



NEWS RELEASE

For Immediate Release

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3D Systems Announces Fourth Quarter and Full-Year 2003 Results

Fourth Quarter revenues up 10% versus the prior year achieving second highest revenue quarter in Company's history

VALENCIA, Calif., March 10, 2004 - 3D Systems Corporation (Nasdaq: TDSC) announced today that its revenues grew 10.0% to \$35.2 million in the fourth quarter of 2003 compared to the 2002 period, reversing five previous quarters of year-over-year revenue declines. Product revenues were essentially flat in the fourth quarter of 2003 while service revenues increased by \$2.9 million, or 36.5%. Gross profit as a percentage of revenue rose modestly to 42.7% in the fourth quarter of 2003 from 42.5% in the prior-year period.

Loss from operations was \$4.0 million in the fourth quarter of 2003 compared to \$2.7 million in the prior-year period. Loss from operations in the 2003 period included \$5.8 million of costs arising from the following items:

- Cost of sales included \$0.3 million attributable to a change in accounting principle related to the discontinuance of the unit-of-production method of amortization for one of the Company's patent licenses.
- Selling, general and administrative expenses included \$4.7 million of additional legal fees arising from the Company's change in accounting principle to expense rather than capitalize legal fees incurred in defense of its patent rights.

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- Selling, general and administrative expenses also included \$0.8 million of expenses arising from the write-down of some of the intangible assets of OptoForm Sarl, which the Company had acquired in 2001.

Net loss available to common shareholders for the quarter was \$12.0 million, or \$0.93 per fully diluted share, compared with \$15.7 million, or \$1.24 per fully diluted share, in the prior-year period. In addition to the costs mentioned above, the Company's net loss included a \$7.0 million, net of taxes, non-cash charge arising from the cumulative effect of the two changes in accounting principles discussed above. Net loss available to common shareholders before the cumulative effect of the changes in accounting principles discussed above was \$4.6 million or \$0.38 per fully diluted share.

Operating results improved before giving effect to the items discussed above.

Consolidated revenues for the full year of 2003 were \$110.0 million, a decrease of 5.1% compared to \$116.0 million in 2002. The decrease in revenue in 2003 was primarily the result of an \$8.3 million decrease in systems revenue, partially offset by a \$2.0 million increase in service revenue and a \$0.4 million increase in materials revenue. Revenues in 2003 included a favorable effect of \$3.4 million in foreign currency translation.

Gross profit as a percentage of revenue was 39.2% in 2003 versus 40.2% in 2002. Operating loss for 2003 declined 30.1% to \$15.0 million, including the \$5.8 million of costs discussed above. Net loss available to common shareholders was \$26.9 million or \$2.10 per fully diluted share compared to \$14.9 million or \$1.16 per fully diluted share in the prior year. Net loss available to common shareholders before the cumulative effect of the changes in accounting principles discussed above was \$19.0 million or \$1.55 per fully diluted share.

"In the fourth quarter of 2003, 3D Systems delivered solid operating improvements," said Abe Reichental, 3D Systems' Chief Executive Officer. "Among these were a return to sales growth, positive operating cash flow and a significantly strengthened balance sheet, which included a \$24.0 million cash balance at year-end. Additionally, during the past several months, we have settled a number of lawsuits thus enabling us to focus more closely on our business.

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“Going into the new year, we are positioning the Company for long-term sustained performance with renewed emphasis on improving our customers’ bottom lines,” continued Reichental. “To ensure that we execute against our strategic priorities, we have realigned and strengthened our management team and launched numerous growth initiatives and cost-reduction programs. During the fourth quarter, we successfully introduced the InVision™ 3-D printer, our new economically priced third-generation MJM printer for concept modeling and design communication applications. Net sales of the InVision 3-D printer as well as several other new products introduced in the fourth quarter were not material to our operating results.

“In connection with our year-end audit, we decided to change two accounting principles to more preferable methods, and recorded an asset impairment of certain intangibles related to an earlier acquisition. We believe we are building momentum on several fronts for an improved 2004,” concluded Reichental.

3D Systems will discuss fourth-quarter and full-year 2003 results on a conference call and audio webcast to be held at 4:30 p.m. EST (1:30 p.m. PST) today.

Fourth Quarter business highlights:

- As part of the Company’s strategic initiatives, four new products were introduced in the latter part of 2003: Amethyst™ SL material, primarily for jewelry manufacturers for direct investment casting in precious metals; the InVision™ 3-D printer, the Company’s new economically priced third-generation MJM printer using hot-melt ink-jet technology; LaserForm™ A6 material for producing steel-tool products; and hardware and software upgrades that enable customers of our Vanguard™ systems to increase the output of their systems. Net sales of these new products were not material to the Company’s results of operations in the year ended December 31, 2003. The Company also announced the planned introduction of its Bluestone™ SL engineered composite material for exceptional stiffness and strength. Plans to introduce other products under development have been accelerated.
- Several outstanding lawsuits have been settled. Most notably, the litigation between the Company and EOS GmbH was settled early in February 2004. Under the terms of that settlement, the Company and EOS waived all claims for damages with respect to their pending disputes and litigation and licensed various patents to each other. As part of that settlement, EOS is to pay the Company certain royalties for its patent license, and the Company expects to

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- begin selling under its own brand certain laser sintering equipment and related products under an OEM supply agreement with EOS. In addition, the Company settled its lawsuits with Regent Pacific Management Corporation and E. James Selzer, former 3D Systems' Chief Financial Officer.
- The company was recently able to remedy certain covenant defaults under an agreement with Wells Fargo Bank relating to a letter of credit that supports the industrial development bonds on our Grand Junction Colorado facility. On March 4, 2004, we entered into an amendment to the reimbursement agreement relating to the letter of credit with Wells Fargo which states that the company is no longer in default of its financial covenants and is no longer required to replace the Wells Fargo letter of credit or to retire the \$1.2 million of the industrial development bonds. As part of this agreement the Company and Wells Fargo agreed to amend certain criteria used to measure compliance with these covenants.

3D Systems' Complete Suite Of Customer Solutions Includes:

- **Multi-Jet Modeling technology ("MJM") or 3-D printing** uses hot-melt jetting technology to print three-dimensional physical parts by accumulating proprietary solid imaging materials ("SIMs"), in successive layers, dispensed by a print head comprising large numbers of jets oriented in linear arrays. MJM technology is the basis of our affordable three-dimensional solutions for printing any three-dimensional part from digital data.
- **Stereolithography or SLA[®] systems** use an ultraviolet laser to convert liquid photosensitive resins into solid cross-sections, layer by layer, until the desired objects are complete. Our SLA[®] systems are capable of making multiple parts at the same time and are designed to produce prototype or end use parts that have a wide range of sizes and shapes. An SLA[®] system can make scale models in a single build session or, alternatively, are able to produce full-scale portions of large objects in successive build sessions, which are then joined together.
- **Selective Laser Sintering or SLS[®] systems** use heat from a carbon dioxide laser to melt and fuse, or sinter, powdered materials into solid cross-sections, layer-by-layer, until the desired parts are complete. SLS[®] systems can create parts from a variety of plastic and metal powders and are capable of processing multiple parts in a single build session. While the maximum part size from a single build is currently limited by the size of the equipment models, customers routinely create larger parts by joining together multiple sections.
- **Materials.** As part of our integrated systems approach to our customers, we blend, market and distribute consumable material products under a variety of brand names that we sell for use in all of our solid imaging systems. These

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products include proprietary resin materials used in our stereolithography and multi-jet modeling product line, engineered wax-based plastics used in our multi-jet modeling line, and specialty powders used in our selective laser sintering product line. The family of engineered products are designed for use with our systems and processes to produce high-quality models, prototypes and parts. We market our stereolithography products under the Accura[®] brand, our selective laser sintering products under the DuraForm[™], LaserForm[™] and CastForm[™] brands, and our multi-jet modeling products under the ThermoJet[®] and VisiJet[®] brands.

- **Software.** To deliver total system integration, we provide to our customers part-preparation software for personal computers and engineering workstations. This unique package is designed to enhance the interface between digital data and our solid imaging systems. Digital data, such as solid CAD/CAM, is converted within the software utility. Depending on the specific software package, the object can be viewed, rotated, scaled and model structures added. Our proprietary software package generates the information to be used by the SLS[®] system, SLA[®] system or MJM system to create the solid images. In addition, we team up with other software companies, where appropriate, to develop complementary software for our systems.
- **Services.** We provide on a global basis a comprehensive suite of services and field support to our customers ranging from applications development to installation, warranty and maintenance services.

Broad applications and End-Uses:

- **Concept modeling, three-dimensional printing:** Solid imaging solutions are used for concept-modeling and three-dimensional printing applications, to produce three-dimensional shapes, primarily for visualizing and communicating mechanical design applications as well as for other applications including supply-chain management, architecture, art, surgical medicine, marketing and entertainment.
- **Rapid prototyping:** Solid imaging solutions are used for rapid prototyping applications, in among other ways, to generate product concept models, functional prototypes and master-casting and tooling patterns that are often used as an efficient, cost-effective means of evaluating product designs.
- **Instant manufacturing:** Solid imaging solutions are used for instant manufacturing applications to manufacture end-use parts. Directly from a digital image, our instant manufacturing customers produce end-use parts without the

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need for expensive tooling or molds and without lengthy set-ups resulting in significant flexibility and mass customization capabilities.

Conference Call and Audio Webcast Details

3D Systems will hold a conference call and audio webcast to discuss its fourth-quarter and full-year 2003 financial results today at 4:30 p.m. EST (1:30 p.m. PST).

- To access the Conference Call, dial 877/613-8341 (or 706/679-7620 from outside the United States). A recording will be available two hours after completion of the call for seven days. To access the recording, dial 800/642-1687 (or 706/645-9291 from outside the United States) and enter 5401584, the conference call ID number.
- To access the audio webcast log on to the 3D Systems' website at: www.3dsystems.com. The link to the webcast is provided on the homepage of the website. To ensure timely participation and technical capability, we recommend logging on a few minutes prior to the Conference Call to activate your participation. The webcast will be available for replay at: <http://www.3dsystems.com/company/investor/index.asp>

Forward-Looking Statements

Certain statements made by the company in this release are forward-looking statements. These statements include comments as to the company's beliefs and expectations as to future events and trends affecting the company's business. These forward-looking statements are based upon management's current expectations concerning future events and trends and are necessarily subject to uncertainties, many of which are outside the control of the company. The factors stated under the heading "Forward-Looking Statements" in management's discussion and analysis of results of operations and financial condition, which appear in the company's most recent Quarterly Report on Form 10-Q as well as other factors, could cause actual results to differ materially from such statements.

About 3D Systems (Nasdaq: TDSC)

Founded in 1986, 3D Systems[®], the solid imaging companySM, provides solid imaging products and systems solutions that reduce the time and cost of designing products and facilitate direct and indirect manufacturing. Its systems utilize patented proprietary technologies to create physical objects from digital input that can be used in design communication, prototyping, and as functional end-use parts.

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More information on the company is available at www.3dsystems.com, or by phoning 888/337-9786, ext. 2882 (or 661/295-5600, ext. 2882 from outside the United States), or via email at moreinfo@3dsystems.com.

The 3D logo, 3D Systems, SLA, SLS, ThermoJet and Accura are registered trademarks and SLS, InVision, Amethyst, Bluestone, DuraForm, LaserForm and CastForm are trademarks of 3D Systems. "the solid imaging company" is a service mark of 3D Systems, Inc. All other product names or services mentioned are trademarks or registered trademarks of their respective companies.

Tables Follow:

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3D SYSTEMS CORPORATION
Condensed Consolidated Statements of Operations
For the Three Months and Years Ended December 31, 2003 and 2002
(in thousands, except per share amounts)
UNAUDITED

	Three Months Ended		Year Ended	
	December 31		December 31	
	2003	2002	2003	2002
Revenue:				
Products	\$ 24,398	\$ 24,081	\$ 73,084	\$ 81,039
Services	10,795	7,909	36,931	34,922
Total Revenue	<u>35,193</u>	<u>31,990</u>	<u>110,015</u>	<u>115,961</u>
Cost of Sales				
Products	13,113	12,354	39,818	43,398
Services	7,035	6,044	27,055	25,942
Total Cost of Sales	<u>20,148</u>	<u>18,398</u>	<u>66,873</u>	<u>69,340</u>
Gross profit	<u>15,045</u>	<u>13,592</u>	<u>43,142</u>	<u>46,621</u>
Operating expenses:				
Selling, general and administrative	17,144	13,258	48,643	48,331
Research and development	1,851	3,022	9,031	15,366
Severance and other restructuring costs	-	3	442	4,354
Total operating expenses	<u>18,995</u>	<u>16,283</u>	<u>58,116</u>	<u>68,051</u>
Loss from operations	(3,950)	(2,691)	(14,974)	(21,430)
Interest and other expense, net	621	994	2,902	2,991
Gain on arbitration settlement	-	-	-	18,464
Loss before provision for income taxes	(4,571)	(3,685)	(17,876)	(5,957)
Provision for (benefit from) income taxes	(2)	12,035	1,107	8,909
Net loss before cumulative effect of changes in accounting principles	(4,569)	(15,720)	(18,983)	(14,866)
Cumulative effect on prior years (to December, 2002) of expensing legal fees as incurred and change in amortization method for patents and license costs	(7,040)	-	(7,040)	-
Net loss	(11,609)	(15,720)	(26,023)	(14,866)
Preferred stock dividend	349	-	867	-
Net loss income available to common shareholders	<u>\$ (11,958)</u>	<u>\$ (15,720)</u>	<u>\$ (26,890)</u>	<u>\$ (14,866)</u>
Shares used to calculate basic and fully diluted net loss available to common shareholders per share	<u>12,890</u>	<u>12,705</u>	<u>12,782</u>	<u>12,837</u>
Basic and fully diluted net loss available to common shareholders before cumulative effect of changes in accounting principles, per share	\$ (0.38)	\$ (1.24)	\$ (1.55)	\$ (1.16)
Cumulative effect on prior years (to December 31, 2002) of changes in accounting principles per share	(0.55)	-	(0.55)	-
Basic and fully diluted net loss available to common shareholders, per share	<u>\$ (0.93)</u>	<u>\$ (1.24)</u>	<u>\$ (2.10)</u>	<u>\$ (1.16)</u>

3D SYSTEMS CORPORATION
Condensed Consolidated Balance Sheets
As of December 31, 2003 and 2002
(in thousands)
UNAUDITED

ASSETS	2003	2002
Current Assets:		
Cash and cash equivalents	\$ 23,954	\$ 2,279
Deposits	553	-
Accounts receivable, net	22,773	27,420
Current portion of lease receivables	111	322
Inventories, net	9,694	12,564
Prepaid expenses and other current assets	2,087	3,687
Total current assets	<u>59,172</u>	<u>46,272</u>
Property and equipment, net	11,455	15,339
Licenses and patent costs, net	7,150	14,960
Lease receivables, less current portion	233	553
Acquired technology, net	5,498	7,647
Goodwill	44,900	44,456
Restricted cash	1,200	-
Other assets, net	1,857	3,006
	<u>\$ 131,465</u>	<u>\$ 132,233</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	\$ -	\$ 2,450
Current portion of long-term debt	165	10,500
Accounts payable	7,299	10,830
Accrued liabilities	16,466	15,529
Customer deposits	771	801
Deferred revenues	15,648	14,770
Total current liabilities	<u>40,349</u>	<u>54,880</u>
Long-term debt, less current portion	3,925	4,090
Convertible subordinated debentures	32,704	10,000
Other liabilities	2,579	3,397
Total liabilities	<u>79,557</u>	<u>72,367</u>
Series B convertible redeemable preferred stock	15,210	-
Stockholders' equity:		
Common stock, authorized 25,000 shares, issued and outstanding 12,903 (2003) and 12,725 (2002)	13	13
Capital in excess of par value	85,588	84,931
Notes receivable from employees for purchases of stock	(19)	(59)
Treasury stock, at cost	(45)	-
Preferred stock dividend	(867)	-
Accumulated deficit in earnings	(47,442)	(21,419)
Accumulated other comprehensive loss	(530)	(3,600)
Total stockholders' equity	<u>36,698</u>	<u>59,866</u>
	<u>\$ 131,465</u>	<u>\$ 132,233</u>

3D SYSTEMS CORPORATION
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002
(in thousands)
UNAUDITED

	2003	2002
Cash flows from operating activities:		
Net loss	\$ (26,023)	\$ (14,866)
Adjustments to net loss :		
Deferred income taxes, net of allowances	-	7,813
Gain on arbitration settlement	-	(20,310)
Cumulative effect of changes in accounting principles	7,040	-
Write-off of intangible assets of OptoForm Sarl	847	-
Depreciation and amortization	8,427	9,902
Adjustments for accounts receivable and inventory reserves	2,745	3,527
Loss on property and equipment	386	263
Stock compensation expense	1,316	64
Changes in operating assets and liabilities:		
Deposits	(553)	-
Accounts receivable	6,792	8,524
Lease receivables	9	1,373
Inventories	2,345	7,088
Other assets	3,182	(711)
Accounts payable	(3,818)	(2,575)
Other liabilities	(1,513)	1,222
Net cash provided by operating activities	1,182	1,314
Cash used in investing activities:		
Acquisitions	-	(3,319)
Additions to licenses and patents	(760)	(4,724)
Purchase of property and equipment	(874)	(3,210)
Proceeds from the sale of property and equipment	53	602
Software development costs	(550)	(364)
Net cash used in investing activities	(2,131)	(11,015)
Cash provided by financing activities:		
Exercise of stock options and purchase plan	361	1,052
Net proceeds from sale of common stock	-	12,492
Net proceeds from sale of preferred stock	15,178	-
Net proceeds from convertible debt issuance	22,108	400
Net borrowings/(repayments) under line of credit	(2,450)	44,164
Repayment of long-term debt	(10,500)	(52,450)
Payment of preferred stock dividends	(641)	-
Stock registration costs	(276)	-
Restricted cash	(1,200)	-
Payments under obligations to former RPC stockholders	(351)	-
Repayment of notes receivable from employees	-	185
Net cash provided by financing activities	22,229	5,843
Effect of exchange rate on cash	395	189
Net increase (decrease) in cash	21,675	(3,669)
Cash and cash equivalents at beginning of period	2,279	5,948
Cash and cash equivalents at end of period	\$ 23,954	\$ 2,279