

*1999 Annual Report*

SYSTEMS

3D Systems Corporation
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Nasdaq: TDSC

3D SYSTEMS CORPORATION

## On The Cover

Volvo

Motorola

Hamilton Sundstrand

Taylor Made

## Corporate Profile

3D Systems provides solid imaging products and services that substantially reduce the time and cost required to design, test, and manufacture products. The company's systems utilize patented technologies, which create physical objects from digital input.

3D Systems currently offers the ThermoJet™ office printer and SLA® industrial systems, which include proprietary software and materials. These products offer a wide range of applications to a variety of industries.

The company also licenses the 3D Keltool® process, a complementary application to the SLA product line that produces injection molding and die casting inserts from SLA system master patterns.

Based in Valencia, California, 3D Systems was founded in 1986 and is recognized as the world technology and market leader in solid imaging. The company has over 1,600 systems installed worldwide, and its customers include world-class manufacturers in the automotive, aerospace, consumer products, electronics and medical industries—and more recently, the artist, entertainment, and architecture communities.

# Financial Highlights

**Operating Results** *In thousands, except per share amounts*

| Year ended | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Total sales | $ 96,949 | $ 98,117 | $ 90,257 | $79,632 | $ 62,582 |
| Net income (loss) | (5,301) | 2,132 | (4,589) | 4,599 | 8,917 |
| Diluted net income (loss) per share | (0.47) | 0.18 | (0.40) | 0.39 | 0.83 |
| Shares used to calculate diluted net income per share | 11,376 | 11,594 | 11,398 | 11,742 | 10,708 |

**Financial Position** *In thousands*

| Year ended | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Working capital | $ 31,219 | $ 38,305 | $ 38,310 | $ 49,764 | $ 50,022 |
| Total assets | 90,658 | 95,103 | 91,340 | 92,239 | 81,551 |
| Current portion of long-term debt | 110 | 100 | 95 | 100 | — |
| Long-term liabilities | 9,168 | 6,090 | 6,197 | 6,273 | 1,622 |
| Stockholders' equity | 59,608 | 66,557 | 64,595 | 68,703 | 62,950 |

**Revenue**
*In millions*

| | |
|---|---|
| 99 | $96.9 |
| 98 | $98.1 |
| 97 | $90.3 |
| 96 | $79.6 |
| 95 | $62.6 |

**Net Income (Loss)**
*In millions*

| | |
|---|---|
| 99 | ($5.3) |
| 98 | $2.1 |
| 97 | ($4.6) |
| 96 | $4.6 |
| 95 | $8.9 |

**Total Assets**
*In millions*

| | |
|---|---|
| 99 | $90.7 |
| 98 | $95.1 |
| 97 | $91.3 |
| 96 | $92.2 |
| 95 | $81.6 |

**Stockholders' Equity**
*In millions*

| | |
|---|---|
| 99 | $59.6 |
| 98 | $66.6 |
| 97 | $64.6 |
| 96 | $68.7 |
| 95 | $63.0 |

**Diluted Net Income (Loss) Per Share**
*In dollars*

| | |
|---|---|
| 99 | (0.47) |
| 98 | 0.18 |
| 97 | (0.40) |
| 96 | 0.39 |
| 95 | 0.83 |

**Systems Shipped**

| | |
|---|---|
| 99 | 303 |
| 98 | 222 |
| 97 | 274 |
| 96 | 157 |
| 95 | 120 |

OUR GOAL IS TO PROVIDE THE WIDEST RANGE OF SOLID IMAGING SOLUTIONS TO INDUSTRIAL AND OFFICE USERS INVOLVED IN DESIGN AND PRODUCTION APPLICATIONS.

*General Motors*

*Electrolux*

*Tiger Electronics/Hasbro*

# Dear Shareholder

In 1999 we took aggressive action to bring the divergent strands of our business into a cohesive and profitable whole. Since coming on board in the third quarter to head 3D Systems' management team, we have concentrated our efforts on making operations more efficient, refocusing our sales efforts in the U.S. and abroad, shifting our research and development focus to meet customer needs, and developing products and services for new and existing customers.

Our goal is to provide the widest range of solid imaging solutions to industrial and office users involved in design and production applications. We are also committed to providing aftermarket service and support to our customers, and are continuing to develop and introduce new and better materials that enable wider applications of our existing systems.

We have had great success in the rapid prototyping market, but we feel that substantial opportunities exist for our technologies in other arenas. As a result, we have begun to focus our attention on the lucrative and fast growing tooling and short-run production areas, where our integrated package of hardware, software and materials provides a valuable solution. The first goal is to produce parts from our SLA® machines that can be used as real-world production parts, not just as prototypes. We believe this is truly a breakthrough application, and we have already succeeded in providing this type of solution for some of our customers. We feel that rapid manufacturing, as well as developing customized manufacturing solutions for individual users, is the future of 3D Systems.

Recognizing the need to expand our product offerings to retain our leadership position and target new market areas, 3D Systems introduced two new machines in 1999. The SLA 7000—a top-of-the-line, high performance stereolithographic system designed for industrial use—offers increased productivity compared to our existing solid imaging systems. It also provides fine surface finish and reduced processing times. The SLA 7000 machine joins three other industrial SLA systems, each with specific uses and target industrial markets. We believe our SLA products offer the widest range of solutions for our industrial customers.

Also in 1999, the company introduced an ink jet-based solid imaging system, the ThermoJet™ printer, that offers designers and engineers the ability to make accurate, relatively low cost concept models early in the design process. The ThermoJet printer is roughly the size of a standard office copy machine, and is used in office locations by designers and engineers to check design, form, fit, style and ergonomics before proceeding further in the manufacturing cycle. Its hot melt ink jet technology creates models in successive layers using our proprietary thermoplastic solid imaging material. We are pleased to report that by the end of last year, both the SLA 7000 system and ThermoJet printer were attaining market acceptance.

In the third quarter of 1999, we refocused our sales efforts to meet customer needs—not only for new and better systems—but to provide better support for our existing products. We have long recognized that the initial sale of a solid imaging system is just the first step in a long-term relationship with our customers. We continue to provide on-site maintenance service, user support, as well as proprietary materials and software upgrades throughout our systems' lifecycles. We believe that as our installed base of systems continues to grow, so will the market for our service and consumable materials.

We are finding that the demand for materials with additional functionality continues to expand. As a result, we are focusing much of our research and development effort on developing materials with broader capabilities. In 1999, we released new materials for our SLA machines. Cibatool® SL 7510 high productivity material is now available to customers of the SLA 3500, 5000 and 7000 systems, and offers durability, fast build speed, and good all-around performance. The recently introduced SL 5430 material for the SLA 500 unit combines productivity, clarity and temperature resistance of up to 482º F (250º C). Although the SLA 500 system is no longer in production, we are committed to providing innovative products and solutions to our existing customers. These materials, along with the SL 5530HT epoxy plastic released in December of 1998, offer significant functionality improvement for our existing systems.

We are continuing to work closely with Ciba Specialty Chemicals to develop new and improved materials for use in our SLA systems. Just this March, we announced the revolutionary SL 7540 material for the SLA 3500, 5000 and 7000 system platforms. SL 7540 is a landmark material that offers superior durability, flexibility, accuracy and excellent surface quality. Parts built with SL 7540 have the look and mechanical properties of polypropylene—or other end-use thermoplastics—and the material provides the capabilities needed to undergo rigorous functional testing. In many cases, interim steps such as bridge tooling are eliminated, and customers are able to streamline their design and production process. SL 7540 is just the first step in a series of next-generation materials for 3D Systems. Materials that are mimics of ABS or polycarbonate plastics are currently under development, and could create a major shift in how our equipment is used in the marketplace.

While our materials are improving and evolving, so is our software. The latest versions of 3D Lightyear™ and Buildstation™ software are driving a new build support structure that equates to faster, easier clean-up of parts as they come off the SLA system. That means that our customers get their finished, functional parts quicker, easier and with better part quality and surface finish than ever before.

*Thompson Consumer Electronics*

OUR CURRENT EFFORTS ARE GEARED TOWARD DELIVERING BETTER AND MORE FUNCTIONAL PRODUCTS TO NEW AND EXISTING CUSTOMERS ACROSS A WIDE VARIETY OF INDUSTRIES.

We are also working on developing proprietary thermoplastic solid imaging materials for our ThermoJet office printer. We currently manufacture three types of thermoplastic for our printer line and expect to release new material with increased functionality this year.

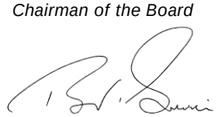
The company intends to develop strategic business partnerships with manufacturers of complementary technologies, as well as existing and potential customers. We established a partnership with SensAble Technologies in 1999, a company that markets a computer interface for digital sculpting. Using SensAble's technology for digital input and our ThermoJet printer for physical output, we have been able to increase acceptance for our products in new arenas, such as the artist and entertainment communities.

A continued focus on expanding these types of partnerships, along with developing customized manufacturing solutions for individual customers, is also a key element of our growth plan. We are already selling multiple units into several major manufacturers and causing our technology to be the key element in their development and manufacturing processes—in some cases eliminating the tooling process. We feel that our integrated solid imaging package has the potential for becoming an enterprise solution and a significant profit generator for many existing and prospective customers.

We are pleased to report that our efforts to refocus the Company have begun to show results. We reported record results in the fourth quarter of last year and look forward to continued success in the year 2000. Our current efforts are geared toward delivering better and more functional products to new and existing customers across a wide variety of industries. We are confident that our superior technology, combined with improved marketing and research and development, will enable us to maintain our position as the worldwide leader in solid imaging products and continue our growth well into the new century.

We would like to thank our employees, customers, vendors and shareholders for their support in 1999. We look forward to continuing to report on our Company's progress in the coming months.

G. Walter Loewenbaum II
*Chairman of the Board*



Brian K. Service
*President and Chief Executive Officer*

March 31, 2000

# Corporate Directory

### *Senior Management*

Brian K. Service
*President and Chief Executive Officer*

H. Michael Hogan III
*Vice President, Chief Financial Officer*

Charles W. Hull
*Vice President, Chief Technology Officer*

Clark A. Hardesty
*Vice President, Sales and Marketing*

Grant R. Flaharty
*Vice President, General Manager, 3D Systems Europe*

Martin E. McGough
*Vice President, Worldwide Operations Manager*

A. Sidney Alpert
*Vice President, General Counsel and Secretary*

### *Board of Directors*

G. Walter Loewenbaum II
*Chairman of the Board*
*Chairman and Chief Executive Officer*
*Loewenbaum & Company*

Charles W. Hull
*Vice President, Chief Technology Officer*
*3D Systems Corporation*

Gary J. Sbona
*Chairman and Chief Executive Officer*
*Regent Pacific Management Corporation,*
*Chairman and Chief Executive Officer*
*Verity, Inc.*
*and Chairman and Chief Executive Officer*
*Auspex Systems, Inc.*

Kevin S. Moore
*President*
*The Clark Estates, Inc.*

Miriam V. Gold
*Vice President and Assistant General Counsel*
*Legal and Regulatory Affairs, Additives Division*
*Ciba Specialty Chemicals Corporation*

Jim D. Kever
*President and Co-Chief Executive Officer*
*Envoy Corporation*

### *Corporate Headquarters*

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### *Transfer Agent*

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1745 Gardena Avenue, Suite 200
Glendale, California 91204
818.502.1404

### *Independent Public Accountants*

PricewaterhouseCoopers LLP
21650 Oxnard Street, Suite 1900
Woodland Hills, California 91367

### *Legal Counsel*

Troop Steuber Pasich Reddick & Tobey LLP
2029 Century Park East, 24th floor
Los Angeles, California 90067

### *Common Stock Listing*

Shares of the Company's common stock are listed on the Nasdaq National Market System under the symbol TDSC.

### *Investor Relations Contact*

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Trudy M. Self
Self & Associates
818.880.5437

Investor relations materials may be obtained from the company's web site, located at http://www.3dsystems.com, or by calling 800.757.1799.

### *Annual Meeting*

The annual meeting of shareholders will take place on Tuesday, May 2, 2000 at 9:00 a.m. Pacific Time at the Hyatt Valencia, 24500 Town Center Drive, Valencia, California.



*Except for the historical information contained in this report, the matters discussed include forward-looking statements that involve risks and uncertainties including: the availability and acceptance of new products, the impact of competitive products and pricing, dependence on key personnel and suppliers, industry-wide domestic and international economic conditions, and other risks detailed in the company's SEC reports on Form 10-K for the year ended December 31, 1999, and reports on Form 10-Q filed by the company with the SEC during the prior and current fiscal year.*

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