrence of a Fundamental Change. The Company is also required to increase the conversion rate for holders who convert their Notes in connection with a Fundamental Change or convert their Notes that are called for redemption, as the case may be, prior to the maturity date. The Company may not redeem the Notes prior to November 20, 2024. The Notes are redeemable, in whole or in part, for cash at the Company's option at any time, and from time to time, on or after November 20, 2024 and before the 41st scheduled trading day immediately preceding the maturity date, but only if the last reported sale price per share of the Common Stock has been at least 130% of the conversion price then in effect for a specified period of time. As of June 30, 2023, none of the conditions that would trigger the right to convert the Notes had been met.

The Notes are the Company's senior unsecured obligations and will rank senior in right of payment to any of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Notes; rank equal in right of payment to any of the Company's future unsecured indebtedness that is not so subordinated; be effectively subordinated in right of payment to any of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of current or future subsidiaries of the Company. The Indenture also contains covenants, events of default and other provisions which are customary for offerings of convertible notes. We are in compliance with all covenants as of March 31, 2023 June 30, 2023. At March 31, 2023 June 30, 2023, the fair value of the Notes is \$340,285. \$349,848. This is based on the quoted market price where the volume of activity is limited and not active and, thus, this is deemed a Level 2 fair value measurement.

The Company incurred \$669 \$670 and \$664 1,339 of debt issuance cost accretion for the three and six months ended March 31, 2023 June 30, 2023, respectively, as compared to \$666 and 2022, respectively, \$1,331 for the three and six months ended June 30, 2022, respectively. Debt issuance cost accretion of \$2,014, \$1,344, \$2,698, \$2,714, and \$2,395 is expected to be incurred in the remaining nine six months of 2023 and in 2024, 2025 and 2026, respectively.

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(10) (11) Redeemable Non-Controlling Interest

Upon consummation of the Company's acquisition of Kumovis, existing shareholders of Kumovis retained a 6.25% ownership interest in Kumovis that the Company reports as RNCI due to put and call terms that could result in the Company redeeming this remaining ownership interest at a future date (see Note 2). The following table shows changes in the reported RNCI related to Kumovis: balance during the six months ended June 30, 2023:

		Three Six Months Ended March 31, June 30, 2023
(in thousands)		2023
Balance at December 31, 2022	\$	1,760
Net loss		(108) (92)
Redemption value in excess of carrying value		(88) 260
Translation adjustments		198 23
Balance at March 31, 2023 June 30, 2023	\$	1,762 1,951

The following table shows changes in the reported RNCI balance during the six months ended June 30, 2022:

		Six Months Ended June 30, 2022
(in thousands)		
Balance at December 31, 2021	\$	—
Fair value at the date of acquisition		2,418
Net Loss		(37)
Translation Adjustments		(232)
Balance at June 30, 2022	\$	2,149

(11) (12) Stock-Based Compensation

Stock Incentive Plans

The Company is authorized to grant shares of restricted stock, restricted stock units ("RSUs"), stock appreciation rights, cash incentive awards and options to purchase shares of Common Stock to employees and non-employee non-employees inclusive of directors pursuant to its 2015 Incentive Plan (the "2015 Plan"). The 2015 Plan also designates measures that may be used for performance performance-based awards and market-based awards. The vesting period for awards granted under the 2015 Plan is generally determined by the Board of Directors at the date of the grant. Generally, the awards vest one third each year, over 3 years.

Other Compensation Arrangements that Include Share Settlement

Regenerative Medicine Earnout Payments and Performance-Based Stock Units

On December 1, 2021, the Company acquired Volumetric Biotechnologies, Inc. ("Volumetric"). Pursuant to the terms of the related acquisition agreement, the Company may be required to pay milestone-based payments of up to \$355,000 in the aggregate, all of which are incremental to the acquisition purchase price, upon (1) the achievement of seven discrete non-financial milestones that require attainment prior to either December 31, 2030 or December 31, 2035 and (2) the continued employment of certain key individuals from Volumetric. Each potential milestone-based payment is considered compensation expense, which the Company will recognize ratably from the point in time when a milestone is deemed probable of achievement through the estimated time date of achievement. Each milestone payment will be settled approximately half in cash and half in shares of the Company's Common Stock and, accordingly, the portion of the Company's accrued liability (see Note 8) 9) that is ultimately expected to be settled with the Company's Common Stock is reflected in the disclosure of stock-based compensation included herein.

In addition, the Company has granted performance-based stock units ("PSUs") with vesting terms that are based upon four individually-measured, non-financial milestones to other employees who work on advancements in regenerative medicine related to lungs and tissue organs. The PSUs associated with each individual milestone are recognized as compensation expense over the period commencing on the date that the respective milestone is deemed probable of being met through the anticipated date of achievement.

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During the three and six months ended March 31, 2023 June 30, 2023 and 2022, the Company recognized compensation expense based upon the assumed achievement of (1) one Volumetric earnout payment milestone, for which the potential amount due to the sellers will be \$65,000, and (2) one PSU milestone, for which the aggregate grant date fair value of the outstanding and unvested awards is \$4,679. Achievement \$4,773 and \$4,052, respectively, as of each June 30, 2023 and 2022. Achievement of both the Volumetric earnout payment milestone and the PSU milestone is anticipated to occur as of the end of fiscal year 2026, which represents a change in estimate made during this quarter-ended June 30, 2023 from the previously anticipated timing of achievement at the end of fiscal year 2025. As the achievement of this scientific milestone is a performance condition that triggers the payment of compensation and/or the vesting of stock-based compensation awards under certain of the Company's employee compensation arrangements, the extension of

the estimated timeline to achievement resulted in (1) the reversal of \$4,175 of previously recognized earnout expense attributable to the Company's 2021 acquisition of Volumetric (the "Volumetric Earnout"), of which \$2,088 was accrued to be paid out with Common Stock, with a corresponding adjustment to the related accrued liability; (2) the reversal of \$360 of previously recognized stock-based compensation expense related to certain performance-based stock compensation awards that vest based upon the achievement of the scientific milestone (the "RegMed Awards"); (3) a reduction of \$783 to the ongoing quarterly run rate at which future expense attributable to the Volumetric Earnout is expected to be recognized, of which \$392 relates to the portion of expense expected to be settled with the Company's Common Stock; and (4) a reduction of \$60 to the ongoing quarterly run rate at which future expense attributable to the RegMed Awards is expected to be recognized. This change in estimate resulted in a benefit of \$0.03 and \$0.04 per basic and diluted share for the three and six months ended June 30, 2023.

dp polar Earnout

On October 4, 2022, the Company acquired dp polar. Pursuant to the terms of the related acquisition agreement, the Company may be required to pay an additional \$2,229, incremental to the acquisition purchase price, which will be settled via the issuance of 250 shares of the Company's Common Stock. The issuance and vesting of these shares is contingent on the continued employment of a certain key individual from dp polar through October 4, 2024. Upon assessment, management concluded that this potential obligation for the payment of an additional 250 in shares of Common Stock should be accounted for as compensation expense recognized over the required service period of the individual to whom the amount will potentially be paid and, accordingly, the related expense is reflected in the disclosure of stock-based compensation included herein.

Stock-Based Compensation Activity and Expense

During the three and six months ended June 30, 2023, the Company granted 3,783 and 3,879 shares of restricted stock, respectively, which had a weighted-average grant date fair value of \$11.02 and \$11.03 per share, respectively. The restricted stock awards generally vest ratably over three years, except for those awards that the Company granted to settle a portion of its accrued annual bonus liability at December 31, 2022, which were fully vested immediately upon issuance.

The restricted stock granted during the three months ended June 30, 2023 included 681 shares of market-based awards, whereby the number of shares that ultimately vest will be based upon the three-year performance of the Company's share price as compared to an index. These awards were valued using a Monte Carlo simulation, and the grant date fair value was \$18.91 per share.

The following table shows the stock-based compensation expense recognized during the three and six months ended June 30, 2023 and 2022:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock-based compensation expense	\$ 7,990	\$ 7,403	\$ 18,282	\$ 20,061
Tax benefit	\$ —	\$ —	\$ —	\$ —

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Stock-Based Compensation Activity and Expense

During the three months ended March 31, 2023, the Company granted 96 shares of restricted stock which had a weighted-average grant date fair value of \$11.61 per share. The restricted stock awards generally vest ratably over three years.

The following table shows the stock-based compensation expense recognized during the three months ended March 31, 2023 and 2022:

(in thousands)	Three Months Ended	
	March 31, 2023	March 31, 2022
Stock-based compensation expense	\$ 10,292	\$ 12,658
Tax benefit	\$ —	\$ —

Included in stock-based compensation expense recognized for the three and six months ended March 31, 2023 June 30, 2023 are \$397 and 2022 are \$658 \$1,055, respectively, and \$4,271, \$(2,429) and \$1,841 for the three and six months ended June 30, 2022, respectively, of accrued expense pertaining to annual bonus incentive compensation for which settlement would be ultimately expected to occur using shares of the Company's Common Stock. Also included in stock-based compensation expense are \$(489) and \$1,501 for the three and six months ended March 31, 2023 June 30, 2023, respectively, and 2022 are \$1,990 and \$1,990, \$3,980 for the three and six months ended June 30, 2022, respectively, which relate to the portion of the Volumetric earnout expense recognized during each period that is expected to be settled using the Company's Common Stock. Further, stock-based compensation expense for the three and six months ended March 31, 2023 June 30, 2023 includes \$277 and 2022 includes \$274 and \$0, \$552, respectively, of expense related to the dp polar earnout arrangement. Finally, stock-based compensation expense includes \$(143) and \$134 for the three and six months ended March 31, 2023 June 30, 2023, respectively, and 2022 includes \$277 \$248 and \$244, \$492 for the three and six months ended June 30, 2022, respectively, of expense related to the regenerative medicine PSUs.

As of March 31, 2023 June 30, 2023, there was \$39,315 \$63,701 of unrecognized stock-based compensation expense related to all unvested share-based payment awards that the Company expects to recognize over a weighted-average period of 1.8 2.3 years.

(12) (13) Interest and Other Income (Expense), Net

	Three Months Ended

(in thousands)	March 31, 2023		March 31, 2022	
Interest and other income (expense), net				
Foreign exchange (loss) gain, net	\$	(372)	\$	(2,218)
Interest income (expense), net		3,805		165
Other (expense) income, net		442		(230)
Total interest and other income (expense), net	\$	3,875	\$	(2,283)

Interest and other income (expense), net consisted of the following amounts for the three and six months ended June 30, 2023 and 2022:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Interest and other income (expense), net				
Foreign exchange (loss) gain, net	\$ (1,273)	\$ (1,211)	\$ (1,645)	\$ (3,429)
Interest income (expense), net	4,404	1,825	8,209	1,990
Other (expense) income, net	83	(285)	525	(515)
Total interest and other income (expense), net	\$ 3,214	\$ 329	\$ 7,089	\$ (1,954)

Interest and other income (expense), net includes (1) interest income of \$4,546 \$5,343 and \$825 \$9,889 for the three and six months ended March 31, 2023 June 30, 2023, respectively, and 2022, \$2,525 and \$3,350 for the three and six months ended June 30, 2022, respectively, and (2) interest expense of \$741 \$939 and \$660 \$1,680 for the three and six months ended March 31, 2023 June 30, 2023 respectively, and 2022, \$700 and \$1,360 for the three and six months ended June 30, 2022, respectively.

(13) (14) Income Taxes

We maintain the exception under ASC 740-270-30-36(b), "Accounting for Income Taxes," for jurisdictions that do not have reliable estimates of ordinary income. Based on volatility in the industry, we have continued to use a year-to-date methodology in determining the effective tax rate for the quarter three and six months ended March 31, 2023 June 30, 2023, 2023.

For the quarter three and six months ended March 31, 2023 June 30, 2023, the Company's effective tax rate was 0.0%, (0.8)% and (0.4)%, respectively. For the quarter three and six months ended March 31, 2022 June 30, 2022, the Company's effective tax rate was (5.0) (4.1)% and (4.5)%, respectively. The differences between the U.S. statutory tax rate and the effective tax rates for the quarters three and six months ended March 31, 2023, June 30, 2023 and March 31, 2022, June 30, 2022 are primarily driven by a full valuation allowance in various jurisdictions.

3D SYSTEMS CORPORATION

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(14) (15) Net Earnings (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to 3D Systems' Common Stock stockholders shareholders by the weighted average number of Common Stock shares outstanding during the applicable period. Diluted net income (loss) per share incorporates the additional shares issuable upon the assumed exercise of stock options, the vesting of restricted stock and RSUs, and the assumed conversion of debt, except in such case cases when (1) the inclusion of such shares or potential shares would be anti-dilutive or (2) when the vesting of restricted stock or RSUs is contingent upon one or more performance conditions that have not been met as of the balance sheet date.

(in thousands, except per share amounts)	Three Months Ended	
	March 31, 2023	March 31, 2022
Numerator for basic and diluted net (loss) income per share:		
Net (loss) income attributable to 3D Systems Corporation	\$ (29,421)	\$ (26,799)
Redeemable non-controlling interest redemption value in excess of carrying value	(88)	—
Net (loss) income attributable to common stock shareholders	\$ (29,509)	\$ (26,799)
Denominator for net (loss) income per share:		
Weighted average shares – basic	129,158	126,728
Dilutive effect of shares issuable under stock based compensation and other plans ⁽¹⁾	—	—
Weighted average shares – diluted	129,158	126,728
Net income (loss) per share – basic	\$ (0.23)	\$ (0.21)

Net income (loss) per share – diluted	\$	(0.23)	\$	(0.21)
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	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<i>(in thousands, except per share amounts)</i>				
Numerator for basic and diluted net (loss) income per share:				
Net (loss) income attributable to 3D Systems Corporation	\$ (28,895)	\$ (32,961)	\$ (58,316)	\$ (59,760)
Redeemable non-controlling interest redemption value in excess of carrying value	(172)	—	(260)	—
Net (loss) income attributable to common stock shareholders	<u>\$ (29,067)</u>	<u>\$ (32,961)</u>	<u>\$ (58,576)</u>	<u>\$ (59,760)</u>
Denominator for net (loss) income per share:				
Weighted average shares – basic	129,907	127,703	129,535	127,218
Dilutive effect of shares issuable under stock based compensation and other plans ⁽¹⁾	—	—	—	—
Weighted average shares – diluted	<u>129,907</u>	<u>127,703</u>	<u>129,535</u>	<u>127,218</u>
Net income (loss) per share – basic	<u>\$ (0.22)</u>	<u>\$ (0.26)</u>	<u>\$ (0.45)</u>	<u>\$ (0.47)</u>
Net income (loss) per share – diluted	<u>\$ (0.22)</u>	<u>\$ (0.26)</u>	<u>\$ (0.45)</u>	<u>\$ (0.47)</u>

(1) Equity awards are deemed anti-dilutive for the three months and six month periods ended March 31, 2023, June 30, 2023 and 2022 because we reported a net loss for these periods.

The following table presents the potentially dilutive shares that have been excluded from the computation of diluted earnings (loss) per share attributable to Common Stock stockholders shareholders because their effect is considered anti-dilutive for the three and six months ended March 31, 2023, June 30, 2023 and 2022, respectively, 2022:

		Three Months Ended			Three and Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022
<i>(in thousands)</i>	<i>(in thousands)</i>			<i>(in thousands)</i>		
Restricted stock and restricted stock units	Restricted stock and restricted stock units	4,177	5,313	Restricted stock and restricted stock units	6,680	4,890
Stock options	Stock options	420	420	Stock options	420	420
Total	Total	<u>4,597</u>	<u>5,733</u>	Total	<u>7,100</u>	<u>5,310</u>

For the three and six months ended March 31, 2023, June 30, 2023, the table above excludes the following: (1) an estimate of 1,041 1,047 shares contingently issuable upon the achievement of certain milestones one milestone in the Volumetric earnout arrangement, as discussed in Note 11; 12; (2) an estimate of 466 109 shares for the payment of accrued annual bonus incentive compensation that is expected to be settled in shares; and (3) an estimate of 53 92 shares that are contingently issuable under the dp polar earnout arrangement, as discussed in Note 11; 12. These share estimates are based on upon the aggregate liabilities recorded reported at June 30, 2023 for the Volumetric earnout arrangement, fiscal year 2022 and a ratable portion of the fiscal year 2023 annual bonus incentive compensation expected to be settled using shares of the Company's Common Stock and the dp polar earnout arrangement, at March 31, 2023, divided by the Company's year-to-date average share price of \$10.19 \$9.67 per share.

For the three and six months ended March 31, 2022, June 30, 2022, the table above excludes the following: (1) an estimate of 152 319 shares contingently issuable to settle the March 31, 2022 June 30, 2022 liability accrued for the assumed achievement of certain milestones one milestone in the Volumetric earnout arrangement, as discussed in Note 11 12, and (2) and 245 an estimate of 111 shares attributable to for the payment of the portion of the fiscal year 2022 annual bonus incentive compensation that was accrued as of March 31, 2022 June 30, 2022 and expected to be settled in shares. These share estimates are based upon the aggregate liabilities reported at June 30, 2022 for the Volumetric earnout arrangement and a ratable portion of the fiscal year 2022 annual bonus incentive compensation that was settled using shares of the Company's Common Stock in the current quarter, divided by the Company's year-to-date average share price of \$14.54 per share.

On November 16, 2021, the Company issued \$460,000 in aggregate principal amount of 0% Convertible Senior Notes due November 15, 2026, as discussed in Note 9; 10. The Notes' impact to diluted shares will be calculated using the if-converted method as prescribed in ASU 2020-06, ASC 260. The Notes will increase the diluted share count when the Company's average share price over a quarterly an interim or annual reporting period is greater than \$35.92 per share, the conversion price of the Notes. For the three and six months ended March 31, 2023, June 30, 2023 and 2022, the Notes were anti-dilutive on a stand-alone basis because the Company's average share price during these periods did not exceed the conversion price, and because we had reported a net loss for each of the respective periods.

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(15) (16) Accumulated Other Comprehensive Loss

The For the three and six months ended June 30, 2023 and 2022, the changes in the balances of accumulated other comprehensive loss by component are as follows:

		Three Months Ended June 30, 2023			
		Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total
<i>(in thousands)</i>	<i>(in thousands)</i>				
Balance at March 31, 2023	Balance at March 31, 2023	\$ (50,781)	\$ 700	\$ (19)	\$ (50,100)
Other comprehensive income (loss)	Other comprehensive income (loss)	712	—	—	712
Amounts reclassified from accumulated other comprehensive income (loss) ^a	Amounts reclassified from accumulated other comprehensive income (loss) ^a	—	(11)	19	8
Balance at June 30, 2023	Balance at June 30, 2023	\$ (50,069)	\$ 689	\$ —	\$ (49,380)

		Three Months Ended March 31, 2023				Six Months Ended June 30, 2023			
		Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total	Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total
<i>(in thousands)</i>	<i>(in thousands)</i>					<i>(in thousands)</i>			
Balance at December 31, 2022	Balance at December 31, 2022	\$ (54,194)	\$ 700	\$ (328)	\$ (53,822)	\$ (54,194)	\$ 700	\$ (328)	\$ (53,822)
Other comprehensive income (loss)	Other comprehensive income (loss)	3,413	12	108	3,533	4,125	12	108	4,245
Amounts reclassified from accumulated other comprehensive income (loss) ^a	Amounts reclassified from accumulated other comprehensive income (loss) ^a	—	(12)	201	189	—	(23)	220	197
Balance at March 31, 2023	Balance at June 30, 2023	\$ (50,781)	\$ 700	\$ (19)	\$ (50,100)	\$ (50,069)	\$ 689	\$ —	\$ (49,380)

		Three Months Ended June 30, 2022			
		Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total
<i>(in thousands)</i>	<i>(in thousands)</i>				
Balance at March 31, 2022	Balance at March 31, 2022	\$ (38,810)	\$ (2,141)	\$ (3,495)	\$ (44,446)
Other comprehensive income (loss)	Other comprehensive income (loss)	(16,386)	109	(528)	(16,805)
Amounts reclassified from accumulated other comprehensive income (loss) ^(a)	Amounts reclassified from accumulated other comprehensive income (loss) ^(a)	—	56	—	56

Balance at June 30, 2022						Balance at June 30, 2022	\$	(55,196)	\$	(1,976)	\$	(4,023)	\$	(61,195)
	Three Months Ended March 31, 2022						Six Months Ended June 30, 2022							
(in thousands)	(in thousands)	Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total	(in thousands)	Foreign currency translation adjustment	Defined benefit pension plan	Unrealized loss on short-term investments	Total				
Balance at December 31, 2021	Balance at December 31, 2021	\$ (35,464)	\$ (2,242)	\$ —	\$ (37,706)	Balance at December 31, 2021	\$ (35,464)	\$ (2,242)	\$ —	\$ (37,706)				\$ (37,706)
Other comprehensive income (loss)	Other comprehensive income (loss)	(3,346)	37	(3,495)	(6,804)	Other comprehensive income (loss)	(19,732)	148	(4,023)	(23,607)				
Amounts reclassified from accumulated other comprehensive income (loss) ^(a)	Amounts reclassified from accumulated other comprehensive income (loss) ^(a)	—	64	—	64	Amounts reclassified from accumulated other comprehensive income (loss) ^(a)	—	118	—	118				
Balance at March 31, 2022		\$ (38,810)	\$ (2,141)	\$ (3,495)	\$ (44,446)									
Balance at June 30, 2022						Balance at June 30, 2022	\$	(55,196)	\$	(1,976)	\$	(4,023)	\$	(61,195)

(a) Amount reclassified into interest and other income (expense), net on the statement of operations. See Note 18 19 for detail details regarding fair value measurements of and unrealized gains (losses) on short-term investments.

The amounts presented in the table above are net of income taxes.

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(16) (17) Segment Information

The Company's operations are comprised of two reportable segments: Healthcare Solutions and Industrial Solutions. Effective as of January 1, 2023, and for periods subsequent thereto, Adjusted EBITDA reflects the measure of profitability used by the Company's chief operating decision maker ("CODM") placed an increased focus on Segment Adjusted EBITDA when evaluating to evaluate the performance of the Company's reportable segments, among other measures, Segment Adjusted EBITDA segments. In addition, as of January 1, 2023, the Company's methodology for allocating certain costs has been between its segments was revised to more closely reflect changes in the Company's business and estimates of the usage of shared resources by the Company's segments. Prior year amounts have been reclassified to conform with current year presentation, presentation in connection with the changes referenced above. The following table sets forth our operating results by segment for the three and six months ended March 31, 2023 June 30, 2023 and 2022:

						Revenue				Adjusted EBITDA			
(in thousands)	(in thousands)	Revenue		Adjusted EBITDA									
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022								
Healthcare Solutions	Healthcare Solutions	\$ 48,725	\$ 64,345	\$ 5,065	\$ 15,769	Healthcare Solutions	\$ 60,874	\$ 71,746	\$ 11,394	\$ 16,149			
Industrial Solutions	Industrial Solutions	72,511	68,656	6,902	6,565	Industrial Solutions	67,320	68,299	2,264	2,728			
Total Reportable segments	Total Reportable segments	121,236	133,001	11,967	22,334	Total Reportable segments	128,194	140,045	13,658	18,877			
Corporate and Other(1)	Corporate and Other(1)	—	—	(22,061)	(20,411)	Corporate and Other(1)	—	—	(20,556)	(21,455)			
Total Company	Total Company	\$ 121,236	\$ 133,001	\$ (10,094)	\$ 1,923	Total Company	\$ 128,194	\$ 140,045	\$ (6,898)	\$ (2,578)			

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(in thousands)	Revenue		Adjusted EBITDA	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Healthcare Solutions	\$ 109,599	\$ 136,091	\$ 16,459	\$ 31,918
Industrial Solutions	139,831	136,955	9,166	9,293
Total Reportable segments	249,430	273,046	25,625	41,211
Corporate and Other ⁽¹⁾	—	—	(42,618)	(41,862)
Total Company	\$ 249,430	\$ 273,046	\$ (16,993)	\$ (651)

(1) Corporate is not an operating segment, but reflects expenses not directly attributable to and, accordingly, not allocated to our reportable segments. These expenses relate to corporate functions such as human resources, finance, and legal and include expenses such as salaries, benefits, and other related costs. Similar to the Company's operating segments, Corporate results are reported to and reviewed by the Company's CODM on the basis of Adjusted EBITDA.

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The following table provides a reconciliation of the Company's reported net loss to the total of our reportable segment Adjusted EBITDA and corporate Corporate and other Other Adjusted EBITDA for the three and six months ended March 31, 2023 June 30, 2023 and 2022:

(in thousands)	(in thousands)	Three Months Ended		(in thousands)	Three Months Ended		Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net loss attributable to 3D Systems Corporation	Net loss attributable to 3D Systems Corporation	\$ (29,421)	\$ (26,799)	Net loss attributable to 3D Systems Corporation	\$ (28,895)	\$ (32,961)	\$ (58,316)	\$ (59,760)
Interest (income) expense, net	Interest (income) expense, net	(3,805)	(165)	Interest (income) expense, net	(4,404)	(1,825)	(8,209)	(1,990)
Provision (benefit) for income taxes	Provision (benefit) for income taxes	8	1,284	Provision (benefit) for income taxes	222	1,289	230	2,573
Depreciation expense	Depreciation expense	5,312	5,818	Depreciation expense	5,294	5,032	10,606	10,850
Amortization expense	Amortization expense	3,239	2,678	Amortization expense	3,258	3,303	6,497	5,980
Stock-based compensation expense	Stock-based compensation expense	10,292	12,658	Stock-based compensation expense	7,990	7,403	18,282	20,061
Acquisition and divestiture-related expense	Acquisition and divestiture-related expense	2,677	3,682	Acquisition and divestiture-related expense	1,512	2,972	4,188	6,654
Litigation costs	Litigation costs	79	—	Litigation costs	2,656	10,760	2,735	10,773
Restructuring expense	Restructuring expense	1,703	319	Restructuring expense	4,121	(10)	5,824	301
Redeemable non-controlling interest	Redeemable non-controlling interest	(108)	—	Redeemable non-controlling interest	16	(37)	(92)	(37)
Loss on equity method investment	Loss on equity method investment	—	—	Loss on equity method investment	142	—	142	—
Other non-operating (income) expense	Other non-operating (income) expense	(70)	2,448	Other non-operating (income) expense	1,190	1,496	1,120	3,944

Adjusted EBITDA	Adjusted EBITDA	\$ (10,094)	\$ 1,923	Adjusted EBITDA	\$ (6,898)	\$ (2,578)	\$ (16,993)	\$ (651)
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(17)

(18) Commitments and Contingencies

Indemnification

In the normal course of business, we periodically enter into agreements to indemnify customers or suppliers against claims of intellectual property infringement that may be made by third parties arising and arise from the use of our products. Historically, costs related to these indemnification provisions have not been significant, and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Delaware law, we indemnify our directors and officers for certain events or occurrences, while when the director or officer is, or was, serving at our request in such capacity, subject to limited exceptions. The maximum potential amount of future payments we could be required to make under these indemnification obligations is unlimited; however, we have directors and officers insurance coverage that may enable us to recover future amounts paid, subject to a deductible and the policy limits. There is no assurance that the policy limits will be sufficient to cover all damages, if any.

Litigation Other Commitments

Export Controls and Government Contracts Compliance Matter Settlement

In As previously disclosed, beginning in October 2017, we received the Company undertook an administrative subpoena from the Bureau of Industry and Security of the Department of Commerce ("BIS") requesting the production of records in connection with internal investigation relating to possible violations of U.S. export control laws, including with regard to our former Quickparts.com, Inc. subsidiary. In addition, while collecting information responsive to the above-referenced subpoena, our internal investigation identified potential violations of the International Traffic in Arms Regulations administered by the Directorate of Defense Trade Controls of the Department of State ("DDTC") and potential violations of the Export Administration Regulations administered by the BIS. Thereafter, we submitted voluntary disclosures to BIS Bureau of Industry and DDTC identifying potentially unauthorized exports between 2012 and 2017, including to China, Security of controlled items including technical data. In connection with these matters, in August 2020, we received two federal grand jury subpoenas issued by the U.S. District Court for the Northern District of Texas. The Company responded to these two subpoenas and fully cooperated with the U.S. Department of Justice Commerce ("DOJ" BIS") in the related investigation.

During 2022, we engaged in discussions with DDTC, BIS, and DOJ to settle the potential export control violations described

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above. In February 2023, the Company settled these matters with all three agencies, the U.S. Department of Justice ("DOJ"), DDTC and BIS. As a part of these settlement agreements, the Company agreed to pay \$15,048 in civil monetary penalties to these agencies, with an additional \$10,000 in suspended penalty amounts to be allocated to remedial compliance measures required by DDTC. The penalty amounts were broken down as follows: DDTC, \$10,000 (in three installments over a three-year period); BIS, \$2,778, \$2,778; and DOJ, \$2,270. The first penalty installment payment to DDTC and the full penalty payments to BIS and to DOJ were made in the first quarter of 2023. To the extent any portion of the \$10,000 suspended penalty is not expended on required remedial compliance measures by the end of the three-year term of the settlement agreement, then such shortfall shall be paid by the Company to DDTC. Accordingly, the \$10,000 suspended penalty has not been recognized as a liability as of March 31, 2023 June 30, 2023 and will be recognized as incurred during the three-year term of the settlement agreement. The agencies are agreement and any portion not criminally prosecuting expended at the end of the three-year term of the settlement agreement will be paid by the Company nor anyone associated with the Company, and the Company is not subject to any administrative debarment. Over the course of our internal investigation, we made meaningful improvements to our compliance program and will continue to further enhance export compliance going forward. DDTC.

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Litigation

Shareholder Suits

The Company and certain of its current and former executive officers have been named as defendants in a consolidated putative stockholder class action lawsuit pending in the United States District Court for the Eastern District of New York (the "District Court"). The action is styled In re 3D Systems Securities Litigation, No. 1:21-cv-01920-NGG-TAM (E.D.N.Y.) (the "Securities Class Action"). On July 14, 2021, the Court appointed a Lead Plaintiff for the putative class and approved his choice of Lead Counsel. Lead Plaintiff filed his Consolidated Amended Complaint (the "Amended Complaint") on September 13, 2021, alleging that defendants violated the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and SEC Rule 10b-5 promulgated thereunder by making false and misleading statements and omissions, and that the current and former executive officers named as defendants are control persons under Section 20(a) of the Exchange Act. The Amended Complaint was filed on behalf of stockholders who purchased shares of the Company's Common Stock between May 6, 2020 and March 5, 2021, and seeks monetary damages on behalf of the purported class. Defendant moved to dismiss the Amended Complaint on February 15, 2022, and the motion was fully briefed in May 2022. On October 28, 2022, the parties notified the District Court that they reached an agreement in principle resolving this action, and on December 19, 2022, Lead Plaintiff filed a motion seeking entry of an order preliminarily approving the settlement and establishing notice procedures. The settlement is subject to both preliminary and final approval by the District Court. On June 5, 2023, following the District Court's referral of Lead Plaintiff's motion to a Magistrate

Judge for a Report and Recommendation on the motion, the Magistrate Judge issued a Report and Recommendation recommending that the District Court grant Lead Plaintiffs' motion for preliminary approval of the settlement. The District Court adopted the Report and Recommendation and preliminarily approved the settlement on July 19, 2023. A final hearing on the settlement is scheduled for November 21, 2023. The settlement is subject to both preliminary and final approval by the District Court. On April 15, 2022, the Company was informed the SEC is conducting a formal investigation of the Company related to, among other things, the allegations in the Securities Class Action, and the Company received subpoenas from the SEC for the production of documents and information related to its investigation as a follow on to a previous voluntary request for documents. The Company is cooperating with the SEC.

The Company has been named as a nominal defendant and certain of its current and former executive officers and directors have been named as defendants in derivative lawsuits pending in the United States District Court for the Eastern District of New York, the South Carolina Court of Common Pleas for the 16th Circuit, York County, and the Supreme Court of the State of New York, Kings County. The actions are styled *Nguyen v. Joshi, et al.*, No. 21-cv-03389-NGG-TAM (E.D.N.Y.) (the "Nguyen Action"), *Lesar v. Graves, et al.*, No. 2021CP4602308 (S.C., Ct. of Common Pleas for the 16th Judicial Cir., Cty. of York) (the "Lesar Action"), *Scanlon v. Graves, et al.*, No. 2021CP4602312 (S.C., Ct. of Common Pleas for the 16th Judicial Cir., Cty. of York) (the "Scanlon Action"), *Bohus v. Joshi, et al.*, No. 22-cv-2203-CBA-RML (E.D.N.Y.) (the "Bohus Action"), and *Fernicola v. Clinton, et al.*, No. 512613/2022 (N.Y., Kings County Supreme Court) (the "Fernicola Action"). The Complaints in the Nguyen and Bohus Actions, which were filed on June 15, 2021 and April 18, 2022, respectively, assert breach of fiduciary duty claims against all defendants and claims for contribution under the federal securities laws against certain of the defendants. The Complaints in the Lesar and Scanlon Actions, which were filed on July 26, 2021, assert breach of fiduciary duty and unjust enrichment claims against the defendants. The Complaint in the Fernicola Action was filed on May 2, 2022, and asserts claims for breach of fiduciary duty and waste of corporate assets against the director defendants. On August 27, 2021, the Nguyen Action was stayed until 30 days after the earlier of: (i) the close of discovery in the Securities Class Action, or (ii) the deadline for appealing a dismissal of the Securities Class Action with prejudice. On October 26, 2021, the Lesar Action and the Scanlon Action were consolidated into a single stockholder derivative action, styled as *In Re 3D Systems Corp. Shareholder Derivative Litigation*, No. 2021CP4602308 (S.C., Ct. of Common Pleas for the 16th Judicial Cir., Cty. of York) (the "South Carolina Derivative Action"). On March 3, 2022, the South Carolina Derivative Action was stayed until 30 days after the earlier of: (i) the close of discovery in the Securities Class Action, or (ii) the deadline for appealing a dismissal of the Securities Class Action with prejudice. On June 16, 2022, the Bohus Action was consolidated with the Nguyen Action (the "E.D.N.Y. Derivative Action"). The E.D.N.Y. Derivative Action is stayed until 30 days after the earlier of: (i) the close of discovery in the Securities Class Action, or (ii) the deadline for appealing a dismissal of the Securities Class Action with prejudice. On August 15, 2022, the Fernicola Action was voluntarily dismissed without prejudice.

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The Company believes the claims alleged in the putative securities class action and derivative lawsuits are without merit and the Company intends to defend itself and its current and former officers vigorously.

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Other

We are involved in various other legal matters incidental to our business. Although we cannot predict the results of the litigation with certainty, we believe that the disposition of all of these various other legal matters will not have a material adverse effect, individually or in the aggregate, on our consolidated results of operations, consolidated cash flows or consolidated financial position.

In connection with the foregoing matters, we recognized a liability of \$16,044 during the three months year ended December 31, 2022, which includes the \$10,000 DDTC civil monetary penalty being recognized at a discount using the risk-free interest rate in effect at the time of recognition. During the three six months ended March 31, 2023 June 30, 2023, we have paid \$8,548 of this liability in accordance with the settlement agreements discussed above. Refer to Note 8 9 for details regarding our remaining short-term and long-term liabilities recorded for legal contingencies.

(18) (19) Fair Value Measurements

Fair value is the exchange price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data, or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy:

- Level 1 - Inputs are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 - Inputs are based on observable inputs other than quoted prices in active markets for identical or similar assets and liabilities.
- Level 3 - One or more inputs are unobservable and significant.

Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash equivalents and short-term investments are valued utilizing the market approach to measure fair value for financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The carrying amounts of our cash and cash equivalents,

accounts receivable, accounts payable, and accrued liabilities approximate fair value as of **March 31, 2023**, **June 30, 2023** and December 31, 2022 because of the relatively short duration of these instruments.

Assets measured at fair value on a recurring basis as of June 30, 2023 are summarized below:

		Fair Value Measurement as of June 30, 2023					
		Fair Value Measurement				Balance Sheet Classification	
						Cash and Cash	Short-term
(in thousands)	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Fair Value	Equivalents	Investments	
Money market funds	Level 1	\$ 417,486	\$ —	\$ 417,486	\$ 417,486	\$ —	
Corporate bonds	Level 2	1,135	—	1,135	—	1,135	
Total		\$ 418,621	\$ —	\$ 418,621	\$ 417,486	\$ 1,135	

We did not have any transfers of assets or liabilities between Level 1, Level 2 and Level 3 of the fair value measurement hierarchy during the three or six months ended June 30, 2023.

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Assets measured at fair value on a recurring basis as of **March 31, 2023** are summarized below:

		Fair Value Measurement as of March 31, 2023					
		Fair Value Measurement				Balance Sheet Classification	
						Short-term Investments and Marketable Securities	
(in thousands)	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Fair Value	Cash and Cash Equivalents		
Money market funds	Level 1	\$ 451,508	\$ —	\$ 451,508	\$ 451,508	\$ —	
Certificates of deposit	Level 2	—	—	—	—	—	
Commercial paper	Level 2	—	—	—	—	—	
Short-term bond mutual funds	Level 2	—	—	—	—	—	
Corporate bonds(a)	Level 2	4,046	(19)	4,027	—	4,027	
Total		\$ 455,554	\$ (19)	\$ 455,535	\$ 451,508	\$ 4,027	

(a) Includes \$745 and \$742 of cost basis and fair market value, respectively, with a weighted average maturity of 1.0 years.

We did not have any transfers of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value measurement hierarchy during the three months ended March 31, 2023.

Assets measured at fair value on a recurring basis as of December 31, 2022 are summarized below:

	Fair Value Measurement as of December 31, 2022								Fair Value Measurement as of December 31, 2022					
	Fair Value Measurement				Balance Sheet Classification				Fair Value Measurement				Balance Sheet Classification	
							Short-term Investments							
(in thousands)	(in thousands)	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Fair Value	Cash and Cash Equivalents	and Marketable Securities	(in thousands)	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Fair Value	Cash and Cash Equivalents	Short-term Investments
Money market funds	Money market funds	Level 1	\$ 232,018	\$ —	\$ 232,018	\$ 232,018	\$ —	Money market funds	Level 1	\$ 232,018	\$ —	\$ 232,018	\$ 232,018	\$ —
Certificates of deposit	Certificates of deposit	Level 2	990	6	996	—	996	Certificates of deposit	Level 2	990	6	996	—	996
Commercial paper	Commercial paper	Level 2	1,281	6	1,287	—	1,287	Commercial paper	Level 2	1,281	6	1,287	—	1,287
Short-term bond mutual funds	Short-term bond mutual funds	Level 2	100,242	(99)	100,143	—	100,143	Short-term bond mutual funds	Level 2	100,242	(99)	100,143	—	100,143
Corporate bonds(a)	Corporate bonds(a)	Level 2	78,418	(241)	78,177	—	78,177	Corporate bonds(a)	Level 2	78,418	(241)	78,177	—	78,177

Total	Total	\$ 412,949	\$ (328)	\$ 412,621	\$ 232,018	\$ 180,603	Total	\$ 412,949	\$ (328)	\$ 412,621	\$ 232,018	\$ 180,603
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(a) Includes \$745 and \$743 of cost basis and fair market value, respectively, with a weighted average maturity of 1.3 years.

(19) (20) Restructuring

During the three months ended June 30, 2023, the Company announced a restructuring initiative intended to improve internal operating efficiencies, as well as long-term valuation creation. Actions taken by the Company primarily consisted of a reduction in headcount of approximately 6% of the Company's workforce, with the majority of the workforce reduction occurring in corporate and business support functions predominately located in the US and Europe. During the current quarter, the Company accrued one-time severance and termination costs totaling \$3,018, which have been reported within selling, general, and administrative expense on the Company's condensed consolidated statement of operations and reflect the total costs expected to be incurred in connection with this activity. As the reduction in workforce was concentrated within corporate and business support functions, the reported results of the Company's Healthcare Solutions and Industrial Solutions segments were not impacted by this restructuring initiative. The settlement of all costs accrued in connection with this restructuring initiative is expected to occur prior to the end of the year ending December 31, 2023. The following table provides additional details regarding the restructuring costs incurred during the period, the portion of such costs that were settled with cash as of June 30, 2023, and the remaining accrued liability reported in our condensed consolidated balance sheet as of June 30, 2023:

(in thousands)	Accrued Liability as of December 31, 2022	Costs Net Incurred during 2023	Amounts settled with cash	Accrued Liability as of June 30, 2023
Severance, termination benefits and other employee costs	\$ —	\$ 3,018	\$ 1,962	\$ 1,056
Total	\$ —	\$ 3,018	\$ 1,962	\$ 1,056

In addition to the recognition of severance and termination costs, the Company recognized an impairment charge of \$628 related to certain fixed assets that were retired.

3D SYSTEMS CORPORATION NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(21) Subsequent Events

Acquisition of Wematter

On May 1, 2023 July 3, 2023, the Company completed the previously announced that it entered into an agreement to acquire acquisition of Wematter AB ("Wematter"), a Swedish 3D printer manufacturer that will broaden 3D Systems' Selective Laser Sintering (SLS) portfolio, portfolio. The acquisition resulted in the Company acquiring 100% of the outstanding voting interest of Wematter. Consideration for this acquisition consisted of approximately \$11,000 \$10,256 in cash, subject to customary post-closing adjustments. The Company also may be required to pay an additional €2,000 in cash, contingent on upon the achievement of certain post-closing performance conditions and the continued employment by the Company of certain Wematter key employees for two years after the closing date. If earned, the €2,000 is expected to be recognized as compensation expense over the 2-year two-year service period. period that the key employees must remain employed at 3D Systems. Due to the timing of the consummation of this acquisition, the Company has not completed the allocation of the approximately \$10,256 in cash purchase consideration to the acquired assets, assumed liabilities, and goodwill. Based upon the completion of this acquisition of Wematter, Wematter will not be required to repay the short-term note receivable outstanding as of June 30, 2023 (as discussed in Note 7).

Stratasys Proposal

Since June 2023, the Company has delivered to Stratasys Ltd.'s ("Stratasys") board of directors multiple proposals to acquire all of Stratasys' issued and outstanding ordinary shares of common stock. On July 13, 2023, the Company's efforts culminated with the delivery of an enhanced proposal, along with a binding merger agreement delivered in escrow (the "Merger Agreement") and an accompanying Escrow Letter (the "Escrow Letter"), for the acquisition of 100% of Stratasys' issued and outstanding shares of common stock for per share consideration equivalent to (1) \$7.50 in cash, or approximately \$540,000 in aggregate cash consideration, and (2) 1.5444 newly issued shares of the combined company. In addition, the Merger Agreement commits the Company to pay, on behalf of Stratasys, a fee of \$32,500 that would be incurred by Stratasys in connection with terminating a pre-existing merger agreement with Desktop Metal Inc. (the "Desktop Metal Merger Agreement").

The acquisition delivered Merger Agreement and Escrow Letter will terminate on the earliest of the following potential dates: (1) August 28, 2023 or the third business day following the earlier of (i) Stratasys' shareholder meeting to vote on the Desktop Metal Merger Agreement or (ii) a qualifying termination of the Desktop Metal Merger Agreement; (2) shareholder approval of the Desktop Metal Merger Agreement (or removal of the requirement for such approval); (3) consummation of any business combination or asset sale transaction between Stratasys and Desktop metal or (4) Stratasys' willful breach of terms of the Desktop Metal Merger Agreement. If Stratasys executes the Merger Agreement and satisfies the conditions set forth in the Escrow Letter prior to each document's expiration, the Company will be fully bound to all terms included therein. If executed, the Merger Agreement is expected to close during July 2023.

On May 9, 2023, the Company announced a restructuring initiative to improve operating efficiencies throughout the organization and drive long-term value creation. This initiative is expected to reduce headcount by approximately 6%, with the majority of reductions being made in Corporate and business support functions which are predominantly located result in the US current existing shareholders of Stratasys owning approximately 44% of the issued and Europe. The Company expects to incur cash charges in outstanding shares of the range post-merger, combined company. As the existing shareholders of \$3,500 - \$4,500 for severance-related costs related to this initiative during 2023. The majority of these charges 3D Systems are expected to own approximately 56% of the issued and outstanding shares of the post-merger combined company, 3D Systems expects to be incurred in deemed the 2nd quarter of 2023, with the remainder occurring in the second half of 2023, acquirer for accounting purposes.

As the Company's proposed acquisition of Stratasys remains contingent upon (1) the termination of the Desktop Metal Merger Agreement, (2) Stratasys accepting the Company's proposed Merger Agreement, (3) approval of the transaction by the vote of both the Company's and Stratasys' shareholders, and (4) receipt of various regulatory approvals, consummation of the acquisition transaction is not assured. If the Merger Agreement is executed by Stratasys, both the Company and Stratasys become subject to a potential termination fee of \$32,500, as well as reimbursement of up to \$10,000 of the other party's transaction-related expenses, if the Merger agreement is subsequently terminated for certain specified reasons or under certain specified conditions identified therein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with our unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Form 10-Q (the "Financial Statements"). Certain statements contained in this discussion may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that may affect our future performance, that are as discussed in greater detail under the heading "Forward Looking Statements" below and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K").

Business Overview

3D Systems Corporation ("3D Systems" or the "Company" or "we," "our" or "us") markets our products and services through subsidiaries in North America and South America (collectively referred to as "Americas"), Europe and the Middle East (collectively referred to as "EMEA") and the Asia Pacific and Oceania region (collectively referred to as "APAC"). We provide comprehensive 3D printing and digital manufacturing solutions, including 3D printers for plastics and metals, materials, software, and digital design tools. Our solutions support advanced applications in two key industry verticals: Healthcare Solutions and Industrial Solutions. We have over 35 years of experience and expertise, which have proven vital to our development of an ecosystem and end-to-end digital workflow solutions that enable customers to optimize product designs, transform workflows, bring innovative products to market and drive new business models.

The Company has two reportable segments, Healthcare Solutions and Industrial Solutions. Healthcare Solutions includes dental, medical devices, personalized health services and regenerative medicine. Industrial Solutions includes aerospace, defense, transportation and general manufacturing. We architect solutions specific to customers' needs through a combination of materials, hardware platforms, software, professional services and advanced manufacturing – creating a path to integrating additive manufacturing into traditional production environments. As a result, manufacturers achieve design freedom, increase agility, scale production and improve their overall total cost of operation. Our technologies and process knowledge enable hundreds of thousands of production parts to be made through additive manufacturing each day.

Recent Developments

Stratasys Proposal

Since June 2023, the Company has delivered to Stratasys Ltd.'s ("Stratasys") board of directors multiple proposals to acquire all of Stratasys' issued and outstanding ordinary shares of common stock. On July 13, 2023, the Company's efforts culminated with the delivery of an enhanced proposal, along with a binding merger agreement delivered in escrow (the "Merger Agreement") and an accompanying Escrow Letter (the "Escrow Letter"), for the acquisition of 100% of Stratasys' issued and outstanding shares of common stock for per share consideration equivalent to (1) \$7.50 in cash, or approximately \$540 million in aggregate cash consideration, and (2) 1.5444 newly issued shares of the combined company. In addition, the Merger Agreement commits the Company to pay, on behalf of Stratasys, a fee of \$32.5 million that would be incurred by Stratasys in connection with terminating a pre-existing merger agreement with Desktop Metal Inc. (the "Desktop Metal Merger Agreement"). If the Merger Agreement is executed by Stratasys, both the Company and Stratasys become subject to a potential termination fee of \$32.5 million, as well as reimbursement of up to \$10.0 million of the other party's transaction-related expenses, if the Merger agreement is subsequently terminated for certain specified reasons or under certain specified conditions identified therein. Refer to Note 21 to our unaudited financial statements for the current period ended June 30, 2023, as well as the Company's Form 8-Ks furnished on July 13, 2023 and July 28, 2023, for additional details regarding the Company's most recent proposal for the acquisition of Stratasys.

Acquisitions/Investments

The Company has made the following significant acquisitions and investments since subsequent to the fourth quarter of 2021, 2021, through June 30, 2023.

In June of 2023, we made an \$8.0 million investment in Theradaptive, Inc. ("Theradaptive"), via the purchase of Series A Preferred Stock, pursuant to which we hold an approximate 9.15%, or 8.25% fully-diluted, ownership interest in Theradaptive. Theradaptive is currently developing a protein that encourages bone growth. This biotechnology could be applied to 3D printed metal splints for patients who otherwise may require amputation of a limb because the lost bone is too vast to replace with a splint. The Company expects to account for its investment in Theradaptive on a cost basis, subject to assessment for impairment, as the fair value of Theradaptive's equity is not readily determinable and the investment is not subject to the equity method of accounting due to the Company's lack of significant influence. The investment in Theradaptive is not expected to materially impact our future financial position, results of operations, or cash flows.

On October 4, 2022, we completed the acquisition of dp polar GmbH ("dp polar"), a German-based designer and manufacturer of the industry's first additive manufacturing system designed for true high-speed mass production of customized components, for \$25.2 million, which includes \$19.6 million paid in cash at closing, \$7.1 million paid at closing via the issuance of the Company's common stock, and a provisional \$1.5 million estimated post-closing purchase price adjustment due to the Company from the sellers. An additional payment of \$2.2 million via the issuance of 249,865 shares of the Company's common stock is possible upon the continued employment of a certain key individual from dp polar through October 4, 2024. Central to dp polar's patented continuous printing process is a large-scale, segmented, rotating print platform that eliminates the start/stop operations of virtually all additive manufacturing platforms. With dp polar's technology and patented polar coordinate control, the print heads remain stationary above the rotating platform, providing a continuous print process. The acquisition's near-term impact on the Company's results of operations and cash flows has been dilutive.

On April 1, 2022, we completed the acquisition of 93.75% of Kumovis GmbH ("Kumovis") for an all-cash purchase price of \$37.9 million. \$3.6 million of the purchase price is was deferred for up to fifteen months from the closing date, and was paid in July 2023 (i.e., subsequent to the current quarter), and \$0.1 million of the purchase price reflects the anticipated settlement of the related net working capital adjustment. Kumovis, which is part of the Healthcare Solutions segment, utilizes polyether ether keton or "PEEK"

materials, which have properties that lend it to many medical applications, including many implant applications, that fit into our personalized healthcare solutions operations. The acquisition's near-term impact on the Company's results of operations and cash flows has been dilutive.

On April 1, 2022, we completed the acquisition of 100% of Titan Additive LLC ("Titan") for an all-cash purchase price of \$39.0 million. Titan, which is part of the Industrial Solutions segment, is a pellet-based extrusion platform that addresses customer applications requiring large build volumes, superior performance, and improved productivity at significantly lower cost. We believe the acquisition of Titan will open up new markets in the Industrial Solutions segment. The acquisition's near-term impact on the Company's results of operations and cash flows has been dilutive.

In March 2022, the Saudi Arabian Industrial Investments Company ("Dussur") and 3D Systems signed an agreement to form a joint venture intended to expand the use of additive manufacturing within the Kingdom of Saudi Arabia and surrounding geographies, including the Middle East and North Africa. The joint venture is to enable the development of Saudi Arabia's domestic additive manufacturing production capabilities, consistent with the Kingdom's 'Vision 2030,' which is focused on diversification of the economy and long-term sustainability. Upon entering the agreement with Dussur, 3D Systems is committed to an initial investment in the joint venture of approximately \$6.5 million, of which \$3.4 million was had been deposited in into an escrow account during the three months ended as of December 31, 2022 and, accordingly, was reported as restricted cash within other assets on the December 31, 2022 balance sheet as of March 31, 2023 and December 31, 2022, sheet. In February 2023, the Company became a shareholder in the joint venture and, now as of June 30, 2023, owns 49% of its the joint venture's common stock. Accordingly, During April 2023, the \$3.4 million held in escrow, plus an as well as the additional amount of approximately \$3.1 million owed to the joint venture as of March 31, 2023, was deposited into a bank account of the joint venture during April 2023 for use in its operations. Additional future investments are contingent upon the achievement of certain milestones by the joint venture. The impact of this investment on the Company's future financial position results of operations and cash flows is not expected to be material other than the limited to cash outflow(s) related to future contingent investments, if required. The Company accounts for the initial and contingent investments joint venture under the equity method of accounting, which requires the Company to recognize its proportionate share of the joint venture's reported net income or loss. Due to the timing of when the joint venture's reported financial information is expected to be available, the Company will record amounts required to be recognized pursuant to the equity method of accounting on a one quarter lag.

In March 2022, we made a \$10.0 million investment for an approximate 26.6% ownership interest in Enhatch Inc. ("Enhatch"), the developer of the Intelligent Surgery Ecosystem. We simultaneously entered into a collaboration and supply agreement with Enhatch. We also obtained warrants to purchase additional shares of Enhatch and the right to purchase, in the future, the remaining shares of Enhatch that 3D Systems does not own, if certain revenue targets are achieved. Enhatch's Intelligent Surgery Ecosystem provides technologies which streamline and scale the design and delivery of patient-specific medical devices by automating the process. Incorporating these capabilities into 3D Systems' workflow for patient-specific solutions, which includes advanced software, expert treatment planning services, custom implants, instrumentation design, and industry-leading production processes, will help more efficiently meet the growing demand for personalized medical devices.

On December 1, 2021, we acquired Volumetric Biotechnologies, Inc. ("Volumetric") for \$40.2 million. Additional payments of up to \$355.0 million are possible upon (1) the attainment of seven non-financial milestones, each of which is measured individually and requires achievement prior to either December 31, 2030 or December 31, 2035, and (2) the continued employment of certain key individuals from Volumetric. Volumetric's mission is to develop the ability to manufacture human organs using bioprinting methods and the underlying technologies required to create these highly complex biological structures. With this acquisition, we expanded our capabilities and capacity in 3D printing related to bio-printing and regenerative medicine. Combining 3D Systems' regenerative medicine group with Volumetric's highly complementary skill sets of biological expertise and cellular engineering is expected to accelerate our core regenerative medicine strategies, which include the bio-printing of human organs, additional non-organ applications and bio-printing technologies for research labs. The acquisition's near-term impact on the Company's results of operations and cash flows has been dilutive. Volumetric's operating results are reported in the Healthcare Solutions segment.

On November 1, 2021, we acquired Oqton for \$187.8 million. Oqton is a software company that creates an intelligent, cloud-based MOS ("manufacturing operations system") platform tailored for flexible production environments that increasingly utilize a range of advanced manufacturing and automation technologies, including additive manufacturing solutions, in their production workflows. The cloud-based solution leverages the Industrial Internet of Things, artificial intelligence, and machine learning technologies to deliver a solution for customers to automate their digital manufacturing workflows, scale their operations and enhance their competitive position. The Oqton acquisition will allow the Company to expand its existing additive manufacturing software suite to the entire additive industry. Oqton's operating results are reported in the Industrial Solutions segment, and the acquisition's impact on the Company's financial position, results of operations and cash flows has been dilutive.

Investing in Regenerative Medicine

As an early and continuing innovator in additive manufacturing, we have significant experience in bringing this technology to new markets. In 2022, we continued to expand our focus and investments in the application of additive manufacturing for regenerative medicine. Currently, our efforts in the area of regenerative medicine consist mainly of pre-commercial research and development ("R&D") and involve three strategies.

The first strategy is the use of additive manufacturing for human organ transplantation. Each year, end-stage organ failure kills millions of people. However, the supply of donated organs is insufficient to meet the needs of patients seeking transplantation. During 2022, we made significant progress in our organ printing development program, which we are conducting together with a key strategic partner. This program was first established in 2017 and combines our legacy 3D printing expertise with and our new capabilities in human tissue engineering from our acquisition of Volumetric in 2021 with the regenerative medicine and biotechnology expertise of our partner. To date, our program has focused on developing the capability to print scaffolds for human lungs, with a long-term goal of allowing all patients with end-stage lung disease to receive transplants which will enable them to enjoy long and active lives. Based upon the progress made toward this goal, the program has been expanded to include two additional human organs.

Our second strategy involves utilizing our bio-printing technology to manufacture non-organ human tissue scaffolds for use in transplantation and surgical reconstruction applications. We believe that continued progress in this area could result in significantly improved health outcomes for patients, as well as open up attractive new growth markets and therapeutic applications for 3D printed, vascularized soft-tissue scaffolds. During 2022, we pursued this strategy as an internal development program that combines our legacy 3D printing capabilities with bio-printing and materials expertise that we have gained through our Volumetric acquisition, as well as through our work on the human lung program with our development partner.

Our third regenerative medicine strategy seeks to utilize our bio-printing capabilities to design and manufacture 3D-printed vascularized "organs-on-chips" for use in drug development by pharmaceutical industry customers. Currently, drug development is an expensive and time-consuming process, and many drug therapies that appear promising

during pre-clinical trials fail during human clinical trials. We believe that “organs-on-chips” can accelerate the drug development process and reduce the cost of pre-clinical drug testing, as well as reduce the pharmaceutical industry’s reliance on animal testing. During 2022, we formed a new wholly-owned biotech company called Systemic Bio in order to accelerate our progress in this area. Systemic Bio combines 3D Systems’ legacy expertise in high-resolution 3D printing with advanced capabilities in bioprinting and biomaterials gained from our 2021 acquisition of Allevi, Inc. to design and market 3D-printed, vascularized “organs-on-chips” for sale to pharmaceutical industry customers. In the first quarter of 2023, we signed our first contract with a top pharmaceutical company with the aim of establishing a bioprinted vascularized tumor model to be used for drug discovery and development efforts in oncology. In addition to contract partnerships with third parties, we plan to continue providing internal funding to support Systemic Bio during the early stages of its growth, including for activities such as R&D facility expansion, product development and customer acquisition.

Fiscal Year 2023 Restructuring Activity

During the quarter ended June 30, 2023, the Company announced its plans to reduce its headcount by approximately 6%, with the majority of reductions being made in corporate and business support functions predominantly located in the US and Europe. The reduction in headcount, which resulted in the recognition of \$3.0 million of severance-related costs, reflects the latest phase of the Company’s multi-faceted restructuring initiative that has also included the Company’s plans to in-source the manufacturing of certain metal printer platforms, as previously announced during the quarter ended March 31, 2023. The reduction in headcount is part of the Company’s plan to improve operating efficiencies and reflects investments that have been made to improve business processes, rationalize operations, and integrate the acquisitions completed over the past two years. The in-sourcing of certain metal printer platforms is expected to improve cycle time from development to production by co-locating the engineering and manufacturing related to such platforms. The combination of the reduction in the Company’s headcount and the in-sourcing of certain metal printer platforms is expected to result in reduced operating expenses of between \$4.0 million and \$6.0million for the current fiscal year ending December 31, 2023 and reduced operating expenses of between \$9.0 million and \$11.0 million for future annual periods beginning with the fiscal year ending December 31, 2024.

Background

We earn revenue from the sale of products and services through our Healthcare Solutions and Industrial Solutions segments. The product categories include 3D printers and corresponding materials, digitizers, software licenses, 3D scanners and haptic devices. The majority of materials used in our 3D printers are proprietary. The services category includes categories include maintenance contracts and services on 3D printers, software maintenance, software as a service subscriptions and healthcare solutions services.

Given the relatively high price of certain 3D printers and a corresponding lengthy selling cycle, as well as relatively low unit volume of the higher-priced printers in any particular period, a shift in the timing and concentration of orders and shipments from one period to another can materially affect reported revenue in any given period.

In addition to changes in sales volumes, there are two other primary drivers of changes in revenue from one period to another: (1) the combined effect of changes in product mix and average selling prices and (2) the impact of fluctuations in foreign currencies. As used in this Management’s Discussion and Analysis of Financial Condition and Results of Operations, the price and mix effects relate to changes in revenue that are not able to be specifically related to changes in unit volume or foreign exchange.

How We Assess the Performance of Our Business

We manage operations through the two business segments described above. In addition to our consolidated GAAP financial measures, we review Adjusted EBITDA.

We believe Adjusted EBITDA is a helpful supplemental measure to assist us and investors in evaluating our operating results, as they exclude Adjusted EBITDA excludes certain items whose for which the fluctuation from period to period do does not necessarily correspond to changes in the operations of our business. Adjusted EBITDA represents net income (loss), plus income tax (provision) benefit, interest and other income (expense), net, stock-based compensation expense, amortization of intangible assets, depreciation expense, and certain other non-GAAP adjustments. We believe that the adjustments applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about (1) our operating and financial performance without the effect of certain material non-cash items and about (2) non-recurring items that we do not expect to continue at the same level in the future.

Management and our board Board of directors Directors regularly use this measure Adjusted EBITDA in evaluating our operating and financial performance and in establishing discretionary annual compensation. Such This measure is provided in addition to, and should not be considered to be a substitute for, or superior to, the comparable measure under measures determined in accordance with GAAP. In addition, we believe that Adjusted EBITDA is frequently used by investors and other interested parties in the evaluation of other issuers, many of which also present Adjusted EBITDA when reporting their results in an effort to facilitate an augment investors’ understanding of their operating and financial results. results; however, similarly titled measures provided by other issuers may not be calculated in the same manner and/or using the same adjustments.

Adjusted EBITDA should not be considered as an alternative to net income (loss) or any other performance measure derived in accordance with GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under GAAP.

For further information regarding Adjusted EBITDA, see “Reconciliation of non-GAAP Measures” below.

Consolidated Financial Results for the Three and Six Months Ended March 31, 2023 June 30, 2023 and 2022

(in thousands)	(in thousands)	Three Months Ended		(in thousands)	Three Months Ended		Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:	Revenue:			Revenue:				
Products	Products	\$ 84,388	\$ 100,551	Products	\$ 89,165	\$ 103,774	\$ 173,553	\$ 204,325
Services	Services	36,848	32,450	Services	39,029	36,271	75,877	68,721

Total revenue	Total revenue	121,236	133,001	Total revenue	128,194	140,045	249,430	273,046
Cost of sales:	Cost of sales:			Cost of sales:				
Products	Products	49,880	58,472	Products	56,135	65,331	106,015	123,803
Services	Services	24,258	20,734	Services	22,043	21,576	46,301	42,310
Total cost of sales	Total cost of sales	74,138	79,206	Total cost of sales	78,178	86,907	152,316	166,113
Gross profit	Gross profit	47,098	53,795	Gross profit	50,016	53,138	97,114	106,933
Operating expenses:	Operating expenses:			Operating expenses:				
Selling, general and administrative	Selling, general and administrative	58,285	55,415	Selling, general and administrative	58,983	64,404	117,268	119,819
Research and development	Research and development	22,209	21,612	Research and development	22,762	20,772	44,971	42,384
Total operating expenses	Total operating expenses	80,494	77,027	Total operating expenses	81,745	85,176	162,239	162,203
Loss from operations	Loss from operations	(33,396)	(23,232)	Loss from operations	(31,729)	(32,038)	(65,125)	(55,270)
Interest and other income (expense), net	Interest and other income (expense), net	3,875	(2,283)	Interest and other income (expense), net	3,214	329	7,089	(1,954)
(Loss) income before income taxes	(Loss) income before income taxes	(29,521)	(25,515)	(Loss) income before income taxes	(28,515)	(31,709)	(58,036)	(57,224)
(Provision) benefit for income taxes	(Provision) benefit for income taxes	(8)	(1,284)	(Provision) benefit for income taxes	(222)	(1,289)	(230)	(2,573)
(loss) on equity method investment				(loss) on equity method investment	(142)	—	(142)	—
Net (loss) income before redeemable non-controlling interest	Net (loss) income before redeemable non-controlling interest	(29,529)	(26,799)	Net (loss) income before redeemable non-controlling interest	(28,879)	(32,998)	(58,408)	(59,797)
Less: net (loss) attributable to redeemable non-controlling interest		(108)	—					
Less: net (loss) income attributable to redeemable non-controlling interest				Less: net (loss) income attributable to redeemable non-controlling interest	16	(37)	(92)	(37)
Net (loss) income attributable to 3D Systems Corporation	Net (loss) income attributable to 3D Systems Corporation	\$ (29,421)	\$ (26,799)	Net (loss) income attributable to 3D Systems Corporation	\$ (28,895)	\$ (32,961)	\$ (58,316)	\$ (59,760)
Other Financial Data:	Other Financial Data:			Other Financial Data:				
Adjusted EBITDA	Adjusted EBITDA	\$ (10,094)	\$ 1,923	Adjusted EBITDA	\$ (6,898)	\$ (2,578)	\$ (16,993)	\$ (651)

Operating Results for the Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022

Consolidated revenue

The following table sets forth changes in our products and services revenue for the three months ended **March 31, 2023**, **June 30, 2023** and 2022.

(Dollars in thousands)	(Dollars in thousands)	Products		Services		Total		(Dollars in thousands)	Products		Services		Total	
Revenue — 2022		\$ 100,551	75.6 %	\$ 32,450	24.4 %	\$ 133,001	100.0 %	Revenue —						
Three months ended June 30, 2022								Three months ended June 30, 2022	\$ 103,774	74.1 %	\$ 36,271	25.9 %	\$ 140,045	100.0 %
Change in revenue:	Change in revenue:							Change in revenue:						
Volume	Volume	(14,279)	(14.2) %	5,231	16.1 %	(9,048)	(6.8) %	Volume	(18,688)	(18.0) %	2,638	7.3 %	(16,050)	(11.5) %
Price/mix	Price/mix	343	0.3 %	—	— %	343	0.3 %	Price/mix	3,825	3.7 %	—	— %	3,825	2.7 %
Foreign currency translation	Foreign currency translation	(2,227)	(2.2) %	(833)	(2.6) %	(3,060)	(2.3) %	Foreign currency translation	254	0.2 %	120	0.3 %	374	0.3 %
Net change	Net change	(16,163)	(16.1) %	4,398	13.5 %	(11,765)	(8.8) %	Net change	(14,609)	(14.1) %	2,758	7.6 %	(11,851)	(8.5) %
Revenue — 2023		\$ 84,388	69.6 %	\$ 36,848	30.4 %	\$ 121,236	100.0 %	Revenue —						
Three months ended June 30, 2023								Three months ended June 30, 2023	\$ 89,165	69.6 %	\$ 39,029	30.4 %	\$ 128,194	100.0 %

Products revenue

For the three months ended **March 31, 2023** June 30, 2023, products revenue decreased by **\$16.2 million** \$14.6 million, or **16.1%** 14.1%, as compared to the three months ended **March 31, 2022** June 30, 2022. The Lower sales volume resulted in an \$18.7 million, or 18.0%, decrease in products reported product revenue was primarily driven by a reduction in sales volumes relative to the prior year period, of \$14.3 million, or 14.2%, due which \$13.7 million of such decrease is attributable to a \$19.1 million decrease in volume within our Healthcare Solutions segment partially offset by a \$4.8 million increase in volume within and \$5.0 million of the decrease is attributable to our Industrial Solutions segment. The lower volume within our Healthcare Solutions segment was primarily due to lower sales to the dental orthodontics market, as the demand for related elective dental procedures that our products support has been impacted by current economic conditions. The lower volume within our Industrial Solutions segment is primarily due to lower volume within the manufacturing and prototyping product lines.

The decrease in product revenue due to lower sales volume was partially offset by an increase of \$3.8 million in product revenue attributable to favorable sales price/mix, of which \$1.8 million of the increase relates to our Healthcare Solutions segment and \$2.0 million of the increase relates to our Industry Solutions segment.

Services revenue

For the three months ended **March 31, 2023** June 30, 2023, services revenue increased by **\$4.4 million** \$2.8 million, or **13.5%** 7.6%, as compared to the three months ended **March 31, 2022** June 30, 2022. The Higher sales volume resulted in a \$2.6 million, or 7.3%, increase in reported services revenue was primarily due relative to an increase in sales volume the prior year period, of \$3.4 million which \$0.8 million and \$1.8 million in of the increase relates to our Healthcare Solutions segment and our Industrial Solutions segments, segment, respectively. The increase in the services sales volume realized by our Healthcare Solutions segment primarily was driven by higher revenue generated from both virtual surgical planning services and advanced manufacturing services related relates to medical devices, personalized healthcare solutions. The increase in the services sales volume of our Industrial Solutions segment was is primarily attributable to maintenance contracts parts manufacturing for aerospace and other repair services, as well as installation and training services, semiconductor customers.

Total revenue

For the three months ended **March 31, 2023** June 30, 2023, total revenue decreased by **\$11.8 million** \$11.9 million, or **8.8%** 8.5%, as compared to the three months ended **March 31, 2022** June 30, 2022, as the decrease in our products revenue exceeded the increase in our services revenue, as described above.

Consolidated gross profit

		Three Months Ended									Three Months Ended							
						Change in Gross		Change in Gross							Change in Gross		Change in Gross	
		March 31, 2023		March 31, 2022		Profit		Profit Margin			June 30, 2023		June 30, 2022		Profit		Profit Margin	
		Gross Profit	Gross Margin	Gross Profit	Gross Margin			Percentage			Gross Profit	Gross Margin	Gross Profit	Gross Margin			Percentage	
(Dollars in thousands)	(Dollars in thousands)	Profit	Margin	Profit	Margin	\$	%	Points	%	(Dollars in thousands)	Profit	Margin	Profit	Margin	\$	%	Points	%
Products	Products	\$ 34,508	40.9 %	\$ 42,079	41.8 %	\$ (7,571)	(18.0) %	(0.9)	(2.2) %	Products	\$ 33,030	37.0 %	\$ 38,443	37.0 %	\$ (5,413)	(14.1) %	—	— %
Services	Services	12,590	34.2 %	11,716	36.1 %	874	7.5 %	(1.9)	(5.3) %	Services	16,986	43.5 %	14,695	40.5 %	2,291	15.6 %	3.0	7.4 %

Total	Total	\$ 47,098	38.8 %	\$ 53,795	40.4 %	\$ (6,697)	(12.4) %	(1.6)	(4.0) %	Total	\$ 50,016	39.0 %	\$ 53,138	37.9 %	\$ (3,122)	(5.9) %	1.1	2.9 %
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Products gross profit and gross profit margin

For the three months ended **March 31, 2023** June 30, 2023, gross profit from products sales decreased by **\$7.6 million** \$5.4 million, or **18.0%** 14.1%, as compared to the three months ended **March 31, 2022** June 30, 2022. The decrease in gross profit from products sales is primarily due to the **16.1%** corresponding **14.1%** decrease in products sales **revenue**, as well as input cost inflation and unfavorable changes in product mix. **revenue**.

Services gross profit and gross profit margin

For the three months ended **March 31, 2023** June 30, 2023, gross profit from services sales increased **\$0.9 million** \$2.3 million, or **7.5%** 15.6%, as compared to the three months ended **March 31, 2022** June 30, 2022. The increase in gross profit from services sales **is** was driven by the **13.5%** 7.6% increase in services revenue **partially offset by** input cost inflation and unfavorable changes the increase in **product mix**. realized gross profit margin. Revenue increases related to certain service offerings also contributed to an increase in gross profit margin due to the fixed nature of the costs incurred to provide the services (e.g., salaries).

Consolidated selling, general and administrative expense

Selling, general and administrative ("SG&A") expense for the three months ended **March 31, 2023** increased **\$2.9 million** June 30, 2023 decreased \$5.4 million, or **5.2%** 8.4%, to **\$58.3 million** \$59.0 million, as compared to **\$55.4 million** \$64.4 million for the three months ended **March 31, 2022** June 30, 2022. The primary drivers of the \$5.4 million decrease in SG&A expense increased \$2.0 million due to the Company's acquisitions of Titan, Kumovis, and dp polar during fiscal year 2022, as each of these acquisitions was consummated subsequent to March 31, 2022 and, accordingly, were not part of the Company's results for the period then ended. In addition to the impact of the Company's acquisitions, the increase in SG&A costs was driven by higher professional services fees **reported** for the three months ended **March 31, 2023** June 30, 2023, as compared to the three months ended June 30, 2022, are as follows:

Primary drivers(in thousands)	Increase / (Decrease)
Salaries, wages and benefits (inclusive of stock-based compensation)	\$ 5,148
Severance	1,950
Consulting and outside services	986
Legal and contingency costs	(7,875)
Volumetric earnout	(4,958)
Other	(670)
Total change	\$ (5,419)

The increase in salaries, wages and benefit costs for the three months ended June 30, 2023 is primarily attributable to a \$3.1 million increase in stock-based compensation, a \$1.0 million increase in bonus expense, and a \$1.0 million increase in salary expense. The increase in stock-based compensation expense is primarily due to a reversal of \$2.4 million of annual incentive compensation expense expected to be settled using shares of the **increased usage of consultants and third-party contractors**, as well as **increased fees** Company's common stock during the quarter ended June 30, 2022.

The increase in severance costs for the three months ended June 30, 2023 reflects costs incurred in connection with **audit** the Company's reduction in headcount in its corporate and **tax services**. business support functions, as part of its restructuring plan announced during the quarter. The reduction in headcount reflects the Company's commitment to rationalizing its operations and improving its operating efficiency.

The increase in consulting and outside services for the three months ended June 30, 2023 reflects an increase in accounting and auditing fees and the use of third-party service providers.

The decrease in legal and contingency costs for the three months ended June 30, 2023 is primarily due to the Company's accrual of \$8.4 million for a contingent loss during the quarter ended June 30, 2022, which reflected the Company's initial estimate of the costs expected to be incurred to resolve an export controls and government contracts compliance matter. This compliance matter was ultimately settled during the quarter ended March 31, 2023. An increase in legal fees incurred during the three months ended June 30, 2023 has partially offset the impact of not recording a similar legal contingency accrual during the prior year period.

The Volumetric earnout expense that is currently being recognized by the Company relates to a \$65 million earnout payment, expected to be settled 50% in cash and 50% in shares of the Company's common stock, which the Company will potentially be required to pay upon the achievement of a scientific milestone outlined in the original Volumetric acquisition agreement. During the quarter ended June 30, 2023, the Company revised its estimate of the anticipated timing for achievement of the applicable scientific milestone from the end of fiscal year 2025 to the end of fiscal year 2026. This change in timeline resulted in the recognition of an adjustment to the amount previously expensed with respect to the potential \$65 million earnout payment, as well as reduced the quarterly run rate at which future expense is expected to be recognized by \$0.8 million. Refer to Note 12 and our discussion of "Critical Accounting Estimates" for additional details.

Consolidated research and development expense

Research and development ("R&D") expense for the three months ended **March 31, 2023** June 30, 2023 increased **\$0.6 million** \$2.0 million, or **2.8%** 9.6%, to **\$22.2 million** \$22.8 million, as compared to **\$21.6** \$20.8 million for the three months ended **March 31, 2022** June 30, 2022. R&D expense increased \$0.6 million due to the Company's acquisition of dp polar in

October of 2022. While the Company's R&D expense reported for the three months ended June 30, 2023 includes amounts incurred as part of dp polar's operating activities, dp polar had not been acquired as of June 30, 2022 and, accordingly, its operating results were not part of the Company's reported results for the three months then ended.

Inclusive of the impact of the acquisition of dp polar, the \$2.0 million increase in R&D costs primarily reflects an increase in salary, wage and benefit costs of \$2.5 million, partially offset by increased reimbursements from collaborative arrangements.

Consolidated operating loss

Our operating loss was \$31.7 million for the three months ended June 30, 2023, as compared to \$32.0 million for the three months ended June 30, 2022. The decrease in our reported operating loss for the quarter ended June 30, 2023 was due to the \$5.4 million decrease in SG&A costs reported for the quarter ended June 30, 2023, as compared to the quarter ended June 30, 2022, which more than offset the period-over-period (1) decrease in revenue and gross profit and (2) increase in R&D costs. Refer to the discussion above for additional details regarding the variances in the amounts reported for each of the aforementioned financial statement line items for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, as well as the factors contributing to those variances.

Operating Results for the Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022

Consolidated revenue

The following table sets forth changes in our products and services revenue for the six months ended June 30, 2023 and 2022.

<i>(Dollars in thousands)</i>	Products		Services		Total				
Revenue — Six months ended June 30, 2022	\$	204,325	74.8 %	\$	68,721	25.2 %	\$	273,046	100.0 %
Change in revenue:									
Volume		(32,967)	(16.1)%		7,869	11.5 %		(25,098)	(9.2)%
Price/mix		4,168	2.0 %		—	— %		4,168	1.5 %
Foreign currency translation		(1,973)	(1.0)%		(713)	(1.0)%		(2,686)	(1.0)%
Net change		(30,772)	(15.1)%		7,156	10.5 %		(23,616)	(8.7)%
Revenue — Six months ended June 30, 2023	\$	173,553	69.6 %	\$	75,877	30.4 %	\$	249,430	100.0 %

Products revenue

For the six months ended June 30, 2023, products revenue decreased by \$30.8 million, or 15.1%, as compared to the six months ended June 30, 2022. Lower sales volume resulted in a \$33.0 million, or 16.1%, decrease in reported product revenue relative to the prior year period, of which \$32.9 million of such decrease is attributable to our Healthcare Solutions segment. The lower product sales volume within our Healthcare Solutions segment was primarily due to lower sales to the dental orthodontics market, as the demand for elective dental procedures that our products support has been impacted by current economic conditions.

The decrease in product revenue due to lower sales volumes was partially offset by an increase of \$4.2 million in product revenue attributable to favorable sales price/mix, of which \$2.6 million of the increase relates to our Healthcare Solutions segment and \$1.6 million of the increase relates to our Industrial Solutions segment.

Services revenue

For the six months ended June 30, 2023, services revenue increased by \$7.2 million, or 10.5%, as compared to the six months ended June 30, 2022. Higher sales volume resulted in a \$1.3 million \$7.9 million, or 11.5%, increase in expenses reported services revenue relative to the prior year period, of which \$4.2 million and \$3.7 million of such increase is attributable to our Healthcare Solutions segment and our Industrial Solutions segment, respectively. The increase in the services sales volume realized by our Healthcare Solutions segment primarily relates to personalized healthcare solutions and advanced manufacturing services related to medical devices. The increase in the services sales volume realized by our Industrial Solutions segment was primarily relates to parts manufacturing for aerospace and semiconductor customers and other industrial services and support.

Total revenue

For the six months ended June 30, 2023, total revenue decreased by \$23.6 million, or 8.6%, as compared to the six months ended June 30, 2022, as the decrease in our products revenue exceeded the increase in our services revenue, as described above.

Consolidated gross profit

<i>(Dollars in thousands)</i>	Six Months Ended							
					Change in Gross Profit		Change in Gross Profit Margin	
	June 30, 2023		June 30, 2022					
	Gross Profit		Gross Profit				Percentage	
	Gross Profit	Margin	Gross Profit	Margin	\$	%	Points	%
Products	\$ 67,538	38.9 %	\$ 80,522	39.4 %	\$ (12,984)	(16.1)%	(0.5)	(1.3)%
Services	29,576	39.0 %	26,411	38.4 %	3,165	12.0 %	0.6	1.6 %

Total	\$	97,114	38.9 %	\$	106,933	39.2 %	\$	(9,819)	(9.2)%	(0.3)	(0.8)%
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Products gross profit and gross profit margin

For the six months ended June 30, 2023, gross profit from products sales decreased by \$13.0 million, or 16.1%, as compared to the six months ended June 30, 2022. The decrease in gross profit from products sales is primarily due to the corresponding 15.1% decrease in products sales revenue.

Services gross profit and gross profit margin

For the six months ended June 30, 2023, gross profit from services sales increased by \$3.2 million, or 12.0%, as compared to the six months ended June 30, 2022. The increase in gross profit from services sales was primarily driven by the corresponding 10.5% increase in services revenue.

Consolidated selling, general and administrative expense

Selling, general and administrative ("SG&A") expense for the six months ended June 30, 2023 decreased \$2.5 million, or 2.1%, to \$117.3 million as compared to \$119.8 million for the six months ended June 30, 2022. Notwithstanding the overall decrease in SG&A expense (as discussed in detail below), SG&A expense included incremental costs totaling \$2.0 million related to the timing of the Company's acquisitions of Titan, Kumovis, and dp polar during fiscal year 2022, 2022. As Titan and Kumovis were not acquired by the Company until April 1, 2022, their operating activities are only reflected in the Company's reported results for three months of the six-month period ended June 30, 2022. As dp polar had not been acquired by the Company as each of these acquisitions was consummated subsequent to March 31, 2022 and, accordingly, June 30, 2022, its operations were not part of the Company's reported results for any portion of the period six months then ended.

The primary drivers of the \$2.5 million decrease in SG&A expense reported for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022 — inclusive of the impacts of the acquisitions described above — are as follows:

Primary drivers(in thousands)	Increase / (Decrease)
Salaries, wages and benefits (inclusive of stock-based compensation)	\$ 4,522
Severance	2,810
Consulting and outside services	2,791
Legal and contingency costs	(8,397)
Volumetric earnout	(4,958)
Other	683
Total change	\$ (2,549)

The increase in salaries, wages and benefit costs for the six months ended June 30, 2023 is primarily attributable to a \$2.7 million increase in salary expense and a \$1.7 million increase in bonus expense. The \$2.7 million increase in salary expense includes the impact of incremental salary, wage, and benefit costs attributable to the acquisitions of Titan, Kumovis, and dp polar, as well as costs incremental to severance amounts that were incurred for employees terminated as part of the Company's restructuring plan. The \$1.7 million increase in bonus expense is primarily due to the reversal of a portion of bonus expense during the six months ended June 30, 2022.

The increase in severance costs for the six months ended June 30, 2023 reflects costs incurred in connection with the Company's reduction in headcount in its corporate and business support functions, as part of its restructuring plan announced during the quarter ended June 30, 2023, as well as severance costs incurred during the quarter ended March 31, 2023 prior to the announcement of the formal restructuring plan. The reduction in headcount pursuant to the restructuring plan reflects the Company's commitment to rationalizing its operations and improving its operating efficiency.

The increase in consulting and outside services for the six months ended June 30, 2023 reflects an increase in accounting and auditing fees, as well as an increased use of outside contract labor and third-party service providers.

The decrease in legal and contingency costs for the six months ended June 30, 2023 is primarily due to the Company's accrual of \$8.4 million for a contingent loss during the quarter ended June 30, 2022, which reflected the Company's initial estimate of the costs expected to be incurred to resolve an export controls and government contracts compliance matter. This compliance matter was ultimately settled during the quarter ended March 31, 2023. No events occurred during the six months ended June 30, 2023 that would require the recognition of a similar material legal contingency accrual during the period.

The Volumetric earnout expense that is currently being recognized by the Company relates to a \$65 million earnout payment, expected to be settled 50% in cash and 50% in shares of the Company's common stock, which the Company will potentially be required to pay upon the achievement of a scientific milestone outlined in the original Volumetric acquisition agreement. During the quarter ended June 30, 2023, the Company's revised its estimate of the anticipated timing for achievement of the applicable scientific milestone from the end of fiscal year 2025 to the end of fiscal year 2026. This change in timeline resulted in the recognition of an adjustment to the amount previously expensed with respect to the potential \$65 million earnout payment, as well as reduced the quarterly run rate at which future expense is expected to be recognized by \$0.8 million. Refer to Note 12 and our discussion of "Critical Accounting Estimates" for additional details.

Consolidated research and development expense

Research and development ("R&D") expense for the six months ended June 30, 2023 increased \$2.6 million, or 6.1%, to \$45.0 million as compared to \$42.4 million for the six months ended June 30, 2022. R&D expense increased \$1.9 million due to the timing of the Company's acquisitions of Titan, Kumovis, and dp polar during fiscal year 2022. As Titan and

Kumovis were not acquired by the Company until April 1, 2022, their operating activities are only reflected in the Company's reported results for three months of the six-month period ended June 30, 2022. As dp polar had not been acquired by the Company as of June 30, 2022, its operations were not part of the Company's reported results for any portion of the six months then ended.

Inclusive of the impact of the acquisitions discussed above, the \$2.6 million increase in R&D costs primarily reflects increases in salary, wage and benefit costs of \$4.0 million and supply and material costs of \$1.3 million, partially offset by increased reimbursements from collaborative arrangements.

Consolidated operating loss

Our operating loss for the **three** six months ended **March 31, 2023** June 30, 2023 was **\$33.4 million** \$65.1 million, as compared to a **\$23.2 million** \$55.3 million for the six months ended June 30, 2022. The increase in our reported operating loss for the **three** six months ended **March 31, 2022** June 30, 2023 was primarily due to our lower reported revenue and the corresponding decrease in our gross profit for the six months ended June 30, 2023, as our total reported operating expenses did not change materially for the comparable six-month periods ended June 30, 2023 and **higher SG&A** June 30, 2022. Refer to the discussion above for additional details regarding the variances in the amounts reported for each of the financial statement line items that comprise our reported operating loss for the six months ended June 30, 2023 and **R&D expenses as discussed above**, June 30, 2022.

Non-Operating Income (Loss) for the Three and Six Months Ended June 30, 2023 compared to Three and Six Months Ended June 30, 2022

Interest and other income (expense), net

The following table sets forth the components of interest and other income (expense), net for the three **and six** months ended **March 31, 2023** June 30, 2023 and 2022.

(in thousands)	(in thousands)	Three Months Ended		(in thousands)	Three Months Ended		Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Interest and other income (expense), net	Interest and other income (expense), net			Interest and other income (expense), net				
Foreign exchange loss		\$ (372)	\$ (2,218)					
Foreign exchange (loss)				Foreign exchange (loss)	\$ (1,273)	\$ (1,211)	\$ (1,645)	\$ (3,429)
Interest income (expense), net	Interest income (expense), net	3,805	165	Interest income (expense), net	4,404	1,825	8,209	1,990
Other income (expense), net	Other income (expense), net	442	(230)	Other income (expense), net	83	(285)	525	(515)
Total interest and other income, net	Total interest and other income, net	\$ 3,875	\$ (2,283)	Total interest and other income, net	\$ 3,214	\$ 329	\$ 7,089	\$ (1,954)

For the three **and six** months ended **March 31, 2023** June 30, 2023, interest income (expense), net increased as compared to the **same period last year** three and six months ended **June 30, 2022** due to higher interest income earned on cash and cash equivalents resulting from increased interest rates.

Net (loss) income

The following table sets forth **the our** net (loss) income for the three **and six** months ended **March 31, 2023** June 30, 2023, and 2022.

(in thousands, except per share amounts)	(in thousands, except per share amounts)	Three Months Ended		(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
(Loss) income before income taxes	(Loss) income before income taxes	\$ (29,521)	\$ (25,515)	(Loss) income before income taxes	\$ (28,515)	\$ (31,709)	\$ (58,036)	\$ (57,224)
(Provision) benefit for income taxes	(Provision) benefit for income taxes	(8)	(1,284)	(Provision) benefit for income taxes	(222)	(1,289)	(230)	(2,573)

(Loss) on equity method investment				(Loss) on equity method investment			
					(142)	—	(142)
Net (loss) income before redeemable non-controlling interest	Net (loss) income before redeemable non-controlling interest	(29,529)	(26,799)	Net (loss) income before redeemable non-controlling interest	(28,879)	(32,998)	(58,408)
						(59,797)	
Less: net (loss) attributable to redeemable non-controlling interest							
		(108)	—				
Less: net (loss) income attributable to redeemable non-controlling interest				Less: net (loss) income attributable to redeemable non-controlling interest			
					16	(37)	(92)
Net (loss) income attributable to 3D Systems Corporation	Net (loss) income attributable to 3D Systems Corporation	\$ (29,421)	\$ (26,799)	Net (loss) income attributable to 3D Systems Corporation	\$ (28,895)	\$ (32,961)	\$ (58,316)
Net (loss) income per common share:	Net (loss) income per common share:			Net (loss) income per common share:			
Basic	Basic	\$ (0.23)	\$ (0.21)	Basic	\$ (0.22)	\$ (0.26)	\$ (0.45)
Diluted	Diluted	\$ (0.23)	\$ (0.21)	Diluted	\$ (0.22)	\$ (0.26)	\$ (0.45)

Our tax provision for both the three and six months ended March 31, 2023 June 30, 2023 was de minimis, \$0.2 million, as compared to a \$1.3 million and \$2.6 million tax provision for the three and six months ended March 31, 2022 June 30, 2022, respectively. The Company's effective tax rates for the three and six months ended March 31, 2023 June 30, 2023 and 2022 were significantly below the U.S. and foreign jurisdictions' statutory tax rates due to (1) the Company's reported losses and (2) the maintenance of a valuation allowance against deferred tax assets generated by such losses due to based upon the Company's conclusion that it is more likely than not that its deferred tax assets will not be realized in various tax jurisdictions.

The net loss attributable to redeemable non-controlling interest reflects the portion of the loss incurred by Kumovis that is attributable to non-controlling interest holders. A similar amount was not reported for the three months ended March 31, 2022, as Kumovis was not acquired until April 1, 2022.

The increase decrease in the net loss attributable to 3D Systems for the three months ended March 31, 2023 June 30, 2023, as compared to the net loss attributable to 3D Systems for the three months ended March 31, 2022 June 30, 2022, was primarily driven by an the period-over period decrease in the Company's consolidated operating loss (as described above), the increase in interest income earned for the quarter ended June 30, 2023, and the lower tax provision for the quarter ended June 30, 2023.

The decrease in the net loss attributable to 3D Systems for the six months ended June 30, 2023, as compared to the net loss attributable to 3D Systems for the six months ended June 30, 2022, was primarily due to the increase in interest income earned during the six months ended June 30, 2023 and lower tax provision for the six months ended June 30, 2023, which on a combined basis more than offset the increase in the Company's consolidated operating loss from operations for the period, partially offset by lower foreign exchange transaction losses and higher interest and other income for the period, described above.

Non-GAAP Earnings

Adjusted EBITDA (Non-GAAP)

Our Adjusted EBITDA decreased from negative \$2.6 million for the three months ended June 30, 2022 to negative \$6.9 million for the three months ended June 30, 2023, despite a de minimis change in our reported operating loss. Accordingly, the decrease of \$4.3 million was primarily driven by period-over-period changes in operating costs that we add back when calculating Adjusted EBITDA. As shown in the reconciliation of our reported Net Loss to Adjusted EBITDA (below), these changes primarily relate to our adjustments for stock compensation expense, acquisition and divestiture-related expense, litigation costs, and restructuring expense, each of which is included in our reported operating loss.

The decrease in the Company's Adjusted EBITDA from \$1.9 million negative \$0.7 million for the three six months ended March 31, 2022 June 30, 2022 to negative \$10.1 million \$17.0 million for the three six months ended March 31, 2023 June 30, 2023 was primarily partially driven by the \$10.2 million \$9.8 million increase in the Company's reported operating loss (as described above). As shown in the reconciliation of our reported Net Loss to Adjusted EBITDA (below), the remaining change decrease of \$1.8 million \$6.5 million in our Adjusted EBITDA reported for the three six months ended March 31, 2023 June 30, 2023, as compared to the three six months ended March 31, 2022 June 30, 2022, was primarily driven by changes in the amounts added back for depreciation and amortization expense, stock compensation expense, acquisition and divestiture-related expense, litigation costs, and restructuring expense, each of which is included in our reported operating loss.

Reconciliation of Non-GAAP Measures

The table that follows provides a reconciliation of the Company's reported Net Loss to Adjusted EBITDA. Refer to the discussion of "How We Assess the Performance of Our Business" for additional information regarding Adjusted EBITDA, and why management believes this measure provides useful information regarding the Company's results of operations.

(in thousands)	(in thousands)	Three Months Ended		(in thousands)	Three Months Ended		Six Months Ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net Loss		\$ (29,421)	\$ (26,799)					
Net loss attributable to 3D Systems Corporation				Net loss attributable to 3D Systems Corporation	\$ (28,895)	\$ (32,961)	\$ (58,316)	\$ (59,760)
Interest (income) expense, net	Interest (income) expense, net	(3,805)	(165)	Interest (income) expense, net	(4,404)	(1,825)	(8,209)	(1,990)
Provision (benefit) for income taxes	Provision (benefit) for income taxes	8	1,284	Provision (benefit) for income taxes	222	1,289	230	2,573
Depreciation expense	Depreciation expense	5,312	5,818	Depreciation expense	5,294	5,032	10,606	10,850
Amortization expense	Amortization expense	3,239	2,678	Amortization expense	3,258	3,303	6,497	5,980
Stock-based compensation expense	Stock-based compensation expense	10,292	12,658	Stock-based compensation expense	7,990	7,403	18,282	20,061
Acquisition and divestiture-related expense	Acquisition and divestiture-related expense	2,677	3,682	Acquisition and divestiture-related expense	1,512	2,972	4,188	6,654
Litigation costs	Litigation costs	79	—	Litigation costs	2,656	10,760	2,735	10,773
Restructuring expense	Restructuring expense	1,703	319	Restructuring expense	4,121	(10)	5,824	301
Redeemable non controlling interest	Redeemable non controlling interest	(108)	—	Redeemable non controlling interest	16	(37)	(92)	(37)
Loss on equity method investment				Loss on equity method investment	142	—	142	—
Other non-operating (income) expense, net	Other non-operating (income) expense, net	(70)	2,448	Other non-operating (income) expense, net	1,190	1,496	1,120	3,944
Adjusted EBITDA	Adjusted EBITDA	\$ (10,094)	\$ 1,923	Adjusted EBITDA	\$ (6,898)	\$ (2,578)	\$ (16,993)	\$ (651)

Segment Financial Results for the Three and Six Months Ended March 31, 2023 June 30, 2023 and 2022

Effective January 1, 2023, and for periods subsequent thereto, Adjusted EBITDA reflects the Chief Operating Decision Maker measure of profitability used by the Company's chief operating decision maker ("CODM") evaluates to evaluate the performance of the Company's reportable segments based on, among other measures, Segment Adjusted EBITDA segments. In addition, as of January 1, 2023, the Company's methodology for allocating certain costs has been between its segments was revised to more closely reflect changes in the Company's business and estimates of usage of shared resources by the Company's segments. Prior year amounts have been reclassified to conform with current year presentation.

Segment Results for the Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022

The following table presents the revenue and Adjusted EBITDA amounts reported by each of our segments, and as well as non-allocated corporate amounts costs, for the three months ended March 31, 2023 June 30, 2023 and 2022:

(in thousands)									(in thousands)						
		Revenue			Adjusted EBITDA					Revenue			Adjusted EBITDA		
		Three Months Ended			Three Months Ended					Three Months Ended			Three Months Ended		
	(in thousands)	March 31, 2023	March 31, 2022	Change	March 31, 2023	March 31, 2022	Change		(in thousands)	June 30, 2023	June 30, 2022	Change	June 30, 2023	June 30, 2022	Change
Healthcare Solutions	Healthcare Solutions	\$ 48,725	\$ 64,345	\$ (15,620)	\$ 5,065	\$ 15,769	\$ (10,704)	Healthcare Solutions	\$ 60,874	\$ 71,746	\$ (10,872)	\$ 11,394	\$ 16,149	\$ (4,755)	
Industrial Solutions	Industrial Solutions	72,511	68,656	3,855	6,902	6,565	337	Industrial Solutions	67,320	68,299	(979)	2,264	2,728	(464)	
Corporate and Other	Corporate and Other	—	—	—	(22,061)	(20,411)	(1,650)	Corporate and Other	—	—	—	(20,556)	(21,455)	899	
Total Company	Total Company	\$ 121,236	\$ 133,001	\$ (11,765)	\$ (10,094)	\$ 1,923	\$ (12,017)	Total Company	\$128,194	\$140,045	\$ (11,851)	\$ (6,898)	\$ (2,578)	\$ (4,320)	

Healthcare Solutions

Revenue

For the three months ended March 31, 2023 June 30, 2023, Healthcare Solutions revenue decreased \$15.6 million \$10.9 million, or 24.3% 15.2%, as compared to the three months ended March 31, 2022 June 30, 2022. This decrease in segment revenue was primarily due to a \$9.8 million, or 28.2%, decrease in sales to the dental orthodontic market, as compared to the three months ended June 30, 2022, as the demand for related elective dental procedures that our products support has been impacted by current economic conditions. In addition, during the three months ended June 30, 2023, our Healthcare Solutions segment experienced a \$1.2 million, or 5.1%, decrease in revenue related to medical device sales.

Adjusted EBITDA

For the three months ended June 30, 2023, Adjusted EBITDA for our Healthcare Solutions segment decreased \$4.8 million, or 29.4%, as compared to the three months ended June 30, 2022, which was primarily driven by (1) the decrease in segment revenue due to lower sales to the dental orthodontic market and (2) a \$1.9 million increase in expense attributable to our investments in regenerative medicine. New investments in regenerative medicine primarily relate to our initiatives associated with bioprinting technologies, for which the Company has begun to incur operating costs in 2023.

Industrial Solutions

Revenue

For the three months ended June 30, 2023, Industrial Solutions revenue decreased \$1.0 million, or 1.4%, as compared to the three months ended June 30, 2022. Lower product sales volume resulted in a \$5.0 million decrease in segment revenue, which was partially offset by a \$1.8 million increase in segment revenue attributable to higher sales volume related to services. In addition, the decrease in revenue attributable to lower product sales volume was partially offset by favorable price/mix, which resulted in a \$2.0 million increase in segment revenue.

Adjusted EBITDA

For the three months ended June 30, 2023, Adjusted EBITDA for our Industrial Solutions segment decreased \$0.5 million, or 16.9%, as compared to the three months ended June 30, 2022, which was primarily driven by the decrease in segment revenue.

Corporate and Other

Adjusted EBITDA

For the three months ended June 30, 2023, Corporate and Other Adjusted EBITDA was negative \$20.6 million, as compared to negative \$21.5 million for the three months ended June 30, 2022. The decrease of \$0.9 million was primarily driven by lower unallocated corporate function costs.

Segment Results for the Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022

The following table presents the revenue and Adjusted EBITDA amounts reported by each of our segments, as well as non-allocated corporate costs, for the six months ended June 30, 2023 and 2022:

	Revenue		Adjusted EBITDA	
	Six Months Ended		Six Months Ended	

(in thousands)	June 30, 2023			June 30, 2022			Change		
Healthcare Solutions	\$	109,599	\$	136,091	\$	(26,492)	\$	16,459	\$ 31,918 \$ (15,459)
Industrial Solutions		139,831		136,955		2,876		9,166	9,293 (127)
Corporate and Other		—		—		—		(42,618)	(41,862) (756)
Total Company	\$	249,430	\$	273,046	\$	(23,616)	\$	(16,993)	\$ (651) \$ (16,342)

Healthcare Solutions

Revenue

For the six months ended June 30, 2023, Healthcare Solutions revenue decreased \$26.5 million, or 19.5%, as compared to the six months ended June 30, 2022. The decrease in segment revenue was primarily due to a 46.2% reduction \$28.7 million, or 40.9%, decrease in sales to our the dental orthodontic market, as compared to the six months ended June 30, 2022, as the demand for related elective dental procedures that our products support has been impacted by current economic conditions. The reduction in dental orthodontic market sales for the six months ended June 30, 2023 was partially offset by growth of 21.0% a \$1.3 million, or 3.2%, increase in other non-dental revenue related to medical device sales, as when compared to the three six months ended March 31, 2022 June 30, 2022.

Adjusted EBITDA

For the three six months ended March 31, 2023 June 30, 2023, Adjusted EBITDA for our Healthcare Solutions segment decreased \$10.7 million \$15.5 million, or 67.9% 48.4%, as compared to the three six months ended March 31, 2022 June 30, 2022, which was primarily driven by (1) the decrease in segment revenue as well as due to lower sales to the dental orthodontic market and (2) a \$2.5 million \$3.0 million increase in operating expenses. The increase in operating expenses was primarily related expense attributable to our investments in our regenerative medicine. New investments in regenerative medicine efforts for primarily relate to our initiatives associated with bioprinting technologies, as well as expenses from recently acquired businesses, for which the Company has begun to incur operating costs in 2023.

Industrial Solutions

Revenue

For the three six months ended March 31, 2023 June 30, 2023, Industrial Solutions revenue increased \$3.9 million \$2.9 million, or 5.6% 2.1%, as compared to the three six months ended March 31, 2022 June 30, 2022. The increase in segment revenue was primarily due to a 9.8% \$3.6 million increase in service sales volumes revenue attributable to increased sales volume and a \$1.6 million increase in product sales revenue attributable to favorable price/mix, partially offset by the a negative impacts \$2.3 million impact of foreign exchange. Excluding the impacts impact of foreign exchange, revenue for our Industrial Solutions segment for the six months ended June 30, 2023 increased by 9.3% 3.8%.

Adjusted EBITDA

For the three six months ended March 31, 2023 June 30, 2023, Adjusted EBITDA for our Industrial Solutions segment increased \$0.3 million decreased \$0.1 million, or 5.1% 1.3%, as compared to the three six months ended March 31, 2022 June 30, 2022. Segment Adjusted EBITDA was primarily driven by higher overall sales volumes, partially offset by a decrease in segment gross profit margin driven by cost inflation and a \$0.8 million effectively flat despite the 2.1% increase in operating expenses. The increase in operating expenses was primarily driven by recent acquisitions, revenue due to the impacts of pricing/mix and increased R&D and SG&A spend.

Corporate and Other

Adjusted EBITDA

For the three six months ended March 31, 2023 June 30, 2023, Corporate and Other Adjusted EBITDA was negative \$22.1 million \$42.6 million, as compared to negative \$20.4 million \$41.9 million for the three six months ended March 31, 2022 June 30, 2022. The decrease of \$1.7 million \$0.7 million was primarily driven by an increase in higher unallocated corporate finance and corporate administrative costs attributable to professional services due to an increased usage function costs.

of consultants and third-party contractors, as well as increased fees incurred in connection with audit and tax services.

Liquidity and Capital Resources

The following table sets forth the Company's operating working capital at March 31, 2023 June 30, 2023 and December 31, 2022.

(Dollars in thousands)	(Dollars in thousands)	Change				(Dollars in thousands)	Change			
		March 31, 2023	December 31, 2022	\$	%		June 30, 2023	December 31, 2022	\$	%
Cash and cash equivalents	Cash and cash equivalents	\$ 525,898	\$ 388,134	\$ 137,764	35.5	% equivalents	\$ 490,444	\$ 388,134	\$ 102,310	26.4
Short-term investments	Short-term investments	4,027	180,603	(176,576)	(97.8)	% investments	1,135	180,603	(179,468)	(99.4)

Accounts receivable, net	Accounts receivable, net	94,677	93,886	791	0.8 %	Accounts receivable, net	96,786	93,886	2,900	3.1 %
Inventories	Inventories	147,365	137,832	9,533	6.9 %	Inventories	156,153	137,832	18,321	13.3 %
		<u>771,967</u>	<u>800,455</u>	<u>(28,488)</u>	(3.6) %		<u>744,518</u>	<u>800,455</u>	<u>(55,937)</u>	(7.0) %
Less:	Less:					Less:				
Current lease liabilities	Current lease liabilities	10,542	9,036	1,506	16.7 %	Current lease liabilities	10,286	9,036	1,250	13.8 %
Accounts payable	Accounts payable	51,415	53,826	(2,411)	(4.5) %	Accounts payable	59,023	53,826	5,197	9.7 %
Accrued and other liabilities	Accrued and other liabilities	54,159	55,571	(1,412)	(2.5) %	Accrued and other liabilities	47,239	55,571	(8,332)	(15.0) %
		<u>116,116</u>	<u>118,433</u>	<u>(2,317)</u>	(2.0) %		<u>116,548</u>	<u>118,433</u>	<u>(1,885)</u>	(1.6) %
Operating working capital	Operating working capital	<u>\$ 655,851</u>	<u>\$ 682,022</u>	<u>\$ (26,171)</u>	(3.8) %	Operating working capital	<u>\$ 627,970</u>	<u>\$ 682,022</u>	<u>\$ (54,052)</u>	(7.9) %

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. In doing so, we review and analyze our current cash on hand, the number of days our sales are outstanding, inventory turns, capital expenditure commitments and accounts payable turns. Our cash requirements, excluding acquisitions, primarily consist of funding working capital and capital expenditures.

At **March 31, 2023** **June 30, 2023**, cash and cash equivalents and short-term investments totaled **\$529.9** **\$491.6** million and have decreased **\$38.8 million** **\$77.2 million** since December 31, 2022. This decrease resulted primarily from cash used in operations of **\$27.7 million (which includes \$8.5 million of cash paid for legal settlements, see Note 17)** **\$46.3 million**, capital expenditures of **\$9.0** **\$13.5** million, **cash used for acquisitions and other investments of \$15.7 million**, and taxes paid related to net-share settlement of equity awards of **\$2.1** **\$4.6** million.

Cash held outside the U.S. at **March 31, 2023** **June 30, 2023** was **\$60.0** **\$55.6** million, or **11.4%** **11.3%**, of total cash and cash equivalents, compared to \$58.4 million, or 15.0%, of total cash and cash equivalents at December 31, 2022. As our previously unremitted earnings have been subjected to U.S. federal income tax, we expect any repatriation of these earnings to the U.S. would not incur significant federal and state taxes. However, **any repatriation of these dividends/earnings** are subject to foreign withholding taxes that are estimated to result in the Company incurring tax costs in excess of the cost to obtain cash through other means.

Cash equivalents are comprised of funds held in money market instruments and are reported at their current carrying value, which approximates fair value due to the short-term nature of these instruments. We strive to minimize our credit risk by investing primarily in investment grade, liquid instruments and **limit** **limiting** exposure to any one issuer depending upon credit quality. See "Cash Flow" discussion below.

The changes that make up the other components of working capital not discussed above resulted from the ordinary course of business. Differences between the amounts of working capital item changes in the cash flow statement and the balance sheet changes for the corresponding items are primarily the result of foreign currency translation adjustments.

Cash Flow

The Company currently funds its operations — including working capital **and** **requirements**, capital expenditures, **investments** and acquisitions **through** — using cash on hand **cash**, **cash**; cash equivalents and short-term **investments**, **investments**; cash flow from operations, which can vary widely from quarter to **quarter**, **quarter**; and financing activities, as necessary. We expect that cash flow from operations, cash, cash equivalents and short-term investments, and other sources of liquidity, such as issuing equity or debt securities, subject to market conditions, will be available and sufficient to meet all foreseeable cash requirements. The following is a summary of the changes in the Company's cash flows, followed by a brief discussion of these changes:

(in thousands)	(in thousands)	Three Months Ended			(in thousands)	Six Months Ended		
		March 31, 2023	March 31, 2022	Dollar Change		June 30, 2023	June 30, 2022	Dollar Change
Cash flow used in operating activities	Cash flow used in operating activities	\$ (27,722)	\$ (15,125)	\$ (12,597)	Cash flow used in operating activities	\$ (46,269)	\$ (38,211)	\$ (8,058)
Cash flow used in investing activities	Cash flow used in investing activities	167,829	(373,209)	541,038	Cash flow used in investing activities	150,587	(437,086)	587,673

Cash flow used in financing activities	Cash flow used in financing activities	(2,294)	(12,518)	10,224	Cash flow used in financing activities	(4,926)	(12,687)	7,761
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Cash flow from operations

For the three six months ended March 31, 2023 June 30, 2023, cash used in operating activities was \$27.7 million \$46.3 million, and cash used in operating activities for the three six months ended March 31, 2022 June 30, 2022 was \$15.1 million \$38.2 million. The \$12.6 million \$8.1 million increase in cash flow used in operating activities during the three six months ended March 31, 2023 June 30, 2023, as compared to the same period of the prior year, is primarily due to \$8.5 million of cash paid for legal settlements in during the three six months ended March 31, 2023 June 30, 2023 (see Note 17) in addition to a seasonal increase in inventory balances, 18), offset by cash provided through other working capital changes.

Cash flow from investing activities

For the three six months ended March 31, 2023 June 30, 2023, cash provided by investing activities was \$167.8 million \$150.6 million, which included \$176.9 million \$179.8 million of proceeds from the sales and maturities of short-term investments, partially offset by capital expenditures of \$9.0 million \$13.5 million and cash used for investments in strategically-aligned businesses totaling \$15.7 million.

For the three six months ended March 31, 2022 June 30, 2022, cash used in investing activities was \$373.2 million \$437.1 million, which included \$366.0 million \$384.5 million of purchases of short-term investments, cash used for acquisitions and other investments of \$9.3 \$83.3 million and capital expenditures of \$4.1 million \$10.4 million, partially offset by \$6.2 million by \$41.0 million of proceeds proceeds from the sales and maturities of short-term investments.

Cash flow from financing activities

For the three six months ended March 31, 2023 June 30, 2023, the cash flow used in financing activities was \$2.3 million \$4.9 million, which primarily due to reflects \$4.6 million of withholding taxes paid related to the net-share settlement of employee equity awards of \$2.1 million awards.

For the three six months ended March 31, 2022 June 30, 2022, the cash flow used in financing activities was \$12.5 million \$12.7 million, which primarily due to reflects \$10.0 million of withholding taxes paid related to the net-share settlement of employee equity awards of \$10.1 million and the final \$2.3 million installment payment for related to the acquisition of a the non-controlling interest. interest in Easyway.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements and do not utilize any "structured debt," "special purpose" or similar unconsolidated entities for liquidity or financing purposes.

Material Cash Requirements

The Company's material cash requirements consist of the following contractual and other obligations:

Indebtedness

At March 31, 2023 June 30, 2023, we had \$460 million of outstanding 0% convertible notes which that mature in November of 2026. Management may consider pursuing additional long-term financing when if it is appropriate in light of cash requirements for operations or other strategic opportunities, which could result in higher financing costs.

Purchase Commitments

We have purchase commitments under legally enforceable agreements for goods and services with defined terms as to quantity, price and timing of delivery. In addition to ordinary purchase commitments, as of June 30, 2023, the Company had approximately \$6.6 million of purchase commitments for inventory as a result of the termination of a manufacturing services agreement (refer to Note 4).

Leases

The Company had operating and financing lease obligations (inclusive of interest) of \$89.5 million \$100.6 million at March 31, 2023 June 30, 2023, primarily related to real estate and equipment leases, of which approximately \$11.0 \$7.6 million in payments are expected over the remainder of 2023. Additionally, at March 31, 2023 June 30, 2023, the Company had \$14.2 million in lease obligations for which the leases have not commenced, as the facilities are under construction by the landlord. Commencement of any additional leases prior to the end of 2023 would likely result in an increase to our required lease payments over the remainder of 2023.

Dussur

In March 2022, Dussur and 3D Systems signed an agreement to form a joint venture intended to expand the use of additive manufacturing within the Kingdom of Saudi Arabia and surrounding geographies, including the Middle East and North Africa. The joint venture is to enable the development of Saudi Arabia's domestic additive manufacturing production capabilities, consistent with the Kingdom's 'Vision 2030,' which is focused on diversification of the economy and long-term sustainability. 3D Systems is committed to an initial investment of approximately \$6.5 million, of which \$3.4 million was deposited in an escrow account during the three months ended December 31, 2022 and was reported as restricted cash within other assets on the balance sheet as of March 31, 2023 and December 31, 2022. In February 2023, the Company became a shareholder in the joint venture and now owns 49% of its common stock. Accordingly, the \$3.4 million held in escrow plus 3D Systems was committed to an additional \$3.1 million owed to initial investment of

approximately \$6.5 million of cash into the joint venture, all of which has been funded as of March 31, 2023 was deposited into a bank account of June 30, 2023. Additional future investments in the joint venture during April 2023 for use in its operations. Additional future investments are contingent upon the achievement of certain milestones by the joint venture. The future impact that participation in the joint venture will have on the Company's financial position results of operations and cash flows is not expected to be material other than the any potential cash outflow(s) related that may be required to the initial and funds contingent investments.

Sources of Funding to Satisfy Material Cash Requirements

The Company believes that it has the financial resources needed to meet its cash requirements during the next twelve months. Cash requirements for periods beyond the next twelve months will depend on, among other things, on the Company's profitability and its ability to manage working capital requirements. The Company may also borrow from various sources as described above.

Other Contractual Commitments

Convertible Notes

We As of June 30, 2023, we were in compliance with all covenants of the outstanding 0% convertible notes due November 2026 as of March 31, 2023, 2026.

Indemnification

In the normal course of business, we periodically enter into agreements to indemnify customers or suppliers against claims of intellectual property infringement that may be made by third parties arising and arise from the use of our products. Historically, costs related to these indemnification provisions have not been significant. We are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Delaware law, we indemnify our directors and officers for certain events or occurrences, while when the director or officer is, or was, serving at our request in such capacity, subject to limited exceptions. The maximum potential amount of future payments we could be required to make under these indemnification obligations is unlimited; however, we have directors' and officers' insurance coverage that may enable us to recover future amounts paid, subject to a deductible and to the policy limits. There is no assurance that the policy limits will be sufficient to cover all damages, if any.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues, costs and expenses, and as well as related disclosures. On an ongoing basis, we evaluate and reassess our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

As During the three months ended June 30, 2023, we extended our estimate of the date amount of time that it will take the Company achieve a specific scientific milestone related to certain regenerative medicine research from the end of fiscal year 2025 to the end of fiscal year 2026. As the achievement of this report, scientific milestone is a performance condition that triggers the payment of compensation and/or the vesting of stock-based compensation awards under certain of the Company's employee compensation arrangements, the extension of the estimated timeline to achievement resulted in (1) the reversal of \$4.2 million of previously recognized earnout expense attributable to the Company's 2021 acquisition of Volumetric (the "Volumetric Earnout"), of which \$2.1 million was accrued to be paid out with Common Stock, with a corresponding adjustment to the related accrued liability; (2) the reversal of \$0.4 million of previously recognized stock-based compensation expense related to certain performance-based stock compensation awards that vest based upon the achievement of the scientific milestone (the "RegMed Awards"); and (3) a reduction of \$0.8 million and \$0.1 million, respectively, to the ongoing quarterly run rate at which future expense attributable to the Volumetric Earnout and the RegMed Awards is expected to be recognized.

Refer to the subsequent discussion of "Regenerative Medicine Earnout Payments and Performance-Based Stock Units" for additional details regarding 1) the maximum expense that the Company could be required to recognize under the terms and conditions that govern the Volumetric Earnout payments and the vesting of RegMed Awards, 2) the significant assumptions, judgments, and estimates that impact both the amount of expense recognized and the timing of expense recognition related to the Volumetric Earnout and RegMed Awards, and 3) the reasons why the Company's assumptions, judgments and estimates related to the Volumetric Earnout and RegMed Awards remain subject to potential future changes and, accordingly, must be continuously assessed.

With the exception of the change in estimate impacting the expense and liability recognized for the Volumetric Earnout and the expense recognized for the RegMed Awards, there have been no other material changes to our the critical accounting estimates described in the our 2022 Form 10-K that have had a material impact on our condensed consolidated financial statements and and/or the related notes.

Regenerative Medicine Earnout Payments and Performance-Based stock Units

In connection with the acquisition of Volumetric on December 1, 2021, the Company could be required to pay up to \$355.0 million in earnout payments to Volumetric's former owners ("Sellers") based upon the achievement of up to seven non-financial milestones. Each of the non-financial milestones, which individually triggers a specific earnout payment if achieved prior to an agreed upon date of either December 31, 2030 or December 31, 2035, is based upon specific advances in regenerative medicine related to lungs or tissue organs. For each milestone, payment is only due to the extent that the Sellers continue to be employed by the Company at the time that a milestone is achieved. As the earnout payments require the continued employment of Volumetric's Sellers, the Company recognizes each individual earnout payment as compensation expense over the period commencing on the date that the related milestone is deemed probable of achievement through the anticipated date of achievement.

In addition, the Company has granted performance-based stock units ("PSUs") with vesting terms that are based upon four individually-measured, non-financial milestones to other employees who work on advancements in regenerative medicine related to lungs and tissue organs — the RegMed Awards. The RegMed Awards associated with each

individual milestone are recognized as compensation expense over the period commencing on the date that the respective milestone is deemed probable of being met through the anticipated date of achievement.

As the milestones that trigger the Volumetric Earnout payments and the vesting of the RegMed Awards are (1) based upon scientific and technological advancements that are expected to require multiple years of R&D to achieve and (2) subject to significant known and unknown risks and uncertainties, management must apply significant assumptions and judgment at each balance sheet date to assess both the probability of achievement and expected timing of achievement. A change in management's assumptions or estimates regarding the probability and/or timing of achievement of a milestone in connection with management's quarterly reassessment can materially impact the amount of compensation expense recognized for the respective and future periods as follows:

- A change in assumptions that results in a milestone first being deemed probable of achievement will result in the recognition of incremental compensation expense in the Company's consolidated statement of operations;
- A change in assumption regarding the timing of achievement of a milestone will result in the acceleration or deceleration of the recognition of future compensation expense, as well as the potential recognition of an expense catch-up or reversal adjustment in the period of change; and/or
- A change in assumption that results in a milestone no longer being deemed probable of achievement will result in a full reversal of previously recognized expense.

The Company is currently recognizing compensation expense based upon the assumed achievement of (1) one Volumetric Earnout payment milestone, for which the potential amount due to the Sellers will be \$65 million, and (2) one RegMed Award milestone, for which the aggregate grant date fair value of the outstanding and unvested awards is \$4.8 million. As described above, during the three months ended June 30, 2023, the estimated timing for achievement of both the Volumetric Earnout payment milestone and the RegMed Award milestone was revised from the end of fiscal year 2025 to the end of fiscal 2026. As of June 30, 2023, unrecognized compensation expense attributable to the Volumetric Earnout payment and RegMed Awards deemed probable of being earned was \$44.8 million and \$3.6 million, respectively. Additional changes in management's assumptions regarding the probability and/or timing of achievement of these respective milestones could directly affect the amount of future compensation expense recognized for the reasons described above.

In addition, the Company has not commenced the recognition of compensation expense related to (1) \$290 million of Volumetric Earnout payments and (2) outstanding RegMed Awards with an aggregate grant date fair value of \$14.5 million because the related milestones were not deemed probable of achievement as of June 30, 2023. Changes to management's assumptions regarding the probability and/or timing of achievement of these remaining milestones could significantly increase the amount of compensation expense recognized by the Company.

Forward-Looking Statements

Certain statements made in this Form 10-Q that are not statements of historical or current facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "believes," "belief," "expects," "may," "will," "estimates," "intends," "anticipates," or "plans" or the negative of these terms or other comparable terminology.

Forward-looking statements are based upon management's beliefs, assumptions and current expectations concerning future events and trends, using information currently available, and are necessarily subject to uncertainties, many of which are outside our control. Although we believe that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. A number of important factors could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include without limitation:

- impact impacts on our business as a result of resulting from macroeconomic events, including the Russia-Ukraine war and other geopolitical risks, recession, supply chain disruptions and foreign exchange volatility;
- our ability to deliver products that meet changing technology and customer needs;
- our ability to identify strategic acquisitions, to integrate such acquisitions into our business without disruption and to realize the anticipated benefits of such acquisitions;
- impact impacts of future write-off write-offs or write-downs of goodwill and intangible assets;
- the concentration of revenue and credit risk exposure from our largest customer;
- our ability to acquire and enforce intellectual property rights and defend such rights against third party claims;
- our ability to protect our intellectual property rights and confidential information, including our digital content, from third-party infringers or unauthorized copying, use or disclosure;
- failure of our information technology infrastructure or inability to protect against cyber-attack;
- our ability to predict quarterly sales and manage product inventory due to uneven sales cycle; cycles;
- our ability to generate net cash flow from operations;
- our ability to service our debt and ability to raise funds necessary to settle conversions of the Notes in cash, repay the Notes at maturity, or repurchase the Notes in the case of a fundamental change;
- our ability to remediate material weaknesses in our internal controls over financial reporting and maintain effective internal controls;
- fluctuations in our gross profit margins, operating income or loss and/or net income or loss;
- our ability to efficiently conduct business outside the U.S.;
- our dependence on our supply chain for components and sub-assemblies used in our 3D printers and other products and for raw materials used in our print materials;
- our ability to manage the costs and effects of litigation, investigations or similar matters involving us or our subsidiaries;
- our ability to avoid and manage product quality problems that could result in decreased sales and operating margin, product returns, product liability, warranty or other claims;

- our ability to retain our key employees and to attract and retain new qualified employees, while controlling our labor costs;
- our ability to successfully develop and commercialize regenerative medicine products ourselves, or in conjunction with development partners;
- disruption in our management information systems for inventory management, distribution, and other key functions;
- compliance with U.S. and other anti-corruption laws, data privacy laws, trade controls, economic sanctions, and similar laws and regulations;
- our ability to maintain our status as a responsible contractor under federal rules and regulations;
- changes in, or interpretation of, tax rules and regulations; and
- the other factors discussed in the reports we file with or furnish to the SEC from time to time, including the risks and important factors set forth in additional detail in Item 1A. "Risk Factors" in the 2022 Form 10-K.

Readers are cautioned not to place undue reliance on these our forward-looking statements. The forward-looking statements included herein are made only as of the date of this Form 10-Q, and we undertake no obligation to publicly update or revise any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or circumstances or otherwise, except as required by law. All subsequent written or oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by the cautionary statements referenced above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of market risks at December 31, 2022, refer to Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" in our 2022 Form 10-K. During the three and six months ended March 31, 2023 June 30, 2023, there were no material changes or developments that would materially alter the market risk assessment performed as of December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2023 June 30, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Rules 13a-15 and 15d-15 under the Exchange Act. These controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures. Based on this evaluation, management has concluded that our disclosure controls and procedures were not effective as of March 31, 2023 June 30, 2023 due to the following two material weaknesses in internal control over financial reporting:

- We did not design or maintain effective controls in response to the risks of material misstatement, including designing and maintaining formal accounting policies, procedures, and controls over significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, with respect to: (1) revenue, receivables and deferred revenue, including the input of executed contract terms into the Company's information systems that perform revenue recognition; and (2) the review of internally prepared reports and analyses utilized in the financial closing process.

Notwithstanding the existence of the material weaknesses described above, management believes that the condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows, as of and for the periods presented, in conformity with GAAP.

Management's Plan for Remediation

The material weaknesses described above were initially identified at December 31, 2020 and continued to exist at December 31, 2022. However, as a result of the remediation plan we commenced in January 2021, the number of control deficiencies that aggregated into the material weaknesses at December 31, 2022 were significantly reduced as compared to December 31, 2020. The remediation plan we began in January 2021 is designed to improve our internal control over financial reporting and remediate the related control deficiencies that led to these material weaknesses. In response to these deficiencies, management, with the oversight of the Audit Committee of the Board of Directors, has identified and implemented steps to remediate the material weaknesses.

During the year ended December 31, 2022, the Company completed the implementation of the following remedial measures designed to address the material weaknesses and to continue to improve our internal control over financial reporting.

- Established a formal controls governance committee in the first quarter of 2022 to manage and enhance the oversight and execution of internal controls. The controls governance committee consists of members of senior leadership, which meets monthly or more frequently as needed.
- Retained an outside firm with expertise in the design and execution of internal controls over financial reporting to examine our control design, perform a root cause analysis as to why certain controls have not been and continue to not be properly executed, and to advise on changes in the design of our controls and procedures and implementation of our remediation activities.
- Enhanced the global control environment, including testing in 2022 of a significant number of additional business process and information technology controls.
- Implemented software to manage and administer account reconciliations.
- Revamped and expanded our internal disclosure processes to provide greater representation across functions and improve opportunities to identify matters requiring accounting disposition or disclosures.
- Implemented software enhancements, including a tax reporting solution for our tax provision process.
- Redesigned controls related to the accounting for the income tax process.
- Engaged a third party to review our quarterly and annual tax calculations.
- Hired additional experienced resources with backgrounds in income tax accounting.

Our remaining internal control remediation efforts are expected to include the following:

- Design and implementation of enhanced policies, procedures and controls relating to our revenue recognition and our closing and financial reporting process.
- Redesign of existing management review controls, including the input of executed contract terms into the Company's information systems that perform revenue recognition.
- Hire and retain additional staff with sufficient experience and knowledge in GAAP financial reporting matters and internal control over financial reporting.
- Train appropriate personnel in the effective design and execution of our enhanced policies, procedures and controls, including the importance of the ongoing, consistent effective execution of such procedures and controls.
- Initiation of a robust finance transformation initiative with dedicated resources tasked to create a more efficient close process and implement key technologies to enable a more mature and automated control environment.

We are committed to the remediation of all material weaknesses and expect to successfully implement enhanced control processes. However, as we continue to evaluate, and work to improve our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. Therefore, we cannot assure you when we will remediate such weaknesses, nor can we be certain that additional actions will not be required or the costs of any such additional actions. Moreover, we cannot assure you that additional material weaknesses will not arise in the future.

Changes in Internal Control Over Financial Reporting

We are in the process of implementing certain changes to our internal controls to remediate the material weaknesses described above. Except as noted above, there were no changes in the Company's internal control over financial reporting during the three months ended **March 31, 2023** **June 30, 2023** that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information relating to legal proceedings set forth under the header "Litigation" in Note **17** **18** to the Financial Statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

There are no material changes to the risk factors previously disclosed in **our 2022 Form 10-K** in response to Item 1A, "Risk Factors" in **the our** 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuance of Unregistered Securities and Issuer Purchases of Equity Securities

Issuances of Unregistered Securities

None.

Issuer purchases of equity securities

We did not repurchase any of our equity securities in the open market during the three months ended **March 31, 2023** **June 30, 2023**; however, shares of common stock were surrendered to us for payment of tax withholding obligations in connection with the vesting of restricted stock awards and **restricted stock** units pursuant to our Amended and Restated 2015 Incentive Stock Plan.

	Total number of shares (or units) purchased	Average price paid per share (or unit)
January 1, 2023 - January 31, 2023	41,697	\$ 9.00
February 1, 2023 - February 28, 2023	45,751	11.66
March 1, 2023 - March 31, 2023	120,097	10.29
Total	207,545 ^a	\$ 10.33 ^b

	Total number of shares (or units) purchased	Average price paid per share (or unit)
April 1, 2023 - April 30, 2023	67,486	\$ 9.37
May 1, 2023 - May 31, 2023	204,661	8.35
June 1, 2023 - June 30, 2023	9,272	9.63
Total	281,419 ^a	\$ 8.64 ^b

- a. Represents shares of common stock surrendered to us for payment of tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock units.
- b. The average price paid per share reflects the average market value of shares withheld for tax purposes.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable. (c) During the fiscal quarter ended June 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408(a) of Regulation S-K) for the purchase or sale of the Company's securities.

Item 6. Exhibits

(a)(3) Exhibits

The following exhibits are included as part of this filing and incorporated herein by this reference:

- 3.1 Certificate of Incorporation of Registrant. (Incorporated by reference to Exhibit 3.1 to Registrant's Form 8-B filed on August 16, 1993, and the amendment thereto, filed on Form 8-B/A on February 4, 1994.)
- 3.2 Amendment to Certificate of Incorporation filed on May 23, 1995. (Incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form S-2/A, filed on May 25, 1995.)
- 3.3 Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 19, 2004. (Incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 5, 2004.)
- 3.4 Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 17, 2005. (Incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed on August 1, 2005.)
- 3.5 Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of Delaware on October 7, 2011. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed on October 7, 2011.)
- 3.6 Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of Delaware on May 21, 2013. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed on May 22, 2013.)
- 3.7 Amended and Restated By-Laws. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed on March 15, 2018.)
- 4.1 Specimen Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form S-3 (Registration No. 333-182065), filed on June 12, 2012.)
- 4.2, 4 Description of Common Stock. (Incorporated by reference to Exhibit 4.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 26, 2020.)
- 4.3, 2 Indenture, dated as of November 16, 2021, between 3D Systems Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to the Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on November 17, 2021.)
- 4.4, 4.3 Form of 0% Convertible Notes due 2026 (included in (filed as Exhibit 4.3) A to Exhibit 4.2). (Incorporated by reference to the Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed on November 17, 2021.)
- 31.1† Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 10, 2023 August 9, 2023.
- 31.2† Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 10, 2023 August 9, 2023.
- 33.1† Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 10, 2023 August 9, 2023.

32.1†	Certification of Principal Executive Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 10, 2023 August 9, 2023 .
32.2†	Certification of Principal Financial Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 10, 2023 August 9, 2023 .
101.INS†	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because the its XBRL tags are embedded within the Inline XBRL document.In
101.SCH†	Inline XBRL Taxonomy Extension Scheme Document
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - this data file does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.

† Exhibits filed herein. All exhibits not so designated are incorporated by reference to a prior filing, as indicated.

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.

3D Systems Corporation

By

/s/ Michael Turner

Michael Turner

Executive Vice President and Chief Financial Officer

(principal financial and accounting officer)

Date: [May 10, 2023](#) [August 9, 2023](#)

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Exhibit 31.1

Certification of Principal Executive Officer of 3D Systems Corporation

I, Dr. Jeffrey A. Graves, certify that:

- I have reviewed this report on Form 10-Q of 3D Systems Corporation;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Dr. Jeffrey A. Graves

Dr. Jeffrey A. Graves

Title: President, Chief Executive Officer and Director

(principal executive officer)

Date: May 10, 2023 August 9, 2023

Exhibit 31.2

Certification of Principal Financial Officer of 3D Systems Corporation

I, Michael Turner, certify that:

- 1. I have reviewed this report on Form 10-Q of 3D Systems Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Michael Turner

Michael Turner

Title: Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: May 10, 2023 August 9, 2023

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2023 June 30, 2023 of 3D Systems Corporation (the "Issuer").

I, Dr. Jeffrey A. Graves, President, Chief Executive Officer and Director (principal executive officer) of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 10, 2023 August 9, 2023

/s/ Dr. Jeffrey A. Graves

Name: Dr. Jeffrey A. Graves
(principal executive officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2023 June 30, 2023 of 3D Systems Corporation (the "Issuer").

I, Michael Turner, Executive Vice President and Chief Financial Officer (principal financial officer) of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 10, 2023 August 9, 2023

/s/ Michael Turner

Name: Michael Turner

(principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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