3D SYSTEMS CORP
Form 10-K
February 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10 K

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

For the fiscal year ended December 31, 2013

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

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3D SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| DELAWARE | 95 4431352 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| 333 THREE D SYSTEMS CIRCLE<br>ROCK HILL, SOUTH CAROLINA | 29730 |
| (Address of Principal Executive Offices) | (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 | Name of each exchange on which registered |
|---|---|
| Common stock, par value $0.001 per share | The New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

| | | |
|---|---|---|
| Large accelerated filer | | Accelerated filer |
| Non-accelerated filer | (Do not check if smaller reporting company) | Smaller reporting company |

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 28, 2013 was $4,098,482,445. For purposes of this computation, it has been assumed that the shares beneficially held by directors and officers of the registrant were "held by affiliates." This assumption is not to be deemed an admission by these persons that they are affiliates of the registrant.

The number of outstanding shares of the registrant's common stock as of February 19, 2014 was 103,210,661.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant’s definitive proxy statement for its 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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3D SYSTEMS CORPORATION

Annual Report on Form 10 K for the
Year Ended December 31, 2013

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# PART I

## Item 1. Business

### General

3D Systems Corporation (“3D Systems” or the “Company”) is a holding company incorporated in Delaware that operates through subsidiaries in the United States, Europe and the Asia-Pacific region, and distributes its products in those areas as well as in other parts of the world. 3D Systems is a leading provider of 3D printing centric design-to-manufacturing solutions including 3D printers, print materials and cloud sourced on-demand custom parts for professionals and consumers alike in materials including plastics, metals, ceramics and edibles. The company also provides a variety of perceptual devices including 3D scan-to-CAD, freeform modeling and inspection tools. Its products and services replace and complement traditional methods and reduce the time and cost of designing new products by printing real parts directly from digital input. These solutions are used to rapidly design, create, communicate, prototype or produce real parts, empowering customers to manufacture the future.

3D printers can print almost anything from personalized medical devices to functional airplane and car parts and from individualized accessories to customized jewelry and toys. Over the past three decades, entire industries transformed their design-to-manufacturing processes using 3D content-to-print solutions. Companies using 3D printing have the freedom to create and manufacture customized products with no additional cost for complexity and uniqueness. Instead of investing in expensive tooling and incurring long lead-times and costly freight charges, customers can use 3D printing to mass customize and locally print what they need, when they need it and in a more cost effective way, while significantly reducing undesired environmental impacts of traditional manufacturing.

We pioneered 3D printing and digital manufacturing with the invention of stereolithography (“SLA”) and the universally used .stl file format almost 30 years ago and we subsequently developed selective laser sintering (“SLS”), multi-jet printing (“MJP”), film transfer imaging (“FTI”), color jet printing (“CJP”), direct metal sintering (“DMS”) and plastic jet printing (“PJP”) 3D printing technologies. Over the past decades many companies enhanced their competitive advantage by embracing our 3D printing solutions to convert their new product design and rapid prototyping activities and transitioned to new Direct Manufacturing of end use parts and custom products. Today, we continue to drive the adoption of large-scale custom manufacturing solutions, including end use parts in a variety of aerospace, defense, transportation and healthcare applications worldwide.

We are committed to democratizing access and accelerating adoption of our products and services through affordability and simplicity for the benefit of professionals and consumers. We are extending the range of our affordable printing solutions from the design department and production floor to classrooms and living rooms.

Our growing portfolio of 3D printers ranges from under $1,000 to nearly $1 million and includes several unique print engines that employ proprietary, additive layer printing processes designed to meet our customers' most demanding design, prototyping, testing, tooling, production and manufacturing requirements. Our principal print engines include stereolithography, selective laser sintering, direct metal sintering, multi-jet printing, color-jet printing, film transfer imaging and plastic jet printing. We believe that our 3D printing solutions and services enable our customers to develop and manufacture new products faster and more economically, with better quality and greater functionality, than with traditional methods.

Our printers utilize a wide range of proprietary print materials that we develop, blend and market to print real parts. Our print materials range from real wax and plastic to real metals and engineered materials designed to replicate the performance of specific plastics, composites, nylons and metals. We augment and complement our own portfolio of print materials with materials that we purchase from third parties under private label and distribution arrangements.

We provide our customers with our Geomagic® software tools and Cubify® apps and downloads for creativity and design, including 3D scan-to-CAD and inspection tools, haptic design and sculpting and medical modeling. Our software solutions seamlessly integrate 3D content creation and manipulation with 3D scanners, CAD packages and 3D printers. We also offer proprietary software printer drivers and pre-sale and post-sale services, ranging from applications development and custom engineered production solutions to installation, warranty and maintenance services.

We also provide quick turn, short run custom manufacturing services via our leading Quickparts®, on-demand cloud printed parts services, to satisfy our customers' entire design-to-manufacturing requirements. We offer a broad range of precision plastic and metal parts capabilities produced from a wide range of 3D printing and traditional materials using a variety of additive and traditional manufacturing processes.

In addition to 3D printing solutions, we provide digitizing scanners for medical and mechanical applications that are sold under our Vidar® brand.

We continue to develop new products and services and have expanded our technology platform and 3D ecosystem through internal developments, relationships with third parties and acquisitions. We maintain ongoing product development programs that are focused on providing our customers with the most comprehensive portfolio of 3D content-to-print solutions, targeting their entire design-to-manufacturing requirements, from desktop prototyping to fab-grade manufacturing. We are focusing on developing a comprehensive menu of affordable to own and operate 3D printing solutions to address applications in the aerospace, automotive, healthcare, education, MCAD, architecture and consumer marketplaces, which we believe represent significant growth opportunities for our business.

We offer a wide variety of products, tools and services including rapid manufacturing used to manufacture end-use parts, rapid prototyping used to quickly and efficiently generate product-concept models and functional testing prototypes, communication and design applications used to produce presentation models, healthcare solutions used for medical study models and tools, consumer solutions used to provide customers with easy to use printers and concept creation apps, and software solutions used to provide CAD modeling, reverse engineering and inspection tools.

We provide expertly integrated solutions consisting of printers, print materials, software tools, 3D scanners and a variety of related Quickparts and other customer services. Our extensive solutions portfolio enables us to offer our customers cost effective ways to transform the manner in which they design, develop and manufacture their products.

Recent Developments

We are continuing to expand our global facilities and increase manufacturing capacity to meet demand for our products and services.  In October, we announced that we plan to expand our Rock Hill, SC, manufacturing operations, which we expect to generate approximately 145 new jobs. We are also expanding manufacturing capacity in our other facilities for printers, including at least tripling our direct metals printers' production output.

In October, we announced the availability of Cubify Design™, a parametric CAD design tool for consumers and prosumers for complex projects requiring real-world functionality and accuracy.

In November, we announced the availability of the Sense™ 3D scanner, the first ever digital photography device, designed for the consumer and optimized for 3D printing. The Sense delivers precise, instant, physical photography and its user interface includes zoom, track, focus, crop, enhance and share tools. Sense printables can be sent to Cube® and CubeX and ProJet x60 series 3D printers, or directly uploaded to Cubify.com for cloud printing in a range of materials.

In November, we announced the availability of Geomagic Capture®, a family of integrated desktop, scanner and software tools for professional scan-based design and quality inspection. Geomagic Capture is available in six configurations and each package includes a compact, blue-light LED scanner directly integrated with Geomagic software. Using Geomagic Capture, designers and engineers can instantly incorporate real world objects into CAD at their desktops.

In November, we entered into a multi-year development agreement with Google, Inc., to create a continuous high-speed 3D printing production platform and fulfilment system and functional materials in support of its Project Ara. Project Ara aims to develop highly-custom, modular smartphones that allow users the opportunity to make functional and aesthetic choices about their device.

In December, we announced the availability of the ProJet® 4500 3D printer, a continuous-tone and full-color plastic 3D printer.  This professional 3D printer delivers ready-to-use, full-color durable plastic parts for a wide range of modeling, functional prototyping and real-use products. The ProJet 4500 builds with a new class of sustainable VisiJet® C4 Spectrum materials that were launched simultaneously. This printer delivers both flexible and strong parts with pixel-by-pixel color, in high-resolution color with a superior surface finish.

In December, we announced the availability of the ProJet 5500X, a multi-material, 3D printer and a related family of engineered composite materials to deliver high quality, accurate and tough parts. The ProJet 5500X simultaneously prints and fuses together flexible, rigid and polycarbonate-like composite materials layer by layer at the pixel level in a variety of colors and shades including opaque, clear, black, white and shades of gray. Our printed multi-material composites result in realistic, functional, large and small prototypes and products for a wide range of manufacturers, designers and engineers.

In December, we announced the availability of the ProX™ 950 SLA® 3D printer, the largest-format, highest-speed, greatest accuracy and greenest 3D printer we currently provide. The ProX 950 is equipped with our PolyRay™ print head technology that can manufacture real parts at up to 10 times the speed of other 3D printers, drawing on a wide choice of high-performance engineered materials that are qualified for aerospace, medical device and industrial use-cases.

In December, we announced the availability of the ProX 500 SLS® 3D printer that delivers high-precision, durable and high-quality parts in a compact production-grade system. Designed for the manufacturing floor, the ProX 500 produces ready-to-use functional parts and complete assemblies for a variety of aerospace, automotive, patient-specific medical devices, fashion accessories and mobile device cases. The compact ProX 500 printer was developed in tandem with our new DuraForm® ProX material to produce smoother wall surfaces and injection molding-like part quality.

In December, we announced the availability of the ProX 300, the first Phenix system to be rebranded as part of our rapidly expanding DMS 3D printers family. The ProX 300 is a direct metal printer with an industrial grade direct metal platform that is specifically designed for demanding manufacturing floor conditions, delivering high density, metal-printed parts from a large choice of materials and to accurate precision. We also have available our rebranded ProX 100 and ProX 200 DMS 3D printers.

In December, we announced the availability of the ProJet 1200, a new micro-SLA 3D printer that is ideal for small, precise, detail-rich parts and casting patterns, such as jewelry, electronic components and dental wax-ups. With a footprint smaller than a coffee maker and an all-in-one cartridge materials delivery system that is economical to own, safe to operate anywhere and simple to use. We expect shipments for the ProJet 1200 to begin during the first quarter of 2014.

In December, we announced the acquisition of Figulo, a provider of 3D-printed ceramics. We plan to integrate Figulo's operations into our Cubify ecosystem and our professional cloud printing service, Quickparts, and to leverage Figulo's ceramics materials and process knowledge to fast track the commercialization of our own family of end-user real ceramic 3D printers based on our ColorJet Printing technology. 3D-printed ceramics enable new possibilities in complex designs for kitchenware, tiling, art and more.

In December, we announced the acquisition of Village Plastics Co., a manufacturer of filament-based ABS, PLA and HIPS 3D printing materials. Through its manufacturing facility in Norton, Ohio, Village Plastics delivers high quality, precision 3D printing filaments. We plan to integrate Village Plastics materials and manufacturing technologies to accelerate our development of advanced filament-based materials for our Cube and CubeX 3D printers. Additionally, we plan to support all Village Plastics' existing customers by providing full access to our complete portfolio of design-to-manufacturing products and services.

In December, we announced the acquisition of Xerox Corporation's Wilsonville, Oregon product design, engineering and chemistry group and related assets. As part of the agreement, we have added more than 100 Xerox engineers and contractors specializing in product design and materials science to our global R&D team and operate our own facility within the Xerox Wilsonville campus. Xerox will provide ink and print head development resources along with research relevant for digital printing and the 3D markets.

In December, we announced the acquisition of Gentle Giant Studios, a provider of 3D modeling for the entertainment and toy industry. Gentle Giant Studios develops high quality content using 3D scanning and modeling to develop and manufacture licensed 3D printed characters, toys and collectibles from a variety of franchise properties with global brand recognition. We plan to leverage Gentle Giant Studios' technology and library of digital content into our consumer platform and extend existing brand relationships to further the reach of 3D scanning, modeling and printing for entertainment, toys, collectibles and action figures.

In January, we revealed several new consumer products at the 2014 International Consumer Electronics Show ("CES"), including six new 3D printers. The Cube® 3 3D printer, expected to be released during the second quarter of 2014, is the first sub-$1,000 plug-and-play home printer that is certified kid-safe and offers multi-material and dual color options. The CubePro™ 3D printer, expected to be priced below $5,000 and released during the second quarter of 2014, offers printing in up to 3 colors at a time and the largest build size in its class and utilizes a controlled print chamber that automatically adjusts for ABS and/or PLA print materials. The ChefJet™ and ChefJet Pro 3D printers, expected to be released during the second half of 2014 at sub-$5,000 and sub-$10,000, respectively, printing in real sugar and chocolate. The CeraJet™ 3D printer prints in real ceramic material that is ready for glazing and firing and is expected to be released during the second half of 2014 for under $10,000. The CubeJet™ 3D printer is the first desktop, full-color printer and we expect to release it during the second half of 2014 for less than $5,000. We also unveiled the Touch™, the first haptic-based, consumer mouse for 3D sculpting and design with instant force feedback, which is expected for commercial shipment during the second quarter of 2014 at $499, including software. We previewed the iSense, a 3D scanner for iPads for physical photography of objects up to 10 feet and optimized for seamless 3D printing, which is expected to be available in the second quarter of 2014 for $499. At CES, we also showcased the 3DMe® Photobooth, an integrated physical photography pod to bring the 3DMe experience to retail floors and event spaces, which we expect to commercialize in the second quarter of 2014.

In January, we announced a partnership with Intel Corporation to mainstream the adoption of 3D scanning and 3D printing. We will make available our consumer Sense scanning, editing and 3D printing software applications for Intel-powered Ultrabook, 2 in 1, AIO and tablet devices equipped with the new Intel 3D camera during the second half of 2014. Also in January, we announced a multi-year joint development agreement with The Hershey Company, a large producer of chocolate in North America and a global leader in chocolate, sweets and refreshment, to explore and develop innovative opportunities for using 3D printing technology in creating edible foods, including confectionery treats. In February of 2014, Hasbro, Inc., a global branded play company, announced their intent to co-develop, co-venture and deliver new immersive, creative play experiences powered by 3D printing for children and their families later in 2014.

## Products

### Printers and Other Products

All our 3D printers employ one of our seven print engines, which are discussed in more detail below. Our 3D printers convert data input from any CAD generated software format or 3D scanning and sculpting devices, to printed parts using our proprietary engineered plastic, metal, nylon, rubber, wax and composite print materials. Our professional and production printers comprise our SLA, SLS, DMS, MJP, CJP, and FTI printers. Our consumer printers price points include our PJP and CJP printers.

Customers use our professional and production printers to produce highly accurate geometries and/or very durable parts for applications in various industries, including aerospace, automotive and patient-specific medical devices for a variety of healthcare use cases. They are also used in engineering and design spaces for product development, architecture, marketing communication, education and research and for custom manufacturing of advanced oral and orthopedic restorative devices, custom jewelry and customized toys, action figures and collectibles. Our professional printers are capable of rapidly producing tools, fixtures, jigs, patterns, medical models and end-use parts.

Our consumer 3D printers produce ready-to-use functional parts at home, school or office workstations. These plug and print 3D printers enable students, consumers, designers, engineers, hobbyists and do-it-yourselfers to imagine, design and print their ideas at home or at their desks.

We develop, blend, compound, extrude and market a wide range of proprietary print materials that replicate the performance of engineered plastics, composites and metals. We augment and complement our own portfolio of print materials with materials that we purchase from third parties under private label and distribution arrangements.

We provide our customers proprietary software tools under our Geomagic brand name for professionals and Cubify brand for consumers. We provide a library of content files and content creation apps through our Cubify.com online destination. We also provide software drivers embedded within our printers. We provide pre-sale and post-sale services, ranging from applications development to installation, warranty and maintenance services. We also provide a comprehensive suite of printed parts services through our Quickparts branded, on-demand custom parts services. Our Quickparts services offer a broad range of precision plastic and metal parts service capabilities produced from a wide range of 3D printing and traditional materials using a variety of additive and traditional manufacturing processes.

### 3D Printer Solutions

### SLA Printers

Our stereolithography printers convert our proprietary, engineered print materials and composites into solid cross-sections, layer by layer, to print the desired fully fused objects. Our SLA printers are capable of making multiple distinct parts at the same time and are designed to produce highly accurate geometries in a wide range of sizes and shapes with a variety of material performance characteristics. Our family of SLA printers offers a wide range of capabilities, including size, speed, accuracy, throughput and surface finish in different formats and price points. Our SLA printers come in a variety of print formats and footprint sizes designed to quickly and economically produce durable plastic parts with unprecedented surface smoothness, feature resolution, edge definition and tolerances that rival the accuracy of CNC-machined plastic parts.

SLA parts are designed for uses from functional models to foundary patterns and end-use parts and are known for their ultra-high definition, fine feature detail, resolution and surface quality. Product designers, engineers and marketers in many manufacturing companies throughout the world use our SLA printers for a wide variety of applications, ranging from automotive, aerospace and consumer and electronic applications to healthcare for mass customization of orthodontics, hearing aids and surgical guides and kits.

SLS Printers

Our selective laser sintering printers convert our proprietary, engineered print materials and composites by melting and fusing (sintering) these print materials into solid cross sections, layer by layer, to produce finished parts. SLS printers can create parts from a variety of proprietary engineered plastic and nylon powders and are capable of processing multiple parts in a single build session.

Customer uses of our SLS printers include functional test models and end-use parts, which enable our customers to create customized parts economically without tooling. The combination of print materials flexibility, part functionality and high throughput of our SLS print engine makes it well suited for rapid manufacturing of durable parts for applications in various industries, including aerospace, automotive, packaging, machinery and motor-sports.

Our family of SLS printers comes in a variety of print formats and degrees of automation. Our SLS production printers are designed to enable our customers to mass customize and produce high-quality, end-use parts, patterns, fixtures and tools consistently and economically from our proprietary engineered plastics, nylons and composites, on site and on demand.

DMS Printers

Our direct metal sintering printers produce chemically pure, fully dense metal parts, by sintering very fine granularity powders in a variety of different metals materials and a ceramic material. We offer direct metal printers in several sizes, including the ProX 100, 200 and 300.

MJP Printers

Our professional MJP printers utilize jetting head technology to deliver high quality, accurate and tough parts in plastics, wax, engineered materials and the capability to print parts in multiple materials in a single part. Our MJP professional printers come with a five-year print head warranty and are designed to print high-definition, functional and durable models for form, fit and function analysis, including certain models that are capable of ultra-fine resolution for precision dental and jewelry applications.

CJP Printers

Our professional CJP printers produce parts in ceramic-like material and plastics using powder materials and binders. These printers are full color printers, capable of printing in a million colors pixel by pixel and are ideal for MCAD, architecture, design communication, education, art and medical modeling applications.

FTI Printers

Our film transfer imaging printers use DLP light curing technology to print durable plastic parts with a smooth surface finish and true to design detailed features. Parts printed on these ProJet printers can be drilled, machined, painted and metal-plated after building and parts can be printed in six different colors.

PJP Printers

Our PJP consumer 3D printers utilize a proven, simple, clean, compact and quiet plastic extrusion print engine technology designed for office, home and classroom use. Our PJP printers are designed and engineered to be simple, accurate and robust and some are equipped with up to three compact precision print heads for print speed, accuracy, multi-color, multi-material printing with fast material changeovers and multiple print modes available.

PJP printers offer an easy to use interface, affordable color printing in one to three colors in a single build in PLA or ABS plastic.

3D Print Materials

As part of our integrated solutions approach, we blend, market, sell and distribute proprietary, consumable, engineered plastic, nylon and metal materials and composites under several leading brand names for use in all our printers. We market our SLA materials under the Accura® brand, our SLS materials under the DuraForm, CastForm™ and LaserForm™ brands and materials for our MJP, CJP and FTI printers under the VisiJet brand. We augment and complement our own portfolio of print materials with materials that we purchase from third parties under private label and distribution arrangements.

With the exception of the recently acquired metals printers, our currently offered printers have built-in intelligence that communicates vital processing and quality statistics in real time. For these printers, we furnish integrated print materials that are specifically designed for use in those printers and that are packaged in smart cartridges designed to enhance system functionality, up-time, materials shelf life and overall printer reliability, with the objective of providing our customers with a built-in quality management system and a fully integrated work flow solution.

We work closely with our customers to optimize the performance of our print materials in their applications. Our expertise in print materials formulation, combined with our process, software and equipment design strengths, enables us to help our customers select the print material that best meets their needs and obtain optimal cost and performance results. We also work with third parties to develop different types of print materials designed to meet the needs of our customers.

SLA Print Materials and Composites

Our family of proprietary stereolithography materials and composites offers a variety of plastic-like performance characteristics and attributes designed to mimic specific, engineered, thermoplastic materials. When used in our SLA printers, our proprietary liquid resins turn into a solid surface one layer at a time, and through an additive building process, all the layers bond and fuse to make a solid part. SLA print materials are ideal for fit and form testing, wind tunnel testing, patterns and molds, show models and healthcare applications such as in-the-ear hearing aids, surgical kits and medical models.

Our portfolio of Accura stereolithography materials includes general purpose as well as specialized materials and composites that offer customers the opportunity to choose the material that is best suited for the parts and models that they intend to produce.

To further complement and expand the range of materials we offer to our customers, we also distribute SLA materials under recognized third-party brand names.

SLS Print Materials and Composites

Our family of proprietary selective laser sintering materials and composites includes a range of rigid plastic, elastomeric and nylon materials as well as various composites of these ingredients. Our SLS printers have built-in versatility; therefore, the same printers can be used to process multiple materials.

Our DuraForm laser sintering materials include CastForm and LaserForm proprietary SLS materials. SLS materials are used to create durable, functional end-use parts, prototypes and durable patterns as well as assembly jigs and fixtures. They are also used to produce flexible, rubber-like parts, high-temperature resistant parts, patterns for investment casting, functional tooling such as injection molding tool inserts, and end-use parts for customized advanced manufacturing applications.

Examples of rapid manufacturing parts produced by our customers using our SLS printers include air ducts for military aircraft and engine cowling parts for unmanned aerial vehicles. Product designers and developers from major automotive, aerospace and consumer products companies use DuraForm parts extensively as functional test models, including in harsh test environment conditions. Aerospace and medical companies use our SLS printers to produce end-use parts directly, which enables them to create customized parts economically without tooling. Parts made from DuraForm and LaserForm™ materials are cost effective and can compete favorably with traditional manufacturing methods, especially where part complexity is high.

Metal Materials

Our family of DMS print materials includes metal and ceramic very fine powders with granularity of six to nine microns. These materials include ceramics, stainless steels, tool steels, super alloys, non-ferrous alloys, precious metals and alumina. Our DMS printers and materials are used for chemically pure, fully dense, fine feature detail printing of end use part and patterns in aerospace, automotive and healthcare applications. Super alloys are commonly used in parts of gas turbine engines that are subject to high temperatures and require high strength, high temperature creep resistance, phase stability and oxidation and corrosion resistance. Non-ferrous metals include aluminum and titanium. Precious metals such as gold, silver and platinum and exotic or rare metals such as cobalt, mercury or tungsten can also be processed.

VisiJet Print Materials

Our family of MJP VisiJet print materials includes plastic, wax and engineered part-building materials and compatible disposable support materials that are used in the modeling process and facilitate an easily-melted support removal process. Our CJP VisiJet materials include powder-based and plastic materials and binders. These print materials are sold to our customers packaged in proprietary smart cartridges designed for our professional 3D printers. Our proprietary VisiJet plastic print materials are ideal for study models and form, fit and function engineering studies. VisiJet wax print materials and special dissolvable support materials are used for direct casting applications such as custom jewelry manufacturing, dental crowns and bridge work and other casting and micro-casting applications. Our VisiJet materials family also includes durable materials that provide injection-molded like properties for high-end prototyping and demanding applications and high performance powders for full-color printing in ceramic-like material and plastics for design communication, architecture, medical and education applications.

PJP Print Materials

Our family of print materials for use in our PJP 3D printers includes polylatic acid (PLA), acrylonitrile butadiene styrene (ABS), polypropylene (PP), high density polyethylene (HDPE), low density polyethylene (LDPE), and unplasticised polyvinyl chloride (uPVC). These print materials are packaged in proprietary smart cartridges and offer a variety of properties, including tough polymer materials for car bumpers, tough and flexible polymers for face masks or containers, and chemical and solvent resistant materials for fuel tanks, snowboards and water pipes. PLA and ABS plastics are for use in our consumer 3D printers, providing multi-color, durable, real plastic parts.

Software Solutions

We provide our customers with software tools for design, reverse engineering and inspection and proprietary digital workflow software tools. We offer Geomagic software packages and design tools for reverse engineering, inspection and haptic design packages, enabling our customers to open scan data directly in the CAD parametric environment, design in Voxel CAD and sculpt. We also offer Cubify Invent and Cubify Design CAD software solutions. We also offer proprietary software embedded within our printers.

3D Scanners

We offer affordable 3D scanners enabling seamless integration with our software solutions and 3D printers for consumers and professionals. Geomagic Capture™ is designed for the professional user and is available in six configuration packages, each including a compact, ultra-precise, blue light LED scanner directly integrated with our Geomagic software. The Sense™ 3D scanner is the first 3D scanner designed for the consumer and optimized for 3D printing. It delivers precise, instant digital data for physical photography or 3D design. Our scanners are easy to use and intuitive for a fraction of the cost of others available in their classes today.

Services

Warranty, Maintenance and Training Services

We provide a variety of customer services and local application support and field support on a worldwide basis for all our SLA, SLS and DMS 3D printers. For our 3D printers and software, we provide these services and field support either directly or through a network of authorized resellers or other sources. We are continuing to expand our reseller channel for our line of consumer and professional 3D printers and software and to train our resellers to perform installation and maintenance services for our printers.

The services and field support that we provide includes installation of new printers at customers' sites, printer warranties, several maintenance agreement options and a wide variety of hardware upgrades, software updates and performance enhancement packages. We also provide services to assist our customers and resellers in developing new applications for our technologies, to facilitate the use of our technology for the customers' applications, to train customers on the use of newly acquired printers and to maintain our printers at customers' sites.

All our 3D printers are sold with maintenance support that generally covers a warranty period ranging from 90 days to one year. We generally offer service contracts that enable our customers to continue maintenance coverage beyond the initial warranty period. These service contracts are offered with various levels of support and are priced accordingly. We employ customer-support sales engineers in North America, in several countries in Europe and in parts of the Asia-Pacific region to support our worldwide customer base. As a key element of warranty and service contract maintenance, our service engineers provide regularly scheduled preventive maintenance visits to customer sites. We also provide training to our distributors and resellers to enable them to perform these services.

We distribute spare parts on a worldwide basis to our customers, primarily from locations in the U.S. and Europe.

We also offer upgrade kits for certain of our printers that enable our existing customers to take advantage of new or enhanced printer capabilities; however, we have discontinued upgrade support for certain of our older legacy printers.

Quickparts Services

We provide an extensive suite of on-demand parts services through our Quickparts branded global network of fulfillment facilities. Our Quickparts service offers a broad range of precision plastic and metal parts service capabilities produced from a wide range of 3D printing and traditional materials using a variety of additive and traditional manufacturing processes. Customers may procure a complete range of precision plastic and metal parts services using a variety of finishing, molding and casting capabilities. In addition, preferred service providers and leading service bureaus can use our on-demand custom parts service as their comprehensive order-fulfillment center.

We are continuing to expand our Quickparts service by bringing together a wide range of production and additive grade print materials and the latest additive and traditional manufacturing systems to deliver to our customers the broadest available range of precision plastic and metal parts and assemblies. Since October 2009, we have acquired sixteen service providers in the U.S., Europe and Asia-Pacific, enhancing our North American and European presence and expanding our local presence in Australia and China.

Consumer Services

In addition to our consumer 3D printers, we offer Cubify, our online hosting and publishing platform providing simple-to-use content creation tools, content downloads, cloud printing services and licensing arrangements and hosting for third parties. We are continuing to expand our Cubify offerings, including expanded content creation tools, content files and partnerships to offer personalized and customized jewelry, figurines, collectibles, toys, housewares, edibles and other items.

Software Services

In addition to our software products, we offer customers post sale software maintenance, which includes updates and software support, for our design, reverse engineering and inspection software packages.

Global Operations

We operate in North America, Europe and the Asia-Pacific regions, and distribute our products and services in those areas as well as to other parts of the world. Revenue in countries outside the U.S. accounted for 44.5%, 44.5% and 48.9% of consolidated revenue in the years ended December 31, 2013, 2012 and 2011, respectively.

In maintaining foreign operations, we expose our business to risks inherent in such operations, including currency fluctuations. Information on foreign exchange risk appears in Part I, Item 1A "Risk Factors", Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" and Item 8, "Financial Statements and Supplementary Data," of this Form 10 K, which information is incorporated herein by reference.

Financial information about geographic areas, including revenue, long-lived assets, and cash balances, appears in Note 21 to the Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data," of this Form 10-K, which information is incorporated herein by reference.

Marketing and Customers

Our sales and marketing strategy focuses on an integrated approach that is directed at providing 3D content-to-print solutions and services to meet a wide range of customer needs. This integrated approach includes the sales and marketing of our parts service, either as an adjunct to a customer's in-house use of additive technologies or to the much broader audience of users who do not have 3D printers.

Our sales organization is responsible for the sale of all of our products and services on a worldwide basis and for the management and coordination of our growing network of authorized resellers. With the exception of our online channels and direct Quickparts salespersons, we sell our products primarily through resellers who are supported by our own experienced channel sales managers consisting of salespersons who work throughout North America, Europe and Asia-Pacific.  Our application engineers provide professional services through pre-sales and post-sales support and assist existing customers so that they can take advantage of our latest print materials and techniques to improve part quality and machine productivity. This group also leverages our customer contacts to help identify new application opportunities that utilize our proprietary processes and access to our Quickparts printing service.  As of December 31, 2013, our worldwide sales, application and service staff consisted of 234 employees.

In certain areas of the world where we do not operate directly, we have appointed sales agents, resellers and distributors who are authorized to sell our production printers and the print materials used in them on our behalf. Certain of those agents, resellers and distributors also provide services to customers in those geographic areas.

Our consumer and professional printers and related print materials, services, 3D scanners and software solutions are sold worldwide directly and through a network of authorized distributors and resellers who are managed and directed by a dedicated team of channel sales managers.

As a complement to our printers and print materials sales, we maintain our on demand parts service, a global network of parts printing service locations branded as Quickparts. Quickparts is designed to provide our customers a single source for all their design-to-manufacturing needs, through which we offer access to a wide range of additive and traditional manufacturing technologies, print materials from plastics to metals and our project management and finishing capabilities through a powerful e-commerce platform with on-line quoting, plug-ins and secure ordering.

Our consumer oriented 3D printers, design productivity tools, downloadable content, and curation services are available through Cubify and through hundreds of retail stores and traditional retail distributors.

Our commercial customers include major companies and small and midsize businesses in a broad range of industries, including manufacturers of automotive, aerospace, computer, electronic, defense, education, consumer, energy and healthcare products. Purchasers of our printers include original equipment manufacturers (OEM’s), government agencies, universities and other educational institutions, independent service bureaus and individual consumers.  No single customer accounted for more than 10 percent of our consolidated revenue for the years ended December 31, 2013, 2012 or 2011.

Production and Supplies

We assemble our Cube X consumer 3D printers and our ProJet 1000 through 7000 professional 3D printers and other equipment at our Rock Hill, South Carolina facilities. Our Vidar digitizers and Cube consumer 3D printers are assembled in our Herndon, Virginia facility. Our ProJet x60 series of professional printers are assembled at our Andover, Massachusetts location. Our direct metals printers are produced in our Riom, France facility, as part of the acquisition of Phenix Systems.

We outsource certain production printer assembly and refurbishment activities to selected design and engineering companies and suppliers in the United States. These suppliers also carry out quality control procedures on our printers prior to their shipment to customers. As part of these activities, these suppliers have responsibility for procuring the components and sub-assemblies that are used in our printers. We purchase finished printers from these suppliers pursuant to forecasts and customer orders that we supply to them. While the outsourced suppliers of our printers have responsibility for the supply chain of the components for the printers they assemble, the components, parts and sub-assemblies that are used in our printers are generally available from several potential suppliers.

We produce print materials at our facilities in Andover, Massachusetts, Norton, Ohio, Marly, Switzerland and Rock Hill, South Carolina. We also have arrangements with third parties who blend to our specifications certain print materials that we sell under our own brand names. As discussed above, we also purchase print materials from third parties for resale to our customers.

Our equipment assembly and print materials blending activities and certain research and development activities are subject to compliance with applicable federal, state and local provisions regulating the storage, use and discharge of materials into the environment. We believe that we are in compliance, in all material respects, with such regulations as currently in effect and that continued compliance with them will not have a material adverse effect on our capital expenditures, results of operations or consolidated financial position.

Research and Development

The 3D printing industry is experiencing rapid technological change. Consequently, we have ongoing research and development programs to develop new printers and print materials and to enhance our product lines as well as to improve and expand the capabilities of our printers, print materials and software. This includes all significant technology platform developments for all our print engines, print materials, software products and perceptual devices which includes our scanners and haptic tools. Our development efforts are often augmented by development arrangements with research institutions, customers, suppliers of material and hardware and the assembly and design firms that we have engaged to assemble our printers. From time to time, we also engage third party engineering companies and specialty print materials companies in specific development projects.

In addition to our internally developed technology platforms, we have acquired products or technologies developed by others by acquiring business entities that held ownership rights to the technologies. In other instances we have licensed or purchased the intellectual property rights of technologies developed by third parties through licensing agreements that may obligate us to pay a license fee or royalty, typically based upon a dollar amount per unit or a percentage of the revenue generated by such products. As noted below, the amount of such royalties was not material to our results of operations or consolidated financial position for the three-year period ended December 31, 2013.

Research and development expenses were $43.5 million, $23.2 million and $14.3 million in 2013, 2012 and 2011, respectively.

We capitalized software development costs of $0.3 million from acquisitions in 2013. We did not capitalize any software development costs in 2012. We capitalized software development costs of $7.9 million from acquisitions in 2011. See Note 6 to the Consolidated Financial Statements.

Intellectual Property

We regard our technology platforms and materials as proprietary and seek to protect them through copyrights, patents, trademarks and trade secrets. At December 31, 2013 and 2012, we held 973 and 852 patents worldwide, respectively. At December 31, 2013, we also had 204 pending patent applications worldwide, including applications covering inventions contained in our recently introduced printers. The principal issued patents covering aspects of our various technologies will expire at varying times through the year 2027.

We are also a party to various licenses that have had the effect of broadening the range of the patents, patent applications and other intellectual property available to us.

We have also entered into licensing or cross-licensing arrangements with various companies in the United States and in other countries that enable those companies to utilize our technologies in their products or that enable us to use their technologies in our products. Under certain of these licenses, we are entitled to receive, or we are obligated to pay, royalties for the sale of licensed products in the U.S. or in other countries. The amount of such royalties was not material to our results of operations or consolidated financial position for the three-year period ended December 31, 2013.

We believe that, while our patents and licenses provide us with a competitive advantage, our success depends primarily on our marketing, business development and applications know-how and on our ongoing research and development efforts. Accordingly, we believe the expiration of any of the patents, patent applications or licenses discussed above would not be material to our business or financial position.

Competition

We face competition from the development of new technologies or techniques not encompassed by the patents that we own or license, from the conventional machining, plastic molding and metal casting techniques discussed above and from improvements to existing technologies, such as Computer Numerical Control ("CNC") machining and rotational molding.

Competition for most of our 3D printers is based primarily on process know-how, product application know-how and the ability to provide a full range of products and services to meet customer needs. Competition is also based upon innovations in 3D printing, rapid prototyping and rapid manufacturing printers and print materials. Accordingly, our ongoing research and development programs are intended to enable us to maintain technological leadership. Certain of the companies producing competing products or providing competing services are well established and may have greater financial resources.

Our principal competitors are companies that manufacture machines that make, or use machines to make, models, prototypes, molds and small-volume to medium-volume manufacturing parts. These competitors include suppliers of CNC, suppliers of plastics molding equipment, including injection-molding equipment, suppliers of traditional machining, milling and grinding equipment, and businesses that use such equipment to produce models, prototypes, molds and small-volume to medium-volume manufacturing parts. These conventional machining, plastic molding and metal casting techniques continue to be the most common methods by which plastic and metal parts, models, functional prototypes and metal tool inserts are manufactured.

Our competitors also include other suppliers of 3D printers, print materials and software, including CAD design and scanning software, as well as suppliers of forming manufacturing solutions such as vacuum casting equipment. A number of companies currently sell print materials that compete with those we sell, and there are a wide number of suppliers of maintenance services for the equipment that we sell. Numerous suppliers of these products operate both internationally and regionally, and many of them have well-recognized product lines that compete with us in a wide range of our product applications.

Competition in the on-demand parts printing service business is highly fragmented, with most of the services suppliers operating on a local level.

We believe that our future success depends on our ability to enhance our existing products and services, introduce new products and services on a timely and cost-effective basis, meet changing customer needs, extend our core technologies to new applications and anticipate and respond to emerging standards, business models, service delivery methods and other technological changes.

Employees

At December 31, 2013, we had 1,388 full-time employees. Although some of our employees outside the U.S. are subject to local statutory employment and labor arrangements, none of our U.S. employees are covered by collective bargaining agreements. We have not experienced any material work stoppages and believe that our relations with our employees are satisfactory.

Available Information

Our website address is www.3DSystems.com. The information contained on our website is neither a part of, nor incorporated by reference into, this Form 10-K. We make available free of charge through our website our Annual Reports on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K, amendments to those reports, and other documents that we file with the Securities and Exchange Commission (“SEC”), as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, the public may read and copy materials we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room can be obtained by calling the SEC at 1-800-SEC-0330.

Several of our corporate governance materials, including our Code of Conduct, Code of Ethics for Senior Financial Executives and Directors, Corporate Governance Guidelines, the current charters of each of the standing committees of the Board of Directors and our corporate charter documents and by-laws are available on our website.

Executive and Other Officers

The information appearing in the table below sets forth the current position or positions held by each of our officers and his or her age as of February 1, 2014. All of our officers serve at the pleasure of the Board of Directors. There are no family relationships among any of our officers or directors.

| Name and Current Position | Age as of February 1, 2014 |
|---|---|
| Abraham N. Reichental | |
| President and Chief Executive Officer | 57 |
| Charles W. Hull | |
| Executive Vice President, Chief Technology Officer | 74 |
| Damon J. Gregoire | |
| Senior Vice President and Chief Financial Officer | 45 |
| Kevin P. McAlea | |
| Senior Vice President and Chief Impact Officer | 55 |
| Andrew M. Johnson | |
| Vice President, General Counsel and Secretary | 39 |
| Cathy L. Lewis | |
| Vice President, Chief Marketing Officer | 62 |

We have employed each of the individuals in the foregoing table other than Ms. Lewis for more than five years.

Ms. Lewis joined us as Vice President Global Marketing on October 15, 2009 and was elected an officer of the company in May 2010. From 2006 until 2009, she was Chief Executive Officer of Desktop Factory, Inc., a venture financed technology start-up focused on the development and delivery of a low cost 3D printer. For more than three years prior to 2006, Ms. Lewis served as Senior Vice President, Marketing for IKON Office Solutions, a global office copying/printing/imaging and related services company.

Item 1A. Risk Factors

Forward-Looking Statements

Certain statements made in this Form 10-K 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 include the cautionary statements and risk factors set forth below as well as other statements made in this Form 10-K that may 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 or projections expressed or implied by such forward-looking statements.

In addition to the statements set forth below that explicitly describe risks and uncertainties to which our business and our financial condition and results of operations are subject, readers are urged to consider statements in future or conditional tenses or that include terms such as “believes,” “belief,” “expects,” “intends,” “anticipates” or “plans” that appear i this Form 10-K to be uncertain and forward-looking. Forward-looking statements may include comments as to our beliefs, expectations and projections as to future events and trends affecting our business. Forward-looking statements are based upon our beliefs, assumptions and current expectations concerning future events and trends, using information currently available to us, and are necessarily subject to uncertainties, many of which are outside our control. We assume no obligation, and do not intend, to update these forward-looking statements, except as required by applicable law. The factors stated under the heading “Cautionary Statements and Risk Factors” set forth below, as well as other factors, could cause actual results to differ materially from those reflected or predicted in forward-looking statements.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from those reflected in or suggested by forward-looking statements. Any forward-looking statement that you read in this Form 10-K reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or to individuals acting on our behalf are expressly qualified in their entirety by this discussion. You should specifically consider the factors identified in this Form 10-K, which would cause actual results to differ from those referred to in forward-looking statements.

Cautionary Statements and Risk Factors

The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not currently known to us or that we currently deem not to be material also may impair our business operations, results of operations and financial condition. If any of the risks described below or if any other risks and uncertainties not currently known to us or that we currently deem not to be material actually occurs, our business, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and you could lose all or part of your investment in our common stock.

The risks discussed below also include forward looking statements that are intended to provide our current expectations with regard to those risks. There can be no assurance that our current expectations will be met, and our actual results may differ substantially from the expectations expressed in these forward looking statements.

Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

We are subject to global economic, political and social conditions that may cause customers to delay or reduce technology purchases due to economic downturns, volatility in fuel and other energy costs, difficulties in the financial services sector and credit markets, geopolitical uncertainties and other macroeconomic factors affecting spending behavior. We face risks that may arise from financial difficulties experienced by our suppliers, resellers or customers, including:

- The risk that customers or resellers to whom we sell our products and services may face financial difficulties or may become insolvent, which could lead to our inability to obtain payment of accounts receivable that those customers or resellers may owe;

- The risk that key suppliers of raw materials, finished products or components used in the products that we sell may face financial difficulties or may become insolvent, which could lead to disruption in the supply of printers, print materials or spare parts to our customers; and

- The inability of customers, including resellers, suppliers and contract manufacturers to obtain credit financing to finance purchases of our products and raw materials used to build those products.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third party claims as a result of litigation or other proceedings.

In connection with the enforcement of our own intellectual property rights, the acquisition of third-party intellectual property rights or disputes related to the validity or alleged infringement of third party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation may be costly and can be disruptive to our business operations by diverting attention and energies of management and key technical personnel, and by increasing our costs of doing business. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes.

Third-party intellectual property claims asserted against us could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from assembling or licensing certain of our products, subject us to injunctions restricting our sale of products, cause severe disruptions to our operations or the marketplaces in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements. In addition we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products. Any of these could seriously harm our business.

We may not be able to protect our intellectual property rights, including our digital content, from third-party infringers or unauthorized copying, use or disclosure.

Although we defend our intellectual property rights and endeavor to combat unlicensed copying and use of our digital content and intellectual property rights through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. If our intellectual property becomes subject to piracy attacks, they may harm our business.

Additionally, we endeavor to protect the secrecy of our digital content, confidential information and trade secrets. If unauthorized disclosure of our trade secrets occurs, we could potentially lose trade secret protection. The loss of trade secret protection could make it easier for third parties to compete with our products by copying previously confidential features, which could adversely affect our revenue and operating margins. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements. However there is a risk that our confidential information and trade secrets may be disclosed or published without our authorization, and in these situations it may be difficult and/or costly for us to enforce our rights.

We have made, and expect to continue to make, strategic acquisitions that may involve significant risks and uncertainties. We may not realize the anticipated benefits of past or future acquisitions and integration of these acquisitions may disrupt our business and divert management.

We completed eleven acquisitions in 2013. We also intend to continue to evaluate acquisition opportunities in the future in an effort to expand our business and enhance stockholder value. Acquisitions involve certain risks and uncertainties including:

- Difficulty in integrating newly acquired businesses and operations in an efficient and cost-effective manner, which may also impact our ability to realize the potential benefits associated with the acquisition;
- The risk that significant unanticipated costs or other problems associated with integration may be encountered;
- The challenges in achieving strategic objectives, cost savings and other anticipated benefits;
- The risk that our marketplaces do not evolve as anticipated and that the technologies acquired do not prove to be those needed to be successful in the marketplaces that we serve;
- The risk that we assume significant liabilities that exceed the limitations of any applicable indemnification provisions or the financial resources of any indemnifying party;
- The inability to maintain a relationship with key customers, vendors and other business partners of the acquired businesses;
- The difficulty in maintaining controls, procedures and policies during the transition and integration;
- The potential loss of key employees of the acquired businesses;

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The risk of diverting management attention from our existing operations;

- The potential failure of the due diligence process to identify significant problems, liabilities or other challenges of an acquired company or technology;

- The risk that we incur significant costs associated with such acquisition activity that may negatively impact our operating results before the benefits of such acquisitions are realized, if at all;

- The risk of incurring significant exit costs if products or services are unsuccessful;

- The entry into marketplaces where we have no or limited direct prior experience and where competitors have stronger marketplace positions;

- The exposure to litigation or other claims in connection with our assuming claims or litigation risks from terminated employees, customers, former shareholders or other third parties; and

- The risk that historical financial information may not be representative or indicative of our results as a combined company.

If we cease to generate net cash flow from operations and if we are unable to raise additional capital, our financial condition could be adversely affected and we may not be able to execute our growth strategy.

We cannot assure you that we will continue to generate cash from operations or other potential sources to fund future working capital needs and meet capital expenditure requirements.

If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on, among other things, the capital markets, our financial condition at such time and the terms and conditions of such indebtedness. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

During 2013 we carried out one capital markets transaction and received $272.1 million of net proceeds. From time-to-time we may seek access to additional external sources of capital to fund working capital needs, capital expenditures, acquisitions and for other general corporate purposes. However, we cannot assure you that capital would be available from external sources such as bank credit facilities, debt or equity financings or other potential sources to fund any of those future needs.

If our ability to generate cash flow from operations and our existing cash becomes inadequate to meet our needs, our options for addressing such capital constraints include, but are not limited to, (i) obtaining a revolving credit facility from bank lenders, (ii) accessing the public capital markets, or (iii) delaying certain of our existing development projects. If it became necessary to obtain additional debt financing it is likely that such alternatives in the current market environment would be on less favorable terms than we have historically obtained, which could have a material adverse impact on our consolidated financial position, results of operations or cash flows.

The lack of additional capital resulting from any inability to generate cash flow from operations or to raise equity or debt financing could force us to substantially curtail or cease operations and would, therefore, have a material adverse effect on our business and financial condition. Furthermore, we cannot assure you that any necessary funds, if available, would be available on attractive terms or that they would not have a significantly dilutive effect on our existing stockholders. If our financial condition worsens and we become unable to attract additional equity or debt financing or enter into other strategic transactions, we could become insolvent or be forced to declare bankruptcy and we would not be able to execute our growth strategy.

The variety of products that we sell could cause significant quarterly fluctuations in our gross profit margins, and those fluctuations in margins could cause fluctuations in operating income or loss and net income or loss.

We continuously work to expand and improve our product offerings, including our printers, print materials and services, the number of geographic areas in which we operate and the distribution channels we use to reach various target product applications and customers. This variety of products, applications and channels involves a range of gross profit margins that can cause substantial quarterly fluctuations in gross profit and gross profit margins depending upon the mix of product shipments from quarter to quarter. We may experience significant quarterly fluctuations in gross profit margins or operating income or loss due to the impact of the mix of products, channels or geographic areas in which we sell our products from period to period. In some quarters, it is possible that results could be below expectations of analysts and investors. If so, the price of our common stock may be volatile or decline and our cost of capital may increase.

We believe that our future success may depend on our ability to deliver products that meet changing technology and customer needs.

Our business may be affected by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new standards and practices, any of which could render our existing products and proprietary technology and printers obsolete. Accordingly, our ongoing research and development programs are intended to enable us to maintain technological leadership. We believe that to remain competitive we must continually enhance and improve the functionality and features of our products, services and technologies. However, there is a risk that we may not be able to:

· Develop or obtain leading technologies useful in our business;

· Enhance our existing products;

- Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers, particularly in the area of print materials functionality;

- Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis; or

- Recruit or retain key technology employees.

We derive a significant portion of our revenue from business conducted outside the U.S and are subject to the risks of doing business outside the U.S.

Approximately 44.5 percent of our consolidated revenue is derived from customers in countries outside the U.S. There are many risks inherent in business activities outside the U.S. that, unless managed properly, may adversely affect our profitability, including our ability to collect amounts due from customers. While most of our operations outside the U.S. are conducted in highly developed countries, they could be adversely affected by:

- Unexpected changes in laws, regulations and policies of non-U.S. governments relating to investments and operations, as well as U.S. laws affecting the activities of U.S. companies abroad;

- Changes in regulatory requirements, including export controls, tariffs and embargoes, other trade restrictions, competition, corporate practices and data privacy concerns;

- Political policies, political or civil unrest, terrorism or epidemics and other similar outbreaks;

- Fluctuations in currency exchange rates;

- Seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe and extended holiday periods in various parts of the world;

- Limited protection for the enforcement of contract and intellectual property rights in some countries;

- Transportation delays;

- Difficulties in staffing and managing foreign operations;

- Operating in countries with a higher incidence of corruption and fraudulent business practices;

· Taxation; and

· Other factors, depending upon the specific country in which we conduct business.

These uncertainties may make it difficult for us and our customers to accurately plan future business activities and may lead our customers in certain countries to delay purchases of our products and services. More generally, these geopolitical, social and economic conditions could result in increased volatility in global financial markets and economies.

The consequences of terrorism or armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our market opportunities or our business. We are uninsured for losses and interruptions caused by terrorism, acts of war and similar events.

While the geographic areas outside the U.S. in which we operate are generally not considered to be highly inflationary, our foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated, for example, in U.S. dollars rather than their respective functional currencies.

Moreover, our operations are exposed to market risk from changes in interest rates and foreign currency exchange rates and commodity prices, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities and, when we consider it to be appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading or speculative purposes.

We face significant competition in many aspects of our business, which could cause our revenue and gross profit margins to decline. Competition could also cause us to reduce sales prices or to incur additional marketing or production costs, which could result in decreased revenue, increased costs and reduced margins.

We compete for customers with a wide variety of producers of equipment for models, prototypes, other three-dimensional objects and end-use parts as well as producers of print materials and services for this equipment. Some of our existing and potential competitors are researching, designing, developing and marketing other types of competitive equipment, print materials and services. Many of these competitors have financial, marketing, manufacturing, distribution and other resources substantially greater than ours.

We also expect that future competition may arise from the development of allied or related techniques for equipment and print materials that are not encompassed by our patents, from the issuance of patents to other companies that may inhibit our ability to develop certain products, and from improvements to existing print materials and equipment technologies.

We intend to continue to follow a strategy of continuing product development to enhance our position to the extent practicable. We cannot assure you that we will be able to maintain our current position in the field or continue to compete successfully against current and future sources of competition. If we do not keep pace with technological change and introduce new products, we may lose revenue and demand for our products. We also incur significant costs associated with the investment in our product development in furtherance of our strategy that may not result in increased revenue or demand for our products and which could negatively affect our operating results.

New regulations related to conflict-free minerals may cause us to incur additional expenses and may create challenges with our customers.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability regarding the use of “conflict” minerals mined from the Democratic Republic of Congo (the “DRC”) and adjoining countries. The SEC has established new annual disclosure and reporting requirements for those companies who use “conflict” minerals sourced from the DRC and adjoining countries in their products. We are currently conducting due diligence efforts in order to adhere to the initial disclosure requirements beginning in May 2014. These new requirements could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering conflict-free minerals, we cannot ensure that we will be able to obtain these conflict-free minerals in sufficient quantities or at competitive prices. Compliance with these new requirements may also increase our costs, including costs that may be incurred in conducting due diligence procedures to determine the sources of certain minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. In addition, we may face challenges with our customers if we are unable to sufficiently verify the origins of the minerals used in our products.

We depend on our supply chain for components and sub-assemblies used in our 3D printers and for raw materials used in our print materials. If these relationships were to terminate or be disrupted, our business could be disrupted while we located alternative suppliers and our expenses may increase.

We have outsourced the assembly of certain of our printers to third party suppliers, we purchase components and sub-assemblies for our printers from third party suppliers, and we purchase raw materials that are used in our print materials, as well as certain of those print materials, from third party suppliers.

While there are several potential suppliers of the components, parts and sub-assemblies for our products, we currently choose to use only one or a limited number of suppliers for several of these components, including our lasers, print materials and certain jetting components. Our reliance on a single or limited number of suppliers involves many risks including:

- Potential shortages of some key components;
- Disruptions in the operations of these suppliers;
- Product performance shortfalls; and
- Reduced control over delivery schedules, assembly capabilities, quality and costs.

While we believe that we can obtain all the components necessary for our products from other manufacturers, we require any new supplier to become "qualified" pursuant to our internal procedures, which could involve evaluation processes of varying durations. We generally have our printers assembled based on our internal forecasts and the supply of raw materials, assemblies, components and finished goods from third parties, which are subject to various lead times. In addition, at any time, certain suppliers may decide to discontinue production of an assembly, component or raw material that we use. Any unanticipated change in the sources of our supplies, or unanticipated supply limitations, could increase production or related costs and consequently reduce margins.

If our forecasts exceed actual orders, we may hold large inventories of slow-moving or unusable parts, which could have an adverse effect on our cash flow, profitability and results of operations.

We have engaged selected design and manufacturing companies to assemble certain of our production printers. In carrying out these outsourcing activities, we face a number of risks, including:

- The risk that the parties that we retain to perform assembly activities may not perform in a satisfactory manner;

- The risk of disruption in the supply of printers to our customers if such third parties either fail to perform in a satisfactory manner or are unable to supply us with the quantity of printers that are needed to meet then current customer demand; and

- The risk of insolvency of these suppliers, as well as the risks that we face, as discussed above, in dealing with a limited number of suppliers.

We may be subject to product liability claims, which could result in material expense, diversion of management time and attention and damage to our business reputation.

Products as complex as those we offer may contain undetected defects or errors when first introduced or as enhancements are released that, despite testing, are not discovered until after the product has been installed and used by customers. This could result in lost revenue, delayed marketplace acceptance of the product, claims from customers or others, damage to our reputation and business or significant costs to correct the defect or error.

We attempt to include provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, the nature and extent of these limitations vary from customer to customer. Their effect is subject to a variety of legal limitations and it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future.

The sale and support of our products entails the risk of product liability claims. Any product liability claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, damage to our business reputation and failure to retain existing customers or to fail to attract new customers.

We face risks in connection with changes in energy-related expenses.

We and our suppliers depend on various energy products in processes used to produce our products. Generally, we acquire products at market prices and do not use financial instruments to hedge energy prices. As a result, we are exposed to market risks related to changes in energy prices. In addition, many of the customers and industries to whom we market our printers and print materials are directly or indirectly dependent upon the cost and availability of energy resources.

Our business and profitability may be materially and adversely affected to the extent that our or our customers' energy-related expenses increase, both as a result of higher costs of producing, and potentially lower profit margins in selling, our products and print materials and because increased energy costs may cause our customers to delay or reduce purchases of our printers and print materials.

A cybersecurity incident could have negative impact.

A cyber-attack that bypasses our information technology (IT) security systems causing an IT security breach, may lead to a material disruption of our IT business systems and/or the loss of business information resulting in adverse business impact. Risks may include:

- future results could be adversely affected due to the theft, destruction, loss, misappropriation or release of confidential data or intellectual property;

- operational or business delays resulting from the disruption of IT systems and subsequent clean-up and mitigation activities; and

- negative publicity resulting in reputation or brand damage with our customers, partners or industry peers.

Historically, our common stock price has been volatile.

The market price of our common stock has experienced, and may continue to experience, considerable volatility. Between January 1, 2012 and December 31, 2013, after giving effect to the three-for-two stock split in the nature of a 50% stock dividend that we distributed in February 2013, the trading price of our common stock has ranged from a low of $9.82 per share to a high of $92.93 per share.

Numerous factors could have a significant effect on the price of our common stock, including those described or referred to in this "Risk Factors" section of this Form 10-K, as well as, among other things:

- Our perceived value in the securities markets;

- Overall trends in the stock market;

- Announcements of fluctuations in our operating results or the operating results of one or more of our competitors;

- The impact of changes in our results of operations, our financial condition or our prospects or on how we are perceived in the securities markets;

- Future sales of our common stock or other securities (including any shares issued in connection with our outstanding senior convertible notes or earn-out obligations for any past or future acquisition);

- Market conditions for providers of products and services such as ours;

- Changes in recommendations or earnings estimates by securities analysts; and

- Announcements of acquisitions by us or one of our competitors.

The number of shares of common stock issuable in a stock offering, the issuance of restricted stock awards or the issuance of shares in connection with certain acquisitions or the conversion of the notes could dilute the ownership interest of existing stockholders and may affect the market price for our common stock.

We have an effective registration statement on Form S-3 under which, among other things, we may issue up to $500.0 million of securities. We issued $272.1 million of Common Stock in 2013 and $112.1 million of Common in Stock in 2012 in reliance upon this registration statement and the remaining $115.8 million of securities covered by it may be issued until June 12, 2015. We may file a new registration statement at any time to increase these available amounts as necessary to provide flexibility to execute our growth strategy.

In February 2013, the Company announced that its Board of Directors declared a three-for-two split of the Company's common stock in the nature of a 50% stock dividend. On February 22, 2013, each stockholder of record at the close of business on February 15, 2013 received one additional share for every two shares held on the record date. In lieu of fractional shares, shareholders received a cash payment based on the closing market price of our stock on the record date. Trading began on a split-adjusted basis on February 25, 2013.

Our Certificate of Incorporation, as amended, authorizes our issuance of up to a total 220.0 million shares of common stock, of which 103.8 million shares have been issued or are otherwise currently reserved for issuance. Future issuances could have the effect of diluting our earnings per share as well as our existing stockholders' individual ownership percentages and could lead to volatility in our common stock price.

Additionally, subject to the limitations of our Certificate of Incorporation and applicable law, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of additional shares of our common stock in connection with future acquisitions or other issuances of our common stock or convertible securities, including outstanding options, may dilute the ownership interest of our common stockholders.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Our Board of Directors is authorized to issue up to 5 million shares of preferred stock.

The Board of Directors is authorized to issue up to 5 million shares of preferred stock, none of which is currently issued or outstanding. The Board of Directors is authorized to issue these shares of preferred stock in one or more classes or series without further action of the stockholders and in that regard to determine the issue price, rights, preferences and privileges of any such class or series of preferred stock generally without any further vote or action by the stockholders. The rights of the holders of any outstanding series of preferred stock may adversely affect the rights of holders of common stock.

Our ability to issue preferred stock gives us flexibility concerning possible acquisitions and financings, but it could make it more difficult for a third party to acquire a majority of our outstanding common stock. In addition, any preferred stock that is issued may have other rights, including dividend rights, liquidation preferences and other economic rights, senior to the common stock, which could have a material adverse effect on the market value of our common stock.

Certain provisions of Delaware law contain anti-takeover provisions that may make it more difficult to effect a change in our control.

Certain provisions of the Delaware General Corporation Law could delay or prevent an acquisition or change in control and the replacement of our incumbent directors and management, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares, possibly at a premium over the then market price of our common stock. One of these Delaware laws prohibits us from engaging in a business combination with any interested stockholder (as defined in the statute) for a period of three years from the date that the person became an interested stockholder, unless certain conditions are met.

Our balance sheet contains several categories of intangible assets totaling $511.8 million at December 31, 2013 that we could be required to write off or write down in the event of the impairment of certain of those assets arising from any deterioration in our future performance or other circumstances. Such write-offs or write-downs could adversely impact our future earnings and stock price, our ability to obtain financing and affect our customer relationships.

At December 31, 2013, we had $370.1 million in goodwill capitalized on our balance sheet. Accounting Standards Codification (“ASC”) 350, “Intangibles – Goodwill and Other,” requires that goodwill and some long-lived intangibles be tested for impairment at least annually. In addition, goodwill and intangible assets are tested for impairment at other times as circumstances warrant, and such testing could result in write-downs of some of our goodwill and long lived intangibles. Impairment is measured as the excess of the carrying value of the goodwill or intangible asset over the fair value of the underlying asset. A key factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. Accordingly, we may, from time to time, incur impairment charges, which are recorded as operating expenses when they are incurred and would reduce our net income and adversely affect our operating results in the period in which they are incurred.

As of December 31, 2013, we had $141.7 million of other intangible assets, net, consisting of licenses, patents, and other intangibles that we amortize over time. Any material impairment to any of these items would result in a non-cash charge and would not impact our cash position or cash flows, but such a charge could adversely affect our results of operations and equity and could affect the trading price of our common stock in the period in which they are incurred.

As discussed below, we completed several business acquisitions during 2013, 2012 and 2011. The majority of the acquisitions have resulted in our recording additional goodwill on our consolidated balance sheet. This goodwill typically arises because the purchase price for these businesses reflects a number of factors including the future earnings and cash flow potential of these businesses, the multiples to earnings, cash flow and other factors, such as prices at which similar businesses have been purchased by other acquirers, the competitive nature of the process by which we acquired the business, and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

For additional information, see Notes 6 and 7 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Estimates—Goodwill and other intangible and long-lived assets."

Changes in, or interpretation of, tax rules and regulations may impact our effective tax rate and future profitability.

We are a U.S. based, multinational company subject to taxation in multiple U.S. and foreign tax jurisdictions. Our future effective tax rates could be adversely affected by changes in statutory tax rates or interpretation of tax rules and regulations in jurisdictions in which we do business, changes in the amount of revenue or earnings in the countries with varying statutory tax rates, or by changes in the valuation of deferred tax assets and liabilities.

In addition, we are subject to audits and examinations of previously filed income tax returns by the Internal Revenue Service ("IRS") and other domestic and foreign tax authorities. We regularly assess the potential impact of such examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that we expect may result from the current examinations. We believe such estimates to be reasonable; however, there is no assurance that the final determination of any examination will not have an adverse effect on our operating results and financial position.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We occupy an 80,000 square foot headquarters, research and development and manufacturing facility in Rock Hill, South Carolina, which we lease pursuant to a lease agreement with Lex Rock Hill, LP. After its initial term ending August 31, 2021, the lease provides us with the option to renew the lease for two additional five-year terms as well as the right to cause Lex Rock Hill, LP, subject to certain terms and conditions, to expand the leased premises during the term of the lease, in which case the term of the lease would be extended. The lease is a triple net lease and provides for the payment of base rent of approximately $0.7 million annually from 2013 through 2020, including a rent escalation in 2016, and $0.5 million in 2021. Under the terms of the lease, we are obligated to pay all taxes, insurance, utilities and other operating costs with respect to the leased premises. Pursuant to the terms of the lease, we exercised the right to purchase the undeveloped land surrounding the leased premises in March 2011. We purchased this 11-acre parcel contiguous to our Rock Hill facility for future expansion and additional facility capacity to continue to expand in-house manufacturing activities for printers and print materials.

In addition, we lease a second property in Rock Hill, SC for production and warehouse facilities and several other properties globally, which are summarized in the table below:

| Location | Square Feet | Primary Function |
|---|---|---|
| Wilsonville, Oregon | 80,000 | Research and development |
| Baja, Mexico | 63,400 | Quickparts services |
| Andover, Massachusetts | 57,600 | Production and research and development |
| Lawrenceburg, Tennessee | 35,000 | Quickparts services |
| Rock Hill, South Carolina | 33,700 | Production and warehouse |
| Riom, France | 33,300 | Production and research and development |
| Turin, Italy | 32,300 | Quickparts services |
| Morrisville, North Carolina | 32,200 | Research and development and sales |
| Seoul, Korea | 30,900 | Research and development and sales |
| Seattle, Washington | 30,000 | Quickparts services |
| Herndon, Virginia | 27,000 | Production and research and development |
| Burbank, California | 23,000 | Production and sales |
| High Wycombe, United Kingdom | 22,300 | Quickparts services |
| Le Mans, France | 21,300 | Quickparts services |
| Budel, Netherlands | 19,900 | Quickparts services |
| Langhorne, Pennsylvania | 18,800 | Quickparts services |
| Marly, Switzerland | 15,300 | Production and research and development |
| Hemel Hempstead, United Kingdom | 12,400 | General and corporate |
| Norton, Ohio | 12,000 | Production |
| Valencia, California | 11,000 | Research and development |
| Atlanta, Georgia | 10,900 | Quickparts services |

We also lease various other sales and service offices in Germany, the United Kingdom, the Netherlands, Australia, Japan, China, and India as well as various other facilities used in the U.S., Australia and the Netherlands.

## Item 3. Legal Proceedings

For information relating to legal proceedings, see Note 22 to the Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On May 26, 2011, we transferred the listing of our Common Stock to the New York Stock Exchange ("NYSE") under the trading symbol "DDD." Prior to that, our Common Stock was listed on The NASDAQ Global Market ("NASDAQ") and traded under the symbol "TDSC." The following table sets forth, for the periods indicated, the range of high and low prices of our common stock, $0.001 par value, as quoted on The NASDAQ Global Market and the NYSE, with tickers TDSC and DDD, respectively. In addition, we completed a three-for-two stock split in the form of a 50% stock dividend, effective February 15, 2013, which is reflected in the prices in the table below.

| Year | Period | High | Low |
|---|---|---|---|
| 2012 | First Quarter | $ 17.18 | $ 9.82 |
| | Second Quarter | 23.32 | 14.83 |
| | Third Quarter | 29.87 | 20.25 |
| | Fourth Quarter | 35.65 | 22.21 |
| 2013 | First Quarter | $ 46.53 | $ 29.16 |
| | Second Quarter | 50.22 | 30.75 |
| | Third Quarter | 55.69 | 44.87 |
| | Fourth Quarter | 92.93 | 49.46 |

As of February 19, 2014, our outstanding common stock was held by approximately 633 stockholders of record. This figure does not reflect the beneficial ownership of shares held in the nominee name.

Dividends

We do not currently pay, and have not paid, any dividends on our common stock, and we currently intend to retain any future earnings for use in our business. Any future determination as to the declaration of dividends on our common stock will be made at the discretion of the Board of Directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by the Board of Directors, including the applicable requirements of the Delaware General Corporation Law, which provides that dividends are payable only out of surplus or current net profits.

The payment of dividends on our common stock may be restricted by the provisions of credit agreements or other financing documents that we may enter into or the terms of securities that we may issue from time to time. Currently, no such agreements or documents limit our declaration of dividends or payments of dividends.

Issuance of Unregistered Securities and Issuer Purchases of Equity Securities

On November 21, 2011, we issued $152 million aggregate principal amount of 5.50% Senior Convertible Notes due 2016 to institutional accredited investors and qualified institutional buyers in a transaction exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. During 2013, note holders converted $80.8 million aggregate principal amount of 5.50% Senior Convertible Notes, which converted into 5.5 million shares of common stock. During 2012, note holders converted $61.0 million aggregate principal amount of 5.50% Senior Convertible Notes, which converted into 2.8 million shares of common stock. As of December 31, 2013, the aggregate principal amount of notes outstanding was $12.5 million. See Note 11 to the Consolidated Financial Statements.

We did not repurchase any of our equity securities during the year ended 2013, except for unvested restricted stock awards repurchased pursuant to our 2004 Incentive Stock Plan. See Note 14 to the Consolidated Financial Statements. For information regarding the securities authorized for issuance under our equity compensation plans, see “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Equity Compensation Plans” under Item 12. Also see Note 14 to the Consolidated Financial Statements.

Stock Performance Graph

The graph below shows, for the five years ended December 31, 2013, the cumulative total return on an investment of $100 assumed to have been made on December 31, 2008 in our common stock. For purposes of the graph, cumulative total return assumes the reinvestment of all dividends. The graph compares such return with those of comparable investments assumed to have been made on the same date in (a) the NYSE Composite Index, (b) the S&P 500 Information Technology Index, and (c) the S&P Mid-Cap 400 Index, which are published market indices with which we are sometimes compared.

Although total return for the assumed investment assumes the reinvestment of all dividends on December 31 of the year in which such dividends were paid, we paid no cash dividends on our common stock during the periods presented.

Our common stock is listed on the NYSE (trading symbol: DDD).

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

* $100 invested on 12/31/08 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

| | 12/08 | 12/09 | 12/10 | 12/11 | 12/12 | 12/13 |
|---|---|---|---|---|---|---|
| 3D Systems Corporation | $ 100 | $ 142 | $ 396 | $ 362 | $ 1,342 | $ 3,507 |
| NYSE Composite Index | 100 | 129 | 147 | 141 | 164 | 208 |
| S&P 500 Information Technology Index | 100 | 162 | 178 | 183 | 210 | 269 |
| S&P 500 Mid-Cap 400 Index | 100 | 137 | 174 | 171 | 202 | 269 |

Item 6. Selected Financial Data

The selected consolidated financial data set forth below for the five years ended December 31, 2013 have been derived from our historical Consolidated Financial Statements. You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations, the notes to the selected consolidated financial data and our Consolidated Financial Statements and the notes thereto for December 31, 2013 and prior years included in this Form 10-K.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| (in thousands, except per share amounts) | 2013 | 2012 | 2011 | 2010 | 2009 |
| Consolidated Statement of Operations and Other Comprehensive Income Data: | | | | | |
| Consolidated Revenue: | | | | | |
| Printers and other products | $ 227,627 | $ 126,798 | $ 66,665 | $ 54,686 | $ 30,501 |
| Materials | 128,405 | 103,182 | 70,641 | 58,431 | 50,297 |
| Services | 157,368 | 123,653 | 93,117 | 46,751 | 32,037 |
| Total | 513,400 | 353,633 | 230,423 | 159,868 | 112,835 |
| Gross Profit | 267,594 | 181,196 | 109,028 | 73,976 | 49,730 |
| Income from operations | 80,861 | 60,571 | 34,902 | 20,920 | 3,073 |
| Net income (a) | 44,119 | 38,941 | 35,420 | 19,566 | 1,139 |
| Net income available to common stockholders | 44,107 | 38,941 | 35,420 | 19,566 | 1,066 |
| Net income available to common stockholders per share: | | | | | |
| Basic and diluted | $ 0.45 | $ 0.48 | $ 0.47 | $ 0.28 | $ 0.01 |
| | | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Working capital | $ 416,399 | $ 212,285 | $ 202,357 | $ 42,475 | $ 36,718 |
| Total assets | 1,097,856 | 677,442 | 462,974 | 208,800 | 150,403 |
| Current portion of long-term debt and capitalized lease obligations | 187 | 174 | 163 | 224 | 213 |
| Long-term debt and capitalized lease obligations, less current portion | 18,693 | 87,974 | 138,716 | 8,055 | 8,254 |
| Total stockholders' equity | 933,792 | 480,333 | 254,788 | 133,119 | 104,697 |
| | | | | | |
| Other Data: | | | | | |
| Depreciation and amortization | $ 30,444 | $ 21,229 | $ 11,093 | $ 7,520 | $ 5,886 |
| Interest expense | 3,425 | 12,468 | 2,090 | 587 | 618 |
| Capital expenditures (b) | 6,972 | 3,224 | 2,870 | 1,283 | 974 |

(a) In 2013, 2012 and 2011, based upon our recent results of operations and expectation of continued profitability in future years, we concluded that it is more likely than not that our net U.S. deferred tax assets will be realized. In accordance with ASC 740, in 2012 and 2011 we released valuation allowances associated with U.S. deferred tax assets resulting in non-cash income tax benefits of $5,372 and $6,221, respectively.

(b) Excludes capital lease additions.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with the selected consolidated financial data and our Consolidated Financial Statements and notes thereto set forth in this Form 10-K. 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 could cause actual results to differ materially from those reflected in any forward-looking statements, as discussed more fully in this Form 10-K. See "Forward-Looking Statements" and "Cautionary Statements and Risk Factors" in Item 1A.

The forward-looking information set forth in this Form 10-K is provided as of the date of this filing, and, except as required by law, we undertake no duty to update that information.

Overview

We are a leading global provider of 3D printing centric design-to-manufacturing solutions, including 3D printers, print materials and on-demand custom parts for professionals and consumers alike. Our materials include plastics, metals, ceramics and edibles. We also provide integrated 3D scan-based design, freeform modeling and inspection tools. Our products and services replace and complement traditional methods and reduce the time and cost of designing new products by printing real parts directly from digital input. These solutions are used to rapidly design, create, communicate, prototype or produce real parts, empowering customers to manufacture the future.

Growth strategy

We are pursuing a growth strategy that focuses on five strategic initiatives:

· Expand global Quickparts services;
· Accelerate 3D printer penetration;
· Grow healthcare solutions revenue;
· Build 3D consumer and retail products and services; and
· Reimagine the engineer's desktop.

We are working to accomplish our growth initiatives organically and, as opportunities arise, through selective acquisitions, including those we have already completed. We expect to be able to support organic growth by leveraging our comprehensive toolkit of solutions in order to sell more products and services to our existing customer base. As with any growth strategy, there can be no assurance that we will succeed in accomplishing our strategic initiatives.

Expand Quickparts Services. As a supplement to our 3D printer solutions, we believe growing and expanding our Quickparts services, through organic growth and acquisitions, enables us to impart the latest technology to our customers months or years in advance of their ability to invest in new printers for their own use. We view this as an opportunity to introduce customers to the newest 3D additive production technologies and to build brand experience and customer loyalty. We also view it as a significant cross-selling and upselling opportunity from single parts all the way to advanced manufacturing printers. In connection with this initiative, we launched our Quickparts services in October 2009. Quickparts services generated revenue of $101.1 million and $79.2 million for the years ended 2013 and 2012, respectively.

Accelerate 3D Printer Penetration. We believe that accelerating 3D printer penetration through channel expansion, new products and enhanced 3D printing materials will provide a growing installed base to enable higher revenue from recurring sales of print materials and services. With this objective in mind, we have developed an extensive portfolio of 3D printers. We are continuing to expand our reseller channel for our printers and to train our resellers to perform installation and services for those printers. In 2013, revenue from the sale of printers was $207.1 million, or 40.3% of our total revenue, compared to $121.2 million or 34.3% of revenue, in 2012.

Grow Healthcare Solutions Revenue. We believe that, by leveraging our rapid manufacturing core competencies in healthcare solutions applications and expanding into new applications, we can grow revenue within this marketplace. Healthcare solutions revenue includes the related sales of printers, print materials and services for hearing aid, dental, medical device and other health-related applications. In 2013, healthcare revenue was $71.7 million, or 14.0% of our total revenue, compared to $49.3 million or 14.0% of revenue, in 2012.

Build 3D Consumer and Retail Products and Services. We believe that the affordability of our consumer printers makes 3D consumer content critical to accelerated adoption. Recognizing the opportunity to deliver 3D content to an expanded audience, we have begun work to identify the tools and services required to deliver 3D content to consumers. We believe that the creation and expansion of a consumer ecosystem, including content, products and services, could make affordable 3D printers more widely adopted and used. We expect to build this capability through a combination of internal developments and acquisitions. In 2013, consumer solutions revenue was $34.8 million, or 6.8% of our total revenue, compared to $11.4 million or 3.2% of revenue, in 2012.

Reimagine the Engineer's Desktop. We believe that by providing an integrated 3D authoring solutions platform, including software, perceptual devices and tools to combine, capture, mesh, surface, model and measure, we will be able to continue to expand the applications and utilization of 3D printing, enabling seamless integration throughout the design and manufacturing processes. During 2013, we continued to build this platform through a combination of internal developments and acquisitions. In 2013, software revenue was $20.6 million, or 4.0% of our total revenue, compared to $4.6 million or 1.3% of revenue, in 2012.

We intend to accomplish growth in all areas of our growth strategy organically and, as opportunities present themselves, through selective acquisitions. As with any growth strategy, there can be no assurance that we will succeed in accomplishing our strategic initiatives.

Summary of 2013 Financial Results

As discussed in greater detail below, revenue for the year ended 2013 increased primarily due to higher sales across all revenue categories. Our revenue increased by 45.2% to $513.4 million in 2013, compared to $353.6 million in 2012 and $230.4 million in 2011. These results reflected growth in demand for 3D printers and increased demand in several key industries we serve, increased print material sales from a growing installed base, increased software revenue and higher service revenue from Quickparts.

We calculate organic growth by comparing last year's total revenue to this year's total revenue, excluding the revenue of all acquired businesses that we have owned for less than twelve months. Once we have owned a business for one year, the revenue is included in organic revenue and organic growth is calculated based on our prior year total revenue. In 2013, our organic growth was 34.3% for the fourth quarter and 29.4% for the full year. In 2012, our organic growth was 18.8% for the fourth quarter and 22.4% for the full year.

For the year ended 2013, healthcare solutions revenue grew 45.3% and accounted for $71.7 million, or 14.0%, of our total revenue and included sales of printers, print materials and services for hearing aid, dental, medical device and other health-related applications, compared to $49.3 million, or 14.0%, in 2012.

Consumer solutions revenue includes sales of Cube® and Cube X® consumer 3D printers and their related print materials and other products and services provided through Cubify.com and other retail channels. For the fourth quarter of 2013, consumer solutions revenue was $8.9 million, or 5.8% of our total revenue, compared to $3.4 million or 3.3% of revenue, in the fourth quarter of 2012. For the year ended 2013, consumer solutions revenue was $34.8 million, or 6.8% of our total revenue, compared to $11.4 million or 3.2% of revenue, in 2012.

Our gross profit for the year ended 2013 increased by 47.7%, to $267.6 million, from $181.2 million in 2012, after increasing from $109.0 million in 2011. Our higher gross profit for the year ended 2013 arose primarily from an increase in sales and our increased gross profit margin printers and other products and materials. Our gross profit margin percentage improved to 52.1% in 2013 from 51.2% in 2012 and 47.3% in 2011. Gross profit margin benefited from improvements in our cost structure, higher print materials gross profit margin, and the addition of software products, partially offset by increased sales of lower margin on-demand custom parts services and an adverse revenue mix.

Our total operating expenses for the year ended 2013 increased by 54.8%, to $186.7 million, from $120.6 million in 2012, reflecting a $45.8 million, or 47.0%, increase in SG&A expenses, primarily due to increased sales and marketing expenses and higher staffing due to our expanding portfolio. The increase also reflected a $20.3 million, or 87.4%, increase in research and development expenses related to our portfolio expansion and diversification and concentrated and accelerated new products developments.

Our operating income improved by $20.3 million to $80.9 million in 2013, compared to operating income of $60.6 million in 2012 and $34.9 million in 2011. This was primarily due to higher revenue and the increase in our gross profit noted above, partially offset by higher operating expenses.

Our net income for 2013 included $51.4 million of non-cash expenses, which primarily consisted of depreciation and amortization, loss on conversion of convertible debt, stock-based compensation and non-cash interest expense, compared to $38.9 million of non-cash expenses in 2012, which primarily consisted of depreciation and amortization, deferred tax benefits and stock-based compensation. The increase in non-cash expenses is primarily due to increased amortization from acquired intangibles, the loss on conversion of convertible debt as well as an increase in stock-based compensation.

A number of actions or events occurred in 2013 that affected our liquidity and our balance sheet including the following:

· Our unrestricted cash and cash equivalents increased by $150.4 million to $306.3 million at December 31, 2013 from $155.9 million at December 31, 2012. Our cash included $272.1 million of net proceeds from the issuance of common stock, partially offset by $162.3 million of cash paid for acquisitions. Cash at December 31, 2012 included $183.7 million of cash paid for acquisitions, partially offset by $106.9 million of net proceeds from a public equity offering carried out in June 2012 and $51.5 million of net cash from operations. See "Liquidity and Capital Resources" below.

· During 2013, we used $162.3 million of cash to acquire eleven businesses, including deferred purchase payments from prior acquisitions, to augment our printers business, Quickparts services and consumer solutions initiative. See "Liquidity and Capital Resources –Cash Flow-Cash flow from investing activities."

· Our working capital increased by $204.1 million from $212.3 million at December 31, 2012 to $416.4 million at December 31, 2013. See "Liquidity and Capital Resources – Working capital" below.

· Among major components of working capital, accounts receivable, net of allowances, increased by $52.3 million from December 31, 2012 to December 31, 2013, primarily reflecting higher revenue from an increased portion of revenue categories sold on credit terms. Inventory at December 31, 2013, net of reserves, was $33.3 million higher than its December 31, 2012 level, primarily reflecting timing of orders and delivery of finished goods print materials and raw materials, which are ordered in large quantities. Accounts payable increased by $19.6 million primarily reflecting timing of orders and payments to vendors associated with inventory and printer assembly.

Results of Operations for 2013, 2012 and 2011

Table 1 below sets forth revenue and percentage of revenue by class of product and service.

Table 1

| (Dollars in thousands) | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| Printers and other products | $ 227,627 | 44.3 % | $ 126,798 | 35.8 % | $ 66,665 | 28.9 % |
| Materials | 128,405 | 25.0 | 103,182 | 29.2 | 70,641 | 30.7 |
| Services | 157,368 | 30.7 | 123,653 | 35.0 | 93,117 | 40.4 |
| Totals | $ 513,400 | 100.0 % | $ 353,633 | 100.0 % | $ 230,423 | 100.0 % |

Consolidated revenue

Consolidated revenue increased in 2013 due primarily to a 233.7% increase in printer unit sales over 2012 coupled with increased sales of print materials and increased software and Quickparts revenue, from both acquired and organic growth. These changes are explained in greater detail in the Revenue by class of product and service and Revenue by geographic region sections below.

At December 31, 2013 our backlog was approximately $28.6 million, compared to $11.4 million at December 31, 2012 and $8.3 million at December 31, 2011. Production and delivery of our printers is generally not characterized by long lead times, backlog is more dependent on timing of customers' requested delivery. In addition, Quickparts services lead time and backlog depends on whether orders are for rapid prototyping or longer-range production runs. The December 31, 2013 backlog included a portion from each of our revenue categories, but primarily consisted of $17.2 million of printer sales driven by demand for advanced manufacturing. The December 2012 backlog was well distributed with a portion from each of our revenue categories, including printer sales of $3.2 million. The December 2011 backlog included orders for production printers that amounted to $1.0 million and three orders for print materials that amounted to $1.2 million. The backlog at December 31, 2013 includes $8.4 million of Quickparts orders, compared to $5.9 million at December 31, 2012 and $4.8 million at December 31, 2011.

Revenue by class of product and service

2013 compared to 2012

Table 2 sets forth the change in revenue by class of product and service for 2013 compared to 2012.

Table 2

| (Dollars in thousands) | Printers and Other Products | | Print Materials | | Services | | Total | |
|---|---|---|---|---|---|---|---|---|
| 2012 Revenue | $ 126,798 | 35.8 % | $ 103,182 | 29.2 % | $ 123,653 | 35.0 % | $ 353,633 | 100.0 % |
| Change in revenue: | | | | | | | | |
| Volume | | | | | | | | |
| Core products and services | 409,370 | 322.9 | 38,839 | 37.6 | 27,976 | 22.6 | 476,185 | 134.7 |
| New products and services | 89,574 | 70.6 | 4,546 | 4.4 | 5,430 | 4.4 | 99,550 | 28.2 |
| Price/Mix | (397,719) | (313.7) | (16,793) | (16.3) | — | — | (414,512) | (117.2) |
| Foreign currency translation | (396) | (0.3) | (1,369) | (1.3) | 309 | 0.2 | (1,456) | (0.5) |
| Net change | 100,829 | 79.5 | 25,223 | 24.4 | 33,715 | 27.2 | 159,767 | 45.2 |
| 2013 Revenue | $ 227,627 | 44.3 % | $ 128,405 | 25.0 % | $ 157,368 | 30.7 % | $ 513,400 | 100.0 % |

We earn revenues from the sale of printers and other products, print materials and services. On a consolidated basis, revenue for the year ended 2013 increased by $159.8 million, or 45.2%, compared to 2012, primarily due to increased sales of printers, coupled with acquired software revenue.

The $100.8 million increase in revenue from printers and other products compared to the year ended 2012 is primarily due to increased printer unit sales volume for the year ended 2013, driven by increased demand for consumer and professional printers. Printers revenue increased $80.8 million, or 72.7%, compared to 2012. As we have introduced new printers and price points, the professional and production printer capabilities have converged. Revenue from professional printers, including production printers, increased 59.7% and consumer printers revenue increased 238.4% over 2012. In connection with the rapid expansion of our professional and retail channels, certain resellers may purchase stock inventory in the ordinary course of business. For the years ended 2013 and 2012, we estimate that revenue related to reseller inventory amounted to approximately 2.0% of total revenue. These transactions were reviewed for revenue recognition criteria and these sales met all the requirements of our revenue recognition policy.

Other products revenue includes software products, Sensable haptic devices, 3D scanners and Vidar digitizers. Other products revenue totaled  $36.0 million of revenue for the year ended 2013, including $20.6 million of software products revenue. For the year ended 2012, other products revenue totaled $15.7 million, including $4.6 million of software revenue.

Due to the relatively high price of certain professional printers and a corresponding lengthy selling cycle and relatively low unit volume of the higher priced professional printer sales in any particular period, a shift in the timing and concentration of orders and shipments of a few printers from one period to another can significantly affect reported revenue in any given period. Revenue reported for printers sales in any particular period is also affected by timing of revenue recognition under rules prescribed by generally accepted accounting principles. The increase in printer revenue is consistent with our ongoing plan to accelerate printer adoption in the marketplace by introducing lower priced printers, expanded capabilities and increased printing speeds.

The $25.2 million increase in revenue from print materials was aided by the improvement in printers sales and by the continued expansion of printers installed over past periods. Sales of integrated materials increased 40.2% and represented 70.6% of total materials revenue for the year ended 2013, compared to 62.6% for 2012.

The increase in service revenue primarily reflects revenue from our Quickparts solutions, coupled with the addition of software maintenance revenue. Service revenue from Quickparts services was $101.1 million, or 64.2% of total service revenue, for the year ended 2013, compared to $79.2 million, or 64.1% of total service revenue for 2012. Services revenue from software maintenance services added $8.2 million of revenue for the year ended 2013. For the fourth quarter of 2013, revenue from Quickparts services was $28.4 million, or 18.4% of total fourth quarter revenue compared to $21.0 million, or 20.6% of total 2012 fourth quarter revenue.

In addition to changes in sales volumes, including the impact of revenue from acquisitions, there are two other primary drivers of changes in revenue from one period to another: the combined effect of changes in product mix and average selling prices, sometimes referred to as price and mix effects, and the impact of fluctuations in foreign currencies.

As used in this Management's Discussion and Analysis, the price and mix effects relate to changes in revenue that are not able to be specifically related to changes in unit volume. Among these changes are changes in the product mix of our materials and our printers as the trend toward smaller, lower-priced printers has continued and the influence of new printers and materials on our operating results has grown.

2012 compared to 2011

Table 3 sets forth the change in revenue by class of product and service for 2012 compared to 2011.

Table 3

| (Dollars in thousands) | Printers and Other Products | | | Print Materials | | | Services | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011 Revenue | $ 66,665 | 28.9 | % | $ 70,641 | 30.7 | % | $ 93,117 | 40.4 | % | $ 230,423 | 100.0 | % |
| Change in revenue: | | | | | | | | | | | | |
| Volume | | | | | | | | | | | | |
| Core products and services | 145,224 | 217.8 | | 6,084 | 8.6 | | 32,010 | 34.4 | | 183,318 | 79.6 | |
| New products and services | 25,975 | 39.0 | | 26,695 | 37.8 | | 752 | 0.8 | | 53,422 | 23.2 | |
| Price/Mix | (109,109) | (163.7) | | 1,766 | 2.5 | | — | — | | (107,343) | (46.6) | |
| Foreign currency translation | (1,957) | (2.9) | | (2,004) | (2.8) | | (2,226) | (2.4) | | (6,187) | (2.7) | |
| Net change | 60,133 | 90.2 | | 32,541 | 46.1 | | 30,536 | 32.8 | | 123,210 | 53.5 | |
| 2012 Revenue | $ 126,798 | 35.8 | % | $ 103,182 | 29.2 | % | $ 123,653 | 35.0 | % | $ 353,633 | 100.0 | % |

As set forth in Table 1 and Table 3:

· Revenue from printers and other products increased by $60.1 million, or 90.2%, to $126.8 million for 2012 from $66.7 million for 2011 and increased to 35.8% of consolidated revenue in 2012 from 28.9% in 2011. The increase in revenue from printers and other products that is due to volume for 2012 compared to 2011 was primarily the result of higher volume with a shift in the mix of printers and other products toward lower priced consumer and professional printers. This increase was partially offset by a $109.1 million unfavorable effect of price and mix and a negative $2.0 million foreign currency translation impact.

- Revenue from materials increased by $32.6 million, or 46.1%, to $103.2 million for 2012 from $70.6 million for 2011. Revenue from materials was aided by the improvement in production printer sales, which are typically accompanied by significant initial materials purchases to charge up new printers and commence production, and the continued expansion of printers installed over the past periods. This increase was partially offset by a negative $2.0 million foreign currency translation impact.

- Revenue from services increased $30.5 million for 2012 compared to 2011 and decreased to 35.0% of consolidated revenue in 2012 from 40.4% in 2011.

Revenue by geographic region

2013 compared to 2012

All geographic regions experienced higher levels of revenue in 2013 compared to 2012. This was principally due to continued global R&D spending, which we believe, led to higher levels of printer sales and print materials sales.

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Table 4 sets forth the change in revenue by geographic area for 2013 compared to 2012:

Table 4

| (Dollars in thousands) | U.S. | | | Europe | | | Asia-Pacific | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012 Revenue | $ 196,414 | 55.5 | % | $ 100,687 | 28.5 | % | $ 56,532 | 16.0 | % | $ 353,633 | 100.0 | % |
| Change in revenue: | | | | | | | | | | | | |
| Volume | 183,799 | 93.6 | | 212,287 | 210.8 | | 179,649 | 317.8 | | 575,735 | 162.8 | |
| Price/Mix | (95,461) | (48.6) | | (182,048) | (180.8) | | (137,003) | (242.3) | | (414,512) | (117.2) | |
| Foreign currency translation | — | — | | 2,855 | 2.8 | | (4,311) | (7.6) | | (1,456) | (0.4) | |
| Net change | 88,338 | 45.0 | | 33,094 | 32.8 | | 38,335 | 67.9 | | 159,767 | 45.2 | |
| 2013 Revenue | $ 284,752 | 55.4 | % | $ 133,781 | 26.1 | % | $ 94,867 | 18.5 | % | $ 513,400 | 100.0 | % |

Revenue from U.S. operations, for the year ended 2013, increased by $88.4 million, or 45.0%, to $284.8 million from $196.4 million in 2012. This increase was due primarily to higher volume, partially offset by the unfavorable combined effect of price and mix.

Revenue from non-U.S. operations, for the year ended 2013, increased by $71.4 million, or 45.4%, to $228.6 million from $157.2 million in 2012 and comprised 44.5% of consolidated revenue in 2013 compared to 44.5% in 2012. The increase in non-U.S. revenue, excluding the impact of foreign currency translation, was 46.4% for the year ended 2013 compared to 45.0% in 2012.

Revenue from European operations increased by $33.1 million, or 32.8%, to $133.8 million in 2013 from $100.7 million in 2012. This increase was due primarily to higher volume, partially offset by the unfavorable combined effect of price and mix.

Revenue from Asia-Pacific operations increased by $38.4 million, or 67.9%, to $94.9 million in 2013 from $56.5 million in 2012. This increase was due primarily to higher volume, partially offset by the unfavorable combined effect of price and mix.

2012 compared to 2011

All geographic regions experienced higher levels of revenue in 2012 compared to 2011. This was principally due to an increase in R&D spending, which we believe led to higher levels of printer sales and print material sales. Revenue from U.S. operations increased as a percentage of total revenue due to revenue related to increased acquisition activity in the U.S., including the acquisition of Quickparts, Z Corp and Vidar. The banking crisis combined with economic weakness in several European countries led to increased negative impact of foreign currency translation for the European region, while a strengthening Japanese Yen for most of 2012 resulted in a favorable foreign currency translation for the Asia-Pacific region.

Table 5 sets forth the change in revenue by geographic area for 2012 compared to 2011.

Table 5

| (Dollars in thousands) | U.S. | | Europe | | Asia-Pacific | | Total | |
|---|---|---|---|---|---|---|---|---|
| 2011 Revenue | $ 117,739 | 51.1 % | $ 83,324 | 36.2 % | $ 29,360 | 12.7 % | $ 230,423 | 100.0 % |
| Change in revenue: | | | | | | | | |
| Volume | 174,459 | 148.2 | 28,016 | 33.6 | 34,265 | 116.7 | 236,740 | 102.7 |
| Price/Mix | (95,784) | (81.4) | (4,015) | (4.8) | (7,544) | (25.7) | (107,343) | (46.6) |
| Foreign currency translation | — | — | (6,638) | (8.0) | 451 | 1.5 | (6,187) | (2.7) |
| Net change | 78,675 | 66.8 | 17,363 | 20.8 | 27,172 | 92.5 | 123,210 | 53.5 |
| 2012 Revenue | $ 196,414 | 55.5 % | $ 100,687 | 28.5 % | $ 56,532 | 16.0 % | $ 353,633 | 100.0 % |

As shown in Table 5:

· Revenue from U.S. operations increased by $78.7 million or 66.8% in 2012 to $196.4 million from $117.7 million in 2011. This increase was due primarily to higher volume, partially offset by an unfavorable combined effect of price and mix.

· Revenue from non-U.S. increased by $44.5 million or 39.5% to $157.2 million in 2012 from $112.7 million in 2011 and comprised 44.5% of consolidated revenue in 2012 compared to 48.9% in 2011. The increase in non-U.S. revenue, excluding the impact of foreign currency translation, was 45.0% in 2012 compared to 23.5% in 2011.

· Revenue from European operations increased by $17.4 million, or 20.8%, to $100.7 million in 2012 from $83.3 million in 2011. This increase was due primarily to higher volume, partially offset by a unfavorable combined effect of price and mix and foreign currency translation.

· Revenue from Asia-Pacific operations increased by $27.1 million or 92.5% to $56.5 million in 2012 from $29.4 million in 2011. This increase was due primarily to higher volume coupled with a favorable effect of foreign currency translation, partially offset by an unfavorable combined effect of price and mix.

Gross profit and gross profit margins

Gross profit margin improved in both 2013 and 2012. Table 6 sets forth gross profit and gross profit margin for our products and services.

Table 6

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | 2011 | |
| (Dollars in thousands) | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| Printers and other products | $ 101,838 | 44.7 % | $ 54,276 | 42.8 % | $ 24,967 | 37.4 % |
| Print materials | 94,581 | 73.7 | 70,418 | 68.2 | 45,751 | 64.8 |
| Services | 71,175 | 45.2 | 56,502 | 45.7 | 38,310 | 41.1 |
| Total | $ 267,594 | 52.1 % | $ 181,196 | 51.2 % | $ 109,028 | 47.3 % |

On a consolidated basis, gross profit for the year ended 2013 increased by $86.4 million, or 47.7%, to $267.6 million compared to $181.2 million and $109.0 million for 2012 and 2011, respectively. Gross profit margin for the year ended 2013 increased 0.9 percentage points, from 51.2% in 2012, to 52.1% in 2013.The higher gross profit margin reflects increased revenue from higher gross profit margins on consumer and professional materials, increased revenue from higher margin software products and continued operational efficiencies.

Printers and other products gross profit increased by 87.6%, to $101.8 million, for the year ended 2013, from $54.3 million in 2012, while the gross profit margin increased by 1.9 percentage points in 2013 to 44.7%. The increase in gross profit margin is due to sales of higher margin software products, expanding printer margins, partially offset by the adverse mix of increased sales of lower margin products.

Gross profit for materials increased by 34.3% to $94.6 million in 2013, with the gross profit margin increasing 5.5 percentage points to 73.7% from 68.2% in 2012. This is primarily due to the favorable shift of the mix of materials towards higher gross profit margin print materials and integrated materials.

Gross profit for services increased by 26.0% to $71.2 million compared to $56.5 million in 2012, with the gross profit margin decreasing 0.5 percentage points to 45.2%. The gross profit increase is primarily due to increased revenue from Quickparts services. The decrease in gross profit margin for services was due to lower consumer margins, partially offset by a 0.2 percentage point increase in Quickparts services gross profit margin, to 42.9%, for the year ended 2013, compared to 42.7% in 2012 and a 1.0 percentage point increase of printer services margin, to 51.1%, for the year ended 2013, compared to 50.1% in 2012.

Operating expenses

As shown in the table below, total operating expenses increased by $66.1 million, or 54.8%, to $186.7 million for the year ended 2013, after increasing to $120.6 million for 2012 from $74.1 million for 2011, and increased to 36.4% of revenue compared to 34.1% and 32.2% in 2012 and 2011, respectively. This increase consists of $45.8 million of higher selling, general and administrative expenses and $20.3 million of higher research and development expenses, both of which are discussed below.

Table 7

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | 2011 | |
| (Dollars in thousands) | Amount | % Revenue | Amount | % Revenue | Amount | % Revenue |
| Selling, general and administrative expenses | $ 143,244 | 27.9 % | $ 97,422 | 27.5 % | $ 59,795 | 26.0 % |
| Research and development expenses | 43,489 | 8.5 | 23,203 | 6.6 | 14,331 | 6.2 |
| Total operating expenses | $ 186,733 | 36.4 % | $ 120,625 | 34.1 % | $ 74,126 | 32.2 % |

2013 compared to 2012

Selling, general and administrative expenses increased by $45.8 million, or 47.0%, to $143.2 million for the year ended 2013, from $97.4 million in 2012. The $45.8 million increase in selling, general and administrative expenses in 2013 was primarily driven by support of concentrated new product launches, channel expansion and training and included a $16.8 million increase in salary, benefits and contract labor costs, a $7.9 million increase in amortization expense, a $5.0 million increase in marketing expense, a $3.4 million increase in occupancy costs, a $2.6 million increase in travel expenses, a $1.9 million increase in bad debt expense, a $1.2 million increase in operating supplies expense and a $1.0 million increase in consultant fees.

Depreciation and amortization increased $9.2 million, to $30.4 million for the year ended 2013, from $21.2 million in 2012. The increase in depreciation and amortization in 2013 and 2012 is primarily due to intangible assets from acquired businesses and additional capital equipment placed in service.

Research and development expenses increased by 87.4%, to $43.5 million for the year ended 2013, from $23.2 million in 2012. The $20.3 million increase in 2013 was primarily driven by an $8.1 million increase in supplies and materials in support of our accelerated new product developments and investments, a $7.2 million increase in R&D salary and compensation expenses primarily due to talent expansion and a $2.0 million increase in outside consulting and outsourcing services.

2012 compared to 2011

Selling, general and administrative expenses increased by $37.6 million, or 62.9%, to $97.4 million in 2012, from $59.8 million in 2011. The $37.6 million increase in selling, general and administrative expenses in 2012 included an $18.4 million increase in salary, benefits and contract labor costs. The majority of that was related to increased commissions on higher revenues and operating costs for newly acquired businesses. SG&A expenses were also impacted by a $3.7 million increase in marketing expenses, a $2.5 million increase in agent commissions, a $1.7 million increase in occupancy costs, a $1.3 million increase in bad debt expense and a $1.2 million increase in travel costs, partially offset by a $4.2 million improvement in legal expenses. In addition, SG&A included $5.1 million of acquisition expenses.

Depreciation and amortization increased $10.1 million to $21.2 million in 2012 from $11.1 million in 2011. The increases in depreciation and amortization in 2012 and 2011 were primarily due to additional capital equipment placed in service and intangible assets from acquired businesses.

Research and development expenses increased by 61.9% to $23.2 million in 2012 from $14.3 million in 2011. The $8.9 million increase in 2012 was due to a $4.5 million increase in R&D salary and compensation expenses primarily due to new product development and investment in support of our portfolio expansion and diversification efforts, a $2.0 million increase in supplies and equipment and a $0.4 million increase in outside consulting and outsourcing services.

Income from operations

Operating income increased $20.3 million, to $80.9 million for the year ended 2013, compared to $60.6 million in 2012 and $34.9 million in 2011. The increase in operating income was primarily due to increased revenue in all categories, which led to improved overhead absorption, partially offset by increased operating expenses. See “Gross profit and gross profit margins” and “Selling, general and administrative costs” above.

The following table sets forth income from operations by geographic area for 2013, 2012 and 2011.

Table 8

| | Year Ended December 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2013 | 2012 | 2011 |
| Income from operations | | | |
| United States | $ 43,743 | $ 37,743 | $ 19,045 |
| Germany | 302 | 1,305 | 1,509 |
| Other Europe | 7,849 | 5,415 | 6,645 |
| Asia Pacific | 30,499 | 16,528 | 7,152 |
| Subtotal | 82,393 | 60,991 | 34,351 |
| Inter-segment elimination | (1,532) | (420) | 551 |
| Total | $ 80,861 | $ 60,571 | $ 34,902 |

With respect to the U.S., in 2013, 2012 and 2011, the changes in operating income by geographic area reflected the same factors relating to our consolidated operating income that are discussed above.

As most of our operations outside the U.S. are conducted through sales and marketing subsidiaries, the changes in operating income in our operations outside the U.S. in each of 2013, 2012 and 2011 resulted primarily from changes in sales volume, transfer pricing and foreign currency translation.

Interest and other expenses, net

Interest and other expenses, net, which consisted primarily of interest and other expense and foreign exchange gain or loss, amounted to $16.9 million of net expense for the year ended 2013, compared to $17.3 million for 2012 and $2.5 million for 2011. For the year ended 2013, interest and other expense, net included $3.4 million of interest expense, including $2.7 million of interest expense related to the 5.50% senior convertible notes, $14.1 million of other expense, primarily related to loss on conversion of convertible notes; partially offset by $1.4 million of interest and other income, including a gain that was deferred in a prior year and recognized upon settlement of a long-term note receivable, and $0.8 million of foreign exchange loss. For the year ended 2012, interest and other expense, net included $12.5 million of interest expense, including $12.0 million of interest expense related to the 5.50% senior convertible notes, $7.3 million of other expense, primarily related to loss on conversion of convertible notes; partially offset by $2.4 million of interest and other income and $0.1 million of foreign exchange gain. The 2013 and 2012 changes resulted primarily from the senior convertible notes interest and losses on conversion.

Provisions for income taxes

We recorded a $19.9 million provision for income taxes for the year ended 2013. We recorded a $4.3 million provision for income taxes and a $3.0 million benefit for income taxes in 2012 and 2011, respectively. In 2013, this expense primarily reflects an $18.4 million U.S. tax expense and $1.5 million of tax expense in foreign jurisdictions. In 2012, this expense primarily reflects a $6.2 million expense related to the use of U.S. net operating losses against which the valuation allowance had been released during 2011; $2.8 million of tax expense in foreign jurisdictions; partially offset by a $5.4 million benefit due to the release of valuation allowances associated with U.S. deferred tax assets. In 2011, this benefit primarily reflects a $6.2 million benefit due to a $17.0 million release of valuation allowances associated with U.S. deferred tax assets, partially offset by $1.6 million of tax expense in foreign jurisdictions.

During 2013, based upon our recent results of operations and expected profitability in the future, we concluded that it is more likely than not that all our U.S. deferred tax assets will be realized. As a result, in accordance with ASC 740, no valuation allowances have been recorded for 2013. During the fourth quarter of 2012, based upon our results of operations and expected profitability in the future, we concluded that it is more likely than not that the remainder of our current U.S. deferred tax assets would be realized. As a result, in accordance with ASC 740, during 2012 we reversed $5.4 million of the valuation allowance related to $12.4 million of reserves, accruals and tax credits and to $7.6 million of net operating losses for state income tax purposes. The reversal of the valuation allowance resulted in a non-cash income tax benefit of $5.4 million, which resulted in a benefit of $0.10 per share. During the second quarter of 2011, based upon our results of operations and expected profitability in the future, we concluded that it is more likely than not that a portion of our U.S. net deferred tax assets would be realized. As a result, in accordance with ASC 740, during 2011 we reversed $6.2 million of the valuation allowance related to $17.0 million of net operating carryforwards. The reversal of the valuation allowance resulted in a non-cash income tax benefit of $6.2 million, which resulted in a benefit of $0.12 per share.

In 2012 and 2011, we utilized U.S. net operating loss carryforwards, which had had a full valuation allowance against them, to eliminate any U.S. federal income taxes and to significantly reduce U.S state taxes. These U.S. net operating loss carryforwards which had full valuation allowances against them were recognized in full in 2012. Their use does not impact income tax expense and income tax rate in 2013.

Absent the use of these net operating loss carryforwards, income tax expense would have been $10.8 million and $5.1 million, respectively, and the income tax rate would have been 24.9% and 15.6%, respectively for the years ended 2012 and 2011. Absent the combined impact of the use of these net operating loss carryforwards and the release of the valuation allowances in 2012 and 2011, income tax expense would have been $16.2 million and $11.3 million, respectively, and the income tax rate would have been 37.3% and 34.8%, respectively.

Our $19.9 million expense for income taxes for the year ended 2013 increased from 2012 principally due to increased U.S. income in 2013 and to there being no tax benefit from utilizing net operating loss carryforwards against which valuation allowance had been released in 2012.

Our $4.3 million expense for income taxes in 2012 increased from 2011 principally due to increased U.S. income in 2012 and to the deferred tax expense impact of utilizing net operating loss carryforwards against which valuation allowance had been released in 2011, offset by the favorable impact of the valuation allowance release during the fourth quarter of 2012.

See Note 20 to the Consolidated Financial Statements.

Net income; net income available to 3D Systems common stockholders

Net income was $44.1 million, $38.9 million and $35.4 million, for the years ended 2013, 2012 and 2011.

The principal reasons for our higher net income in 2013, which are discussed in more detail above, were a $159.8 million increase in revenue and an $86.4 million increase in gross profit, partially offset by $66.1 million higher operating expenses as a result of higher sales and marketing and R&D expense in support of concentrated new product launches and channel expansion and training.

The principal reasons for our higher net income in 2012, which are discussed in more detail above, were a $123.2 million increase in revenue and a $72.2 million increase in gross profit, partially offset by $46.5 million higher operating expenses as a result of commissions, operating costs of acquired companies and acquisition expenses.

Net income available to common stockholders was $44.1 million for 2013, $38.9 million for 2012 and $35.4 million for 2011. On a per share basis, our basic and diluted net income per share available to the common stockholders was $0.45 in 2013. In 2012, our basic and diluted net income per share available to the common stockholders was $0.48. In 2011, our basic and diluted net income per share available to the common stockholders was $0.47 per share.

The average outstanding diluted shares calculation excluded shares that may be issued upon conversion of the outstanding senior convertible notes because the effect of their inclusion would have been anti-dilutive resulting in an increase to the net earnings per share.

In February 2013, we announced a three-for-two stock split, in the form of a stock dividend. Trading began on a split-adjusted basis on February 25, 2013.

See Notes 17 and 24 to the Consolidated Financial Statements.

Other Financial Information

In addition to our results determined under U.S. generally accepted accounting principles ("GAAP") discussed above, management believes non-GAAP financial measures, which adjust net income and earnings per share are useful to investors in evaluating our operating performance.

We use non-GAAP financial measures of adjusted net income and adjusted earnings per share to supplement our consolidated financial statements presented on a GAAP basis to facilitate a better understanding of the impact that several strategic acquisitions had on our financial results.

These non-GAAP financial measures have not been prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies and they are subject to inherent limitations as they reflect the exercise of judgments by our management about which costs, expenses and other items are excluded from our GAAP financial statements in determining our non-GAAP financial measures. We have sought to compensate for these limitations by analyzing current and expected future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP financial statements as required in our public disclosures as well as reconciliations of our non-GAAP financial measures of adjusted net income and adjusted earnings per share to our GAAP financial statements.

The presentation of our non-GAAP financial measures which adjust net income and earnings per share are not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. These non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

Our non-GAAP financial measures which adjust net income and earnings per share are adjusted for the following:

Non-cash stock-based compensation expenses. We exclude the tax-effected stock-based compensation expenses from our operating expenses primarily because they are non-cash.

Amortization of intangibles. We exclude the tax-effected amortization of intangible assets from our cost of sales and operating expenses. The increase in recent periods is primarily in connection with acquisitions of businesses.

Acquisition and severance expenses. We exclude the tax-effected charges associated with the acquisition of businesses and the related severance expenses from our operating expenses.

Non-cash interest expenses. We exclude tax-effected, non-cash interest expenses, primarily related to the amortization costs associated with our outstanding senior convertible notes, from interest and other expenses, net.

Loss on conversion of convertible notes. We exclude the tax-effected, loss on conversion of convertible notes, from interest and other expenses, net.

Net gain (loss) on litigation and tax settlements. We exclude the tax-effected, net gain or loss on acquisitions and litigation settlements from other expenses, net.

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

Table 9

| | Year Ended December 31, | | |
|---|---|---|---|
| (Dollars in thousands, except per share) | 2013 | 2012 | 2011 |
| GAAP net income | $ 44,107 | $ 38,941 | $ 35,420 |
| Cost of sales adjustments: | | | |
| Amortization of intangibles | 250 | 193 | 237 |
| Operating expense adjustments: | | | |
| Amortization of intangibles | 20,448 | 11,259 | 4,813 |
| Acquisition and severance expenses | 7,057 | 4,982 | 3,664 |
| Non-cash stock-based compensation expense | 13,495 | 4,613 | 2,637 |
| Other expense adjustments: | | | |
| Non-cash interest expense | 973 | 3,489 | 400 |
| Loss on convertible notes | 11,275 | 6,295 | — |
| Net (gain) loss on litigation and tax settlements | 2,457 | (1,296) | — |
| Tax effect | (16,327) | (610) | (6,221) |
| Non-GAAP net income | $ 83,735 | $ 67,866 | $ 40,950 |
| | | | |
| Non-GAAP basic earnings per share | $ 0.85 | $ 0.84 | $ 0.55 |
| Non-GAAP diluted earnings per share | $ 0.85 | $ 0.83 | $ 0.54 |

Liquidity and Capital Resources

Our cash flow from operations and the net proceeds from capital markets transactions in 2013 have enabled us to continue to execute our growth strategies, including our acquisitions in 2013. During 2013, we generated $25.2 million of cash from operations and utilized $162.3 million of cash to fund acquisitions.

Operating cash flow, a key source of our liquidity, was $25.2 million in 2013, a decrease of $26.3 million, or 51.1%, as compared to 2012. In 2012, cash provided by operations was $51.5 million.

Unrestricted cash and cash equivalents increased by $150.4 million to $306.3 million at December 31, 2013 from $155.9 million at December 31, 2012 and $179.1 million at December 31, 2011.

During 2013, we completed a common stock offering that resulted in $272.1 million in net proceeds. During 2012, we completed a common stock offering that resulted in $106.9 million in net proceeds. The cash at December 31, 2011 included $145.4 million net proceeds from senior convertible notes, of which $135.5 million was used to complete the acquisition of Z Corp and Vidar on January 3, 2012. During 2011, we also completed a common stock offering that resulted in net proceeds of $62.1 million.

Acquisitions constituted a $162.3 million use of cash in 2013, including the completion of eleven acquisitions, as compared to a $183.7 million use of cash in 2012 for nine acquisitions and a $92.7 million use of cash for the completion of twelve acquisitions in 2011.

Our net working capital increased by $204.1 million to $416.4 million at December 31, 2013 from $212.3 million at December 31, 2012.

See Cash flow and Lease obligations below.

We have an effective registration statement on Form S-3 under which, among other things, we may issue up to $500.0 million of securities. We issued $272.1 million of common stock in 2013 and $112.1 million in 2012 in reliance upon this registration statement and the remaining $115.8 million of securities covered by it may be issued until June 12, 2015. We may file a new registration statement at any time to increase these available amounts as necessary to provide flexibility to execute our growth strategy.

We have relied upon our unrestricted cash, cash flow from operations, and capital markets transactions to meet our cash requirements for working capital, capital expenditures and acquisitions. However, it is possible that we may need to raise additional funds to finance our activities beyond the next twelve months or to consummate significant acquisitions of other businesses, assets, products or technologies. If needed, we may be able to raise such funds through the sales of equity or debt securities to the public or selected investors, by borrowing from financial institutions, selling assets or restructuring debt. There is no assurance, however, that funds will be available from these sources in the amounts or on terms acceptable to us.

Even though we may not need additional funds, we may still elect to sell additional equity or debt securities or enter into a credit facility for other reasons. If we raise additional funds by issuing equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced. In addition, the equity or debt securities that we may issue may have rights, preferences or privileges senior to those of our common stock.

Cash equivalents comprise 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 exposure to any one issuer depending upon credit quality.

A summary of the components of liquidity is shown below in Table 10.

Table 10

| | December 31, | |
|---|---|---|
| (Dollars in thousands) | 2013 | 2012 |
| Cash and cash equivalents | $ 306,316 | $ 155,859 |
| Working capital | $ 416,399 | $ 212,285 |
| Stockholders’ equity attributable to 3D Systems Corporation | $ 932,646 | $ 480,333 |

Cash flow

A summary of the components of cash flows is shown below in Table 11.

Table 11

| | Year Ended December 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2013 | 2012 | 2011 |
| Cash provided by operating activities | $ 25,184 | $ 51,530 | $ 27,660 |
| Cash used in investing activities | (173,757) | (187,654) | (95,709) |
| Cash provided by financing activities | 298,696 | 112,640 | 209,975 |
| Effect of exchange rate changes on cash | 334 | 223 | (155) |
| Net increase (decrease) in cash and cash equivalents | $ 150,457 | $ (23,261) | $ 141,771 |

Cash flow from operations

2013 compared to 2012

For the year ended December 31, 2013, we generated $25.2 million of net cash from operating activities. This change in cash primarily consisted of our $44.1 million net income, $51.4 million of non-cash charges that were included in our net income and $70.4 million of cash used in net changes of operating accounts.

The principal changes in non-cash items that favorably affected operating cash flow included $30.4 million of depreciation and amortization expense, $11.3 million loss on conversion of convertible notes, partially offset by $9.9 million deferred tax benefit.

Changes in working capital that resulted in a source of cash included the following:

- a $7.6 million increase in accounts payable;
- a $7.5 million increase in deferred revenue; and
- a $1.9 million increase in customer deposits.

Changes in working capital that resulted in a use of cash included the following:

- a $43.7 million increase in accounts receivable, net;
- a $30.9 million increase in inventory;
- a $6.5 million increase in accrued liabilities; and
- a $4.6 million increase in other operating assets and liabilities.
- a $1.8 million increase in prepaid expenses and other current assets.

Accounts receivable, net increased as a result of the record revenues for 2013 and days sales outstanding increased to 79 days in 2013 from 72 days in 2012. Inventories increased primarily due to the implementation of new product launches and the timing of orders and delivery of finished goods materials and raw materials, which are purchased in large quantities.

2012 compared to 2011

For the year ended December 31, 2012, we generated $51.5 million of net cash from operating activities. This change in cash primarily consisted of our $38.9 million net income, $38.9 million of non-cash charges that were included in our net income and $24.8 million of cash used in net changes in operating accounts.

The principal changes in non-cash items that favorably affected operating cash flow included $21.2 million of depreciation and amortization expense, $7.0 million loss on conversion of convertible notes, and $5.1 million of stock-based compensation expense, partially offset by $0.7 million deferred tax benefit.

Changes in working capital that resulted in a source of cash included the following:

- a $7.6 million increase in accrued liabilities.

Accrued liabilities increased primarily due to an increase in accrued compensation and benefits from the timing of payroll cycles, increased salaries related to acquisitions and higher commissions as a result of increased revenue.

Changes in working capital that resulted in a use of cash included the following:

- a $19.2 million increase in accounts receivable, net;
- a $12.2 million increase in inventory;
- a $1.3 million decrease in customer deposits;
- a $0.8 million increase in prepaid expenses and other current assets; and
- a $0.2 million decrease in accounts payable.

Accounts receivable, net increased as a result of the record revenues in 2012 and days sales outstanding increased to 72 days in 2012 from 67 days in 2011. Inventories increased primarily due to the timing of orders and delivery of finished goods materials and raw materials, which are purchased in large quantities.

Cash flow from investing activities

Net cash used in investing activities for the year ended 2013 decreased to $173.8 million, from $187.7 million in 2012. In 2013, this consisted of $162.3 million related to acquisitions,  $7.0 million of net purchases of property and equipment, $1.6 million of additions to license and patent costs and $4.7 million in minority investments of less than 20% made through 3D Ventures in promising enterprises that we believe will benefit from or be powered by our technologies, partially offset by $1.9 million of proceeds from the disposition of property and equipment.  See Notes 3, 5 and 6 to the Consolidated Financial Statements.

Net cash used in investing activities in 2012 increased to $187.7 million from $95.7 million in 2011. In 2012, this consisted of $183.7 million related to acquisitions and $3.2 million of net purchases of property and equipment and $0.7 million of additions to license and patent costs.

Capital expenditures were $7.0 million in 2013,  $3.2 million in 2012 and $2.9 million in 2011. Capital expenditures in 2013, 2012 and 2011 primarily consisted of expenditures for equipment to support our Quickparts service, tooling and printers associated with our new product development efforts and leasehold improvements.

As discussed below, we completed thirty-two  business acquisitions during 2011, 2012 and 2013. The majority of the acquisitions have resulted in the recording of goodwill. This goodwill typically arises because the purchase price for these businesses reflects a number of factors including the future earnings and cash flow potential of these businesses; the multiples to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers; the competitive nature of the process by which we acquired the business; and the complementary strategic fit and resulting synergies these businesses bring to existing operations. See Note 7 to the Consolidated Financial Statements.

2013 acquisitions

We acquired eleven businesses in 2013 for cash consideration of $162.3 million, net of cash acquired, with an additional $13.1 million of consideration paid in the form of common stock. Four of the acquisitions were related to accelerating our 3D printer penetration through new products and materials, three of the acquisitions were related to building our 3D consumer and retail products and services, two of the acquisitions were related to expanding our global Quickparts custom parts services and two acquisitions were related to reinventing the engineer’s desktop. See Note 3 to the Consolidated Financial Statements. See Note 3 to the Consolidated Financial Statements.

2012 acquisitions

We acquired nine businesses in 2012 for cash consideration of $183.7 million, net of cash acquired, with an additional $7.7 million of consideration paid in the form of common stock. Two of the acquisitions were related to Quickparts custom parts services, three were building blocks for our consumer growth initiative, two acquisitions were related to our printers business, one was related to healthcare solutions and one was related to our 3D authoring solutions initiative. In addition, we made deferred purchase payments of $0.4 million in connection with acquisitions completed in 2011.

2011 acquisitions

We acquired twelve businesses in 2011 for cash consideration of $92.7 million, net of cash acquired, with an additional $3.0 million of consideration paid in the form of common stock. Five of the acquisitions were related to Quickparts custom parts services, four were building blocks for our consumer growth initiative and three acquisitions were related to our printers business. In addition, we made deferred purchase payments of $3.7 million in connection with acquisitions completed in 2010. See Note 3 to the Consolidated Financial Statements.

Recent acquisition developments

See Notes 3 and 25 to the Consolidated Financial Statements.

Cash flow from financing activities

As previously discussed, we have an effective registration statement on Form S-3 under which, among other things, we may issue up to $500.0 million of securities. We issued $272.1 million of Common Stock in 2013 and $112.1 million in 2012 in reliance upon this registration statement and the remaining $115.8 million of securities covered by it may be issued until June 12, 2015. Subject to the limitations of our Certificate of Incorporation and applicable law, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. We may file a new registration statement at any time to increase these available amounts as necessary to provide flexibility to execute our growth strategy.

In May 2013, we completed an equity offering netting $272.1 million in proceeds after deducting related expenses. In June 2012, we completed an equity offering netting $106.9 million in proceeds after deducting related expenses. In early 2011, we completed an equity offering netting $62.1 million in proceeds after deducting related expenses. In November 2011, we issued $152.0 million in senior convertible notes due 2016 in a private placement, netting $145.4 million in proceeds after deducting related expenses, of which $135.5 million was subsequently paid to complete the acquisition of Z Corp and Vidar on January 3, 2012. See Note 3 to the Consolidated Financial Statements.

Net cash provided by financing activities increased to $298.7 million for the year ended 2013 from $112.6 million in 2012. Net cash provided by financing activities in 2011 was $210.0 million. The 2013 cash provided by financing activities primarily resulted from the $272.1 million of net proceeds from the common stock issuance, $26.0 million of tax benefits from share-based payment arrangements and from $0.9 million of stock-based compensation proceeds, partially offset by a $0.2 million repayment of capital lease obligations. The 2012 cash provided by financing primarily resulted from the $106.9 million of net proceeds from the common stock issuance and from $4.4 million of stock-based compensation proceeds. The 2011 proceeds primarily resulted from the previously discussed net proceeds of the common stock issuance and net proceeds of the convertible notes issuance and from $2.8 million of stock-based compensation proceeds.

Contractual Commitments and Off-Balance Sheet Arrangements

Our principal commitments at December 31, 2013 consisted of the capital lease on our Rock Hill facility, operating leases, deferred purchase price and earnouts on acquisitions and purchase obligations, which are discussed in greater detail below. Tables 12 and 13 below summarize our contractual obligations as of December 31, 2013.

Future contractual payments at December 31, 2013 are set forth below.

Table 12

| | Years Ending December 31, | | | | |
|---|---|---|---|---|---|
| (Dollars in thousands) | 2014 | 2015-2016 | 2017-2018 | Later Years | Total |
| Capitalized lease obligations | $ 696 | $ 1,400 | $ 1,433 | $ 9,636 | $ 13,165 |
| Non-cancelable operating leases | 6,756 | 10,031 | 6,342 | 2,100 | 25,229 |
| Purchase obligations | 41,091 | — | — | — | 41,091 |
| Deferred purchase price on acquisitions | 4,500 | — | — | — | 4,500 |
| Earnouts on acquisitions | 1,372 | 4,206 | — | — | 5,578 |
| Principal of senior convertible notes | — | 12,540 | — | — | 12,540 |
| Interest on senior convertible notes | 1,087 | 2,242 | — | — | 3,329 |
| Total | $ 55,502 | $ 30,419 | $ 7,775 | $ 11,736 | $ 105,432 |

Debt and lease obligations

Debt

As previously discussed, in November 2011, we issued senior convertible notes due 2016 in an aggregate principal amount of $152.0 million. These notes bear interest at a fixed rate of 5.50% per annum, payable June 15 and December 15 of each year while they are outstanding. Interest payments began June 15, 2012. The net proceeds of the notes were used to fund the acquisition of Z Corp and Vidar and for general corporate purposes.

The notes are convertible into shares of the Company's Common Stock at a conversion rate equivalent to 69.932 shares of Common Stock per $.001 million principal amount of notes, which amounts to a conversion price of $14.31 per common share. Upon conversion, the Company has the option to pay cash or issue Common Stock, or a combination thereof. The aggregate principal amount of these notes then outstanding matures on December 15, 2016, unless earlier converted or repurchased in accordance with the terms of the notes.

Conditions for conversion have been satisfied and the notes are convertible. During 2013, note holders converted $80.8 million aggregate principal amount of notes, which converted into 5.5 million shares of common stock. We recognized an $11.3 million loss on conversion of these notes in interest and other expense, net. As of December 31, 2013, the aggregate principal amount of notes outstanding was $12.5 million. If additional conversions occur, we will recognize the impact of those conversions in interest and other expense, net and interest expense going forward will be reduced.

As of February 19, 2014, the aggregate principal amount of notes outstanding was $12.5 million.

The notes contain a number of covenants covering, among other things, payment of notes, reporting, maintenance of existence, and payment of taxes. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued and unpaid interest on the notes. We were in compliance with all covenants as of December 31, 2013. See Note 11 to the Consolidated Financial Statements. The notes are senior in right of payment (as defined in the Note Agreement).

Leases

On February 8, 2006, we entered into a lease agreement with KDC-Carolina Investments 3, LP (now Lex Rock Hill, LP successor) pursuant to which KDC constructed and leased to us an approximately 80,000 square foot building in Rock Hill, South Carolina. Under the terms of this lease the landlord agreed to lease the building to us for an initial 15 year term following completion. We took occupancy of the building in November 2006. See Note 12 to the Consolidated Financial Statements.

After its initial term, the lease provides us with the option to renew the lease for two additional five-year terms as well as the right to cause the landlord, subject to certain terms and conditions, to expand the leased premises during the term of the lease, in which case the term of the lease would be extended. The lease is a triple net lease and provides for the payment of base rent of approximately $0.7 million in 2013 through 2021, including a rent escalation in 2016. Under the terms of the lease, we are obligated to pay all taxes, insurance, utilities and other operating costs with respect to the leased premises.

In accordance with ASC 840, “Leases,” we are considered an owner of the property. Therefore, we have recorded $7.5 million and $7.6 million at December 31, 2013 and 2012, respectively, as building in our consolidated balance sheet with a corresponding capitalized lease obligation in the liabilities section of the consolidated balance sheet. See Note 12 to the Consolidated Financial Statements.

Our outstanding capitalized lease obligations at December 31, 2012 and December 31, 2011 were as follows:

Table 13

| (Dollars in thousands) | 2013 | 2012 |
|---|---|---|
| Capitalized lease obligations: | | |
| Current portion of capitalized lease obligations | $ 187 | $ 174 |
| Capitalized lease obligations, long-term portion | 7,277 | 7,443 |
| Total capitalized lease obligations | $ 7,464 | $ 7,617 |

Capitalized lease obligations of $7.5 million at December 31, 2013 decreased from $7.6 million at December 31, 2012 primarily due to scheduled payments of principal on capital lease installments.

We lease certain other facilities under non-cancelable operating leases expiring through 2023. The leases are generally on a net-rent basis, under which we pay taxes, maintenance and insurance. We expect leases that expire to be renewed or replaced by leases on other properties. Rental expense for the years ended December 31, 2013, 2012 and 2011 was $6.9 million, $5.0 million and $2.7 million, respectively.

Other contractual commitments

The Company has supply commitments for printer assemblies that total $41.1 at December 31, 2013, compared to $10.9 at December 31, 2012.

For certain of our acquisitions, we are obligated for the payment of deferred purchase price totaling $4.5 million. Certain of the acquisition purchase agreements contain earnout provisions under which the sellers of the acquired businesses can earn additional amounts. The total amount of liabilities recorded for these earnouts is $5.6 million at December 31, 2013 compared to $2.6 million at December 31, 2012. See Note 3 for details of acquisitions and related commitments.

Indemnification

In the normal course of business we periodically enter into agreements to indemnify customers or suppliers against claims of intellectual property infringement made by third parties arising 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 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.

We do not utilize any “structured debt,” “special purpose” or similar unconsolidated entities for liquidity or financing purposes.

Financial instruments

We conduct business in various countries using both the functional currencies of those countries and other currencies to effect cross border transactions. As a result, we are subject to the risk that fluctuations in foreign exchange rates between the dates that those transactions are entered into and their respective settlement dates will result in a foreign exchange gain or loss. When practicable, we endeavor to match assets and liabilities in the same currency on our balance sheet and those of our subsidiaries in order to reduce these risks. We also, when we consider it to be appropriate, enter into foreign currency contracts to hedge exposures arising from those transactions.

We do not hedge for trading or speculative purposes, and our foreign currency contracts are generally short-term in nature, typically maturing in 90 days or less. We have elected not to prepare and maintain the documentation to qualify for hedge accounting treatment under ASC 815, "Derivatives and Hedging," and therefore, we recognize all gains and losses (realized or unrealized) in interest and other expense, net in our Consolidated Statements of Income and Other Comprehensive Income.

Changes in the fair value of derivatives are recorded in interest and other expense, net, in our Consolidated Statements of Income and Other Comprehensive Income. Depending on their fair value at the end of the reporting period, derivatives are recorded either in prepaid and other current assets or in accrued liabilities in our Consolidated Balance Sheets.

The total impact of foreign currency related items on our Consolidated Statements of Income and Comprehensive Income was a loss of $0.8 million for 2013, a gain of $0.1 million in 2012, and a loss of $0.1 million in 2011.

Critical Accounting Policies and Significant Estimates

The discussion and analysis of our results of operations and financial condition set forth in this Form 10-K is based on our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make critical accounting estimates that directly impact our Consolidated Financial Statements and related disclosures.

Critical accounting estimates are estimates that meet two criteria:

· The estimates require that we make assumptions about matters that are highly uncertain at the time the estimates are made; and

· There exist different estimates that could reasonably be used in the current period, or changes in the estimates used are reasonably likely to occur from period to period, both of which would have a material impact on our results of operations or financial condition.

On an ongoing basis, we evaluate our estimates, including those related to stock-based compensation, revenue recognition, the allowance for doubtful accounts, income taxes, inventories, goodwill and other intangible and long-lived assets and contingencies. We base our estimates and assumptions on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following paragraphs discuss the items that we believe are the critical accounting policies most affected by significant management estimates and judgments. Management has discussed and periodically reviews these critical accounting policies, the basis for their underlying assumptions and estimates and the nature of our related disclosures herein with the Audit Committee of the Board of Directors.

Revenue recognition

Net revenue is derived primarily from the sale of products and services. The following revenue recognition policies define the manner in which we account for sales transactions.

We recognize revenue when persuasive evidence of a sale arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured. Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities. We sell our products through our direct sales force and through authorized resellers. We recognize revenue on sales to resellers at the time of sale when the reseller has economic substance apart from us, and we have completed our obligations related to the sale.

We enter into sales arrangements that may provide for multiple deliverables to a customer. Sales of printers may include ancillary equipment, print materials, warranty on the equipment, training and installation. We identify all goods and/or services that are to be delivered separately under a sales arrangement and allocate revenue to each deliverable based on either vendor-specific objective evidence (“VSOE”) or if VSOE is not determinable then we use best estimated selling price (“BESP”) of each deliverable. We establish VSOE of selling price using the price charged for a deliverable when sold separately. The objective of BESP is to determine the price at which we would transact a sale if the deliverable was sold regularly on a stand-alone basis. We consider multiple factors including, but not limited to, market conditions, geographies, competitive landscape, and entity-specific factors such as internal costs, gross margin objectives and pricing practices when estimating BESP. Consideration in a multiple element arrangement is then allocated to the elements on a relative sales value basis using either VSOE or BESP for all the elements. We also evaluate the impact of undelivered items on the functionality of delivered items for each sales transaction and, where appropriate, defer revenue on delivered items when that functionality has been affected. Functionality is determined to be met if the delivered products or services represent a separate earnings process.

Hardware

In general, revenues are separated between printers and other products, print materials, training services, maintenance services and installation services. The allocated revenue for each deliverable is then recognized based on relative fair values of the components of the sale, consistent within the scope of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605 Revenue Recognition.

Under our standard terms and conditions of sale, title and risk of loss transfer to the customer at the time product is shipped to the customer and revenue is recognized accordingly, unless customer acceptance is uncertain or significant obligations remain. We defer the estimated revenue associated with post-sale obligations that are not essential to the functionality of the delivered items, and recognize revenue in the future as the conditions for revenue recognition are met.

Software

We also market and sell software tools that enable our customers to capture and customize content using our printers, as well as reverse engineering and inspection software. The software does not require significant modification or customization. We apply the guidance in ASC 985-605, Software-Revenue Recognition in recognizing revenue when software is more than incidental to the product or service as a whole based on fair value using vendor-specific objective evidence. Revenue from perpetual software licenses is recognized either upon delivery of the product or delivery of a key code which allows the customer to access the software. In instances where software access is provided for a trial period, revenue is not recognized until the customer has purchased the software at the expiration of the trial period. We use the residual method to allocate revenue to software licenses at the inception of the license term when VSOE of fair value for all undelivered elements, such as maintenance, exists and all other revenue recognition criteria have been satisfied. In instances in which customers purchase post sale support, it is considered a separate element from the software and is deferred at the time of sale and subsequently amortized in future periods.

We also sell equipment with embedded software to our customers. The embedded software is not sold separately, it is not a significant focus of the marketing effort and we do not provide post-contract customer support specific to the software or incur significant costs that are within the scope of ASC 985. Additionally, the functionality that the software provides is marketed as part of the overall product. The software embedded in the equipment is incidental to the equipment as a whole such that ASC 985 is not applicable. Sales of these products are recognized in accordance with ASC 605.25, "Multiple-Element Arrangements."

Services

Printers include a warranty under which we provide maintenance for periods up to one year, as well as training, installation and non-contract maintenance services. We defer this portion of the revenue at the time of sale based on the relative fair value of these services. Deferred revenue is recognized ratably according to the term of the warranty. Costs associated with our obligations during the warranty period are expensed as incurred. After the initial warranty period, we offer these customers optional maintenance contracts. Deferred maintenance revenue is recognized ratably, on a straight-line basis, over the period of the contract and recognizes the costs associated with these contracts as incurred. Revenue from training, installation and non-contract maintenance services is recognized at the time of performance.

Quickparts sales are included within services revenue and revenue is recognized upon shipment or delivery of the parts, based on the terms of the sales arrangement.

Terms of sale

Shipping and handling costs billed to customers for equipment sales and sales of print materials are included in product revenue in the consolidated statements of income and other comprehensive income. Costs we incur associated with shipping and handling are included in product cost of sales in the Consolidated Statements of Income and Other Comprehensive Income.

Credit is extended, and creditworthiness is determined, based on an evaluation of each customer's financial condition. New customers are generally required to complete a credit application and provide references and bank information to facilitate an analysis of creditworthiness. Customers with a favorable profile may receive credit terms that differ from our general credit terms. Creditworthiness is considered, among other things, in evaluating our relationship with customers with past due balances.

Our terms of sale generally require payment within 30 to 60 days after shipment of a product, although we also recognize that longer payment periods are customary in some countries where we transact business. To reduce credit risk in connection with printer sales, we may, depending upon the circumstances, require significant deposits prior to shipment and may retain a security interest in a system sold until fully paid. In some circumstances, we may require payment in full for our products prior to shipment and may require international customers to furnish letters of credit. For maintenance services, we either bill customers on a time-and-materials basis or sell customers service agreements that are recorded as deferred revenue and provide for payment in advance on either an annual or other periodic basis.

Allowance for doubtful accounts

In evaluating the collectability of our accounts receivable, we assess a number of factors, including a specific customer's ability to meet its financial obligations to us, such as whether a customer declares bankruptcy. Other factors include the length of time the receivables are past due and historical collection experience. Based on these assessments, we record a reserve for specific customers as well as a general reserve based on our historical experience for bad debts. If circumstances related to specific customers change, or economic conditions deteriorate such that our past collection experience is no longer relevant, our estimate of the recoverability of our accounts receivable could be further reduced from the levels provided for in the Consolidated Financial Statements.

Our estimate for the allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved.

First, we evaluate specific accounts where we have information that the customer may have an inability to meet their financial obligations (for example, aging over 90 days past due or bankruptcy). In these cases, we use our judgment, based on available facts and circumstances, and record a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are re-evaluated and adjusted as additional information is received that impacts the amount reserved.

Second, a general reserve is established for all customers based on historical collection and write-off experience.

Our estimate of the allowance for doubtful accounts for financing receivables is determined by evaluating specific accounts for which the borrower is past due more than 90 days, or for which it has information that the borrower may be unable to meet its financial obligations (for example, bankruptcy). In these cases, we use judgment, based on the available facts and circumstances, and record a specific reserve for that borrower against amounts due to reduce the outstanding receivable balance to the amount that is expected to be collected. If there are any specific reserves, they are re-evaluated and adjusted as additional information is received that impacts the amount reserved.

We also provide an allowance account for returns and discounts. This allowance is evaluated on a specific account basis. In addition, we provide a general reserve for all customers that have not been specifically identified based on historical experience.

Our bad debt expense increased to $5.0 million in 2013 from $3.0 million in 2012 and $1.7 million in 2011. The higher expense in 2013 was due to higher receivables related to increased revenue.

Our allowance for doubtful accounts increased to $8.1 million, or 6.2% of outstanding accounts receivable, at December 31, 2013 from $4.3 million, or 5.4% of outstanding accounts receivable, at December 31, 2012. Our percent of accounts receivable over 90 days past due increased to 9.1% in 2013 from 6.4% in 2012. We believe that our allowance for doubtful accounts is a critical accounting estimate because it is susceptible to change and dependent upon events that may or may not occur and because the impact of recognizing additional allowances for doubtful accounts may be material to the assets reported on our balance sheet and in our results of operations.

Income taxes

We and our domestic subsidiaries file a consolidated U.S. federal income tax return. Our non-U.S. subsidiaries file income tax returns in their respective local jurisdictions. We provide for income taxes on those portions of our foreign subsidiaries' accumulated earnings that we believe are not reinvested indefinitely in their businesses.

We account for income taxes under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax benefit carryforwards. Deferred income tax liabilities and assets at the end of each period are determined using enacted tax rates.

We record deferred income tax assets arising from temporary differences between recorded net income and taxable net income when and if we believe that future earnings will be sufficient to realize the tax benefit. We provide a valuation allowance for those jurisdictions and on those deferred tax assets where the expiration date of tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely.

Under the provisions of ASC 740, “Income Taxes,” a valuation allowance is required to be established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of a deferred income tax asset will not be realized. ASC 740 provides that an important factor in determining whether a deferred income tax asset will be realized is whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred income tax asset.

We believe that our estimate of deferred income tax assets and our maintenance of a valuation allowance against such assets are critical accounting estimates because they are subject to, among other things, an estimate of future taxable income in the U.S. and in other non-U.S. tax jurisdictions, which are susceptible to change and dependent upon events that may or may not occur, and because the impact of our valuation allowance may be material to the assets reported on our balance sheet and in our results of operations.

The determination of our income tax provision is complex because we have operations in numerous tax jurisdictions outside the U.S. that are subject to certain risks that ordinarily would not be expected in the U.S. Tax regimes in certain jurisdictions are subject to significant changes, which may be applied on a retroactive basis. If this were to occur, our tax expense could be materially different than the amounts reported.

We periodically estimate the probable tax obligations using historical experience in tax jurisdictions and our informed judgment. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations. Income tax expense is adjusted in the period in which these events occur, and these adjustments are included in our Consolidated Statements of Income and Other Comprehensive Income. If such changes take place, there is a risk that our effective tax rate may increase or decrease in any period.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined predominantly on the first-in, first-out method. Reserves for inventories are provided based on historical experience and current product demand. Our inventory reserve was $4.3 million at December 31, 2013, compared with $3.5 million at December 31, 2012. We evaluate the adequacy of these reserves quarterly. Our determination of the allowance for inventory reserves is subject to change because it is based on management’s current estimates of required reserves and potential adjustments.

We believe that the allowance for inventory obsolescence is a critical accounting estimate because it is susceptible to change and dependent upon events that may or may not occur and because the impact of recognizing additional obsolescence reserves may be material to the assets reported on our balance sheet and in our results of operations.

Goodwill and other intangible and long-lived assets

We evaluate long-lived assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

The annual impairment testing required by ASC 350, “Intangibles – Goodwill and Other,” requires us to use our judgment and could require us to write down the carrying value of our goodwill and other intangible assets in future periods. As required by ASC 350, we have allocated goodwill to identifiable geographic reporting units, which are tested for impairment using a two-step process detailed in that statement. See Notes 6 and 7 to the Consolidated Financial Statements. The first step requires comparing the fair value of each reporting unit with our carrying amount, including goodwill. If that fair value exceeds the carrying amount, the second step of the process is not required to be performed and no impairment charge is required to be recorded. If that fair value does not exceed the carrying amount, we must perform the second step, which requires an allocation of the fair value of the reporting unit to all assets and liabilities of that unit as if the reporting unit had been acquired in a purchase business combination and the fair value of the reporting unit was the purchase price. The goodwill resulting from that purchase price allocation is then compared to the carrying amount with any excess recorded as an impairment charge.

Goodwill set forth on the Consolidated Balance Sheet as of December 31, 2013 arose from acquisitions carried out in 2013, 2012, 2011, 2010, 2009, and in years prior to 2007. Goodwill arising from acquisitions prior to 2007 was allocated to geographic reporting units based on the percentage of SLS printers then installed by geographic area. Goodwill arising from acquisitions since 2009 was allocated to geographic reporting units based on geographic dispersion of the acquired companies’ sales or capitalization at the time of their acquisition.

Pursuant to the requirements of ASC 350, we are required to perform a valuation of each of our three geographic reporting units annually, or upon significant changes in our business environment. We conducted our annual impairment analysis in the fourth quarter of 2013. To determine the fair value of each reporting unit we utilized discounted cash flows, using five years of projected unleveraged free cash flows and terminal EBITDA earnings multiples. The discount rates used for the analysis reflected a weighted average cost of capital based on industry and capital structure adjusted for equity risk premiums and size risk premiums based on market capitalization. The discounted cash flow valuation uses projections of future cash flows and includes assumptions concerning future operating performance and economic conditions and may differ from actual future cash flows. We also considered the current trading multiples of comparable publicly-traded companies and the historical pricing multiples for comparable merger and acquisition transactions that have occurred in the industry. Under each fair value measurement methodology considered, the fair value of each reporting unit exceeded its carrying value; accordingly, no goodwill impairment adjustments were recorded on our Consolidated Balance Sheet.

The control premium that a third party would be willing to pay to obtain a controlling interest in 3D Systems Corporation was considered when determining fair value. In addition, factors such as the performance of competitors were also considered.

Management concluded that there was a reasonable basis for the excess of the estimated fair value of the geographic reporting units over its market capitalization.

The estimated fair value of the three geographic reporting units incorporated judgment and the use of estimates by management. Potential factors requiring assessment include a further or sustained decline in our stock price, variance in results of operations from projections, and additional acquisition transactions in the industry that reflect a lower control premium. Any of these factors may cause us to re-evaluate goodwill during any quarter throughout the year. If an impairment charge was to be taken for goodwill it would be a non-cash charge and would not impact our cash position or cash flows; however such a charge could have a material impact to equity and the Consolidated Statement of Income and Comprehensive Income.

There was no goodwill impairment for the years ended December 31, 2013, 2012 or 2011.

We will evaluate the fair value of long-lived assets in accordance with ASC 360, “Property, Plant and Equipment” if events transpire to indicate potential impairment.  No impairment loss was recorded for the periods presented.

Determining the fair value of a reporting unit, intangible asset or a long-lived asset is judgmental and involves the use of significant estimates and assumptions. Management bases its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

Stock-based compensation

ASC 718, “Compensation – Stock Compensation,” requires the recognition of the fair value of stock-based compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. See Note 14 to the Consolidated Financial Statements.

Contingencies

We account for contingencies in accordance with ASC 450, “Contingencies.” ASC 450 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal matters requires us to use our judgment.

Non-GAAP Measures

In addition to our results determined in accordance with U.S. GAAP, management uses certain non-GAAP financial measures, which adjust net income and earnings per share, in assessing our operating performance. Management believes these non-GAAP financial measures of adjusted net income and adjusted earnings per share serve as useful measures in evaluating the overall performance of our business.

Management uses these non-GAAP financial measures to supplement our Consolidated Financial Statements presented on a GAAP basis to facilitate a better understanding of the impact that several significant, strategic acquisitions had on our ongoing financial results.

These non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies and they are subject to inherent limitations as they reflect the exercise of judgments by our management about which costs, expenses and other items are excluded from our GAAP financial statements in determining our non-GAAP financial measures. We compensate for these limitations by analyzing current and expected future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures as required in our public disclosures and reconciliations of our non-GAAP financial measures to our GAAP financial statements. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial performance or liquidity measures prepared in accordance with GAAP. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

As discussed in detail above, we report non-GAAP measures which adjust both net income and earnings per share by excluding the impact of acquisition and severance expenses, intangible amortization, non-cash interest expense, non-cash stock-based compensation and releases of valuation allowances on deferred tax assets. We provide the required reconciliation of GAAP net income and earnings per share to non-GAAP adjusted net income and adjusted earnings per share. See Other Financial Information above.

## Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements included in this report for recently issued accounting standards, including the expected dates of adoption and expected impact to our Consolidated Financial Statements upon adoption.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from fluctuations in interest rates, foreign currency exchange rates, and commodity prices, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities and, when we consider it to be appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading or speculative purposes.

### Interest rates

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents. We seek to minimize the risk to our cash and cash equivalents by investing cash in excess of our operating needs in short-term, high-quality instruments issued by highly creditworthy financial institutions, corporations or governments. With the amount of cash and cash equivalents that we maintained at December 31, 2013, a hypothetical interest rate change of 1 percentage point, or 100 basis points, would have a $3.1 million effect on our financial position and results of operations.

From time to time, we may use derivative financial instruments, including interest rate swaps, collars or options, to manage our exposure to fluctuations in interest rates. At December 31, 2013, we had no such financial instruments outstanding.

Foreign exchange rates

We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. Approximately 44.5% of our consolidated revenue is derived from sales outside the U.S. See “Business—Global Operations” above. This revenue is generated primarily from the operations of our foreign sales subsidiaries in their respective countries and surrounding geographic areas and the operations of our research and production subsidiary in Switzerland, and is denominated in each subsidiary’s local functional currency although certain sales are denominated in other currencies, rather than the local functional currency. These subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currencies. These currencies include the Euro, Australian Dollar, British Pound, Swiss Franc, Korean Won, Japanese Yen and Indian Rupee.

The geographic areas outside the U.S. in which we operate are generally not considered to be highly inflationary. Nonetheless, these foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated in U.S. dollars rather than in their respective functional currencies. Our operating results, as well as our assets and liabilities, are also subject to the effects of foreign currency translation when the operating results, assets and liabilities of our foreign subsidiaries are translated into U.S. dollars in our Consolidated Financial Statements.

We and our subsidiaries conduct business in various countries using both the functional currencies of those countries and other currencies to effect cross border transactions. As a result, we and our subsidiaries are subject to the risk that fluctuations in foreign exchange rates between the dates that those transactions are entered into and their respective settlement dates will result in a foreign exchange gain or loss. When practicable, we endeavor to match assets and liabilities in the same currency on our U.S. balance sheet and those of our subsidiaries in order to reduce these risks. We also, when we consider it appropriate, enter into foreign currency contracts to hedge exposures arising from those transactions.

We do not hedge for trading or speculative purposes, and our foreign currency contracts are generally short-term in nature, typically maturing in 90 days or less. We have elected not to prepare and maintain the documentation to qualify for hedge accounting treatment under ASC 815, "Derivatives and Hedging," and therefore, we recognize all gains and losses (realized or unrealized) in interest and other expense, net in our Consolidated Statements of Income and Comprehensive Income.

As noted above, we may use derivative financial instruments, including foreign exchange forward contracts and foreign currency options, to fix or limit our exposure to currency fluctuations. We do not hedge our foreign currency exposures in a manner that would entirely eliminate the effects of changes in foreign exchange rates on our consolidated net income or loss.

At December 31, 2013, a hypothetical change of 10% in foreign currency exchange rates would cause approximately a $22.9 million change in revenue in our Consolidated Statement of Income and Comprehensive Income assuming all other variables were held constant.

Commodity prices

We use various raw materials and energy products in conjunction with our printer assembly and print materials blending processes. Generally, we acquire such components at market prices and do not use financial instruments to hedge commodity prices. As a result, we are exposed to market risks related to changes in commodity prices of these components. At December 31, 2013, a hypothetical 10% change in commodity prices for raw materials would cause approximately a $0.9 million change to cost of sales in our Consolidated Statement of Income and Comprehensive Income.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements set forth below on pages F-1 through F-43 are incorporated herein by reference.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## Item 9A. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”)) are controls and procedures that are designed to provide reasonable assurance that 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.

As of December 31, 2013, 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 were designed to provide reasonable assurance that 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 management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures. Based on this evaluation, including an evaluation of the rules referred to above in this Item 9A, management has concluded that our disclosure controls and procedures were effective as of December 31, 2013 to provide reasonable assurance that 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 management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting is supported by written policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that our receipts and expenditures are being made and recorded only in accordance with authorizations of our management and provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

In connection with the preparation of this Form 10-K, with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 ("COSO"). Our assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2013.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

BDO USA, LLP, the independent registered public accounting firm who audited our Consolidated Financial Statements included in this Form 10-K, has issued a report on our internal control over financial reporting, which is included in Item 8 of this Form 10-K.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the quarter ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required in response to this Item will be set forth in our Proxy Statement for our 2014 Annual Meeting of Stockholders under the captions “Election of Directors,” “Corporate Governance Matters,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance Matters—Code of Conduct and Code of Ethics,” “Corporate Governance Matters—Corporate Governance and Nominating Committee,” and “Corporate Governance Matters—Audit Committee.” Such information is incorporated herein by reference.

Item 11. Executive Compensation

The information in response to this Item will be set forth in our Proxy Statement for our 2014 Annual Meeting of Stockholders under the captions “Director Compensation,” “Executive Compensation,” “Corporate Governance Matters—Compensation Committee,” and “Executive Compensation—Compensation Committee Report.” Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except as set forth below, the information required in response to this Item will be set forth in our Proxy Statement for our 2014 Annual Meeting of Stockholders under the caption “Security Ownership of Certain Beneficial Owners and Management.” Such information is incorporated herein by reference.

Equity Compensation Plans

The following table summarizes information about the equity securities authorized for issuance under our compensation plans as of December 31, 2013. For a description of these plans, please see Note 14 to the Consolidated Financial Statements.

| (Dollars in thousands) | Number of securities to be issued | Weighted average exercise | Number of securities remaining |
|---|---|---|---|

| Plan Category | upon exercise of outstanding stock options, warrants and rights | price of outstanding options, warrants and rights | available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by stockholders | — | $ — | 1,445 |
| Equity compensation plans not approved by stockholders | — | — | — |
| Total | — | $ — | 1,445 |

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required in response to this Item will be set forth in our Proxy Statement for our 2014 Annual Meeting of Stockholders under the captions "Corporate Governance Matters—Director Independence" and "Corporate Governance Matters – Related Party Transaction Policies and Procedures." Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information in response to this Item will be set forth in our Proxy Statement for our 2014 Annual Meeting of Stockholders under the caption "Fees of Independent Registered Public Accounting Firm." Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(3) Exhibits
The following exhibits are included as part of this filing and incorporated herein by this reference:

2.1 Acquisition Agreement, dated October 12, 2010, by and among 3D Systems Corporation, 3D Systems Italia, Mr. Francesco Giorgio Buson and Glas S.S. (Incorporated by reference to Exhibit 2.1 to Form 8 K filed on October 12, 2010.)

2.2 Asset Purchase Agreement, dated as of November 1, 2011, by an among 3D Systems Corporation, 3D Systems SA, Huntsman Advanced Materials Americas LLC, and Huntsman Advanced Materials (Switzerland) GmbH. (Incorporated by reference to Exhibit 2.1 to Form 8-K filed on November 1, 2011.)

2.3 Stock Purchase Agreement, dated November 21, 2011, by and among 3D Systems Corporation, 3D Systems, Inc., Contex Group A/S, and Ratos AB. (Incorporated by reference to Exhibit 2.1 to Form 8-K filed on November 22, 2011.)

3.1 Certificate of Incorporation of Registrant. (Incorporated by reference to Exhibit 3.1 to 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 Designation of Rights, Preferences and Privileges of Preferred Stock. (Incorporated by reference to Exhibit 2 to Registrant's Registration Statement on Form 8 A filed on January 8, 1996.)

3.4 Certificate of Designation of the Series B Convertible Preferred Stock, filed with the Secretary of State of Delaware on May 2, 2003. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8 K, filed on May 7, 2003.)

3.5 Certificate of Elimination of Series A Preferred Stock filed with the Secretary of State of Delaware on March 4, 2004. (Incorporated by reference to Exhibit 3.6 of Registrant's Annual Report on Form 10 K for the year ended December 31, 2003, filed on March 15, 2004.)

3.6 Certificate of Elimination of Series B Preferred Stock filed with the Secretary of State of Delaware on June 9, 2006. (Incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8 K, filed on June 9, 2006.)

3.7 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 of the Registrant's Quarterly Report on Form 10 Q for the quarterly period ended June 30, 2004, filed on August 5, 2004.)

3.8 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 of the Registrant's Quarterly Report on Form 10 Q for the quarterly period ended June 30, 2005, filed on August 1, 2005.)

3.9 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 Form 8-K filed on October 7, 2011.)

3.10 Certificate of Designations, Preferences and Rights of Series A Preferred Stock, filed with the Secretary of State of Delaware on December 9, 2008. (Incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K, filed on December 9, 2008.)

3.11 Certificate of Elimination of Series A Preferred Stock filed with the Secretary of State of Delaware on November 14, 2011. (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 15, 2011.)

3.12 Amended and Restated By Laws. (Incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8 K, filed on December 1, 2006.)

3.13 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 of the Registrant's Current Report on Form 8-K filed on May 22, 2013.)

4.1* Amended and Restated 2004 Incentive Stock Plan of 3D Systems Corporation (Incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No.1 to Registration Statement on Form S-8, filed May 20, 2009.)

4.2* Form of Restricted Stock Purchase Agreement for Employees. (Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S 8, filed on May 19, 2004.)

4.3* Form of Restricted Stock Purchase Agreement for Officers. (Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S 8, filed on May 19, 2004.)

4.4* Restricted Stock Plan for Non Employee Directors of 3D Systems Corporation. (Incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S 8, filed on May 19, 2004.)

4.5* Amendment No. 1 to Restricted Stock Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10 Q for the quarterly period ended June 30, 2005, filed on August 1, 2005.)

4.6* Form of Restricted Stock Purchase Agreement for Non Employee Directors. (Incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S 8, filed on May 19, 2004.)

4.7 Indenture, dated as of November 22, 2011, by and between 3D Systems Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 22, 2011.)

4.8 Specimen Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (No. 333-182065) filed on June 12, 2012.)

10.1 Patent License Agreement dated December 16, 1998 by and between 3D Systems, Inc., NTT Data CMET, Inc. and NTT Data Corporation. (Incorporated by reference to Exhibit 10.56 to Registrant's Annual Report on Form 10 K for the year ended December 31, 1998, filed on March 31, 1999.)

10.2 Lease Agreement dated February 8, 2006 between the Registrant and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8 K, filed on February 10, 2006.)

10.3 First Amendment to Lease Agreement dated August 7, 2006 between the Registrant and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8 K, filed on August 14, 2006.)

10.4 Second Amendment to Lease Agreement effective as of October 6, 2006 to Lease Agreement dated February 8, 2006 between 3D Systems Corporation and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8 K, filed on October 10, 2006.)

10.5 Third Amendment to Lease Agreement effective as of December 18, 2006 to Lease Agreement dated February 8, 2006 between 3D Systems Corporation and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8 K, filed on December 20, 2006.)

10.6 Fourth Amendment to Lease Agreement effective as of February 26, 2007 to Lease Agreement dated February 8, 2006 between 3D Systems Corporation and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8 K, filed on March 1, 2007.)

10.7 Fifth Amendment to Lease Agreement effective as of March 17, 2011 to Lease Agreement dated February 8, 2006 between 3D Systems Corporation and KDC-Carolina Investments 3, LP. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 18, 2011.)

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|---|---|
| 10.8* | Employment Letter Agreement, effective September 19, 2003, by and between Registrant and Abraham N. Reichental. (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8 K, filed on September 22, 2003.) |
| 10.9* | Agreement, dated December 17, 2003, by and between Registrant and Abraham N. Reichental. (Incorporated by reference to Exhibit 10.43 to Registrant's Amendment No. 1 to Registration Statement on Form S 1, filed on January 21, 2004.) |
| 10.10* | First Amendment to Employment Agreement, dated July 24, 2007, by and between Registrant and Abraham N. Reichental. (Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10 Q for the quarterly period ended June 30, 2007, filed on August 6, 2007.) |
| 10.11* | Charles W. Hull consulting arrangement (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on July 29, 2010.) |
| 10.12* | Kevin P. McAlea severance arrangement (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on July 29, 2010.) |
| 14.1 | Code of Conduct, as amended effective as of November 30, 2006 (Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8 K, filed on December 1, 2006.) |
| 14.2 | 3D Systems Corporation Code of Ethics for Senior Financial Executives and Directors. (Incorporated by reference to Exhibit 14.2 of the Registrant's Annual Report on Form 10 K for the year ended December 31, 2003, filed on March 15, 2004.) |
| 21.1 | Subsidiaries of Registrant. |
| 23.1 | Consent of Independent Registered Public Accounting Firm dated February 28, 2014. |
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002, dated February 28, 2014. |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002, dated February 28, 2014. |
| 32.1 | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002, dated February 28, 2014. |
| 32.2 | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002, dated February 28, 2014. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Scheme Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

| | |
|---|---|
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

3D Systems Corporation

By: /s/ ABRAHAM N. REICHENTAL
Abraham N. Reichental
President and Chief Executive Officer

Date: February 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ ABRAHAM N. REICHENTAL<br>Abraham N. Reichental | Chief Executive Officer, President and Director<br>(Principal Executive Officer) | February 28, 2014 |
| /s/ DAMON J. GREGOIRE<br>Damon J. Gregoire | Senior Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | February 28, 2014 |
| /s/ CHARLES W. HULL<br>Charles W. Hull | Executive Vice President, Chief Technology<br>Officer and Director | February 28, 2014 |
| /s/ G. WALTER LOEWENBAUM, II<br>G. Walter Loewenbaum, II | Chairman of the Board of Directors | February 28, 2014 |
| /s/ JIM D. KEVER<br>Jim D. Kever | Director | February 28, 2014 |
| /s/ KEVIN S. MOORE<br>Kevin S. Moore | Director | February 28, 2014 |
| /s/ DANIEL S. VAN RIPER<br>Daniel S. Van Riper | Director | February 28, 2014 |
| /s/ WILLIAM E. CURRAN | Director | February 28, 2014 |

| | | |
|---|---|---|
| William E. Curran | | |
| /s/ KAREN E. WELKE<br>Karen E. Welke | Director | February 28, 2014 |
| /s/ PETER H. DIAMANDIS<br>Peter H. Diamandis | Director | February 28, 2014 |

3D Systems Corporation

Index to Consolidated Financial Statements
and Consolidated Financial Statement Schedule

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

3D Systems Corporation

Rock Hill, South Carolina

We have audited 3D Systems Corporation and its subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission in (the COSO criteria). 3D Systems Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, 3D Systems Corporation did maintain, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 3D Systems Corporation and its subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

Charlotte, North Carolina

February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
3D Systems Corporation
Rock Hill, South Carolina

We have audited the accompanying consolidated balance sheets of 3D Systems Corporation and its subsidiaries (the "Company") as of December 31, 2013 and 2012 and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of 3D Systems Corporation and its subsidiaries as of December 31, 2013 and 2012 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission in (COSO) and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP

Charlotte, North Carolina

February 28, 2014

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3D Systems Corporation
Consolidated Balance Sheets
As of December 31, 2013 and 2012

| (in thousands, except par value) | December 31, 2013 | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 306,316 | $ 155,859 |
| Accounts receivable, net of allowance for doubtful accounts of $8,133 (2013) and $4,317 (2012) | 132,121 | 79,869 |
| Inventories, net | 75,148 | 41,820 |
| Prepaid expenses and other current assets | 7,203 | 4,010 |
| Current deferred income taxes | 6,067 | 5,867 |
| Restricted cash | — | 13 |
| Total current assets | 526,855 | 287,438 |
| Property and equipment, net | 45,208 | 34,353 |
| Intangible assets, net | 141,709 | 108,377 |
| Goodwill | 370,066 | 240,314 |
| Long term deferred income taxes | 548 | 107 |
| Other assets, net | 13,470 | 6,853 |
| Total assets | $ 1,097,856 | $ 677,442 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current portion of capitalized lease obligations | $ 187 | $ 174 |
| Accounts payable | 51,729 | 32,095 |
| Accrued and other liabilities | 28,430 | 24,789 |
| Customer deposits | 5,466 | 2,786 |
| Deferred revenue | 24,644 | 15,309 |
| Total current liabilities | 110,456 | 75,153 |
| Long term portion of capitalized lease obligations | 7,277 | 7,443 |
| Convertible senior notes, net | 11,416 | 80,531 |
| Deferred income tax liability | 19,714 | 23,142 |
| Other liabilities | 15,201 | 10,840 |
| Total liabilities | 164,064 | 197,109 |
| Commitments and Contingencies | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value, authorized 220,000 shares (2013) and 120,000 (2012); issued 103,818 (2013) and 89,783 (2012) | 104 | 60 |
| Additional paid-in capital | 866,552 | 460,237 |

| | | |
|---|---|---|
| Treasury stock, at cost: 600 shares (2013) and 355 shares (2012) | (286) | (240) |
| Accumulated earnings | 60,487 | 16,410 |
| Accumulated other comprehensive income | 5,789 | 3,866 |
| Total 3D Systems Corporation stockholders' equity | 932,646 | 480,333 |
| Noncontrolling interest | 1,146 | — |
| Total stockholders’ equity | 933,792 | 480,333 |
| Total liabilities and stockholders’ equity | $ 1,097,856 | $ 677,442 |

See accompanying notes to consolidated financial statements.

3D Systems Corporation
Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2013, 2012 and 2011

| (in thousands, except per share amounts) | 2013 | 2012 | 2011 |
|---|---|---|---|
| Revenue: | | | |
| Products | $ 356,032 | $ 229,980 | $ 137,306 |
| Services | 157,368 | 123,653 | 93,117 |
| Total revenue | 513,400 | 353,633 | 230,423 |
| Cost of sales: | | | |
| Products | 159,628 | 105,286 | 66,589 |
| Services | 86,178 | 67,151 | 54,806 |
| Total cost of sales | 245,806 | 172,437 | 121,395 |
| Gross profit | 267,594 | 181,196 | 109,028 |
| Operating expenses: | | | |
| Selling, general and administrative | 143,244 | 97,422 | 59,795 |
| Research and development | 43,489 | 23,203 | 14,331 |
| Total operating expenses | 186,733 | 120,625 | 74,126 |
| Income from operations | 80,861 | 60,571 | 34,902 |
| Interest and other expense, net | 16,855 | 17,292 | 2,456 |
| Income before income taxes | 64,006 | 43,279 | 32,446 |
| Provision for (benefit of) income taxes | 19,887 | 4,338 | (2,974) |
| Net income | 44,119 | 38,941 | 35,420 |
| Net (income) attributable to noncontrolling interest | (12) | — | — |
| Net income attributable to 3D Systems Corporation | $ 44,107 | $ 38,941 | $ 35,420 |
| | | | |
| Other comprehensive income: | | | |
| Pension adjustments, net of taxes: $78 (2013), $316 (2012) and $122 (2011) | $ (168) | $ (714) | $ (275) |
| Foreign currency translation gain (loss) attributable to 3D Systems Corporation | 1,968 | 1,640 | (1,743) |
| Liquidation of non-US entity | 173 | — | — |
| Total other comprehensive income (loss) | 1,973 | 926 | (2,018) |
| Comprehensive income | 46,080 | 39,867 | 33,402 |
| Foreign currency translation (gain) attributable to noncontrolling interest | (50) | — | — |
| Comprehensive income attributable to 3D Systems Corporation | $ 46,030 | $ 39,867 | $ 33,402 |
| | | | |
| Net income per share available to 3D Systems common stockholders — basic and diluted | $ 0.45 | $ 0.48 | $ 0.47 |

See accompanying notes to consolidated financial statements.

3D Systems Corporation
Consolidated Statements of Stockholders’ Equity
Years Ended December 31, 2013, 2012 and 2011

| | Common Stock | | | Treasury Stock | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (In thousands, except par value) | Shares | Par Value $0.001 | Additional Paid In Capital | Shares | Amount | Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Total 3D Systems Corporation Stockholders' Equity | Equity Attributable to Noncontrolling Interest | Total Stockholders' Equity |
| Balance at December 31, 2010 | 23,474 | $ 23 | $ 186,252 | 134 | $ (189) | $ (57,925) | $ 4,958 | 133,119 | $ — | 133,119 |
| Exercise of stock options | 306 | — (a) | 2,536 | — | — | — | — | 2,536 | — | 2,536 |
| Issuance (repurchase) of restricted stock, net | 253 | — (a) | 253 | 190 | (25) | — | — | 228 | — | 228 |
| Issuance of common stock | 1,495 | 2 | 62,052 | — | — | — | — | 62,054 | — | 62,054 |
| Issuance of stock for 5.50% senior convertible notes | — | — | 17,770 | — | — | — | — | 17,770 | — | 17,770 |
| Common stock split | 25,329 | 26 | — | — | — | (26) | — | — | — | — |
| Issuance of stock for acquisitions | 110 | — | 3,042 | — | — | — | | | | |