

# STRATASYS LTD.

## FORM 6-K (Report of Foreign Issuer)

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Address	7665 COMMERCE WAY EDEN PRAIRIE, MN 55344
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Sector	Technology
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 6-K**

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

For the month of July 2015

Commission File Number 001-35751

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**STRATASYS LTD.**

(Translation of registrant's name into English)

**c/o Stratasys, Inc.  
7665 Commerce Way  
Eden Prairie, Minnesota 55344**

**2 Holtzman Street, Science Park  
P.O. Box 2496  
Rehovot, Israel 76124**

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(Address of principal executive office)

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

**Note** : Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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The contents of this Report of Foreign Private Issuer on Form 6-K (this “ Form 6-K ”), including Exhibits 99.1, 99.2 and 101 annexed hereto, are incorporated by reference into the Registrant’s registration statements on Form S-8, SEC file numbers 333-185240 and 333-190963, filed by the Registrant with the SEC on December 3, 2012 and September 3, 2013, respectively, and the Registrant’s registration statement on Form F-3, SEC file number 333-190965, filed by the Registrant on September 3, 2013 (as supplemented by any prospectus supplements filed on or prior to the date of this Form 6-K), and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished .

## CONTENTS

On July 30, 2015, Stratasys Ltd., or Stratasys, released its financial results for the three and six months ended June 30, 2015.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasys for the three and six months ended June 30, 2015 (including the notes thereto) (the “ Q2 2015 Financial Statements ”).

Attached hereto as Exhibit 99.2 is Stratasys’ review of its results of operations and financial condition for the three and six months ended June 30, 2015, including the following:

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

Attached hereto as Exhibit 99.3 is Amendment No. 1, dated July 28, 2015, to the Credit Agreement, dated November 7, 2013 , by and among Stratasys Ltd., Stratasys International Ltd., Bank of America, N.A., as Administrative Agent and Swing Line Lender, and the lenders party thereto.

Attached hereto as Exhibit 101 are the Q2 2015 Financial Statements, formatted in XBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

### Exhibit

Number	Document Description
EX-101.INS	XBRL Taxonomy Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema Document
EX-101.CAL	XBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	XBRL Taxonomy Label Linkbase Document
EX-101.PRE	XBRL Taxonomy Presentation Linkbase Document

The XBRL related information in Exhibit 101 to this Form 6-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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**SIGNATURES**

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

Dated: July 30, 2015

**STRATASYS LTD.**

By:  / S / Erez Simha

Name: Erez Simha

Title: Chief Financial Officer and  
Chief Operating Officer

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**STRATASYS LTD.**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2015**  
**(UNAUDITED)**

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FOR THE THREE AND SIX MONTHS ENDED 30, 2015  
(UNAUDITED)**

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**STRATASYS LTD.**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Consolidated Balance Sheets**

<i>In thousands</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 352,268	\$ 442,141
Short-term bank deposits	150,370	595
Accounts receivable, net	136,970	150,806
Inventories	137,394	123,385
Net investment in sales-type leases	10,091	8,170
Prepaid expenses	9,898	7,931
Deferred income taxes	30,567	25,697
Other current assets	31,420	37,903
Total current assets	<u>858,978</u>	<u>796,628</u>
<b>Non-current assets</b>		
Goodwill	1,172,125	1,323,502
Other intangible assets, net	517,085	597,903
Property, plant and equipment, net	185,992	157,036
Net investment in sales-type leases - long-term	19,093	14,822
Other non-current assets	10,960	9,216
Total non-current assets	<u>1,905,255</u>	<u>2,102,479</u>
<b>Total assets</b>	<u>\$ 2,764,233</u>	<u>\$ 2,899,107</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 40,687	\$ 37,359
Short-term debt	175,000	50,000
Accrued expenses and other current liabilities	50,990	47,760
Accrued compensation and related benefits	45,230	42,332
Obligations in connection with acquisitions	12,003	28,092
Deferred revenues	48,821	45,023
Total current liabilities	<u>372,731</u>	<u>250,566</u>
<b>Non-current liabilities</b>		
Obligations in connection with acquisitions - long-term	12,761	26,461
Deferred tax liabilities	36,293	55,835
Deferred revenues - long-term	6,069	5,946
Other non-current liabilities	26,677	25,091
Total non-current liabilities	<u>81,800</u>	<u>113,333</u>
<b>Total liabilities</b>	<u>\$ 454,531</u>	<u>\$ 363,899</u>
<b>Contingencies, see note 10</b>		
<b>Redeemable non-controlling interests</b>	<u>2,564</u>	<u>3,969</u>
<b>Equity</b>		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 shares; 51,669 shares and 50,923 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	140	139
Additional paid-in capital	2,587,168	2,568,149
Accumulated deficit	(273,090)	(33,871)
Accumulated other comprehensive loss	(7,429)	(3,647)
Equity attributable to Stratasys Ltd.	<u>2,306,789</u>	<u>2,530,770</u>
Non-controlling interests	349	469
Total equity	<u>2,307,138</u>	<u>2,531,239</u>
<b>Total liabilities and equity</b>	<u>\$ 2,764,233</u>	<u>\$ 2,899,107</u>

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

**STRATASYS LTD.**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Consolidated Statements of Operations and Comprehensive Income (Loss)**

<i>in thousands, except per share data</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	
<b>Net sales</b>					
Products	\$ 134,490	\$ 154,090	\$ 261,157	\$ 283,342	
Services	47,832	24,375	93,896	46,064	
	182,322	178,465	355,053	329,406	
<b>Cost of sales</b>					
Products	67,666	73,394	166,037	134,416	
Services	31,748	13,437	60,020	25,628	
	99,414	86,831	226,057	160,044	
<b>Gross profit</b>	82,908	91,634	128,996	169,362	
<b>Operating expenses</b>					
Research and development, net	25,506	18,957	52,744	35,728	
Selling, general and administrative	97,581	77,929	200,189	145,546	
Goodwill impairment	-	-	150,400	-	
Change in fair value of obligations in connection with acquisitions	(6,680)	628	(19,936)	(6,867)	
	116,407	97,514	383,397	174,407	
<b>Operating loss</b>	(33,499)	(5,880)	(254,401)	(5,045)	
<b>Financial income (expense), net</b>	(711)	337	(5,835)	(999)	
<b>Loss before income taxes</b>	(34,210)	(5,543)	(260,236)	(6,044)	
Income taxes	(11,066)	(5,370)	(20,688)	(9,958)	
<b>Net income (loss)</b>	\$ (23,144)	\$ (173)	\$ (239,548)	\$ 3,914	
Net loss attributable to non-controlling interest	(213)	-	(329)	-	
Net income (loss) attributable to Stratasys Ltd.	\$ (22,931)	\$ (173)	\$ (239,219)	\$ 3,914	
<b>Net income (loss) per ordinary share attributable to Stratasys Ltd.</b>					
	Basic	\$ (0.48)	\$ (0.00)	\$ (4.71)	\$ 0.08
	Diluted	\$ (0.55)	\$ (0.00)	\$ (4.77)	\$ 0.08
<b>Weighted average ordinary shares outstanding</b>					
	Basic	51,405	49,373	51,181	49,323
	Diluted	51,870	49,373	51,413	51,238
<b>Comprehensive Income (loss)</b>					
Net income (loss)	\$ (23,144)	\$ (173)	\$ (239,548)	\$ 3,914	
Other comprehensive income (loss), net of tax					
Losses on securities reclassified into earnings	-	-	-	167	
Foreign currency translation adjustments	988	(126)	(5,420)	(523)	
Unrealized gains on derivatives designated as cash flow hedges	1,258	173	1,638	44	
Other comprehensive income (loss), net of tax	2,246	47	(3,782)	(312)	
Comprehensive income (loss)	(20,898)	(126)	(243,330)	3,602	
Less: comprehensive loss attributable to non-controlling interests	(213)	-	(329)	-	
<b>Comprehensive income (loss) attributable to Stratasys Ltd.</b>	\$ (20,685)	\$ (126)	\$ (243,001)	\$ 3,602	

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





**STRATASYS LTD.**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Consolidated Statements of Cash Flows**

<i>in thousands</i>	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (239,548)	\$ 3,914
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Goodwill impairment	150,400	-
Impairment of other intangible assets	43,205	-
Depreciation and amortization	55,780	48,579
Stock-based compensation	19,324	13,814
Foreign currency transaction loss	6,005	331
Deferred income taxes	(25,196)	(13,440)
Change in fair value of obligations in connection with acquisitions	(19,936)	(6,867)
Other non-cash items	51	(494)
Change in cash attributable to changes in operating assets and liabilities, net of the impact of acquisitions:		
Accounts receivable, net	11,425	(13,126)
Inventories	(18,729)	(29,696)
Net investment in sales-type leases	(6,192)	(1,744)
Other receivables and prepaid expenses	(3,935)	(6,335)
Other non-current assets	(990)	(413)
Accounts payable	2,046	3,234
Other current liabilities	7,952	8,152
Deferred revenues	4,770	6,956
Other non-current liabilities	1,824	(3,247)
<b>Net cash provided by (used in) operating activities</b>	<b>(11,744)</b>	<b>9,618</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(44,791)	(23,509)
Proceeds from maturities of short-term bank deposits	10,874	400,000
Investment in short-term bank deposits	(152,079)	(275,252)
Cash paid for acquisitions, net of cash acquired	(3,801)	(12,042)
Acquisition of intangible assets	(1,386)	(2,147)
Proceeds from the sale of investments	-	1,634
Other investing activities	(203)	(81)
<b>Net cash provided by (used in) investing activities</b>	<b>(191,386)</b>	<b>88,603</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term debt	125,000	-
Payments of obligations in connection with acquisitions	(11,931)	(10,795)
Proceeds from exercise of stock options	2,103	2,387
Acquisition of non-controlling interest	-	(2,170)
Excess tax benefit from stock options	-	582
<b>Net cash provided by (used in) financing activities</b>	<b>115,172</b>	<b>(9,996)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,915)</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>	<b>(89,873)</b>	<b>88,226</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>442,141</b>	<b>414,088</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 352,268</b>	<b>\$ 502,314</b>
<b>Supplemental disclosures of cash flow information:</b>		
Transfer of fixed assets to inventory	3,596	148
Transfer of inventory to fixed assets	3,611	4,096



**STRATASYS LTD.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Basis of Presentation and Consolidation**

Stratasys Ltd. (collectively with its subsidiaries, the “Company”) is a leading global provider of additive manufacturing (“AM”) solutions for the creation of parts used in the processes of designing and manufacturing products and for the direct manufacture of end parts. The Company’s solutions include products ranging from entry-level desktop 3D printers to systems for rapid prototyping (“RP”) and large production systems for direct digital manufacturing (“DDM”). The Company also develops, manufactures and sells materials for use with its systems and provides related service offerings. The Company also provides a variety of custom manufacturing solutions through its direct manufacturing printed parts service as well as related professional services offerings.

The condensed consolidated interim financial statements include the accounts of Stratasys Ltd. and its subsidiaries. All intercompany accounts and transactions, including profits from intercompany sales not yet realized outside the Company, have been eliminated in consolidation.

The consolidated interim financial information herein is unaudited; however, such information reflects all adjustments (consisting of normal, recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the interim period. Certain prior period amounts have been reclassified to conform to the current period presentation. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The reader is referred to the audited consolidated financial statements and notes thereto for the year ended December 31, 2014, filed as part of the Company’s Annual Report on Form 20-F for such year.

*Recently issued and adopted accounting pronouncements*

In July 2015, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standard Update (“ASU”) , which simplifies the guidance on the subsequent measurement of inventory. Under this ASU, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. This ASU defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. This ASU is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company is currently evaluating the impact of the adoption this ASU on its consolidated financial statements.

In November 2014, the FASB issued an ASU, which clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. The ASU clarifies that an entity should consider all relevant terms and features on the basis of relevant facts and circumstances, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of a host contract. This ASU is effective for annual reporting periods, including interim periods within those reporting periods, beginning after December 15, 2015. Earlier adoption is permitted. This ASU can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede the current revenue recognition guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle of the new revenue recognition standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. This standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of the adoption of the new revenue recognition standard on its consolidated financial statements.

**STRATASYS LTD.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****Note 2. Acquisitions and Other Business Activities**Acquisitions*RTC Rapid Technologies Transaction*

On July 1, 2015 the Company acquired 100% of the outstanding shares of RTC Rapid Technologies GmbH (“RTC”), which is a key channel partner in Germany. This acquisition is expected to strengthen the Company’s presence in Germany, Switzerland and Austria, and enable the Company to offer full suite of Stratasys 3D printing solutions and services to the installed base of RTC.

Financial information giving effect to this business combination has not been provided as the acquisition is not material.

*Transaction in China*

On February 10, 2015, the Company acquired certain assets and assumed certain liabilities of Intelligent CAD/CAM Technology Ltd., a Hong Kong company. This acquisition is expected to enable the Company to expand its operations in the Chinese market.

Financial information giving effect to this business combination has not been provided as the acquisition is not material.

*Solid Concepts transaction*

On July 14, 2014 (the “Solid Concepts transaction date”), the Company completed the acquisition of 100% of the outstanding shares of Solid Concepts Inc. (“Solid Concepts”), an independent additive manufacturing service bureau for a total consideration of approximately \$185.4 million. This transaction has enabled the Company to expand its existing digital manufacturing printed parts services and to create a leading strategic platform to meet a broad range of customers’ additive manufacturing needs and provide opportunities to leverage manufacturing services capabilities.

In exchange for 100% of the outstanding shares of Solid Concepts, the Company issued 978,601 ordinary shares, paid cash upon closing and was obligated to pay an additional holdback cash payment deferred for six months, which was paid in January 2015. In addition, the Company is obligated to pay additional deferred payments in three separate annual installments after the Solid Concepts transaction date (“deferred payments”). Subject to certain requirements for cash payments, the Company retains the discretion to settle the deferred payments in its shares, cash or any combination of the two. The deferred payments are also subject to certain adjustments based on the Company’s share price.

The Solid Concepts transaction is reflected in accordance with ASC Topic 805, “Business Combinations”, using the acquisition method of accounting with the Company as the acquirer. The following table summarizes the fair value of the consideration transferred to Solid Concepts stockholders for the Solid Concepts transaction:

	<b>U.S. \$ in thousands</b>
Issuance of ordinary shares	\$ 97,869
Cash paid upon closing	40,130
Holdback amount	3,839
Deferred payments	43,576
Total fair value of consideration transferred	\$ 185,414

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

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

The fair value of the deferred payments was determined based on the closing market price of the Company's ordinary shares on the Solid Concepts transaction date, adjusted to reflect a discount for lack of marketability for the applicable periods. The discount for lack of marketability was calculated based on the historical volatility of the Company's share price and thus represents a Level 3 measurement within the fair value hierarchy.

The deferred payments are recognized as liabilities at fair value in the Company's consolidated balance sheets and are classified under short-term and long-term obligations in connection with acquisitions. The fair value of the deferred payments as of June 30, 2015 was \$15.7 million. The total amount of the deferred payments, which does not reflect a discount for lack of marketability, was approximately \$17.1 million, based on the Company's share price as of June 30, 2015.

The fair value of the deferred payments is primarily linked to the Company's share price. An increase of 10% of the Company's share price as of June 30, 2015 would have increased the fair value of the deferred payments by \$1.6 million.

In addition, changes in Level 3 inputs that were used in the fair value calculation might change the fair value of the deferred payments. A decrease of 10% in the Company's share price volatility used in the calculation for discount for lack of marketability as of June 30, 2015 would increase the fair value of the Company's deferred payments liability by approximately \$0.4 million.

During July, 2015, the Company issued 118,789 ordinary shares in the amount of \$4.1 million and paid cash of \$0.5 million to settle the first annual installment of the deferred payments.

Under the terms of the definitive agreement, certain of Solid Concepts' employees may also qualify for retention-related payments that are linked to the Company's share price. The retention-related payments will be paid in three separate annual installments after the Solid Concepts transaction date ("deferred retention payments").

Based on the Company's share price as of June 30, 2015, the total deferred retention payments will amount to approximately \$21.0 million.

During July, 2015, the Company issued 117,591 ordinary shares in the amount of \$4.1 million and paid cash of \$2.2 million to settle the first annual installment of the deferred retention payments.

Subject to certain requirements for cash payments, the Company retains the discretion to settle any of the amounts payable under the definitive agreement in its shares, cash or any combination of the two. These amounts are also subject to certain adjustments based on the Company's share price.

**Other Business Activities**

In April 2015, the Company signed a definitive agreement to purchase the rights to land and a new building under construction in Rehovot, Israel (the "new Rehovot Property") for a total consideration of approximately \$38 million. The new Rehovot Property includes 11,700 square meters (approximately 126,000 square feet) of new building space under construction and additional building rights of 36,000 square meters (approximately 387,500 square feet). The new Rehovot Property will house the Company's Israeli headquarters, research and development facilities and certain manufacturing activities.

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

In April 2015, the Company borrowed an additional \$125 million under its five-year revolving credit facility under the credit agreement, dated November 7, 2013, with Bank of America, N.A., or BofA, as administrative agent and swing line lender, and the other lenders party thereto. Under the credit agreement, the Company has in place a five-year revolving credit facility in an aggregate principal amount of up to \$250 million. Including amounts previously borrowed, the Company has \$175 million principal amount of debt outstanding under the revolving credit facility. In July 2015, the Company (via Stratasys International Ltd., its wholly-owned subsidiary, which serves as borrower) entered into an amendment to the credit agreement. The amendment adjusted, among other things, the EBITDA levels that the Company is required to achieve under certain affirmative covenants in the agreement.

In April 2015, the Company initiated a reorganization plan that is intended to focus efforts on improving and iterating products, growing the 3D ecosystem, and expanding its presence in the professional, education and consumer markets. This reorganization initiative included among others, a reduction in the number of employees and closing of MakerBot's three retail stores. Through the reorganization, the Company expects to achieve costs savings and economies of scale and to better position its market penetration.

**Note 3. Inventories**

Inventories consisted of the following:

	June 30, 2015	December 31, 2014
	<u>U.S. \$ in thousands</u>	
Finished goods	\$ 80,106	\$ 66,779
Work-in-process	5,913	7,815
Raw materials	51,375	48,791
	<u>\$ 137,394</u>	<u>\$ 123,385</u>

**Note 4. Goodwill and Other Intangible Assets***Goodwill*

Changes in the carrying amount of the Company's goodwill for the six months ended June 30, 2015, were as follows:

	<u>U.S. \$ in thousands</u>
Goodwill as of December 31, 2014	\$ 1,323.5
Goodwill impairment charges	(150.4)
Goodwill acquired	1.0
Translation differences	(1.9)
Goodwill as of June 30, 2015	<u>\$ 1,172.1</u>

*Interim goodwill assessment for the first quarter of 2015*

The Company determined that certain indicators of potential impairment that required an interim goodwill impairment analysis for all of its reporting units existed as of March 31, 2015. These indicators included a decrease in the Company's share price and lower than expected revenue growth for the first quarter of 2015, partially due to the negative effect of exchange rate differences. With the exception of the MakerBot reporting unit, the Company performed a qualitative assessment for goodwill impairment for each of its reporting units and determined that it was more likely than not that the fair value of each of its reporting units exceeds its carrying value.

**STRATASYS LTD .**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the MakerBot reporting unit, for which the Company recorded an impairment charge of \$102.5 million in 2014, the Company determined that certain indicators of potential impairment existed that required an additional interim quantitative assessment for goodwill impairment. These indicators included a decrease in MakerBot product and service revenues in the first quarter of 2015 as compared to the fourth quarter of 2014 and below the Company's previous projections, and lower forecasted profitability due to current trends in the 3D desktop market.

The Company updated its cash flow projections and related assumptions based on the indicators set forth above and performed the two-step goodwill impairment test. The updated MakerBot reporting unit's impairment analysis performed as part of step two of the goodwill impairment test determined that the carrying amount of goodwill assigned to the MakerBot reporting unit exceeded its fair value. As a result, the Company recorded non-tax-deductible impairment charge of \$150.4 million, in order to reduce the carrying amount of goodwill to its estimated fair value.

When evaluating the fair value of its MakerBot reporting unit, the Company used a discounted cash flow model, which utilized Level 3 measures that represent unobservable inputs into the Company's valuation method. Key assumptions used to determine the estimated fair value include: (a) expected future cash flows (including revenue growth rates, sales volumes and prices, costs to produce and estimated capital needs); (b) an estimated terminal value using a terminal year growth rate of 3.5% based on the growth prospects of the reporting unit; and (c) a discount rate of 13.5% based on the after-tax weighted average cost of capital, which reflects the associated risks of the MakerBot reporting unit's future cash flows. No changes were made in the unobservable inputs of the Company's valuation method for its MakerBot reporting unit, in conducting its interim goodwill assessment for the second quarter of 2015, as described below.

As of June 30, 2015, a decrease in the growth rate of 1% or an increase of 1% to the discount rate would reduce the fair value of MakerBot reporting unit by approximately an additional \$17.8 million and \$29.1 million, respectively.

As of June 30, 2015, the remaining goodwill carrying value of the MakerBot reporting unit was \$125 million.

*Interim goodwill assessment for the second quarter of 2015*

During the second quarter of 2015, the Company determined that certain indicators of potential impairment that required an interim goodwill impairment analysis for all of its reporting units existed as of June 30, 2015. These indicators included a further decrease in the Company's share price for a sustained period and weaker than expected operating results of its reporting units for the second quarter of 2015, as well as increased uncertainty in the 3D printing industry. Accordingly, the Company performed a quantitative assessment for goodwill impairment for each of its reporting units.

The Company estimated the fair value of each of its reporting units by using an income approach based on discounted cash flows, which utilized Level 3 measures that represent unobservable inputs into the Company's valuation method. The assumptions used to estimate the fair value of the Company's reporting units were based on expected future cash flows and an estimated terminal value using a terminal year growth rate based on the growth prospects for each reporting unit. The Company used an applicable discount rate for each of its reporting units which reflected the associated specific risks for each reporting unit's future cash flows. The Company also tested the reasonableness of the estimated fair values of its reporting units by comparing the indicative valuation multiples of the reporting units to their relevant peer companies.

In addition, the Company compared the sum of each of its reporting units' fair values to its market capitalization and calculated the implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). The Company evaluated the reasonableness of its control premium by comparing it to control premiums derived from recent comparable transactions.

Except for the Stratasys-Objet reporting unit and MakerBot reporting unit, the Company concluded that the fair value of its reporting units exceeds their carrying amount by more than 10%.

Based on the Company's goodwill assessment for the Stratasys-Objet reporting unit, the Company determined that the fair value of Stratasys-Objet reporting unit exceeds its carrying amount by approximately 5%. The carrying amount of goodwill which is assigned to this reporting unit is \$918 million.



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

When evaluating the fair value of Stratasys-Objet reporting unit the Company used a discounted cash flow model. Key assumptions used to determine the estimated fair value include: (a) expected cash flow for the five-year period following the testing date (including market share, sales volumes and prices, costs to produce and estimated capital needs); (b) an estimated terminal value using a terminal year growth rate of 3.5% determined based on the growth prospects of the reporting unit; and (c) a discount rate of 12% based on management's best estimate of the after-tax weighted average cost of capital.

A decrease in the growth rate of 1% or an increase of 1% to the discount rate would reduce the fair value of Stratasys-Objet reporting unit by approximately \$136 million and \$199 million, respectively.

Based on the Company's assessment as of June 30, 2015, no goodwill was determined to be impaired.

The Company will continue to monitor its reporting units to determine whether events and changes in circumstances such as significant adverse changes in business climate or operating results, further significant decline in the Company's market capitalization, changes in management's business strategy or changes of management's cash flows projections, warrant further interim impairment testing.

*Other Intangible Assets*

Other intangible assets consisted of the following:

	June 30, 2015			December 31, 2014			Net Book Value	
	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss		
	U.S. \$ in thousands							
Developed technology	\$ 512,499	\$ (136,845)	\$ (41,418)	\$ 334,236	\$ 512,402	\$ (109,816)	\$ (11,636)	\$ 390,950
Patents	16,534	(9,060)	-	7,474	15,209	(8,136)	-	7,073
Trademarks and trade names	60,128	(12,257)	-	47,871	60,046	(9,519)	-	50,527
Customer relationships	149,338	(34,564)	(13,423)	101,351	148,338	(26,219)	-	122,119
Non-compete agreements	10,843	(5,070)	-	5,773	10,843	(3,952)	-	6,891
Capitalized software development costs	17,564	(14,863)	-	2,701	17,290	(14,423)	-	2,867
In process research and development	20,679	-	(3,000)	17,679	20,476	-	(3,000)	17,476
	<b>\$ 787,585</b>	<b>\$ (212,659)</b>	<b>\$ (57,841)</b>	<b>\$ 517,085</b>	<b>\$ 784,604</b>	<b>\$ (172,065)</b>	<b>\$ (14,636)</b>	<b>\$ 597,903</b>

Prior to conducting the interim quantitative assessment for goodwill impairment of the MakerBot reporting unit as of March 31, 2015, the Company evaluated the recoverability of the MakerBot reporting unit long-lived assets, including its purchased intangible assets due to a decrease of MakerBot product and service revenues in the first quarter of 2015 as compared to the fourth quarter of 2014 as well as lower forecasted profitability due to current trends in the 3D desktop market. The Company assessed the recoverability of the MakerBot reporting unit intangibles assets based on their projected undiscounted future cash flows expected to result from each intangible asset. Based on the results of the recoverability assessment, the Company determined that the carrying values of certain of the MakerBot reporting unit intangible assets exceeds their undiscounted cash flows projections and therefore were not recoverable and considered to be impaired. For those unrecoverable intangible assets, the Company recorded impairment charges of \$43.2 million during the first quarter of 2015, in order to reduce the carrying amount of those intangible assets to their estimated fair value. Impairment charges of \$29.8 million, related to developed technology intangible assets were classified as costs of sales and impairment charges of \$13.4 million related customer relationships intangible assets were classified as selling, general and administrative expenses.

The impairment charges were measured as the difference between the carrying amounts of those intangible assets and their fair values. The fair values of those intangible assets were determined under the income approach, which is based on a discounted cash flow model, which utilized Level 3 measures that represent updated revenue projections and profit margins over the expected remaining useful life of the asset, as well as the associated relevant risk factor added to the discount rate.

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

Amortization expense relating to intangible assets for the three-month periods ended June 30, 2015 and 2014 was approximately \$18.5 million and \$19.9 million, respectively.

Amortization expense relating to intangible assets for the six-month periods ended June 30, 2015 and 2014 was approximately \$40.5 million and \$38.9 million, respectively.

As of June 30, 2015, the estimated amortization expense relating to intangible assets currently subject to amortization for each of the following periods were as follows:

	<b>U.S. \$ in thousands</b>
Remaining 6 months of 2015	\$ 37,164
2016	73,437
2017	72,496
2018	71,299
2019	69,104
Thereafter	175,906
Total	\$ 499,406

**Note 5. Income (Loss) Per Share**

The Company complies with ASC 260, *Earnings Per Share*, which requires dual presentation of basic and diluted income (loss) per ordinary share attributable to Stratasys Ltd. for all periods presented. Net income (loss) per basic share is computed by dividing net income (loss) attributable to common stockholders of Stratasys Ltd., including adjustment of redeemable non-controlling interest to its redemption amount, by the weighted average number of shares outstanding for the reporting periods.

Net income (loss) per diluted share is computed by dividing the net income (loss) per basic share including adjustment for elimination of the dilutive effect of the Company's Deferred Payments liability revaluation to its fair value by the weighted-average number of ordinary shares and the potential dilutive ordinary shares outstanding during the period. Diluted shares outstanding include the dilutive effect of in-the-money options and restricted stock units ("RSUs") using the treasury stock method, shares held back from issuance in connection with the MakerBot transaction and presumed share settlement of the Company's Deferred Payments liability in connection with the Solid Concepts transaction.

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

The following table presents the numerator and denominator of the basic and diluted income (loss) per share computations for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
In thousands, except per share amounts				
<b>Numerator:</b>				
Net income (loss) attributable to Stratasys Ltd.	\$ (22,931)	\$ (173)	\$ (239,219)	\$ 3,914
Adjustment of redeemable non-controlling interest to redemption amount	(1,800)	-	(1,800)	-
Net income (loss) attributable to Stratasys Ltd. for basic income (loss) per share	(24,731)	(173)	(241,019)	3,914
Adjustment of deferred payments liability revaluation	(3,988)	-	(3,988)	-
Net income (loss) attributable to Stratasys Ltd. for diluted income (loss) per share	(28,719)	(173)	(245,007)	3,914
<b>Denominator:</b>				
Weighted average shares – denominator for basic net income (loss) per share	51,405	49,373	51,181	49,323
Add: Effect of dilutive securities				
Additional shares from the assumed exercise of employee stock options and unvested RSUs	-	-	-	1,250
Held back issuable shares in connection with MakerBot				665
Shares settlement presumed for deferred payments liability	465	-	232	-
Denominator for diluted income (loss) per share	51,870	49,373	51,413	51,238
<b>Net income (loss) per share attributable to Stratasys Ltd.</b>				
Basic	\$ (0.48)	\$ (0.00)	\$ (4.71)	\$ 0.08
Diluted	\$ (0.55)	\$ (0.00)	\$ (4.77)	\$ 0.08

The computation of net income (loss) per diluted share excluded stock options, RSUs and shares held back in connection with the MakerBot transaction to purchase 2.51 million and 2.78 million shares for the three months ended June 30, 2015 and 2014, respectively, and 2.71 million and 0.2 million shares for the six months ended June 30, 2015 and 2014, respectively, because their inclusion would have had an anti-dilutive effect on the diluted net income (loss) per share. During the second quarter of 2015 the Company issued 0.6 million ordinary shares held back in connection with the MakerBot transaction. These shares were included on weighted average basis for the computation of net loss per basic share for the three and six months ended June 30, 2015.

**Note 6. Income Taxes**

The Company's effective tax rate for the three months ended June 30, 2015 and 2014 was 32.3% and 96.9%, respectively, and 7.9% and 164.8% for the six-month periods ended June 30, 2015 and 2014, respectively. The Company's effective tax rate has varied significantly due to changes in the mix of taxable income and tax loss between the U.S. and Israel.

The Company's effective tax rate for the six months ended June 30, 2015, was impacted by goodwill impairment of \$150.4 million associated with the Makerbot acquisition which is non-tax deductible, and therefore had a significant impact on the effective tax rate for that period. In addition, the impairment of MakerBot's intangible assets as described in note 4 resulted in a reversal of related deferred tax liabilities amounting to \$17.2 million. As a result, the Company recorded a valuation allowance in a corresponding amount of \$17.2 million against deferred tax assets in respect of net operating losses as it is more likely than not that those deferred tax assets will not be realized in future periods. The Company will continue to monitor whether the realization of its remaining deferred tax assets is more likely than not.

During the second quarter of 2015, the Company adjusted its long-term tax rates due to a recent amendment of the New York City tax law. As a result, the Company recorded a reduction of approximately \$1.7 million in its income tax expense associated with the amortization of the intangible assets.

**STRATASYS LTD.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

During the second quarter of 2015, the Company adjusted its long-term tax rates associate with taxable income in Israel, due to change in estimates. As a result, the Company recorded an increase of approximately \$3.4 million in its income tax expense associated with the amortization of the intangible assets.

Gain of \$6.9 million attributable to the change in fair value of the Company's earn-out obligations in the six-months period ended June 30, 2014, was non-taxable, and therefore had a significant impact on the effective tax rate in that period.

**Note 7. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy is categorized into three Levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Categorization within the valuation hierarchy is based upon the lowest Level of input that is significant to the fair value measurement.

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

The following tables summarize the Company's financial assets and liabilities that are carried at fair value on a recurring basis, by fair value hierarchy, in its consolidated balance sheets:

	June 30, 2015		
	Level 2	Level 3	Total
	U.S. \$ in thousands		
<b>Assets:</b>			
Foreign exchange forward contracts not designated as hedging instruments	\$ 1,282	\$ -	\$ 1,282
Foreign exchange forward contracts designated as hedging instruments	395	-	395
<b>Liabilities:</b>			
Foreign exchange forward contracts not designated as hedging instruments	(2,558)	-	(2,558)
Obligations in connection with acquisitions	-	(15,720)	(15,720)
	<u>\$ (881)</u>	<u>\$ (15,720)</u>	<u>\$ (16,601)</u>

	December 31, 2014		
	Level 2	Level 3	Total
	U.S. \$ in thousands		
<b>Assets:</b>			
Foreign exchange forward contracts not designated as hedging instruments	\$ 3,753	\$ -	\$ 3,753
<b>Liabilities:</b>			
Foreign exchange forward contracts not designated as hedging instruments	(2,901)	-	(2,901)
Foreign exchange forward contracts designated as hedging instruments	(1,243)	-	(1,243)
Obligations in connection with acquisitions	-	(35,656)	(35,656)
	<u>\$ (391)</u>	<u>\$ (35,656)</u>	<u>\$ (36,047)</u>

The Company's foreign exchange forward contracts are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs, including interest rate curves and both forward and spot prices for currencies (Level 2 inputs).

Other financial instruments consist mainly of cash and cash equivalents, short-term bank deposits, current and non-current receivables, short-term debt, accounts payable and accruals. The fair value of these financial instruments approximates their carrying values.

The following table is a reconciliation of the changes for those financial liabilities where fair value measurements are estimated utilizing Level 3 inputs, which consist of obligations in connection with acquisitions:

	Six months ended	Year ended
	June 30, 2015	December 31, 2014
U.S. \$ in thousands		
Fair value at the beginning of the period	\$ 35,656	\$ 29,025
Settlements	-	(10,795)
Additions	-	43,576
Change in fair value recognized in earnings	(19,936)	(26,150)
Fair value at the end of the period	<u>\$ 15,720</u>	<u>\$ 35,656</u>

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

The Company's obligations in connection with acquisitions as of June 30, 2015, measured at fair value which utilized Level 3 inputs, are related to the deferred payments in connection with the Solid Concepts transaction. Change in fair value recognized in earnings in the six months ended June 30, 2015, includes an unrealized gain of approximately \$19.9 million due to revaluation of the deferred payments in connection with the Solid Concepts transaction. For further information refer to note 2.

**Note 8. Derivative instruments and hedging activities:**

The following table summarizes the consolidated balance sheets classification and fair values of the Company's derivative instruments:

Balance sheet location	Fair Value		Notional Amount		
	June 30,	December 31,	June 30,	December 31,	
	2015	2014	2015	2014	
U.S. \$ in thousands					
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	\$ 1,282	\$ 3,753	\$ 14,237	\$ 45,000
Assets derivatives -Foreign exchange contracts, designated as cash flow hedge	Accrued expenses and other current liabilities	395	-	20,683	-
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(2,558)	(2,901)	57,220	18,424
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	-	(1,243)	-	38,426
		<u>\$ (881)</u>	<u>\$ (391)</u>	<u>\$ 92,140</u>	<u>\$ 101,850</u>

As of June 30, 2015, the Company had foreign exchange forward contracts, not designated as hedging instruments in effect for the conversion of \$57.5 million into €52.5 million and \$13.9 million into NIS 51.7 million. These derivatives are primarily used to reduce the impact of foreign currency fluctuations on certain balance sheet exposures. With respect to such derivatives, loss of \$0.6 million and gain \$1.2 million were recognized under financial expense, net for the three-month periods ended June 30, 2015 and 2014, respectively, and gains of \$3.6 million and \$0.2 million were recognized under financial expense, net for the six-month periods ended June 30, 2015 and 2014, respectively. Such gains partially offset the revaluation losses of the balance sheet items, which are also recorded under financial expense, net.

As of June 30, 2015, the Company had foreign exchange forward contracts in effect for the conversion of \$20.7 million designated as a cash flow hedge for accounting purposes. The Company uses short-term cash flow hedge contracts to reduce its exposure to variability in expected future cash flows resulting mainly from payroll costs denominated in New Israeli Shekels. The changes in fair value of those contracts are included in the Company's accumulated other comprehensive income. These contracts mature through March 31, 2016.

**STRATASYS LTD.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 9. Equity**

**a. Stock-based compensation plans**

Stock-based compensation expense for stock options and equity classified restricted stock units (“RSUs”) were allocated as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>U.S. \$ in thousands</b>			
Cost of sales	\$ 1,797	\$ 1,034	\$ 3,630	\$ 1,946
Research and development, net	1,506	885	3,374	1,823
Selling, general and administrative	6,261	5,159	12,320	10,045
Total stock-based compensation expenses	<u>\$ 9,564</u>	<u>\$ 7,078</u>	<u>\$ 19,324</u>	<u>\$ 13,814</u>

A summary of the Company’s stock option activity for the six months ended June 30, 2015 is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Options outstanding as of January 1, 2015	1,719,241	\$ 43.89
Granted	4,360	55.94
Exercised	(107,914)	20.01
Forfeited	(43,584)	59.54
Options outstanding as of June 30, 2015	<u>1,572,103</u>	<u>\$ 44.62</u>
Options exercisable as of June 30, 2015	<u>961,482</u>	<u>\$ 26.73</u>

The outstanding options generally have a term of ten years from the grant date. Options granted become exercisable over the vesting period, which is normally a four-year period beginning on the grant date, subject to the employee’s continuing service to the Company.

The fair value of stock options is determined using the Black-Scholes model. The weighted-average grant date fair value of options that were granted during the six-month period ended June 30, 2015 was \$25.51 per option.

During the six-month periods ended June 30, 2015 and 2014, the Company issued 107,914 and 224,258 shares, respectively, upon the exercise of stock options. This resulted in an increase in equity of \$2.1 million and \$2.4 million for the six-month periods ended June 30, 2015 and 2014, respectively.

As of June 30, 2015, the unrecognized compensation cost related to all unvested stock options of \$26.5 million is expected to be recognized as an expense over a weighted-average period of 1.2 years.

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

A summary of the Company's RSUs activity for the six months ended June 30, 2015 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
RSUs outstanding as of January 1, 2015	667,498	\$ 94.19
Granted	80,685	66.50
Forfeited	(65,261)	92.50
RSUs outstanding as of June 30, 2015	682,922	\$ 91.08

During the six-month periods ended June 30, 2015 and 2014, the Company granted RSUs for 80,685 and 108,080 ordinary shares of the Company, respectively. The fair value of RSUs is determined based on the quoted price of the Company's ordinary shares on the date of the grant.

As of June 30, 2015, the unrecognized compensation cost related to all unvested equity classified RSUs of \$52.3 million is expected to be recognized as expense on a straight-line basis over a weighted-average period of 3.0 years.

**b. Accumulated other comprehensive income (loss)**

The following table presents the changes in the components of accumulated other comprehensive income (loss), net of taxes for the six months ended June 30, 2015 and 2014:

	Six months ended June 30, 2015			Total
	Net unrealized gain (loss) on cash flow hedges	Foreign currency translation adjustments	U.S. \$ in thousands	
Balance as of January 1, 2015	\$ (1,243)	\$ (2,404)	\$ (3,647)	
Other comprehensive income before reclassifications	327	(5,420)	\$ (5,093)	
Amounts reclassified from accumulated other comprehensive income	1,311	-	\$ 1,311	
Other comprehensive income (loss)	1,638	(5,420)	(3,782)	
Balance as of June 30, 2015	\$ 395	\$ (7,824)	\$ (7,429)	

	Six months ended June 30, 2014			Total
	Net unrealized gain (loss) on cash flow hedges	Foreign currency translation adjustments	U.S. \$ in thousands	
Balance as of January 1, 2014	\$ 153	\$ 1,922	\$ (167)	\$ 1,908
Other comprehensive income before reclassifications	234	(523)	-	(289)
Amounts reclassified from accumulated other comprehensive income	(190)	-	167	(23)
Other comprehensive income (loss)	44	(523)	167	(312)
Balance as of June 30, 2014	\$ 197	\$ 1,399	\$ -	\$ 1,596



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

Amounts reclassified from accumulated other comprehensive income to earnings were \$0.2 and \$1.3 for the three and six months ended June 30, 2015.

Realized gains and losses on cash flow hedges were reclassified primarily to research and development, net and selling and general and administrative expenses. Other reclassifications from accumulated other comprehensive income (loss) were reclassified to financial income (expense), net.

**Note 10. Contingencies**

In December 2008, an employee, whose employment with the Company was subsequently terminated, filed a claim against the Company demanding that, based on an alleged undertaking the Company had made, the Company issue to him an option that would allow him to maintain an equity interest of 1.45% in the Company, as well as reimburse salary reductions he had suffered in an aggregate sum of NIS 552,000 (\$146,000). In July 2009, the Company filed its statement of defense, rejecting the claims raised by the former employee. Together with the former employee, the Company initiated mediation of the dispute, but did not reach a settlement. The former employee later amended his initial pleading to seek an additional NIS 441,000 (\$117,000) on account of alleged wrongful termination by the Company. The claim was dismissed in November 2013 by the Israeli labor court, also awarding the Company legal expenses of NIS 55,000. The plaintiff appealed the decisions, and the appeal was dismissed on March 10, 2015.

On March 4, 2013, five current or former minority shareholders (two of whom were former directors) of the Company filed two lawsuits against the Company in an Israeli central district court. The lawsuits demand that the Company amend its capitalization table such that certain share issuances prior to the Stratasy-Objet merger to certain of Objet's shareholders named as defendants would be cancelled, with a consequent issuance of additional shares to the plaintiffs to account for the subsequent dilution to which they have been subject. The lawsuits also name as defendants Elchanan Jaglom, Chairman of the Company's board of directors, David Reis, Chief Executive Officer, various shareholders of the Company who were also shareholders of Objet, and, in one of the lawsuits, Ilan Levin, a director.

The lawsuits allege in particular that a series of investments in Objet during 2002 and 2007 was effected at a price per share that was below fair market value, thereby illegally diluting those shareholders that did not participate in the investments. The plaintiffs also allege that a portion of the amount invested in those transactions was actually invested by an investor who was already a shareholder of Objet and allegedly acting in concert with Mr. Jaglom, and that the interest of these two shareholders in these transactions was not properly disclosed to the minority shareholders at the time. The lawsuits furthermore claim that the Company effectively engaged in backdating the issuance of certain shares, in that shares that Objet reported as having been issued in 2006 and 2007 were actually issued at a subsequent date—as late as 2009. The Company filed its statements of defense in May 2013 denying the plaintiffs' claims. Also, the Company filed a motion to dismiss the lawsuits on grounds of statute of limitations, laches and lack of cause. On April 8, 2014, the court held a hearing on the motion and the parties submitted summation briefs. On June 10, 2015, the court rendered its decision, rejecting the motion for dismissal of the lawsuits on grounds of statute of limitations and laches. This ruling only addressed the preliminary motion to dismiss the lawsuits, without hearing the case to its merits. On July 9, 2015, the Company and the other defendants filed a motion for leave to appeal to the Israeli Supreme Court with respect to the court's decision on the preliminary motion. Despite its decision on the preliminary motion, the court dismissed the lawsuit of one of the former directors due to lack of cause. A pre-trial hearing is scheduled for October 22, 2015.

On February 5, 2015, a lawsuit styled as a class action was commenced in the United States District Court for the District of Minnesota, naming the Company and certain of the Company's officers as defendants. Similar actions were filed on February 9 and 20, 2015, and on March 25, 2015 in the Southern District of New York, the Eastern District of New York, and the District of Minnesota, respectively. The lawsuits allege violations of the Securities Exchange Act of 1934 in connection with allegedly false and misleading statements concerning the Company's business and prospects. The plaintiffs seek damages and awards of reasonable costs and expenses, including attorneys' fees. On April 3 and 6, 2015, the courts in the Southern and Eastern Districts of New York, respectively, entered orders transferring their cases to the District of Minnesota.

**STRATASYS LTD.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

On April 15, 2015, the cases were consolidated for all purposes, and on April 24, 2015, the court entered an order appointing lead plaintiffs and approving their selection of lead counsel for the putative class. The Company intends to mount vigorous defenses to these lawsuits.

The Company is a party to various other legal proceedings, the outcome of which, in the opinion of management, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included as Exhibit 99.1 to the Report of Foreign Private Issuer on Form 6-K to which this Operating and Financial Review and Prospects is attached, or the Form 6-K. The discussion below contains forward-looking statements (within the meaning of the United States federal securities laws) that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in “Forward-looking Statements and Factors that May Affect Future Results of Operations”, below, as well in the “Risk Factors” in Item 3.D of our Annual Report on Form 20-F for the year ended December 31, 2014, or our 2014 Annual Report.*

**Overview of Business and Trend Information**

We are a leading global provider of additive manufacturing, or AM, solutions for the creation of parts used in the processes of designing and manufacturing products and for the direct manufacture of end parts. Our solutions include products ranging from entry-level desktop 3D printers to systems for rapid prototyping, or RP, and large production systems for direct digital manufacturing, or DDM. We also develop, manufacture and sell materials for use with our systems and provide related services offerings. We believe that the range of 3D printing consumable materials that we offer, consisting of 38 Polyjet and FDM cartridge-based materials, five SCP inkjet-based materials and 138 non-color digital materials, and over 1,000 color variations, is the widest in the industry. Our service offerings include our Stratasys Direct Manufacturing printed parts services as well as our professional services. We provide products and services to our global customer base through our offices in North America and internationally, including: Shanghai, China; Frankfurt, Germany; Genoa, Italy; São Paulo, Brazil; Bangalore, India; Tokyo, Japan; and Hong Kong, Korea, Singapore, as well as through our worldwide network of more than 280 agents and resellers. Additionally, through the acquisition of MakerBot, we have added an online sales channel. We have more than 2,900 employees and hold more than 800 granted or pending patents worldwide.

During April 2015, we updated our previously announced investment plan. While we remain confident in our long-term market prospects, in light of the current growth environment, we re-examined our 2015 operating plans and took immediate action to adjust 2015 capital expenditures and operating expenses for the remainder of 2015. As a part of the updated investment plan, we reduced our capital expenditures plans for 2015 to a level of \$80 to \$110 million, as opposed to the previously announced plan for capital expenditures in a level of \$160 to \$200 million.

Our ability to implement our strategy is subject to numerous uncertainties, many of which are described under the section captioned “Forward-looking Statements and Factors That May Affect Future Results of Operations” in this Exhibit 99.2 to the Form 6-K as well as, under Item 3.D, “Risk Factors” and Item 5, “Operating and Financial Review and Prospects” in our 2014 Annual Report. We cannot ensure that our efforts will be successful.

**Recent developments**Fiscal 2015*Reorganization Plan*

In April 2015, we initiated a reorganization plan that is intended to focus efforts on improving and iterating products, growing the 3D ecosystem, and expanding our presence in the professional, education and consumer markets. This reorganization initiative included among others, a reduction in the number of employees and closing of MakerBot’s three retail stores. Through this reorganization, we expect to achieve costs savings and economies of scale and to better position its market penetration.

### *RTC Rapid Technologies Transaction*

On July 1, 2015 we acquired 100% of the outstanding shares of RTC Rapid Technologies GmbH (“RTC”), which is a key channel partner in Germany. This acquisition is expected to strengthen our presence in Germany, Switzerland and Austria, and will enable us to offer the full suite of Stratasys 3D printing solutions and services to the installed base of RTC as well as work with its regional resellers to further capitalize on growth opportunities in selected verticals in the region.

### *Transaction in China*

On February 10, 2015, we acquired certain assets and assumed certain liabilities of Intelligent CAD/CAM Technology Ltd., a Hong Kong company. This acquisition is expected to enable us to expand our operations in the Chinese market.

### Fiscal 2014

#### *Solid Concepts*

On July 14, 2014, or the Solid Concepts transaction date, we completed the acquisition of 100% of the outstanding shares of Solid Concepts Inc., or Solid Concepts, an independent additive manufacturing service bureau, for a total consideration of approximately \$185.4 million.

In exchange for 100% of the outstanding shares of Solid Concepts, we issued 978,601 ordinary shares, paid cash upon closing in the amount of \$40.1 million and were obligated to make an additional holdback cash payment in the amount of \$3.8 million that was deferred for six months and was paid in January 2015. In addition, we are obligated to pay deferred payments in three separate annual installments after the Solid Concepts transaction date. The deferred payments were evaluated and recorded at a fair value of \$43.6 million as of the Solid Concepts transaction date.

The fair value of the deferred payments as of June 30, 2015 was \$15.7 million. Under the terms of the definitive agreement, certain of Solid Concepts’ employees may also qualify for retention-related and other payments of \$77.0 million, based on our share price as of the Solid Concepts transaction date, of which \$19.6 million was paid in cash upon closing and expensed as incurred. The remaining retention payments will be paid in three separate annual installments (“deferred retention payments”).

Subject to certain requirements for cash payments, we retain the discretion to settle any of the amounts payable to Solid Concepts shareholders and employees in our shares, cash or any combination of the two. These amounts are also subject to certain adjustments based on our share price. Based on our share price as of June 30, 2015, the deferred retention payments will amount to approximately \$21.0 million.

During July 2015, we issued 236,380 ordinary shares in the amount of \$8.2 million and paid cash of \$2.7 million to Solid Concepts shareholders and employees in connection with the settlement of the first installment of the deferred payments and the deferred retention payments.

We believe that the acquisitions of Solid Concepts and Harvest Technologies, or Harvest, combined with our RedEye Service had created a leading strategic platform to meet a broad range of customers’ additive manufacturing needs and provide opportunities to leverage our direct manufacturing services capabilities. These acquisitions have also enabled us to enhance our expertise in parts production, as well as materials and systems knowhow. We believe that the integration with our existing RedEye Service enables us to provide our customers with full service offerings that provide a variety of technologies and custom manufacturing solutions, and supports our expansion into end-use-parts production and vertical market applications.

Following the acquisitions of Solid Concepts and Harvest, we formed Stratasys Direct Manufacturing, or SDM, a paid-parts service from our three AM service companies – Solid Concepts, Harvest, and RedEye. SDM is a provider of 3D printing and custom AM services, offering AM capabilities encompassing a wide range of technologies allowing for plastic and metal parts for rapid prototyping and production processes.

## Summary of Financial Results

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or "GAAP". In the opinion of our management, all adjustments considered necessary for a fair statement of the unaudited condensed consolidated financial statements have been included herein and are of a normal recurring nature. The following discussion compares the actual results, on a GAAP basis, for the three and six months ended June 30, 2015 with the corresponding periods in 2014.

### Highlights

Significant highlights for the second quarter of 2015 include:

Net sales in the three months ended June 30, 2015 were \$182.3 million as compared to net sales of \$178.5 million in the three months ended June 30, 2014, representing an increase of 2.2%. Net sales increased by approximately 7% on a constant currency basis when compared to the same period last year.

Continued the integration process of SDM to create a leading strategic platform for our direct manufacturing service following the acquisitions of Solid Concepts and Harvest.

Continued to execute our reorganization and rationalization plans in our operations.

Net loss attributable to Stratasy Ltd. of \$22.9 million, or \$0.55 per diluted share, as compared to net loss of \$0.2 million or \$0.00 per diluted share, for the three months ended June 30, 2014.

We borrowed an additional \$125 million under our credit facility, increasing our liquidity to \$502.6 million of cash and cash equivalents and short-term bank deposits.

## Results of Operations

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

	Three Months Ended June 30,			
	2015		2014	
	U.S. \$ in thousands	% of Net sales	U.S. \$ in thousands	% of Net sales
Net sales	\$ 182,322	100.0%	\$ 178,465	100.0%
Cost of sales	99,414	54.5%	86,831	48.7%
Gross profit	82,908	45.5%	91,634	51.3%
Research and development, net	25,506	14.0%	18,957	10.6%
Selling, general and administrative	97,581	53.5%	77,929	43.7%
Change in fair value of obligations in connection with acquisitions	(6,680)	-3.7%	628	0.4%
Operating loss	(33,499)	-18.4%	(5,880)	-3.3%
Financial income (expense), net	(711)	-0.4%	337	0.2%
Loss before income taxes	(34,210)	-18.8%	(5,543)	-3.1%
Income taxes	(11,066)	-6.1%	(5,370)	-3.0%
Net loss attributable to Stratasy Ltd.	(22,931)	-12.6%	(173)	-0.1%

## Discussion of Results of Operations

### Net Sales

Net sales of our products and services, as well as the percentage change, were as follows:

	Three Months Ended June 30,		
	2015	2014	% Change
	U.S. \$ in thousands		
Products	\$ 134,490	\$ 154,090	-12.7%
Services	47,832	24,375	96.2%
	<u>\$ 182,322</u>	<u>\$ 178,465</u>	2.2%

### Products Revenues

Revenues derived from products (including AM systems, consumable materials and other products) decreased by \$19.6 million, or 12.7% for the three months ended June 30, 2015, as compared to the three months ended June 30, 2014.

The decrease in products sales of 12.7% was driven by a decrease in MakerBot revenues, overall market weakness and a negative impact from foreign currency exchange fluctuations, which were partially offset by strong sale of consumables offerings. Products revenues, excluding MakerBot's operations, were flat as compared to the three months ended June 30, 2014.

The number of systems shipped in the three months ended June 30, 2015 decreased to 6,731 units as compared to 14,909 units shipped in the three months ended June 30, 2014. The decrease in the number of systems shipped was primarily due to a decrease in MakerBot unit sales.

Consumables net sales for the three months ended June 30, 2015 increased by 5.9% as compared to the three months ended June 30, 2014. The increase was driven by acceleration in customer usage and our growing installed base of systems. In particular, the strong sales of our Production series and high-end Design series systems in prior periods contributed to strong consumables sales growth given their relatively higher consumable utilization rates. The increase in consumables net sales was also driven by high performance consumable materials for the use in new applications.

### Services Revenues

Services revenues (including SDM, maintenance and other services) increased by \$23.5 million for the three months ended June 30, 2015, or 96.2%, as compared to the three months ended June 30, 2014. The increase in services revenues was primarily attributable to the inclusion of SDM revenues, which relates to acquisitions completed after June 30, 2014. Services revenues also increased organically from maintenance contracts and service parts, reflecting our growing installed base of systems.

## Revenues by Region

Net sales and the percentage of net sales by region, as well as the percentage change, were as follows:

	Three Months Ended June 30,				% Change
	2015		2014		
	U.S. \$ in thousands	% of Net sales	U.S. \$ in thousands	% of Net sales	
North America	\$ 111,027	60.9%	\$ 95,168	53.3%	16.7%
EMEA	36,589	20.1%	43,528	24.4%	-15.9%
Asia Pacific	31,590	17.3%	36,905	20.7%	-14.4%
Other	3,116	1.7%	2,864	1.6%	8.8%
	<u>\$ 182,322</u>	<u>100.0%</u>	<u>\$ 178,465</u>	<u>100.0%</u>	<u>2.2%</u>

Net sales for the three months ended June 30, 2015 in the North America region increased as compared to the three months ended June 30, 2014, due to growth in systems and consumables sales, as well as the inclusion of SDM net sales in the North America region.

Net sales for the three months ended June 30, 2015 in the Asia Pacific region decreased by \$5.3 million or, 14.4%, as compared to the three months ended June 30, 2014, primarily due to lower net sales of our systems.

Net sales for the three months ended June 30, 2015 in the EMEA region decreased as compared to the three months ended June 30, 2014. In local currencies terms, net sales for the three months ended June 30, 2015 in the EMEA region were flat as compared to the three months ended June 30, 2014. Net sales in the EMEA region were negatively impacted by approximately \$7.2 million primarily due to the devaluation of the Euro against the U.S. dollar, on a constant currency basis when compared to the same period last year.

## Gross Profit

Gross profit for our products and services, as well as the percentage change, were as follows:

	Three Months Ended June 30,		
	2015	2014	% Change
	U.S. \$ in thousands		
<b>Gross profit attributable to:</b>			
Products	\$ 66,824	\$ 80,696	-17.2%
Services	16,084	10,938	47.0%
	<u>\$ 82,908</u>	<u>\$ 91,634</u>	<u>-9.5%</u>

Gross profit as a percentage of net sales for our products and services, as well as the percentage change, were as follows:

	<b>Three Months Ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Gross profit as a percentage of revenues from:</b>			
Products	49.7%	52.4%	-5.1%
Services	33.6%	44.9%	-25.1%
Total gross profit	<u>45.5%</u>	<u>51.3%</u>	-11.4%

Gross profit attributable to products revenues decreased by \$13.9 million, or 17.2%, to \$66.8 million for the three months ended June 30, 2015 as compared to \$80.7 million for the three months ended June 30, 2014. Gross profit attributable to products revenues as a percentage of products revenues decreased to 49.7 % for the three months ended June 30, 2015 as compared to 52.4% for the three months ended June 30, 2014.

The decrease in gross profit attributable to products sales was primarily due to product mix, which was mainly due to sales that favored our lower-margin systems and certain reorganization and other related charges.

Gross profit attributable to services revenues increased by \$5.1 million, or 47.0%, to \$16.1 million for the three months ended June 30, 2015 as compared to \$10.9 million for the three months ended June 30, 2014. Gross profit attributable to services revenues as a percentage of services revenues in the three months ended June 30, 2015 decreased to 33.6%, as compared to 44.9% for the three months ended June 30, 2014. The increase in gross profit from services revenues primarily reflects the inclusion of SDM operations in the three months ended June 30, 2015, which also resulted in a decrease in services gross margin as a percentage of services revenues.

### Operating Expenses

The amount of each type of operating expense, as well as the percentage change and total operating expenses as a percentage of our total net sales, were as follows:

	<b>Three Months Ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>U.S. \$ in thousands</b>			
Research and development, net	\$ 25,506	\$ 18,957	34.5%
Selling, general & administrative	97,581	77,929	25.2%
Change in fair value of obligations in connection with acquisitions	(6,680)	628	-1163.7%
	<u>\$ 116,407</u>	<u>\$ 97,514</u>	19.4%
Percentage of net sales	63.8%	54.6%	

Research and development expenses, net for the three months ended June 30, 2015 increased by \$6.5 million, or 34.5%, as compared to the three months ended June 30, 2014. The increase was primarily due to inclusion of GrabCad and an increase in headcount to support new research and development initiatives. The headcount increase is partially attributable to our acquisitions and reflects our continued investments in research and development projects, focusing on enhancing our AM technologies and developing consumables that offer an even broader array of physical, mechanical and aesthetic properties, aimed at broadening user applications.

Research and development expense, net as a percentage of sales increased to 14.0% in the three months ended June 30, 2015 as compared to 10.6% in the three months ended June 30, 2014. This increase reflects our intention to continue to invest in research and development in order to bring a broad range of hardware and materials solutions as well as software solutions to create a leading 3D printing ecosystem. We are dedicated to effectively introduce our innovative technologies to the market in a timely manner.



Selling, general and administrative expenses for the three months ended June 30, 2015 amounted to \$97.6 million, compared to \$77.9 million for the three months ended June 30, 2014. Selling, general and administrative expenses for the three months ended June 30, 2015 as percentage of net sales were 53.5% as compared to 43.7% for the three months ended June 30, 2014.

The increase of our selling, general and administrative expenses was primarily attributable to the inclusion of SDM operations together with its post-merger integration expenses, which added \$12.4 million, reorganization and other related charges of \$6.1 million and higher expenses for strategic and marketing initiatives, as well as costs of expanding our sales and marketing infrastructure.

During the three months ended June 30, 2015, we recorded a gain of \$6.7 million, compared to a loss of \$0.6 million for the three months ended June 30, 2014, due to the revaluation of obligations in connection with acquisitions. The gain recorded during the three months ended June 30, 2015 was due to revaluation of the deferred consideration as part of the Solid Concepts transaction. The loss recorded during the three months ended June 30, 2014 was due to the revaluation of earn out obligations in connection with the MakerBot transaction.

### Operating Loss

Operating loss and operating loss as a percentage of our total net sales, were as follows:

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>U.S. \$ in thousands</b>	
Operating loss	\$ (33,499)	\$ (5,880)
Percentage of net sales	-18.4%	-3.3%

Operating loss for the three months ended June 30, 2015 amounted to \$33.5 million compared to operating loss of \$5.9 million for the three months ended June 30, 2014. The increase in operating loss was primarily attributable to the decrease in net sales and gross profit, as well as higher selling, general and administrative expenses due to the factors mentioned above. The operating loss was partially offset by gain due to revaluation of obligations in connection with acquisitions as described above.

### Financial income (expense), net

Financial expense, net, which mainly comprised foreign currencies effects and interest expense, net, amounted to \$0.7 million for the three months ended June 30, 2015, compared to financial income, net of \$0.3 million for the three months ended June 30, 2014. The change in financial income (expense), net was primarily due to increase in interest expenses related to the \$175 million outstanding balance of our credit facility.

## Income Taxes

Income taxes and income taxes as a percentage of net loss before taxes, as well as the percentage change, were as follows:

	<b>Three Months Ended</b>		<b>% Change</b>
	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	
	<b>U.S. \$ in thousands</b>		
Income taxes	\$ (11,066)	\$ (5,370)	106.1%
As a percent of loss before income taxes	32.3%	96.9%	

Our effective tax rate for the three months ended June 30, 2015 and 2014 was 32.3% and 96.9%, respectively. Our effective tax rate has varied significantly due to changes in the mix of taxable income and tax loss between the U.S. and Israel.

During the second quarter of 2015, we adjusted our long-term tax rates due to a recent amendment of the New York City tax law, under which New York City taxes will now be filed as a consolidated group impacting specific Stratasys group member's tax deferred. As a result, we recorded a reduction of approximately \$1.7 million in our income tax expense associated with the amortization of intangible assets.

In addition, during the second quarter of 2015, we adjusted our long-term tax rates associate with taxable income in Israel, due to change in estimates. As a result, we recorded an increase of approximately \$3.4 million in our income tax expense associated with the amortization of intangible assets.

### Net Loss and Net Loss Per Share Attributable to Stratasys Ltd.

Net loss and net loss per diluted share attributable to Stratasys Ltd., were as follows:

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>U.S. \$ in thousands</b>	
Net loss attributable to Stratasys Ltd.	\$ (22,931)	\$ (173)
Percentage of net sales	-12.6%	-0.1%
Net loss per diluted share	\$ (0.55)	\$ (0.00)

Net loss attributable to Stratasys Ltd. for the three months ended June 30, 2015 was \$22.9 million as compared to net loss of \$0.2 million for the three months ended June 30, 2014. This increase of the net loss attributable to Stratasys Ltd. was due to the factors that were previously discussed, primarily the increase of operating loss which was partially offset by higher income tax benefit.

Loss per diluted share was \$0.55 for the three months ended June 30, 2015, compared to net loss per diluted share of \$0.00 for the three months ended June 30, 2014. In computing our loss per diluted share for the three months ended June 30, 2015, we adjusted the net loss attributable to Stratasys Ltd. by \$5.8 million due to excess redemption amount of redeemable non-controlling interest and our deferred payments liability revaluation. The weighted average fully diluted share count for the three months ended June 30, 2015 was 51.9 million, compared to 49.4 million for the three months ended June 30, 2014.

## Comparison of Six Months Ended June 30, 2015 to Six Months Ended June 30, 2014

### General

In general, the factors mentioned above that explain quarterly changes on a year-over-year basis are also relevant to a comparison of the results for the six months ended June 30, 2015 and 2014. Additional factors affecting the six months comparison are described below.

The following table presents certain financial data as a percentage of net sales for the periods indicated:

	Six Months Ended June 30,			
	2015		2014	
	U.S. \$ in thousands	% of Net sales	U.S. \$ in thousands	% of Net sales
Net sales	\$ 355,053	100.0%	\$ 329,406	100.0%
Cost of sales	226,057	63.7%	160,044	48.6%
Gross profit	128,996	36.3%	169,362	51.4%
Research and development, net	52,744	14.9%	35,728	10.8%
Selling, general and administrative	200,189	56.4%	145,546	44.2%
Goodwill impairment	150,400	42.4%	-	0.0%
Change in fair value of obligations in connection with acquisitions	(19,936)	-5.6%	(6,867)	-2.1%
Operating loss	(254,401)	-71.7%	(5,045)	-1.5%
Financial expense, net	(5,835)	-1.6%	(999)	-0.3%
Loss before income taxes	(260,236)	-73.3%	(6,044)	-1.8%
Income taxes	(20,688)	-5.8%	(9,958)	-3.0%
Net income (loss) attributable to Stratasys Ltd.	(239,219)	-67.4%	3,914	1.2%

### Discussion of Results of Operations

#### Net Sales

Net sales of our products and services, as well as the percentage change, were as follows:

	Six Months Ended June 30,		
	2015	2014	% Change
	U.S. \$ in thousands		
Products	\$ 261,157	\$ 283,342	-7.8%
Services	93,896	46,064	103.8%
	\$ 355,053	\$ 329,406	7.8%

#### Products Revenues

Revenues derived from products (including AM systems, consumable materials and other products) decreased by \$22.2 million for the six months ended June 30, 2015, or 7.8%, as compared to the six months ended June 30, 2014.

The number of systems shipped in the six months ended June 30, 2015 decreased to 14,267 units as compared to 23,711 units shipped in the six months ended June 30, 2014. The decrease in the number of systems shipped was primarily due to a decrease in MakerBot unit sales.

Consumables revenues for the six months ended June 30, 2015 increased by 11.5% as compared the six months ended June 30, 2014. The increase was driven by acceleration in customer usage and our growing installed base of systems.

## Services Revenues

Services revenues (including SDM, maintenance and other services) increased by \$47.8 million for the six months ended June 30, 2015, or 103.8%, as compared to the six months ended June 30, 2014. The increase in services revenues was primarily attributable to the inclusion of SDM revenues, which relates to acquisitions completed after June 30, 2014. Services revenues also increased organically from maintenance contracts and service parts, reflecting our growing installed base of systems.

## Revenues by Region

Net sales and the percentage of net sales by region, as well as the percentage change, were as follows:

	Six Months Ended June 30,				% Change
	2015		2014		
	U.S. \$ in thousands	% of Net sales	U.S. \$ in thousands	% of Net sales	
North America	\$ 208,577	58.7%	\$ 169,832	51.6%	22.8%
EMEA	74,216	20.9%	84,743	25.7%	-12.4%
Asia Pacific	66,894	18.8%	70,325	21.3%	-4.9%
Other	5,366	1.5%	4,506	1.4%	19.1%
	<u>\$ 355,053</u>	<u>100.0%</u>	<u>\$ 329,406</u>	<u>100.0%</u>	<u>7.8%</u>

Net sales for the six months ended June 30, 2015 in the North America region increased as compared to the six months ended June 30, 2014, due to growth in systems and consumables sales, as well as the inclusion of SDM net sales in the North America region.

Net sales for the six months ended June 30, 2015 in the Asia Pacific region decreased by \$3.4 million, or 4.9% as compared to the six months ended June 30, 2014.

Net sales for the six months ended June 30, 2015 in the EMEA region decreased as compared to the six months ended June 30, 2014. In local currencies terms net sales for the six months ended June 30, 2015 in the EMEA region increased as compared to the six months ended June 30, 2014. Net sales in the EMEA region were negatively impacted by approximately \$15.0 million, primarily due to the devaluation of the Euro against the U.S. dollar, when net sales are translated on a constant currency basis.

## Gross Profit

Gross profit for our products and services, as well as the percentage change, were as follows:

	Six Months Ended June 30,		
	2015	2014	% Change
	U.S. \$ in thousands		
<b>Gross profit attributable to:</b>			
Products	\$ 95,120	\$ 148,926	-36.1%
Services	33,876	20,436	65.8%
	<u>\$ 128,996</u>	<u>\$ 169,362</u>	<u>-23.8%</u>

Gross profit as a percentage of net sales for our products and services, as well as the percentage change, were as follows:

	<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Gross profit as a percentage of revenues from:</b>			
Products	36.4%	52.6%	-30.7%
Services	36.1%	44.4%	-18.7%
Total gross profit	<u>36.3%</u>	<u>51.4%</u>	-29.3%

Gross profit attributable to products revenues decreased by \$53.8 million, or 36.1%, to \$95.1 million for the six months ended June 30, 2015 as compared to \$148.9 million for the six months ended June 30, 2014. Gross profit attributable to products revenues as a percentage of revenue decreased to 36.4% for the six months ended June 30, 2015 as compared to 52.6% for the six months ended June 30, 2014.

The decrease in gross profit attributable to products revenues was primarily due to impairment charges related to certain of MakerBot's developed technology intangible assets of \$29.8 million, product mix which was mainly due to sales that favored our lower-margin systems and certain reorganization and other related charges.

Gross profit attributable to services revenues increased by \$13.4 million, or 65.8%, to \$33.9 million for the six months ended June 30, 2015 as compared to \$20.4 million for the six months ended June 30, 2014. Gross profit attributable to services revenues as a percentage of services revenues in the six months ended June 30, 2015 decreased to 36.1%, as compared to 44.4% for the six months ended June 30, 2014. The increase in gross profit from services revenues primarily reflects the inclusion of SDM operations in the six months ended June 30, 2015, which also resulted in a decrease in services gross margin as a percentage of services revenues.

### Operating Expenses

The amount of each type of operating expense, as well as the percentage change and total operating expenses as a percentage of our total net sales, were as follows:

	<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
	<b>U.S. \$ in thousands</b>		
Research and development, net	\$ 52,744	\$ 35,728	47.6%
Selling, general & administrative	200,189	145,546	37.5%
Goodwill impairment	150,400	-	N/A
Change in fair value of obligations in connection with acquisitions	(19,936)	(6,867)	190.3%
	<u>\$ 383,397</u>	<u>\$ 174,407</u>	119.8%
Percentage of net sales	108.0%	52.9%	

Research and development expenses, net for the six months ended June 30, 2015 increased by \$17.0 million, or 47.6%, as compared to the six months ended June 30, 2014. The increase was primarily due to inclusion of GrabCad and an increase in headcount to support new research and development initiatives.

Research and development expense, net as a percentage of sales increased to 14.9% in the six months ended June 30, 2015 as compared to 10.8% in the six months ended June 30, 2014. This increase reflects our intention to continue to invest in research and development in order to bring a broad range of hardware and materials solutions as well as software solutions to create a leading 3D printing ecosystem.

Selling, general and administrative expenses for the six months ended June 30, 2015 amounted to \$200.2 million, compared to \$145.5 million for the six months ended June 30, 2014. Selling, general and administrative expenses for the six months ended June 30, 2015 as a percentage of net sales were 56.4% as compared to 44.2% for the six months ended June 30, 2014.

The increase of our selling, general and administrative expenses was primarily attributed to impairment charges related to MakerBot's customer relationships intangible assets of \$13.4 million, the inclusion of SDM operations together with post-merger integration expenses relating to our new SDM branding initiatives, which added \$22.0 million, certain reorganization and other related charges and higher expenses for strategic and marketing initiatives as well as costs of expanding our sales and marketing infrastructure.

During the first quarter of 2015, we recorded a goodwill impairment charge of \$150.4 million related to our MakerBot reporting unit. The main factors for this non-cash and non-tax-deductible expense included a decrease of MakerBot product and service revenues in the first quarter of 2015 as compared to the fourth quarter of 2014 and below our previous projections, and lower forecasted profitability due to current trends in the 3D desktop market. During the second quarter of 2015, we performed an interim goodwill assessment for all of our reporting units. Based on our assessment as of June 30, 2015, no goodwill was determined to be impaired. For further information, see note 4 to our unaudited condensed consolidated financial statements attached as Exhibit 99.1 to the Form 6-K.

During the six months ended June 30, 2015, we recorded a gain of \$19.9 million, compared to gain of \$6.9 million for the six months ended June 30, 2014, due to the revaluation of obligations in connection with acquisitions. The gain recorded during the six months ended June 30, 2015 was due to revaluation of the deferred consideration as part of the Solid Concepts transaction. The gain recorded during the six months ended June 30, 2014 was due to the revaluation of earn out obligations in connection with the MakerBot transaction.

### Operating Loss

Operating loss and operating loss as a percentage of our total net sales, were as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>U.S. \$ in thousands</b>	
Operating loss	\$ (254,401)	\$ (5,045)
Percentage of net sales	-71.7%	-1.5%

Operating loss for the six months ended June 30, 2015 amounted to \$254.4 million compared to operating loss of \$5.0 million for the six months ended June 30, 2014. The operating loss for the six months ended June 30, 2015, was primarily attributable to non-cash impairment charges related to MakerBot's goodwill and certain of its other intangible assets of \$193.6 million as well as higher selling, general and administrative expenses. The operating loss was partially offset by gain due to revaluation of obligations in connection with acquisitions as described above.

### Financial expense, net

Financial expense, net, which mainly comprised foreign currencies effects and interest expense, net, amounted to \$5.8 million for the six months ended June 30, 2015, compared to financial expense, net of \$1.0 million for the six months ended June 30, 2014. The increase was primarily due to foreign currency transaction losses due to changes in rates of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the Euro), which are partially related to intercompany receivables and payables denominated in a foreign currency, partially offset by revaluation of forward contracts that hedged the corresponding currency exposure. We incurred additional interest expenses due to our additional borrowing under our credit facility.

## Income Taxes

Income taxes and income taxes as a percentage of net loss before taxes, as well as the percentage change, were as follows:

	<b>Six Months Ended June 30,</b>		<b>% Change</b>
	<b>2015</b>	<b>2014</b>	
	<b>U.S. \$ in thousands</b>		
Income taxes	\$ (20,688)	\$ (9,958)	107.8%
As a percent of loss before income taxes	7.9%	164.8%	

Our effective tax rate for the six months ended June 30, 2015 and 2014 was 7.9% and 164.8%, respectively. Our effective tax rate has varied significantly due to changes in the mix of taxable income and tax loss between the U.S. and Israel.

Our effective tax rate for the six months ended June 30, 2015 was mainly impacted by impairment of goodwill associated with the Makerbot acquisition, which is non-tax deductible, and therefore had a significant impact on the effective tax rate for the six months ended June 30, 2015.

The income of \$6.9 million attributable to the change in fair value of the Company's earn-out obligations in the six months ended June 30, 2014, was non-taxable, and therefore had a significant impact on the effective tax rate in this period.

### **Net Income (Loss) and Net Income (Loss) Per Share Attributable to Stratasy Ltd .**

Net income (loss) and net income (loss) per diluted share attributable to Stratasy Ltd., were as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>U.S. \$ in thousands</b>	
Net income (loss) attributable to Stratasy Ltd.	\$ (239,219)	\$ 3,914
Percentage of net sales	-67.4%	1.2%
Net income (loss) per diluted share	\$ (4.77)	\$ 0.08

Net loss attributable to Stratasy Ltd. for the six months ended June 30, 2015 was \$239.2 million as compared to net income of \$3.9 million for the six months ended June 30, 2014. The net loss attributable to Stratasy Ltd. for the six months ended June 30, 2015, was due to the factors that were previously discussed, primarily the impairment charges related to MakerBot goodwill and certain of its intangibles assets and the increase in our selling, general and administrative expenses, which were partially offset by gain due to revaluation of obligations in connection with acquisitions and higher income tax benefit.

Net loss per diluted share was \$4.77 for the six months ended June 30, 2015, compared to net income per diluted share of \$0.08 for the six months ended June 30, 2014. In computing our loss per diluted share for the three months ended June 30, 2015, we adjusted the net loss attributable to Stratasy Ltd. by \$5.8 million due to excess redemption amount of redeemable non-controlling interest and our deferred payments liability revaluation. The weighted average fully diluted share count for the six months ended June 30, 2015 was 51.4 million, compared to 51.2 million for the six months ended June 30, 2014.

## Supplemental Operating Results on a Non-GAAP Basis

The following non-GAAP data, which excludes the categories of expenses described below, are non-GAAP financial measures. Our management believes that these non-GAAP financial measures are useful information for investors and shareholders of our company in gauging our results of operations (x) on an ongoing basis after excluding merger and acquisition related expense, reorganization related charges, and (y) excluding non-cash charges such as share-based compensation, amortization of intangible assets, one time write-off of deferred tax assets, and impairment charges that either do not reflect actual cash outlays that impact our liquidity and our financial condition or have a non-recurring impact on the income statement, as assessed by management. These non-GAAP financial measures are presented to permit investors to more fully understand how management assesses our performance. The limitations of using these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all events during a period, such as the effects of merger-related, non-cash compensation and other charges, and may not provide a comparable view of our performance to other companies in our industry. The presentation of these non-GAAP measures is not meant to be considered in isolation or as an alternative to any measure of financial performance calculated in accordance with GAAP.

### Reconciliation of GAAP to Non-GAAP Results of Operations

The following tables present the GAAP measures, the corresponding non-GAAP amounts and related non-GAAP adjustments for the applicable periods:

	Three Months Ended June 30,					
	2015	Non-GAAP	2015	2014	Non-GAAP	2014
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	\$ 82,908	\$ 16,816	\$ 99,724	\$ 91,634	\$ 15,079	\$ 106,713
Operating income (loss) (1,2)	(33,499)	37,172	3,673	(5,880)	34,642	28,762
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(22,931)	30,893	7,962	(173)	28,167	27,994
Diluted net income (loss) per share attributable to Stratasys Ltd. (4)	\$ (0.55)	\$ 0.70	\$ 0.15	\$ (0.00)	\$ 0.55	\$ 0.55
(1) Acquired intangible assets amortization expense		12,301			14,029	
Non-cash stock-based compensation expense		1,797			1,034	
Reorganization and other related costs		2,512			-	
Merger and acquisition related expense		206			16	
		<u>16,816</u>			<u>15,079</u>	
(2) Acquired intangible assets amortization expense		5,684			5,507	
Non-cash stock-based compensation expense		7,767			6,044	
Change in fair value of obligations in connection with acquisitions		(6,680)			628	
Reorganization and other related costs		6,755			-	
Merger and acquisition related expense		6,830			7,384	
		<u>20,356</u>			<u>19,563</u>	
		<u>37,172</u>			<u>34,642</u>	
(3) Tax expense related to adjustments		(6,279)			(6,475)	
		<u>\$ 30,893</u>			<u>\$ 28,167</u>	
(4) Weighted average number of ordinary shares outstanding- Diluted*	51,870		52,705	49,373		51,196



## Six Months Ended June 30,

	2015 GAAP	Non-GAAP Adjustments	2015 Non-GAAP	2014 GAAP	Non-GAAP Adjustments	2014 Non-GAAP
U.S. dollars and shares in thousands (except per share amounts)						
Gross profit (1)	\$ 128,996	\$ 64,137	\$ 193,133	\$ 169,362	\$ 29,477	\$ 198,839
Operating income (loss) (1,2)	(254,401)	257,298	2,897	(5,045)	56,563	51,518
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(239,219)	249,205	9,986	3,914	44,679	48,593
Diluted net income (loss) per share attributable to Stratasys Ltd. (4)	\$ (4.77)	\$ 4.96	\$ 0.19	0.08	0.87	0.95
(1) Impairment of other intangible assets		29,782			-	
Acquired intangible assets amortization expense		27,206			27,489	
Non-cash stock-based compensation expense		3,630			1,946	
Reorganization and other related costs		2,512			-	
Merger and acquisition related expense		1,007			42	
		<u>64,137</u>			<u>29,477</u>	
(2) Goodwill impairment		150,400			-	
Impairment of other intangible assets		13,423			-	
Acquired intangible assets amortization expense		12,140			10,871	
Non-cash stock-based compensation expense		15,694			11,868	
Change in fair value of obligations in connection with acquisitions		(19,936)			(6,867)	
Reorganization and other related costs		6,756			-	
Merger and acquisition related expense		14,684			11,214	
		<u>193,161</u>			<u>27,086</u>	
		<u>257,298</u>			<u>56,563</u>	
(3) Tax expense related to adjustments		(8,093)			(11,884)	
		<u>\$ 249,205</u>			<u>\$ 44,679</u>	
(4) Weighted average number of ordinary shares outstanding- Diluted*	51,413		52,524	51,238		51,221

\* For a reconciliation of net income (loss) per diluted share attributable to Stratasys Ltd., refer to note 5 to our unaudited condensed consolidated financial statements attached as Exhibit 99.1 to the Form 6-K.

## Liquidity and Capital Resources

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

	Six Months Ended June 30,	
	2015	2014
	U.S. \$ in thousands	
Net income (loss)	\$ (239,548)	\$ 3,914
Goodwill impairment	150,400	-
Impairment of other intangible assets	43,205	-
Depreciation and amortization	55,780	48,579
Deferred income taxes	(25,196)	(13,440)
Stock-based compensation	19,324	13,814
Excess tax benefit from stock options	-	(582)
Change in fair value of obligations in connection with acquisitions	(19,936)	(6,867)
Foreign currency transactions loss and other non-cash items	6,056	419
Change in working capital and other items	(1,829)	(36,219)
Net cash provided by (used in) operating activities	(11,744)	9,618
Net cash provided by (used in) investing activities	(191,386)	88,603
Net cash provided by (used in) financing activities	115,172	(9,996)
Effect of exchange rate changes on cash	(1,915)	1
Net change in cash and cash equivalents	(89,873)	88,226
Cash and cash equivalents, beginning of period	442,141	414,088
Cash and cash equivalents, end of period	\$ 352,268	\$ 502,314

Our cash and cash equivalents balance decreased to \$352.3 million at June 30, 2015 from \$442.1 million at December 31, 2014. The decrease in cash and cash equivalents in the six months ended June 30, 2015 was due to cash used in investing activities in an amount of \$191.4 million and cash of \$11.7 million used in operating activities which was partially offset by cash flows provided by financing activities of \$115.2 million.

Our cash and cash equivalents balance increased to \$502.3 million at June 30, 2014 from \$414.1 million at December 31, 2013. The increase was due to net cash provided by investing activities of \$88.6 million and cash of \$9.6 million provided by operating activities which was partially offset by cash flows used in financing activities in an amount of \$10.0 million.

### *Cash flows from operating activities*

We used cash from operating activities of \$11.7 million during the six months ended June 30, 2015. The net loss of \$239.5 million was favorably adjusted due to non-cash charges for impairment of goodwill and other intangible assets of \$193.6 million, depreciation and amortization of \$55.8 million, stock-based compensation expense of \$19.3 million and foreign currency transactions loss of \$6.0 million, which was primarily resulted due to the devaluation of the Euro against the U.S. dollar. Changes in deferred income taxes of \$25.2 million and non-cash changes in the fair value of obligations in connections with acquisitions of \$19.9 million unfavorably affected cash from operating activities. Changes in working capital items consisted mainly of an increase in inventories of \$18.7 million, partially offset by a decrease in accounts receivable of \$11.4 million and an increase in other current liabilities of \$8.0 million.

During the six months ended June 30, 2014, we generated cash from operating activities of \$9.6 million. The net income of \$3.9 million was favorably adjusted due to non-cash charges for depreciation and amortization and stock-based compensation expense offset by the change in the fair value of earn-out obligations. Non-cash charges that unfavorably affected cash from operating activities were mainly the changes in the deferred income taxes of \$13.4 million and the changes in working capital and other of \$36.2 million.

### ***Cash flows from investing activities***

We used cash of \$191.4 million in our investing activities during the six months ended June 30, 2015. Cash was primarily used to invest \$152.1 million of our cash and cash equivalents in short-term bank deposits as well as to purchase property and equipment.

Property, plant and equipment purchases were \$44.8 million for the six months ended June 30, 2015. Our principal property and equipment purchases were for our new property in Rehovot, which is currently under construction. The new Rehovot Property will house the Company's Israeli headquarters, research and development facilities and certain manufacturing activities. Other property and equipment purchases were primarily for the enhancement of our manufacturing capabilities of our facilities in the United States.

During the six months ended June 30, 2014, our investing activities generated cash of \$88.6 million. The net change in short-term bank deposits provided \$124.7 million due to the maturity of those deposits and was partially offset by property, plant and equipment purchases of \$23.5 million as well as cash of \$14.2 million used to fund acquisitions and other intangibles assets purchases.

### ***Cash flows from financing activities***

Net cash provided by our financing activities during the six months ended June 30, 2015 was \$115.2 million. Cash provided by financing activities was mainly attributed to our additional borrowing of \$125.0 million under our credit facility during the second quarter of 2015. In addition, cash of \$11.9 million was used to finance our payments for obligations in connection with acquisitions and was partially offset by proceeds of \$2.1 million from the exercise of stock options.

During the six months ended June 30, 2014 we used cash of \$10.0 million in our financing activities. During the second quarter of 2014, we paid in cash an amount of \$10.8 million for the first earn-out period obligation in connection with MakerBot transaction. Cash used in financing activities, was partially offset by proceeds of \$3.0 million from the exercise of stock options and the related excess tax benefit.

### **Capital resources and capital expenditures**

Our total current assets amounted to \$859.0 million as of June 30, 2015, of which \$502.6 million consisted of cash and cash equivalents and short-term bank deposits. Total current liabilities amounted to \$372.7 million. Our cash and cash equivalents and short-term bank deposits are primarily held in banks in Israel, United Kingdom, Switzerland and the U.S., with only minor amounts subject to any restrictions on movement of balances within our company and our subsidiaries.

Our credit risk of our accounts receivable is limited due to the relatively large number of customers and their wide geographic distribution. In addition, we try to reduce the credit exposures of our accounts receivable by credit limits, credit insurance for most of our customers, ongoing credit evaluation and account monitoring procedures.

In February 2015, we announced our new long-term investment plan to help enable growth, maintain market leadership and meet future opportunities. We may make additional investments in property, plant and equipment, expansion of our operations into additional geographies, information technology, or IT, human resources and sales and marketing required for future growth. We re-examined our operating plans for 2015 and updated our estimate for capital expenditure to a level of \$80 to \$110 million. During July 2015, we made additional payments of approximately \$26.3 million in connection with our new Rehovot Property and its related taxes. We believe that we will have adequate cash and cash generated from operating activities to fund our ongoing operations and that these sources of liquidity will be sufficient to satisfy our capital expenditure requirements for the next twelve months.

### *Revolving credit facility*

Pursuant to a credit agreement, dated November 7, 2013, with Bank of America, N.A., or BofA, as administrative agent and swing line lender, and the other lenders party thereto, our company (via Stratasys International Ltd., our wholly-owned subsidiary, which serves as borrower) has in place a five-year revolving credit facility in an aggregate principal amount of up to \$250 million. The revolving credit facility permits swing line loans of up to the lesser of: (1) \$25 million and (2) the aggregate commitments of all of the lenders. All of the obligations under the credit agreement are unconditionally guaranteed by our company and by our (and the borrower's) active U.S. and Israeli subsidiaries.

The credit agreement contains customary representations and warranties, and affirmative and negative covenants. The negative covenants include, without limitation, restrictions on indebtedness, liens, investments, and certain dispositions. The negative covenants are each subject to a number of specific exceptions, as well as broader exceptions that are a function of our consolidated financial status. These broader exceptions include, among other things, the ability of our company, the borrower, or any of their subsidiaries to make investments, consummate acquisitions (as such terms are defined in the credit agreement), and incur additional unsecured indebtedness in the form of convertible unsecured bonds or similar convertible securities, as long as certain conditions are met. During April 2015 we borrowed an additional \$125 million under the credit facility. Including amounts previously borrowed, we have \$175 million principal amount of debt outstanding under the revolving credit facility. In July 2015, we entered into an amendment to the credit agreement that adjusted, among other terms, the minimum consolidated EBITDA levels that we are required to achieve under certain affirmative covenants under the agreement.

We believe that we were in compliance with the all covenants under the amended credit agreement as of June 30, 2015. For a more complete description of the credit facility, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Revolving Credit Facility" in our 2014 Annual Report and the amendment to our credit facility agreement attached as Exhibit 99.3 to the Form 6-K.

### *Acquisitions*

As discussed in note 2 to our condensed consolidated financial statements, we acquired Solid Concepts on July 14, 2014. At the closing, we paid approximately \$162 million as part of the purchase price and other related expenses, of which \$60 million was paid in cash and \$98 million was paid in our shares; an additional \$4 million of the initial purchase price was deferred for six months and was paid in cash during January 2015. The remaining related payments, including deferred consideration and retention bonus payments, are subject to certain adjustments based on our share price. Based on our share price as of June 30, 2015, the total undiscounted amount of the deferred payments consideration and retention bonus amounted to approximately \$38.1 million. Subject to certain requirements for cash payments, we retain the discretion to settle any of the amounts payable under the Solid Concepts transaction in our shares, cash or any combination of the two. During July 2015, we issued 236,380 ordinary shares in the amount of \$8.2 million and paid cash of \$2.7 million to in connection with the settlement of the first installment of the deferred payments and the deferred retention payments. We believe that our existing cash reserves and our revolving credit facility will be adequate to permit us to make the cash payments if we choose to pay the remaining amount in cash.

As part of our business strategy, we plan to consider and, as appropriate, make acquisitions of other businesses, products, product rights or technologies. Our cash reserves, revolving credit facility and other liquid assets may be inadequate to consummate such acquisitions and it may be necessary for us to issue shares or raise substantial additional funds in the future to complete future transactions. In addition, as a result of our acquisition efforts, we are likely to experience significant charges to earnings and significant cash outflows for mergers and related expenses (whether or not our efforts are successful) that may include transaction costs, closing costs or costs of restructuring activities.

### **Critical Accounting Policies**

We have prepared our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America. This has required us to make estimates, judgments, and assumptions that affected the amounts we reported. Actual results may differ from those estimates. To facilitate the understanding of our business activities, certain accounting policies that are important to the presentation of our financial condition and results of operations and that require management's subjective judgments are described in our 2014 Annual Report. We base our judgments on our experience and various assumptions that we believe to be reasonable under the circumstances.

## **Forward-looking Statements and Factors That May Affect Future Results of Operations**

Certain information included in or incorporated by reference into the Report of Foreign Private Issuer on Form 6-K of which this Operating and Financial Review is a part, or the Form 6-K, may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words “may,” “will,” “could,” “should,” “expect,” “anticipate,” “intend,” “estimate,” “believe,” “project,” “plan,” “assume” or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words.

These forward-looking statements may include, but are not limited to, statements regarding our future strategy, future operations, projected financial position, proposed products, estimated future revenues, projected costs, future prospects, the future of our industry and results that might be obtained by pursuing management’s current plans and objectives.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to certain risks, uncertainties and assumptions that are difficult to predict. Our forward-looking statements are based on the information currently available to us and speak only as of the date of this Form 6-K. Over time, our actual results, performance or achievements may differ from those expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our shareholders. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- our ability to continue efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger as well as MakerBot, Solid Concepts, Harvest and GrabCAD after their acquisition and to successfully establish and execute effective post-acquisition integration plans;
- the overall global economic environment;
- the impact of competition and new technologies;
- general market, political and economic conditions in the countries in which we operate;
- projected capital expenditures and liquidity;
- changes in our strategy;
- government regulations and approvals;
- changes in customers’ budgeting priorities;
- failure of demand for our products and services to grow as expected;
- reduction in our profitability due to shifting in our product mix too far into lower margin products or our shifting in our revenues mix significantly towards our AM services business.
- possible additional liability relating to parts manufactured by our digital manufacturing services;
- litigation and regulatory proceedings;
- our ability to satisfy the financial covenants under our credit agreement; and
- those factors referred to in Item 3.D “Key Information - Risk Factors”, Item 4, “Information on the Company”, and Item 5, “Operating and Financial Review and Prospects” in our 2014 Annual Report, as well as in the 2014 Annual Report generally.

Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2014 Annual Report, and in our other reports filed with or furnished to the SEC, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT RISK**

Reference is made to Item 11 “Quantitative and Qualitative Disclosures about Market Risk” in our 2014 Annual Report.

## **LEGAL PROCEEDINGS**

We are subject to various litigation and other legal proceedings. For a discussion of certain of these matters that we deem to be material to our company, see Note 10-“Contingencies” in the notes to our unaudited condensed consolidated financial statements attached as Exhibit 99.1 to the Form 6-K.

## AMENDMENT NO. 1 TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement (this “*Amendment*”), dated as of July 28, 2015, is made by and among **STRATASYS LTD.**, a company formed under the laws of Israel (“*Holdings*”), **STRATASYS INTERNATIONAL LTD.**, a company formed under the laws of Israel (the “*Borrower*”), each lender party hereto (collectively, the “*Lenders*” and individually, a “*Lender*”), and **BANK OF AMERICA, N.A.**, as Administrative Agent (the “*Administrative Agent*”) and Swing Line Lender.

### WITNESSETH:

**WHEREAS**, the Borrower, Holdings, the Administrative Agent and the Lenders have entered into that certain Credit Agreement dated as of November 7, 2013 (as amended, modified, supplemented, restated, or amended and restated to, but not including, the date hereof, the “*Credit Agreement*”; the capitalized terms used in this Amendment not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement), pursuant to which the Lenders have made a revolving credit facility available to the Borrower; and

**WHEREAS**, the Borrower has requested that the Administrative Agent and the Lenders agree to amend certain terms of the Credit Agreement, which the Administrative Agent and the Lenders are willing to do on the terms and conditions contained in this Amendment;

**NOW, THEREFORE**, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment to Credit Agreement. Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended as follows:

(a) The definition of “Change of Control” in Section 1.01 of the Credit Agreement is hereby amended so that clause (b) of such definition reads in its entirety as follows:

“(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of Holdings cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or”

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(b) The definition of “Consolidated EBITDA” in Section 1.01 of the Credit Agreement is hereby amended so that such definition reads in its entirety as follows:

“Consolidated EBITDA” means, for any period, for Holdings and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by Holdings and its Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) other non-recurring expenses of Holdings and its Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period, (v) non-cash stock-based compensation expenses for such period, (vi) any actual transaction costs or expenses paid in such period in connection with Permitted Acquisitions or Investments and any Required Disposition permitted hereunder, so long as the Borrower provides the Administrative Agent with a detailed summary of such costs and expenses within forty-five (45) days of closing such Permitted Acquisition or Investment or Required Disposition, (vii) any other extraordinary or non-recurring non-cash expenses or losses of Holdings and its Subsidiaries incurred or charged in such period, (viii) any other extraordinary or non-recurring cash expenses or losses of Holdings and its Subsidiaries incurred or charged in such period, and (ix) the MakerBot Earnout and other earnouts or other deferred payment obligations in connection with Permitted Acquisitions or Investments measured or contingent in whole or in part by events or performance occurring after such Acquisition or Investment; and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of Holdings and its Subsidiaries for such period, (ii) all non-cash items increasing Consolidated Net Income for such period, and (iii) all extraordinary items of gain of Holdings and its Subsidiaries whether cash or non-cash items incurred or charged in such period; provided that the sum of the amounts added back pursuant to clauses (a)(vi) and (a)(viii) shall be limited in each period to an aggregate amount equal to 10% of Consolidated EBITDA for such period (calculated without giving effect to clauses (vi) and (viii)). All components of Consolidated EBITDA for any fiscal period shall include or exclude, as the case may be, without duplication, such components of Consolidated EBITDA attributable to any Subsidiary acquired or Investment consummated during such fiscal period or any business or assets that have been disposed of after the first day of such fiscal period and prior to the end of such fiscal period, determined on a pro forma basis as if such transaction had been consummated on the first day of the relevant fiscal quarter.”

(c) The definition of “Consolidated Fixed Charge Coverage Ratio” in Section 1.01 of the Credit Agreement is hereby amended so that such definition reads in its entirety as follows:

“Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (a) (i) Consolidated EBITDA for the period of the four prior fiscal quarters ending on such date, less (ii) for each four fiscal quarter period, an amount equal to total depreciation for such four fiscal quarter period *to* (b) (i) Consolidated Interest Charges for such period, plus (ii) any Restricted Payments paid by Holdings, the Borrower or any of their Subsidiaries in such period, plus (iii) Federal, state, local and foreign income taxes paid by Holdings or any Subsidiary in cash during such period, plus (iv) the aggregate principal amount of all regularly scheduled principal payments of Consolidated Funded Indebtedness required to be made during such period (excluding repayments of principal under this Agreement).”

(d) The definition of “Consolidated Funded Indebtedness” in Section 1.01 of the Credit Agreement is hereby amended so that such definition reads in its entirety as follows:

“Consolidated Funded Indebtedness” means, as of any date of determination, for Holdings and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments (excluding intercompany Indebtedness permitted under Section 7.03(h)), plus (b) all purchase money Indebtedness, plus (c) all direct, non-contingent obligations arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments, plus (d) all obligations in respect of the deferred purchase price of property or services, to the extent that such obligations are included as Indebtedness on the balance sheet of Holdings and its Subsidiaries in accordance with GAAP (other than (i) trade accounts payable in the ordinary course of business, (ii) deferred compensation, (iii) the MakerBot Earnout and (iv) any earnout payment made in connection with a Permitted Acquisition or Investment if such earnout is payable solely in common stock of Holdings or its Subsidiaries), plus (e) Attributable Indebtedness in respect of capital leases and Synthetic Lease Obligations, plus (f) without duplication, all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) through (e) above of Persons other than Holdings or any Subsidiary, plus (g) all Indebtedness of the types referred to in clauses (a) through (f) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which Holdings or a Subsidiary is a general partner or joint venturer, unless and to the extent such Indebtedness is expressly made non-recourse to Holdings or such Subsidiary, minus (h) the excess of (i) an amount (not less than zero) equal to all unrestricted cash and Cash Equivalents held by the Loan Parties in the United States over (ii) \$50,000,000, minus (i) an amount (not less than zero) equal to sixty-five percent (65%) of all unrestricted cash and Cash Equivalents held by the Loan Parties in Israel, Switzerland, the United Kingdom or Luxembourg; provided, that the total amount of clauses (h) and (i) shall in no event reduce the amount of Consolidated Funded Indebtedness by more than \$130,000,000.”



(e) The definition of "Eurodollar Rate" in Section 1.01 of the Credit Agreement is hereby amended so that such definition reads in its entirety as follows:

““ Eurodollar Rate ” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“ LIBOR ”) or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period;

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m., London time, determined two Business Days prior to such date for U.S. Dollar deposits with a term of one month commencing that day; and

(c) if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement;

provided that to the extent a comparable or successor rate is approved by the Administrative Agent in its reasonable discretion in connection with any rate set forth in this definition, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.”

(f) The definition of "Federal Funds Rate" in Section 1.01 of the Credit Agreement is hereby amended so that such definition reads in its entirety as follows:

““ Federal Funds Rate ” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.”

(g) The following definition of “First Amendment Effective Date” is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

“First Amendment Effective Date” means, July 28, 2015.”

(h) Section 7.06 of the Credit Agreement is hereby amended in its entirety to read as follows:

“**7.06 Restricted Payments** . Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to Holdings, the Borrower, the Guarantors and any other Person that owns an Equity Interest in such Subsidiary, ratably according to their respective holdings of the type of Equity Interest in respect of which such Restricted Payment is being made;

(b) Holdings, the Borrower and each Subsidiary may declare and make non-cash dividend payments or other non-cash distributions or payments payable solely in the common stock or other common Equity Interests of such Person;

(c) Holdings, the Borrower and each Subsidiary may purchase, redeem or otherwise acquire Equity Interests issued by it with the proceeds received from the substantially concurrent issue of new shares of its common stock or other common Equity Interests;

(d) so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom, Holdings, the Borrower and each Subsidiary may make payments in respect of an intercompany Indebtedness permitted pursuant to Section 7.03(h);

(e) so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom, Holdings or the Borrower may make payments under the MakerBot Earnout;

(f) so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom, Holdings, the Borrower and each Subsidiary may make Restricted Payments (including repurchases of Equity Interests) in connection with a compensation plan provided to employees, officers, directors or other service providers;

(g) so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom, Holdings or the Borrower may make earnout payments or other deferred payment obligations in connection with Permitted Acquisitions or Investments measured or contingent in whole or in part by events or performance occurring after such Acquisition or Investment; and

(h) so long as (x) after giving pro forma effect thereto, the Consolidated Leverage Ratio shall be less than 2.25 to 1.00 and (y) no Default shall have occurred and be continuing at the time of any action described below or would result therefrom, Holdings may make other Restricted Payments not otherwise described in this Section 7.06 to any Person that owns an Equity Interest or capital stock in Holdings; provided, however, that from the Closing Date through March 31, 2017, no Restricted Payments shall be made pursuant to this clause (h) unless at the time of making such Restricted Payment and after giving pro forma effect to the making of such Restricted Payment (i) Holdings shall be in compliance with the financial covenants contained in Section 7.11(a) and (c) below and (ii) the Loan Parties shall have unrestricted cash and Investments of not less than \$300,000,000.”

(i) Section 7.11(c) of the Credit Agreement is hereby amended in its entirety to read as follows:

“(c) Consolidated EBITDA. Permit Consolidated EBITDA as of the end of any fiscal quarter of Holdings measured for the trailing four fiscal quarters to be less than the amount set forth below opposite such fiscal quarter:

<b>Four Fiscal Quarters Ending</b>	<b>Minimum Consolidated EBITDA</b>
December 31, 2014 through March 31, 2015	\$85,000,000
June 30, 2015 through March 31, 2016	\$60,000,000
June 30, 2016 through December 31, 2016	\$85,000,000
March 31, 2017 and each fiscal quarter thereafter	\$100,000,000

2. Effectiveness; Conditions Precedent. The parties hereto agree that upon the satisfaction of each of the following conditions precedent all amendments contained herein below shall be effective:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, Holdings, the Administrative Agent and the Required Lenders, which counterparts may be delivered by telefacsimile or other electronic means (including .pdf); and

(b) (i) an amendment fee shall have been received by the Administrative Agent for each Lender executing this Amendment by 5:00 p.m. (New York time) on July 27, 2015 for the account of such Lender, paid to the Administrative Agent, equal to 0.175% (17.5 bps) multiplied by each such Lender’s Commitment as of the date hereof; (ii) an arrangement fee as has been separately agreed to with the Arranger (for its own account) shall have been paid; and (iii) all other reasonable fees and expenses incurred or payable in connection with the execution and delivery of this Amendment (including the reasonable fees and expenses of counsel to the Administrative Agent) that have been requested to be paid on or before the date hereof shall have been paid in full.

3. Representations and Warranties. In order to induce the Administrative Agent and the Lenders to enter into this Amendment, each of Holdings and the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by each of Holdings and the Borrower in Article V of the Credit Agreement and in each of the other Loan Documents to which it is a party are true and correct in all material respects on and as of the date hereof, except to the extent (i) that such representations and warranties expressly relate to an earlier date, and (ii) related to any potential Default for the failure to comply with any financial covenant set forth in Section 7.11 of the Credit Agreement specifically for the period ending June 30, 2015, which representations and warranties are true and correct in all material respects after giving effect to the amendments set forth herein;

(b) This Amendment has been duly authorized, executed and delivered by Holdings and the Borrower and constitutes a legal, valid and binding obligation of such parties, subject to applicable Debtor Relief Laws and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and

(c) As of the date hereof and after giving effect to the Amendment, no Default or Event of Default has occurred and is continuing.

4. Entire Agreement. This Amendment, together with all the Loan Documents (collectively, the “**Relevant Documents**”), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

5. Full Force and Effect of Agreement. Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means (including .pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.

7. Governing Law. This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Sections 10.14 and 10.15 of the Credit Agreement.

8. Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

9. References. From and after the date hereof, all references in the Credit Agreement and any of the other Loan Documents to the “Credit Agreement” shall be deemed to be references to the Credit Agreement, as amended or modified hereby.

10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, Holdings, the Administrative Agent and each of the Guarantors and Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

11. FATCA. For purposes of determining withholding Taxes imposed under the Foreign Account Tax Compliance Act (FATCA), from and after the effective date of the Amendment, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

**[Signature pages follow.]**

**IN WITNESS WHEREOF** , the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

**STRATASYS LTD.**

By: /s/ Erez Simha  
Name: Erez Simha  
Title: CFO & COO

By: /s/ David Reis  
Name: David Reis  
Title: CEO

**STRATASYS INTERNATIONAL LTD.**

By: /s/ Erez Simha  
Name: Erez Simha  
Title: CFO & COO

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Signature Page

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**BANK OF AMERICA, N.A., as**  
Administrative Agent

By: /s/ Ronaldo Naval

Name: Ronaldo Naval

Title: Vice President

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Signature Page

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**BANK OF AMERICA, N.A.**, as a Lender and  
Swing Line Lender

By: /s/ A. Quinn Richardson

Name: A. Quinn Richardson

Title: Senior Vice President

Stratasys International Ltd. Amendment No. 1  
Signature Page

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**CITIBANK, N.A.**

By:     /s/ Brian Reed    

Name: Brian Reed

Title: Vice President

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**HSBC BANK USA, NATIONAL  
ASSOCIATION**

By:

Name:

Title:

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**SILICON VALLEY BANK**

By: /s/ Rosh Wijayarathna

Name: Rosh Wijayarathna

Title: Director

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Signature Page

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**JPMORGAN CHASE BANK, N.A.**

By: /s/ Bruce Borden

Name: Bruce Borden

Title: Executive Director

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**BANK LEUMI LE-ISRAEL B.M.**

By: /s/ Y. Warach

Name: Y. Warach

Title: 2766

Branch Vice Manager

By: /s/ A. Yezeller

Name: A. Yezeller

Title: Branch Manager

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**MORGAN STANLEY SENIOR FUNDING, INC**

By: /s/ Sharon Bazbaz

Name: Sharon Bazbaz

Title: Vice President

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