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Stratasys Completes Major Milestones in \$3.6 Million Direct Digital Manufacturing Contract

Alpha Unit Accepted and Installed at Customer Site

MINNEAPOLIS--(BUSINESS WIRE)--

(NASDAQ:SSYS) Stratasys reports it has recently completed several major milestones as part of its previously announced \$3.6 million R&D contract with a Fortune 500 company.

The contract was entered into in 2005 for the purpose of advancing Stratasys' proprietary FDM(R) technology for direct digital manufacturing applications. The project is expected to increase Stratasys' opportunities in this emerging market and broaden its product offerings.

"Industry analysts project the market for direct digital manufacturing could be far greater than that of rapid prototyping systems and 3D printers combined," says Stratasys CEO Scott Crump. "Already we're seeing a significant percentage of our FDM productivity systems used for manufacturing applications."

Numerous milestones have been passed throughout the ongoing project. Major milestones reached in December 2006 include the:

- completion of alpha-unit testing, with customer approval at Stratasys, and
- installation and acceptance at the customer site.

These milestones were achieved less than two weeks apart, and the unit was delivered on time and on budget. Customer satisfaction has resulted in requests for several additional units to meet capacity demands.

Incorporating the new technologies, Stratasys will continue to develop new products with added manufacturing capabilities for the broader marketplace. "We've discussed several of these pending technologies with select customers who have shown enthusiastic approval," says Stratasys FDM product manager Patrick Robb. "Many of these customers would like these technologies now, but understand product-development schedules. Some have started plans to implement the technologies as they become available."

Stratasys Inc., Minneapolis, makes prototyping and direct digital manufacturing systems. Stratasys equipment is used in industries such as aerospace, automotive, defense, medical, and consumer products. In 2005, the company installed 34 percent of all systems sold worldwide, making it the unit market leader for the fourth consecutive year, according to Wohlers Report 2006. Stratasys patented the prototyping process known as fused

deposition modeling (FDM(R)). The process creates functional models directly from any 3D CAD program using ABS plastic, polycarbonate, PPSF or other materials. The company holds 175 granted or pending global prototyping patents. In addition to manufacturing products, Stratasys is the exclusive North American distributor of Arcam manufacturing and prototyping systems. On the Web: www.Stratasys.com

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Forward Looking Statements

All statements herein that are not historical facts or that include such words as "expects", "anticipates", "projects", "estimates" or "believes" or similar words are forward-looking statements that we deem to be covered by and to qualify for the safe harbor protection covered by the Private Securities Litigation Reform Act of 1995. Our belief that we have the largest part-building service claim is based on the number of dedicated machines. Except for the historical information herein, the matters discussed in this news release are forward-looking statements that involve risks and uncertainties; these include the continued market acceptance and growth of our Dimension (TM) line, Prodigy Plus, FDM Maxum(TM), FDM Vantage(TM), and Titan(TM) product lines; the size of the 3D printing market; our ability to penetrate the 3D printing market; our ability to maintain the growth rates experienced in this and preceding quarters; our ability to introduce and market new materials such as ABS-Plus and the market acceptance of this and other materials; the impact of competitive products and pricing; the timely development and acceptance of new products and materials; our ability to effectively manage the transition period following the discontinuation of the Objet distribution agreement; our ability to effectively and profitably market and distribute the Arcam product line; the success of our recent R&D initiative to expand the direct digital manufacturing capabilities of our core FDM technology; the success of our RedEyeRPM(TM) and other parts services; and the other risks detailed from time to time in our SEC Reports, including the annual report on Form 10-K for the year ended December 31, 2005 and 10-Q filed throughout 2006.

Source: Stratasys Inc.