



News Release

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3D Systems Reports Operating Results for Third Quarter and First Nine Months of 2008

ROCK HILL, South Carolina – November 5, 2008 - 3D Systems Corporation (NASDAQ: TDSC), a leading provider of 3-D Printing, Rapid Prototyping and Manufacturing solutions, announced today its operating results for the third quarter and first nine months of 2008. The company also announced the filing with the SEC today of its Quarterly Report on Form 10-Q for the period ended September 30, 2008.

The company will hold a conference call and simultaneous webcast to discuss these operating results tomorrow morning, November 6, 2008 at 9:00 a.m., Eastern Time. Additional information relating to that call and webcast is provided below.

Operating highlights for the third quarter of 2008, compared to the 2007 third quarter, were as follows:

- Revenue declined by 7% to \$35.6 million, primarily due to a shortfall in large-frame systems' sales that was partially offset by higher materials' sales and by higher sales of 3-D Printers.
- Gross profit decreased by 13% to \$13.8 million as lower margins on systems' revenue more than offset higher materials' and services' margins. Gross profit margin improved by 3 percentage points sequentially over the second quarter of 2008.

- Operating expenses declined by 8% to \$14.3 million as a result of continued SG&A reductions that were partially offset by an increase in R&D spending.

The company also reported:

- a \$0.5 million operating loss, reversing \$0.4 million of operating income in the third quarter of 2007;
- a \$1.0 million net loss, reversing \$0.3 million of net income in the third quarter of 2007; and
- a \$0.04 diluted loss per share, reversing \$0.01 of diluted earnings per share in the third quarter of 2007.
- unrestricted cash declined by \$1.0 million during the quarter to \$18.1 million at September 30. Reflecting on the importance of cash during these trying times, the company reported that it had a \$19.5 million unrestricted bank balance as of November 4th.

"I remain disappointed by the company's overall operating performance so far this year notwithstanding the sequential 3 percentage point improvement in gross profit margin that we achieved from the second quarter to the third quarter of 2008, our 12% growth in materials' revenue over the third quarter of 2007, and the year-to-date progress that we have made in reducing our operating expenses," said Abe Reichental, President and Chief Executive Officer of 3D Systems.

"While I recognize that our year-to-date results have been adversely impacted by the difficult global business climate and, more directly, by the credit crisis that intensified during the latter part of the third quarter and contributed to some \$2 million of revenue shortfall from

large-frame systems compared to our mid-September expectations, I am not at all satisfied with our overall progress to date and with the slower than expected progress that we have made this year against some of our key initiatives," continued Reichental.

"Accordingly, and in light of the current difficult economic conditions, during the third quarter we took additional steps to manage our discretionary expenses downward, to conserve cash and to accelerate our planned new product introductions," continued Reichental. "We are pleased that, during what appears to be a down cycle in paid-parts' marketplace demand among our service providers, our integrated materials' revenue increased some 38 percent over the last six months, indicating that our materials' strategy, which is at the heart of our longer-term business model, is continuing to gain positive momentum even during difficult economic times," continued Reichental.

Operating Highlights
Third Quarter and First Nine Months of 2008
(\$ in millions except for per share amounts)

| Operating Highlights | Third Quarter | | | First Nine Months | | |
|---|---------------|---------------|----------|-------------------|---------------|----------|
| | 2008 | 2007 | % Change | 2008 | 2007 | % Change |
| Revenue | \$35.6 | \$38.2 | (6.9%) | \$104.0 | \$111.6 | (6.8%) |
| Gross profit % of Revenue | \$13.8 39% | \$15.9 42% | (13.5%) | \$40.5 39% | \$45.3 41% | (10.6%) |
| Operating expenses % of Revenue | \$14.3 40% | \$15.5 41% | (7.6%) | \$47.1 45% | \$51.9 46% | (9.2%) |
| Operating income (loss) | (\$0.5) | \$0.4 | n/a | (\$6.6) | (\$6.6) | (0.4%) |
| Net income (loss) | (\$1.0) | \$0.3 | n/a | (\$8.0) | (\$8.1) | 1.1% |
| Diluted earnings (loss) per share | (\$0.04) | \$0.01 | n/a | (\$0.36) | (\$0.40) | 10.0% |
| Unrestricted cash | \$18.1 | \$25.5 | (28.9%) | \$18.1 | \$25.5 | (28.9%) |
| Depreciation and amortization % of Revenue | \$1.8 5% | \$1.8 5% | 1.6% | \$5.0 5% | \$5.4 5% | (9.1%) |

Revenue

Revenue from engineered materials and composites increased by 12% in the third quarter of 2008 to \$16.3 million from \$14.6 million in the third quarter of 2007, primarily due to the growing contribution of recurring revenue from the company's newer integrated systems. For the third quarter of 2008, integrated materials accounted for 27% of all materials' revenue, reflecting a 5 percentage point improvement over the materials' revenue for the company's installed base of systems since the first quarter of 2008. Notwithstanding this double-digit growth, materials' revenue fell some \$0.5 million short of the company's mid-September expectations.

Systems' revenue decreased by 30% to \$10.2 million from \$14.5 million in the third quarter of 2007, as the company continued to experience an extended selling cycle. Slower customer spending on high-end, large-frame systems pushed anticipated orders into subsequent quarters. This reflected in part the company's heavy reliance on high-end, large-frame systems' sales in a contracting economy. It also highlighted the company's limited offering in the sub-\$500,000 systems category. The company has been working for some time to enhance its offering within this category and in line with that has introduced several new systems, including the iPro™ 8000 and sPro™ 140 Precision Centers.

Notwithstanding the company's receipt of several high-end, large-frame orders from leading automotive companies during the third quarter that these customers had deferred during the previous two quarters, revenue from large-frame systems accounted for only 31% of total systems' revenue for the third quarter.

The company sold a higher number of 3-D Printers during the third quarter of 2008. However, the associated 50% increase in revenue from

these Printers over the comparable 2007 quarter was not enough to overcome the decline in revenue from the company's high-end, large-frame systems and in and of itself fell some \$0.5 million short of the company's mid-September expectations.

"While the growth in our 3-D Printing business may seem to defy conventional expectations in the current economic environment, I believe that our performance suggests that our new products, which target new digital dental manufacturing and other high definition Rapid Manufacturing and design applications, are gaining positive traction," added Reichental.

Sales of 3-D Printers and other small-frame systems increased as a portion of total systems' sales, increasing to 69% of systems' revenue from 53% of systems' revenue in the third quarter of 2007. As a general matter, 3-D Printers and other small-frame systems have lower gross profit margins than large-frame systems.

Service revenue remained substantially flat compared to the third quarter of 2007.

The company reported that 34% of its consolidated revenue for the quarter was generated from new products that were introduced to the market since 2005.

At September 30, 2008, backlog decreased to approximately \$1.0 million compared with the \$1.1 million of backlog at June 30, 2008. The company believes that this level of backlog is consistent with the normal operating trends in its business, which are not generally dependent on backlog.

Gross Profit

Consolidated gross profit for the third quarter of 2008 declined by 13% to \$13.8 million primarily on lower systems' volume.

Consolidated gross profit margin decreased by almost 3 percentage points to 39% for the third quarter of 2008 from 42% in the 2007 period primarily as a result of the decline in large-frame systems' sales, which resulted in the absorption of overhead over fewer units, a change in systems' revenue mix toward 3-D Printers and other small-frame systems, and the other items that are discussed below.

The company believes that these additional items negatively affected its gross profit margin in the third quarter of 2008 by another 2 percentage points after reflecting the offsetting favorable effect of foreign currency translation on revenue with the unfavorable effect of foreign currency translation on cost of goods sold for the quarter.

These other items included:

- costs associated with the company's 3-D Printer inventory, including the initial planned build up of V-Flash[®] finished goods inventory in anticipation of commercial shipments of that new system;
- duplicate supply-chain costs related to the company's relocation of its domestic logistics activities to its Rock Hill facility, which it completed in the third quarter; and
- the unfavorable effect of foreign currency translation on cost of goods sold, which the company believes on a net basis reduced its gross profit margin by 40 basis points for the third quarter.

The company also implemented a series of other initiatives aimed at improving its gross profit margins, and it believes that these deliberate initiatives resulted in a 2 percentage point improvement to its materials' margin to 63% from 61% and improved service margins by 11 percentage points to 27% from 16%. Additionally, the company expects to gain approximately \$1 million of improvements in its gross profit margin during the next two quarters, as a result of the successful completion of the initiatives discussed above.

Despite the decline in gross profit margin compared to the 2007 third quarter, gross profit margin for the third quarter of 2008 sequentially improved by nearly 3 percentage points from the second quarter of 2008, reflecting in part the absence in the third quarter of the high incidence of used-equipment sales that the company experienced in the second quarter, which the company believes suppressed its second-quarter margins by 200 basis points.

Operating Expenses

Operating expenses continued their favorable downward trend in the third quarter of 2008, declining by 8% to \$14.3 million from \$15.5 million in the third quarter of 2007. This decrease reflected lower selling, general and administrative expenses and was partly offset by \$0.3 million of higher research and development expenses that arose from the company's accelerated new product development activities.

Notwithstanding the \$0.5 million increase in the company's legal spending during the quarter arising from its previously disclosed litigation activities, on a sequential-quarter basis, operating expenses declined by 11% or \$1.8 million from the second quarter to the third quarter of this year.

“In anticipation of the difficult economic climate ahead of us and its uncertain duration, we undertook a series of additional cost reduction programs during the third quarter, including the curtailment of various, non-critical planned expenses for the balance of 2008 and beyond,” commented Reichental. “While I believe that we have made good progress in curtailing our operating expenses, as evidenced by their sequential improvement this year, we have not yet achieved our stated targets. Reflecting on our actual SG&A performance and factoring in our planned marketing activities for the remainder of this year and the uncertainty of our legal expenses due to pending litigation, I expect SG&A expenses for the fourth quarter of 2008 to fall into the range of \$10 million to \$11 million.”

R&D expenses increased to \$3.9 million in the third quarter of 2008 from \$3.6 million in the third quarter of 2007, and the company expects to incur approximately \$4 million of R&D expenses in the fourth quarter of 2008.

Consistent with its belief that shorter product life cycles and the development of systems that are specifically targeted to perform at the right price points and to improve its customers' bottom line can stimulate higher sales during down economic periods, the company stepped up its new product introduction activities during the latter part of the third quarter and announced the introduction of seven new products and systems that it plans to commercialize during the fourth quarter of 2008 and the first quarter of 2009. The company expects these new systems to contribute favorably to its revenue starting in the fourth quarter.

Cash and Working Capital

Despite the contracting economy in which the company operated during the third quarter, its unrestricted cash declined by only \$1.0 million to \$18.1 million at September 30, 2008 from \$19.1 million at June 30, 2008, reflecting its efforts to conserve cash by reducing operating expenses and managing working capital through inventory reductions.

Accounts receivable, net decreased to \$24.2 million at September 30, 2008 from \$28.5 million at June 30, 2008 primarily due to the company's lower third-quarter revenue and improvement in days' sales outstanding to 63 days at September 30, 2008 from 70 days at June 30, 2008.

At September 30, 2008, inventories decreased to \$23.9 million from \$26.1 million at June 30 2008, reflecting some progress in the company's efforts to reduce its inventory. Based on the company's current go-to-market strategy, it still expects inventories to decline to between \$20 million to \$22 million by the end of 2008.

"We believe that our financial resources are adequate for our current and anticipated future needs during this trying economic period. We continue to focus on improving our working capital management, in order to pursue our near-term growth opportunities vigorously," continued Reichental. "Notwithstanding the downturn that we experienced in the capital equipment market, we believe that our recently released innovative and well positioned seven new products should help our manufacturing customers by reducing their development costs, shortening their time to market, and providing real economic cost-savings alternatives to their traditional manufacturing processes. Accordingly, we expect that these factors will help drive

stronger demand for our products during this uncertain economic period.”

Conference Call and Audio Webcast Details

3D Systems will hold a conference call and audio webcast to discuss its financial results for the third quarter and first nine months of 2008 tomorrow morning, November 6, 2008, at 9:00 a.m. Eastern Time.

- To access the Conference Call, dial 1-888-336-3485 (or 706-634-0653 from outside the United States). The confirmation code is 70611607.
- To access the audio webcast, log onto 3D Systems' Web site at www.3dsystems.com/ir. 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 beginning approximately three hours after completion of the call at: www.3dsystems.com/ir.

Forward-Looking Statements

Certain statements made in this release that are not statements of historical or current facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the company to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements that explicitly describe such risks and uncertainties, readers are urged to consider statements in the conditional or future tenses or that include terms such as “believes,” “belief,” “expects,” “estimates,” “intends,” “anticipates” or “plans” to be

uncertain and forward-looking. Forward-looking statements may include comments as to the company's beliefs and expectations as to future events and trends affecting its business and are necessarily subject to uncertainties, many of which are outside the control of the company. The factors described under the headings "Forward-Looking Statements," "Cautionary Statements and Risk Factors," and "Risk Factors" in the company's periodic filings with the Securities and Exchange Commission, as well as other factors, could cause actual results to differ materially from those reflected or predicted in forward-looking statements.

About 3D Systems Corporation

3D Systems is a leading provider of 3-D Printing, Rapid Prototyping and Manufacturing solutions. Its systems and materials reduce the time and cost of designing products and facilitate direct and indirect manufacturing by creating actual parts directly from digital input. These solutions are used for design communication and prototyping as well as for production of functional end-use parts: *Transform your products.*

More information on the company is available at www.3dsystems.com, or via email at moreinfo@3dsystems.com.

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3D SYSTEMS CORPORATION
Condensed Consolidated Statements of Operations
Quarter and Nine Months Ended September 30, 2008 and 2007
(Unaudited)

| <i>(in thousands, except per share amounts)</i> | Quarter Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|-------------------------|-----------|-----------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue: | | | | |
| Products | \$ 26,559 | \$ 29,142 | \$ 77,037 | \$ 85,292 |
| Services | 9,018 | 9,086 | 26,983 | 26,294 |
| Total revenue | 35,577 | 38,228 | 104,020 | 111,586 |
| Cost of sales: | | | | |
| Products | 15,174 | 15,522 | 42,696 | 45,450 |
| Services | 6,615 | 6,768 | 20,790 | 20,816 |
| Total cost of sales | 21,789 | 22,290 | 63,486 | 66,266 |
| Gross profit | 13,788 | 15,938 | 40,534 | 45,320 |
| Operating expenses: | | | | |
| Selling, general and administrative | 10,414 | 11,883 | 36,033 | 41,647 |
| Research and development | 3,916 | 3,623 | 11,091 | 10,238 |
| Total operating expenses | 14,330 | 15,506 | 47,124 | 51,885 |
| Operating income (loss) | (542) | 432 | (6,590) | (6,565) |
| Interest expense (income) and other, net | 87 | (146) | 357 | 1,099 |
| Income (loss) before provision for income taxes | (629) | 578 | (6,947) | (7,664) |
| Provision for income taxes | 360 | 248 | 1,056 | 429 |
| Net income (loss) | \$ (989) | \$ 330 | \$ (8,003) | \$ (8,093) |
| Basic earnings (loss) per share (1) | \$ (0.04) | \$ 0.02 | \$ (0.36) | \$ (0.40) |
| Diluted earnings (loss) per share (1) | \$ (0.04) | \$ 0.01 | \$ (0.36) | \$ (0.40) |

(1) See Schedule 1 for the calculation of basic and diluted earnings (loss) per share.

3D SYSTEMS CORPORATION
Condensed Consolidated Balance Sheets
September 30, 2008 and December 31, 2007
(Unaudited)

| <i>(in thousands)</i> | 2008 | 2007 |
|---|-------------|-------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,119 | \$ 29,689 |
| Accounts receivable, net | 24,181 | 31,115 |
| Inventories, net | 23,914 | 20,041 |
| Prepaid expenses and other current assets | 2,100 | 4,429 |
| Deferred income tax assets | 664 | 693 |
| Restricted cash | 1,200 | 1,200 |
| Assets held for sale, net | 3,454 | 3,454 |
| Total current assets | 73,632 | 90,621 |
| Property and equipment, net | 24,891 | 21,331 |
| Goodwill | 47,635 | 47,682 |
| Other intangible assets, net | 4,055 | 5,170 |
| Other assets, net | 2,466 | 2,581 |
| | \$ 152,679 | \$ 167,385 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Industrial development bonds related to assets held for sale | \$ 3,085 | \$ 3,325 |
| Current portion of capitalized lease obligations | 192 | 181 |
| Accounts payable | 16,438 | 20,712 |
| Accrued liabilities | 10,059 | 12,248 |
| Customer deposits | 1,589 | 1,537 |
| Deferred revenue | 10,083 | 11,712 |
| Total current liabilities | 41,446 | 49,715 |
| Long-term portion of capitalized lease obligations | 8,517 | 8,663 |
| Other liabilities | 4,175 | 4,238 |
| Total liabilities | 54,138 | 62,616 |
| Stockholders' equity: | | |
| Common stock, authorized 60,000 shares, issued and outstanding 22,424 shares (2008) and 22,224 shares (2007) | 22 | 22 |
| Additional paid-in capital | 175,887 | 173,645 |
| Treasury stock, at cost; 58 shares (2008) and 50 shares (2007) | (118) | (111) |
| Accumulated deficit in earnings | (80,406) | (72,403) |
| Accumulated other comprehensive income | 3,156 | 3,616 |
| Total stockholders' equity | 98,541 | 104,769 |
| | \$ 152,679 | \$ 167,385 |

3D SYSTEMS CORPORATION
Condensed Consolidated Statements of Cash Flow
Nine Months Ended September 30, 2008 and 2007
(Unaudited)

| <i>(in thousands)</i> | Nine Months Ended Sept. 30, | |
|--|------------------------------------|-------------|
| | 2008 | 2007 |
| Cash flow from operating activities: | | |
| Net loss | \$ (8,003) | \$ (8,093) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities : | | |
| Provision for (benefit of) deferred income taxes | 29 | (48) |
| Depreciation and amortization | 4,953 | 5,449 |
| Provision for bad debts | 745 | 309 |
| Stock-based compensation | 1,144 | 2,247 |
| Changes in operating accounts: | | |
| Accounts receivable | 5,293 | 7,117 |
| Inventories | (6,765) | 3,236 |
| Prepaid expenses and other current assets | 2,160 | 1,975 |
| Accounts payable | (3,641) | (9,088) |
| Accrued liabilities | (2,320) | (1,279) |
| Customer deposits | 60 | (3,386) |
| Deferred revenue | (1,510) | 95 |
| Other operating assets and liabilities | (71) | 73 |
| Net cash used in operating activities | (7,926) | (1,393) |
| Cash flow used in investing activities: | | |
| Purchases of property and equipment | (4,032) | (966) |
| Additions to license and patent costs | (352) | (521) |
| Software development costs | - | (502) |
| Net cash used in investing activities | (4,384) | (1,989) |
| Cash flow provided by financing activities: | | |
| Bank borrowings (repayments) | - | (8,200) |
| Net proceeds from issuance of common stock | - | 20,407 |
| Stock options and restricted stock proceeds | 1,091 | 2,791 |
| Repayment of long-term debt | (376) | (336) |
| Net cash provided by financing activities | 715 | 14,662 |
| Effect of exchange rate changes on cash | 25 | (139) |
| Net increase (decrease) in cash and cash equivalents | (11,570) | 11,141 |
| Cash and cash equivalents at the beginning of the period | 29,689 | 14,331 |
| Cash and cash equivalents at the end of the period | \$ 18,119 | \$ 25,472 |
| Supplemental Cash Flow Information: | | |
| Interest payments | \$ 713 | \$ 1,015 |
| Income tax payments | 637 | 1,149 |
| Non-cash items: | | |
| Cumulative effect of adopting FIN 48 | - | 1,208 |
| Conversion of 6% convertible subordinated debentures | - | 15,354 |
| Transfer of equipment from inventory to property and equipment | 4,899 | 1,264 |
| Transfer of equipment to inventory from property and equipment | 1,597 | 612 |

Schedule 1
(Unaudited)

Following is a reconciliation of the numerator and denominator of the basic and diluted net earnings (loss) per share computations:

| <i>(in thousands, except per share amounts)</i> | <u>Quarter Ended Sept. 30,</u> | | <u>Nine Months Ended Sept. 30,</u> | |
|---|--------------------------------|----------------|------------------------------------|-------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Basic and diluted earnings (loss) per share: | | | | |
| Basic earnings (loss) per share: | | | | |
| Numerator: | | | | |
| Net income (loss) | <u>\$ (989)</u> | <u>\$ 330</u> | <u>\$ (8,003)</u> | <u>\$ (8,093)</u> |
| Denominator: | | | | |
| Weighted average common shares outstanding | <u>22,366</u> | <u>21,838</u> | <u>22,348</u> | <u>20,115</u> |
| Basic earnings (loss) per share | <u>\$ (0.04)</u> | <u>\$ 0.02</u> | <u>\$ (0.36)</u> | <u>\$ (0.40)</u> |
| Diluted earnings (loss) per share: | | | | |
| Numerator: | | | | |
| Net income (loss) | <u>\$ (989)</u> | <u>\$ 330</u> | <u>\$ (8,003)</u> | <u>\$ (8,093)</u> |
| Denominator: | | | | |
| Weighted average common shares outstanding | 22,366 | 21,838 | 22,348 | 20,115 |
| Effect of dilutive securities: | | | | |
| Stock options and restricted stock awards | - | 661 | - | - |
| Diluted weighted average shares outstanding | <u>22,366</u> | <u>22,499</u> | <u>22,348</u> | <u>20,115</u> |
| Diluted earnings (loss) per share | <u>\$ (0.04)</u> | <u>\$ 0.01</u> | <u>\$ (0.36)</u> | <u>\$ (0.40)</u> |