

Conference Call and Webcast

Discussion of Second Quarter 2010 Results



July 29, 2010

NASDAQ: TDSC - www.3dsystems.com

Participants

- ❑ Stacey Witten
Coordinator, Investor Relations
- ❑ Abe Reichental
President & Chief Executive Officer
- ❑ Damon Gregoire
Senior Vice President & Chief Financial Officer
- ❑ Bob Grace
Vice President & General Counsel

Welcome Webcast Viewers

- ❑ To listen to the conference via phone and to ask questions during our Q&A session, please dial:
 - 1-888-336-3485 in the United States
 - 1-706-634-0653 from outside the United States
 - Participant Code: 81216601

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Certain statements made in this presentation 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 which explicitly describe such risks and uncertainties, readers are urged to consider statements in the future or conditional tenses or that include the terms “believes,” “belief,” “estimates,” “expects,” “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. 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 headings “Forward-Looking Statements,” “Cautionary Statements and Risk Factors,” and “Risk Factors” that appear 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.



Operating Results

Abe Reichental, President & CEO



Second Quarter 2010 Overview

- ❑ We experienced improved global business conditions
- ❑ We enjoyed quarter-over-quarter revenue growth from all revenue buckets led by materials and Production Systems revenue contributions and record 3D printer sales
- ❑ We expanded gross profit margin
- ❑ We continued to grow our 3Dproparts™ service organically and through additional acquisitions
- ❑ We ended the quarter with a backlog of \$5.2 million
- ❑ We generated \$2.7 million net income

Financial Review

Damon Gregoire, Senior Vice President & CFO



Second Quarter 2010 Operating Results

(\$ Millions except per share amounts)

Second Quarter			
Operating Results	2010	2009	% Change Favorable (Unfavorable)
Revenue	\$35.1	\$24.7	42%
Gross Profit	\$16.0	\$10.8	47%
% of Revenue	45%	44%	
Operating Expenses	\$12.5	\$11.7	(7%)
% of Revenue	36%	47%	
Net Income (Loss)	\$2.7	(\$1.3)	NM
Depreciation & Amortization	\$1.9	\$1.4	(36%)
% of Revenue	5%	6%	
Diluted Earnings (Loss) Per Share	\$0.12	(\$0.06)	NM

EPS included the negative impact of 3 cents per share planned V-Flash[®] ramp up and 5 cents per share from litigation costs

Six Months 2010 Operating Results

(\$ Millions except per share amounts)

Six Months			
Operating Results	2010	2009	% Change Favorable (Unfavorable)
Revenue	\$66.8	\$48.7	37%
Gross Profit	\$30.3	\$21.3	42%
% of Revenue	45%	44%	
Operating Expenses	\$24.2	\$23.8	(2%)
% of Revenue	36%	49%	
Net Income (Loss)	\$4.8	(\$3.4)	NM
Depreciation & Amortization	\$3.4	\$3.0	(14%)
% of Revenue	5%	6%	
Diluted Earnings (Loss) Per Share	\$0.20	(\$0.15)	NM

EPS included the negative impact of 4 cents per share planned V-Flash[®] ramp up and 9 cents per share from litigation costs

Factors Shaping Second Quarter Results

(\$ Millions)

Q2-10 vs. Q2-09 Revenue Growth				
	<u>2010</u>	<u>2009</u>	<u>Growth</u>	<u>% Growth</u>
Systems	\$10.7	\$5.9	\$4.8	81%
Materials	14.0	11.7	2.3	19%
Services	10.5	7.1	3.4	47%
Total	35.1	24.7	10.4	42%

**Columns may not foot due to rounding

- ❑ **Systems revenue in Q2 2010 consisted of:**
 - ❑ 35% large-frame systems (15% in Q2 2009)
 - ❑ 23% mid-frame systems (45% in Q2 2009)
 - ❑ 42% 3D printers (40% in Q2 2009)
- ❑ **Services revenue includes:**
 - ❑ Maintenance and warranty contract revenue
 - ❑ Sales of system upgrades
 - ❑ Installation of and training on machines
 - ❑ 3Dparts™ sales

Healthcare Solutions Second Quarter Revenue

- ❑ Healthcare solutions represented 14% of total revenue
- ❑ Recurring revenue from materials and services amounted to 73% of total healthcare solutions revenue
- ❑ Healthcare solutions revenue consists of sales of systems, materials and services for:
 - ❑ Hearing aid applications,
 - ❑ Dental applications, and
 - ❑ Medical device applications
- ❑ Given its early development stage, healthcare solutions revenue may fluctuate due to timing of Production Systems sales within a reporting period

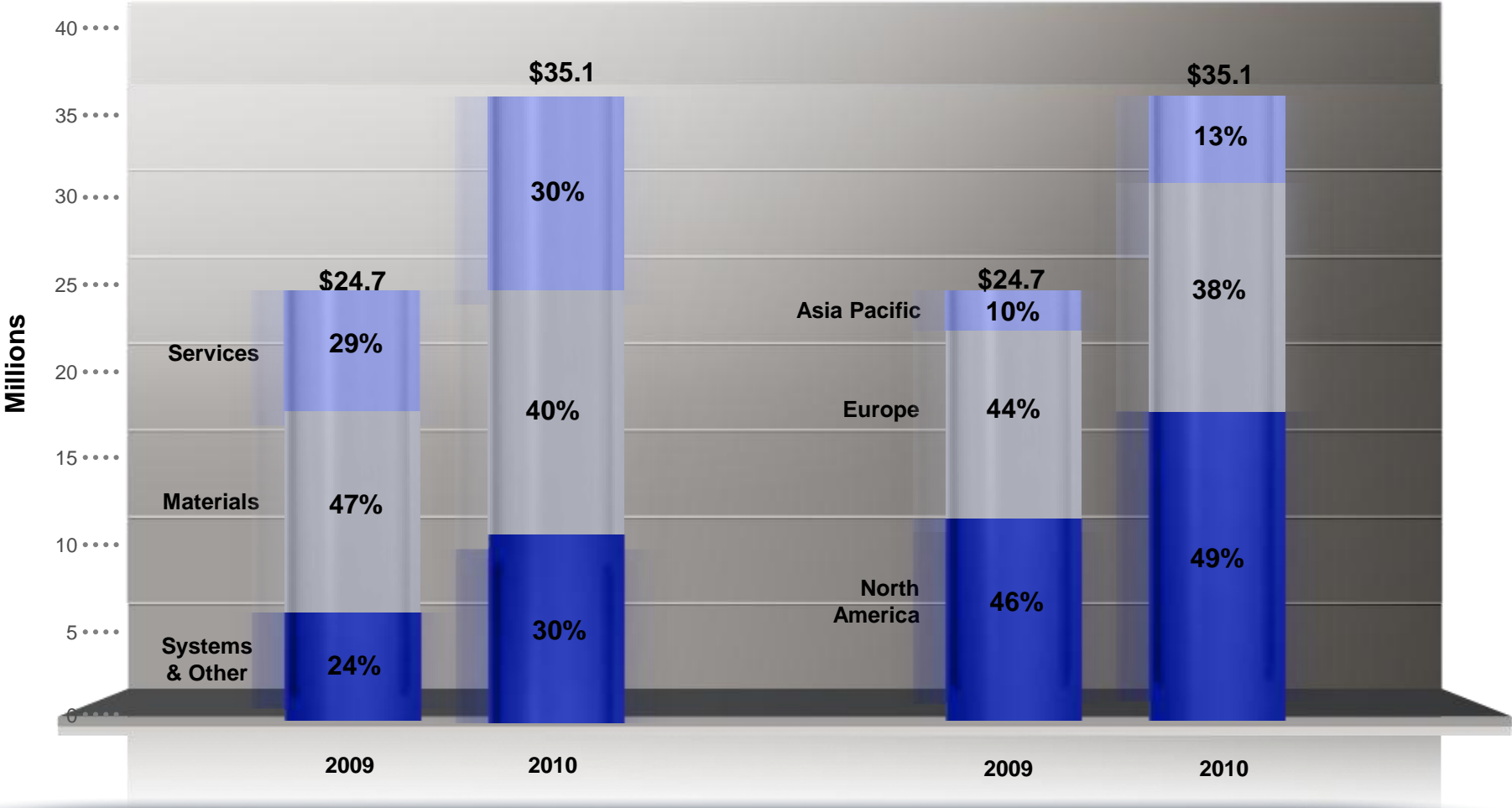
Factors Shaping Second Quarter Results

(\$ Millions)

	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10
Operating Expenses	\$ 11.7	\$ 11.2	\$ 11.7	\$ 11.7	\$ 12.5
Gross Profit Margin	44%	45%	44%	45%	45%
Cash	\$ 24.0	\$ 24.0	\$ 24.9	\$ 26.6	\$ 25.9
Inventory	\$ 19.1	\$ 20.3	\$ 18.4	\$ 20.3	\$ 22.0

- ❑ **Gross margin improved compared to the second quarter of 2009**
- ❑ **Net income of \$2.7 million included \$2.4 million of non-cash expenses**
- ❑ **Cash position decreased from the previous quarter to \$25.9 million, after funding our acquisition of DPT, and we continue to carry no debt on our balance sheet**
- ❑ **Inventory increased due in part to the timing of sales and revenue recognition at quarter-end**

Second Quarter Revenue Composition by Category and Region



Recurring revenue represents 70% of total revenue

Second Quarter 2010 Gross Profit and Margin

	Second Quarter 2010		Second Quarter 2009		Yr-Yr %	
	\$ Millions	% Revenue	\$ Millions	% Revenue	\$	Margin
Systems	\$ 3.7	35%	\$ 1.1	19%	240%	87%
Materials	\$ 8.3	60%	\$ 7.0	60%	18%	(1%)
Services	\$ 3.9	37%	\$ 2.7	38%	46%	(1%)
TOTAL	\$ 16.0	45%	\$10.8	44%	47%	4%

**Columns may not foot due to rounding

Systems gross profit margin benefited from:

- The continued favorable impact of operational and cost improvements
- Better overhead absorption over a larger revenue base

Six Months 2010 Gross Profit and Margin

	Six Months 2010		Six Months 2009		Yr-Yr %	
	\$ Millions	% Revenue	\$ Millions	% Revenue	\$	Margin
Systems	\$ 6.8	35%	\$ 1.9	18%	252%	94%
Materials	\$16.6	60%	\$ 13.8	62%	21%	(2%)
Services	\$ 6.9	35%	\$ 5.6	36%	22%	(3%)
TOTAL	\$ 30.3	45%	\$21.3	44%	42%	4%

Systems gross profit margin benefited from:

- The continued favorable impact of operational and cost improvements
- Better overhead absorption over a larger revenue base

Second Quarter Working Capital Management



Six Months Working Capital Update

(\$ Thousands)

Inventory	
Balance at 12/31/09	\$ 18,378
Q1 2010 Increase	1,900
Q2 2010 Increase	1,733
Balance at 6/30/10	\$ 22,011

Cash	
Balance at 12/31/09	\$ 24,913
Q1 2010 Increase	1,723
Q2 2010 Decrease	(758)
Balance at 6/30/10	\$ 25,878

Long Term Operating Model

Revenue	\$150 million	\$200 million
Gross Profit	48%	58%
SG&A	25%	23%
R&D	8%	7%
Operating Income	15%	28%
Net Income after tax	10%	20%
Depreciation & Amortization	4%	4%
Capital Expenditures	2%	2%
Recurring Revenue	70%	80%

This target model is not intended to constitute financial guidance related to the company's expected performance. It is based upon management's current expectations concerning future events and trends and is necessarily subject to uncertainties.

Progress & Outlook

Abe Reichental, President & CEO



Recent Developments

- ❑ We expanded our 3Dproparts™ services by:
 - ❑ Acquiring Design Prototyping Technologies (Q2 2010)
 - ❑ Acquiring CEP and ProtoMetal (Q3 2010)
 - ❑ Investing in new state-of-the-art iPro™ and sPro™ capacity including two new iPro™ XL systems
- ❑ We grew our healthcare solutions revenue and installed base
- ❑ We expanded our reseller channel and achieved new quarterly record 3D printer revenues resulting in a 92% improvement over the comparable 2009 quarter

Growth Drivers

- ❑ We entered the third quarter of 2010 with a strong sales funnel
- ❑ We expect 3D printer sales to continue to grow, helped by expanding channel and our V-Flash[®] and ProJet[™] printers marketplace acceptance
- ❑ We expect revenue from our 3Dproparts[™] services to continue to grow globally
- ❑ We expect sales of our healthcare solutions to increase, benefiting from our expanding solutions portfolio and growing installed base

Revenue Outlook

- ❑ We expect continued revenue growth over prior year quarters and sequentially during the second half of 2010
- ❑ We expect continued record 3D printer revenue growth driven by:
 - ❑ Higher ProJet™ and V-Flash® sales
 - ❑ Although our total printer revenue is above our expectations, given the favorable and significant shift in mix towards higher priced higher throughput printers, we expect that it might take longer to reach our 250 unit/quarter V-Flash® sales target
- ❑ We expect 3Dproparts™ revenue run-rate to reach 15-20% of our total fourth quarter 2010 revenue

Gross Profit and Operating Expenses Outlook

- We expect our gross profit margin to remain stable despite:
 - Potential adverse systems mix in favor of lower margin printers and integration period of acquired businesses and
 - Continued negative 2-4 percentage point quarterly drag from V-Flash® through the second half of 2010
- We expect SG&A to be in the range of **\$19.0 – 21.5 million** for the remainder of 2010:
 - Inclusive of our anticipated litigation expenses as we currently understand them
 - Increased operating costs associated with 3Dproparts™ acquisitions we made thus far
- We expect R&D spending for the remainder of 2010 to be in the range of **\$5.0 – 6.0 million** while keeping pace with our planned new product introductions

Bottom Line

- ❑ Our sales funnel remains robust
- ❑ Our Parts, Printers and Production Systems are expected to generate increased customer demand
- ❑ Our business model is built around significant, recurring revenue components that generate improved margins

We remain committed to our long-term growth objectives and confident in our ability to provide value to our customers and stockholders

Q&A Session

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Please direct all questions through the teleconference portion of this call.

To ask questions:

- Phone: 1-888-336-3485
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Thank You for Participating



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