

Company Registration No. 2540492

**3D EUROPEAN HOLDINGS LTD
(FORMERLY 3D SYSTEMS EUROPE LTD)**

Report and Financial Statements

31 December 2003



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3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

REPORT AND FINANCIAL STATEMENTS

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**3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K McAlea
M J Taylor
G P White

SECRETARY

M J Taylor

REGISTERED OFFICE

Mark House
Mark Road
Hemel Hempstead
Herts
HP2 7UA

BANKERS

Barclays Bank plc
PO Box 87
22-24 Upper Marlborough Road
St Albans
Herts
AL1 3HJ

SOLICITORS

| | |
|-----------------|------------------|
| Machins | Bryan Cave |
| Victoria Street | 33 Cannon Street |
| Luton | London |
| Beds | EC4M 5TE |
| LU1 2BS | |

AUDITORS

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

**3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

REPORT AND FINANCIAL STATEMENTS

DIRECTORS REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the group is the marketing and selling of solid imaging systems designed to reduce the time it takes to produce three-dimensional objects. The products produce physical objects from the digital output of solid or surface data from computer aided design and manufacturing and related computer systems, and include SLA® systems, SLS® systems and ThermoJet® solid object printers. The company also markets and supplies services and materials in order to maintain and run the system hardware.

Turnover from the European group declined by 8.9% to £26.2m. The group made an operating profit for the year of £1,085,000 compared with a loss of £2,860,000 for the previous year principally due to a gross margin increase of 0.8 percentage points and a reduction in expenses of £4.5m. Margin increase is due to increased sell prices and improved mix across the region in which the company operates. The expense reduction is a combination of items reflecting rationalisation over the past 18 months. 2002 included severance costs of approximately £600,000 and bad debt provisions of £800,000 which did not reoccur in 2003. 2003 benefited from reduced run rate costs in the areas of headcount, reduced marketing activities, lower amortisation and professional fees in addition to the closure of the Sales Office in Spain.

FUTURE PROSPECTS

The global solid imaging market continues to expand and 3D Systems is well placed with an increasing range of hardware, software and consumables to take advantage of this. With a lower cost base from the restructuring in 2002 and 2003 the European business looks stronger than ever before.

RESULTS FOR THE YEAR

The consolidated profit and loss account for the year is set out on page 5.

DIVIDENDS

The directors do not recommend the payment of a dividend (2002: £ nil).

POST BALANCE SHEET EVENT

Effective from 1 January 2004, the assets and undertaking of 3D Systems Europe Limited (registered no. 2540492) were transferred to its wholly owned subsidiary, 3D European Holdings (registered no. 4192367). Also, effective 1 January 2004, there was a name swap between the two companies.

DIRECTORS AND THEIR INTERESTS

The directors who held office since 1 January 2003 were as follows:

| | |
|------------|----------------------------|
| M J Taylor | |
| K McAlea | |
| G P White | (Appointed 26 August 2003) |
| G Flaherty | (Resigned 28 July 2003) |
| R P Schmit | (Resigned 28 July 2003) |
| E J Selzer | (Resigned 28 July 2003) |

None of the directors who held office at the end of the financial year had any interest in the shares of the company.

PEOPLE WITH DISABILITIES

The group employs people regardless of disability.

The group makes every effort to make the working environment one which includes the needs of disabled people.

EMPLOYEE INVOLVEMENT

Employees are kept up to date with developments in the group through regular group-wide announcements and group briefings. There are regular forums to discuss company issues.

AUDITORS

A resolution to appoint BDO Stoy Hayward LLP as auditors was made following the accepted resignation of Deloitte & Touche LLP after completion of the 2002 accounts.

Approved by the Board of Directors
and signed on behalf of the Board



M J Taylor

13 October 2004

**3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITORS REPORT

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

We have audited the financial statements of 3D European Holdings Limited (formerly 3D Systems Europe Limited) for the year ended 31 December 2003 on pages 5 to 19. These financial statements have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company at 31 December 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
13th October 2004

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2003

| | Note | 2003 £000's | 2002 £000's |
|---|------|-------------------|-----------------------|
| TURNOVER | 2 | 26,161 | 28,712 |
| Cost of sales | | (18,421) | (20,451) |
| GROSS PROFIT | | <u>7,740</u> | <u>8,261</u> |
| Selling costs | | (4,276) | (6,708) |
| Administrative expenses | | (2,379) | (4,413) |
| OPERATING PROFIT / (LOSS) | 3 | <u>1,085</u> | <u>(2,860)</u> |
| Bank interest receivable & similar income | | 8 | 26 |
| Interest payable & similar charges | 6 | (268) | (435) |
| PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>825</u> | <u>(3,269)</u> |
| Tax on profit / (loss) on ordinary activities | 7 | (188) | (139) |
| PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | 15 | <u><u>637</u></u> | <u><u>(3,408)</u></u> |

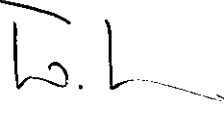
All amounts relate to continuing operations

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

CONSOLIDATED BALANCE SHEET
as at 31 December 2003

| | Note | Group 2003 £000's | Group 2002 £000's |
|---|------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible Assets | 8 | 1,581 | 2,761 |
| | | <u>1,581</u> | <u>2,761</u> |
| CURRENT ASSETS | | | |
| Stock | 10 | 1,955 | 4,202 |
| Debtors | 11 | 7,893 | 12,770 |
| Cash in hand and at Bank | | 2,445 | 869 |
| | | <u>12,293</u> | <u>17,841</u> |
| CREDITORS: Amounts falling due within one year | 12 | (11,379) | (19,060) |
| NET CURRENT ASSETS / (LIABILITIES) | | <u>914</u> | <u>(1,219)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,495</u> | <u>1,542</u> |
| PROVISION FOR LIABILITIES AND CHARGES | 13 | 0 | (2) |
| | | <u>2,495</u> | <u>1,540</u> |
| CAPITAL AND RESERVES | | | |
| Called up Share Capital | 14 | 6,907 | 6,907 |
| Profit and Loss Account | 15 | (4,412) | (5,336) |
| Other reserves | 15 | 0 | (31) |
| TOTAL SHAREHOLDERS' FUNDS | | <u>2,495</u> | <u>1,540</u> |
| Attributable to equity shareholders | | 2,495 | (5,357) |
| Attributable to non-equity shareholders | | <u>0</u> | <u>6,897</u> |

These financial statements were approved by the Board of Directors on 13th October 2004
Signed on behalf of the Board of Directors

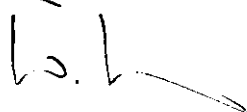

M J Taylor
Director
13th October 2004

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

COMPANY BALANCE SHEET
as at 31 December 2003

| | Note | Company 2003 £000's | Company 2002 £000's |
|---|------|---------------------------|---------------------------|
| FIXED ASSETS | | | |
| Tangible Assets | 8 | 426 | 766 |
| Investments | 9 | 6,110 | 5,922 |
| | | <u>6,536</u> | <u>6,688</u> |
| CURRENT ASSETS | | | |
| Stock | 10 | 440 | 733 |
| Debtors | 11 | 2,675 | 7,010 |
| Cash in hand and at Bank | | 97 | 71 |
| | | <u>3,212</u> | <u>7,814</u> |
| CREDITORS: Amounts falling due within one year | 12 | (6,434) | (11,300) |
| NET CURRENT LIABILITIES | | <u>(3,222)</u> | <u>(3,486)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,314</u> | <u>3,202</u> |
| PROVISION FOR LIABILITIES AND CHARGES | 13 | 0 | (15) |
| | | <u>3,314</u> | <u>3,187</u> |
| CAPITAL AND RESERVES | | | |
| Called up Share Capital | 14 | 6,907 | 6,907 |
| Profit and Loss Account | 15 | (3,593) | (3,720) |
| TOTAL SHAREHOLDERS' FUNDS | | <u>3,314</u> | <u>3,187</u> |
| Attributable to equity shareholders | | 3,314 | (3,710) |
| Attributable to non-equity shareholders | | <u>0</u> | <u>6,897</u> |

These financial statements were approved by the Board of Directors on 13th October 2004
Signed on behalf of the Board of Directors


M J Taylor
Director
13th October 2004

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
as at 31 December 2003

| GROUP | 2003 £000's | 2002 £000's |
|--|------------------------------|------------------------------|
| Profit / (loss) for the year | 637 | (3,408) |
| Currency translation differences on foreign currency net investments | 318 | 98 |
| Total recognised gains and losses for the year | <u><u>955</u></u> | <u><u>(3,310)</u></u> |

**3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)**

**NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003**

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more significant accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of Consolidation

The group accounts consolidate the accounts of the company and its subsidiaries. Profits arising on trading between group companies are excluded.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The estimated useful lives for the main categories of tangible fixed assets are:

| | Years |
|------------------------|--------------|
| Plant & Equipment | 4-5 |
| Leasehold Improvements | 4 |

Foreign Currencies

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

For consolidation purposes, the assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Exchange differences arising on these translations are taken to reserves and the statement of total recognised gains and losses.

Operating Leases

The rental charges of operating leases are charged to the profit and loss account on a straight line basis over the life of the leases.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes all direct expenditure. Where necessary, provision is made for obsolete, slow moving or defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of the goods and services supplied. Revenue on maintenance contracts is taken to the profit and loss account on a monthly basis across the annual life of the contract.

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

Deferred Taxation

Deferred taxation is provided in full on timing differences that result in a obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The costs of funding the defined benefit pension scheme operated by the group are estimated on the basis of indendent actuarial advice and a charged to the profit and loss account over the expected services lives of the participating employees.

The company also contributes to certain employees' private pension schemes. The amount charged to the profit and loss represents the contributions payable in of the financial year.

Cash Flow Statement and Related Party Disclosures

The company is a wholly-owned subsidiary of 3D Systems Inc (a company registered and listed on the Stock Exchange in the United States) and is included in the consolidated financial statements of 3D Systems Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the 3D Systems Inc group.

Prior Year Adjustment

Following a review of the Group's intangible assets a prior year adjustment has been recorded in relation to eliminating group intangible assets. The effect of this on the financial statements is explained in note 15.

2 ANALYSIS OF TURNOVER

| Group 2003 £000's | Group 2002 £000's |
|-------------------------|-------------------------|
|-------------------------|-------------------------|

The invoiced value (net of sales taxes) of the goods and services arising from the principal activity of the group can be attributable to the group's different geographical as follows:

| | | |
|----------------|---------------|---------------|
| United Kingdom | 5,712 | 6,919 |
| Overseas | 20,449 | 21,793 |
| | <u>26,161</u> | <u>28,712</u> |

3 OPERATING PROFIT / LOSS

| Group 2003 £000's | Group 2002 £000's |
|-------------------------|-------------------------|
|-------------------------|-------------------------|

| | | |
|---|---------|---------|
| Operating loss is after charging/(crediting): | | |
| Depreciation of owned assets | 1,107 | 1,352 |
| Auditors remuneration - group | 108 | 162 |
| - UK company auditors | 27 | 36 |
| Other services provided by UK auditors | 7 | 68 |
| Operating lease rentals | | |
| - land & buildings | 550 | 527 |
| - other assets | 318 | 493 |
| Profit on foreign exchange | (644) | (1,572) |
| Amortisation of goodwill | 0 | 23 |
| Loss on disposal of fixed assets | 34 | 53 |
| | <u></u> | <u></u> |

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

4 EMPLOYEES

The average number of employees employed by the group within each category of persons was:

| | Group 2003 No. | Group 2002 No. |
|-----------------------|-------------------------------|-------------------------------|
| Sales and marketing | 22 | 22 |
| Service and technical | 62 | 67 |
| Administration staff | 20 | 21 |
| | <u>104</u> | <u>110</u> |

The costs incurred in respect of these employees were:

| | Group 2003 £000's | Group 2002 £000's |
|-----------------------|----------------------------------|----------------------------------|
| Wages and salaries | 4,206 | 5,131 |
| Social security costs | 870 | 779 |
| Other pension costs | 143 | 184 |
| | <u>5,219</u> | <u>6,094</u> |

Analysis of Other Pension Costs:

| | Group 2003 £000's | Group 2002 £000's |
|------------------------------|----------------------------------|----------------------------------|
| Defined contribution schemes | 65 | 72 |
| Defined benefit schemes | 78 | 112 |
| | <u>143</u> | <u>184</u> |

5 DIRECTORS

| | Group 2003 £000's | Group 2002 £000's |
|--|----------------------------------|----------------------------------|
| Emoluments of directors of the parent company included in staff costs were as follows: | | |
| Aggregate emoluments | 162 | 265 |
| Company contributions to money purchase schemes | 8 | 14 |
| Compensation for loss of office | 0 | 181 |
| | <u>170</u> | <u>460</u> |

The emoluments of the highest paid director were £119,000 (2002: £101,000)

Retirement benefits accrue to 1 (2002: 1) directors under money purchase schemes and nil (2002: nil) directors under defined benefit schemes.

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | Group 2003 £000's | Group 2002 £000's |
|------------------------------------|-------------------------|-------------------------|
| Bank interest payable | 5 | 12 |
| Interest payable to parent company | 263 | 423 |
| | <u>268</u> | <u>435</u> |

7 TAX ON PROFIT / LOSS ON ORDINARY ACTIVITIES

| | Group 2003 £000's | Group 2002 £000's |
|-------------------------------------|-------------------------|-------------------------|
| UK Corporation tax | 147 | 74 |
| Adjustment in respect of prior year | 1 | (8) |
| Overseas tax | <u>152</u> | <u>113</u> |
| Total current taxation | 300 | 179 |
| Deferred tax | (112) | (40) |
| Total taxation charge | <u>188</u> | <u>139</u> |

The tax assessed for the current year is higher than results from applying the standard rate of corporation tax in the UK. The differences are explained below:

| | | |
|---|--------------|--------------|
| (Profit) / loss on ordinary activities before tax | <u>(825)</u> | <u>3,269</u> |
| Tax at 30% thereon | 248 | (981) |
| Expenses not deductible for tax purposes | 10 | 155 |
| Capital allowances in excess of depreciation/(depreciation in excess of capital allowances) | 35 | 8 |
| Increase in tax losses | 0 | 441 |
| Movement in short term timing differences | (2) | 78 |
| Effect of overseas tax rates | 36 | 107 |
| Utilisation of brought forward losses | (28) | 0 |
| Consolidation adjustments | 0 | 379 |
| Adjustments in respect of prior year | 1 | (8) |
| Total current taxation | <u>300</u> | <u>179</u> |

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

8 TANGIBLE FIXED ASSETS

| Group | Improvements to Leasehold Buildings £000's | Plant & Equipment £000's | Total £000's |
|---------------------------------|---|---|-------------------------|
| Cost or valuation | | | |
| At 1 January 2003 | 626 | 5,974 | 6,600 |
| Translation adjustment | 30 | 401 | 431 |
| Additions | 7 | 374 | 381 |
| Disposals | (8) | (1,678) | (1,686) |
| At 31 December 2003 | <u>655</u> | <u>5,071</u> | <u>5,726</u> |
| Accumulated depreciation | | | |
| At 1 January 2003 | 340 | 3,499 | 3,839 |
| Translation adjustment | 22 | 243 | 265 |
| Charge for the year | 111 | 996 | 1,107 |
| Disposals | (6) | (1,060) | (1,066) |
| At 31 December 2003 | <u>467</u> | <u>3,678</u> | <u>4,145</u> |
| Net Book Value | | | |
| At 31 December 2003 | <u>188</u> | <u>1,393</u> | <u>1,581</u> |
| At 31 December 2002 | <u>286</u> | <u>2,475</u> | <u>2,761</u> |
| Company | | | |
| Cost or valuation | | | |
| At 1 January 2003 | 263 | 1,172 | 1,435 |
| Additions | 0 | 61 | 61 |
| Disposals | 0 | (177) | (177) |
| At 31 December 2003 | <u>263</u> | <u>1,056</u> | <u>1,319</u> |
| Accumulated depreciation | | | |
| At 1 January 2003 | 81 | 589 | 670 |
| Charge for the year | 66 | 224 | 290 |
| Disposals | 0 | (67) | (67) |
| At 31 December 2003 | <u>147</u> | <u>746</u> | <u>893</u> |
| Net Book Value | | | |
| At 31 December 2003 | <u>116</u> | <u>310</u> | <u>426</u> |
| At 31 December 2002 | <u>182</u> | <u>584</u> | <u>766</u> |

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

9 INVESTMENTS HELD AS FIXED ASSETS

| Company | Shares at Cost £000's |
|---------------------------------|-----------------------------|
| Cost: | |
| At 1 January 2003 | 9,670 |
| Additions | 380 |
| At 31 December 2003 | <u>10,050</u> |
| Provision for impairment | |
| At 1 January 2003 | 3,748 |
| Impairment charge for the year | 192 |
| At 31 December 2003 | <u>3,940</u> |
| Net Book Value: | |
| At 31 December 2003 | <u>6,110</u> |
| At 31 December 2002 | <u>5,922</u> |

The addition in the year relates to an increased cash investment in 3D Systems Solid Imaging SA.

The company owns 100% of the issued ordinary share capital of the following companies which are incorporated in the countries as shown:

| Name | Country of Incorporation |
|---|--------------------------|
| 3D Systems France SARL | France |
| 3D Systems GmbH | Germany |
| 3D Systems Italia SRL | Italy |
| 3D Systems Solid Imaging SA | Spain |
| 3D Systems Europe Limited (formerly 3D European Holdings Limited) | UK |

All of the companies operate in the country in which they are incorporated and are engaged in the business sectors detailed in the directors' report.

10 STOCKS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2003 £000's | 2002 £000's | 2003 £000's | 2002 £000's |
| Stocks held for resale and servicing of customer machines | 1,955 | 4,202 | 440 | 733 |

In the opinion of the directors the replacement cost of stock is not materially different to the amounts at which it is stated in the accounts.

11 DEBTORS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2003 £000's | 2002 £000's | 2003 £000's | 2002 £000's |
| Trade debtors | 7,351 | 9,357 | 1,818 | 2,700 |
| Amounts owed by parent company | 0 | 2,052 | 0 | 2,053 |
| Amounts owed by other group undertakings | 43 | 15 | 622 | 2,039 |
| Corporation tax recoverable | 95 | 248 | 0 | 28 |
| Other debtors | 140 | 461 | 8 | 52 |
| Prepayments and accrued income | 154 | 637 | 117 | 138 |
| Deferred taxation (note 13) | 110 | 0 | 110 | 0 |
| | <u>7,893</u> | <u>12,770</u> | <u>2,675</u> | <u>7,010</u> |

3D EUROPEAN HOLDINGS LIMITED
(FORMERLY 3D SYSTEMS EUROPE LIMITED)

NOTES TO THE ACCOUNTS
Year Ended 31 Decmeber 2003

12 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2003 £000's | 2002 £000's | 2003 £000's | 2002 £000's |
| Trade creditors | 778 | 1,192 | 125 | 117 |
| Amounts owed to parent undertaking | 4,708 | 11,021 | 4,289 | 6,451 |
| Amounts owed to other group undertakings | 108 | 1,158 | 390 | 3,590 |
| Corporation tax | 69 | 23 | 85 | 24 |
| Other creditors | 92 | 44 | 0 | 0 |
| Other taxation and social security | 740 | 655 | 318 | 177 |
| Accruals and deferred income | 4,884 | 4,967 | 1,227 | 941 |
| | <u>11,379</u> | <u>19,060</u> | <u>6,434</u> | <u>11,300</u> |

13 PROVISIONS FOR LIABILITIES AND CHARGES

| | Group | Company |
|--|------------|------------|
| Provision for deferred taxation | | |
| At 1 January 2003 | (2) | (15) |
| Credit to the profit and loss account | 112 | 125 |
| At 31 December 2003 | <u>110</u> | <u>110</u> |

The current provision for deferred taxation is zero and there is a debtor balance of £110,000 which is shown in the debtor analysis in note 11.

| Group | 2003 £000's | 2002 £000's |
|--|----------------|----------------|
| Tax effect of timing differences because of: | | |
| Excess of tax allowances over | | |
| Depreciation | 16 | (8) |
| Interest | 93 | 0 |
| Provisions | 1 | 4 |
| Unpaid Pension Contributions | 0 | 2 |
| | <u>110</u> | <u>(2)</u> |

| Company | 2003 £000's | 2002 £000's |
|--|----------------|----------------|
| Tax effect of timing differences because of: | | |
| Excess of tax allowances over | | |
| Depreciation | 16 | (21) |
| Interest | 93 | 0 |
| Provisions | 1 | 4 |
| Unpaid Pension Contributions | 0 | 2 |
| | <u>110</u> | <u>(15)</u> |

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NOTES TO THE ACCOUNTS
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14 CALLED UP SHARE CAPITAL

| | 2003 £000's | 2002 £000's |
|--|----------------|----------------|
| Authorised: | | |
| 12,000,000 ordinary shares of £1 each | 12,000 | 11 |
| 7,000,000 preference shares of £1 each | 7,000 | 7,000 |
| | <u>19,000</u> | <u>7,011</u> |
| Called up, allotted and fully paid: | | |
| 6,906,553 ordinary shares of £1 each | 6,907 | 10 |
| 6,896,550 preference shares of £1 each | 0 | 6,897 |
| | <u>6,907</u> | <u>6,907</u> |

In December 2003 the preference shares were redeemed in exchange for ordinary shares on a 1 for 1 basis.

The preference shares entitle the holder to have the right on a winding up or other return of capital to repayment in priority to any payment to the holders of any other shares in the capital group of the amounts paid up on the preference shares held by them. The preference shares do not entitle the holder to any further rights or other participation in the profits or assets of 3D European Holdings Ltd nor do they carry any voting rights. The company has the right to redeem all or some of the preference shares at any time subject to the company giving sufficient notice of such redemption to the holders of the preference shares.

15 RESERVES

| Group | Other Reserve £000's | Profit and Loss Account £000's | Total £000's |
|--|----------------------------|--------------------------------------|-----------------|
| At 1 January 2003 as previously stated | (104) | (5,638) | (5,742) |
| Prior year adjustment | 73 | 302 | 375 |
| At 1 January 2003 | <u>(31)</u> | <u>(5,336)</u> | <u>(5,367)</u> |
| Retained profit for the year | | 637 | 637 |
| Currency translation difference on foreign currency net investments | 31 | 287 | 318 |
| At 31 December 2003 | <u>(0)</u> | <u>(4,412)</u> | <u>(4,412)</u> |

The prior year adjustment relates to elimination of group intangible assets previously recognised. Such group intangible assets are no longer recognised in the group financial statements.

| Company | Profit and Loss Account £000's |
|------------------------------|--------------------------------------|
| At 1 January 2003 | (3,720) |
| Retained profit for the year | 127 |
| At 31 December 2003 | <u>(3,593)</u> |

The company has taken advantage of s230 of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented. The profit of the parent company for the year was £127,000 (2002: loss £4,601,000).

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NOTES TO THE ACCOUNTS
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16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| Group | 2003 £000's | 2002 £000's |
|---|------------------------|------------------------|
| Opening shareholders' funds as previously stated | 1,165 | 4,475 |
| Prior year adjustment | 375 | |
| At 1 January 2003 | 1,540 | 4,475 |
| Retained profit for the year | 637 | (3,408) |
| Exchange differences on retranslation of net foreign currency investments | 318 | 98 |
| Closing shareholders' funds | 2,495 | 1,165 |
| Company | | |
| Opening shareholders' funds | 3,187 | 7,788 |
| Retained profit for the year | 127 | (4,601) |
| Closing shareholders' funds | 3,314 | 3,187 |

17 LEASE COMMITMENTS

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below:

| | 2003 | | 2002 | |
|---|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Land and Buildings £000's | Other £000's | Land and Buildings £000's | Other £000's |
| Operating leases which expire within one year | 5 | 172 | 35 | 50 |
| Expiring between two and five years | 490 | 195 | 302 | 310 |
| | 495 | 367 | 337 | 360 |

18 ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party is 3D Systems Inc, a company incorporated in the United States of America. Copies of the group financial statements can be obtained from 26081 Avenue Hall, Valencia, CA 91355, USA.

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19 PENSION COSTS

Defined Benefit Scheme

A subsidiary company of 3D Systems Europe Ltd, 3D Systems GmbH operates a non-contributory funded defined benefit scheme providing benefits based on final salary. The scheme is administered by a third party company, Alte Leipziger Pensionsmanagement GmbH. Alte Leipziger are also the independent actuaries who have provided the scheme valuation.

SSAP 24 Reported Cost

The reported cost has been determind by a qualified actuary using the entry age normal method, based on a valuation as at 4th March 2004. The assumptions used in the valuation were:

| | |
|---|----------|
| Rate of salary increases | 3.0% |
| Rate of pension increases | 2.0% |
| Discount rate | 6.0% |
| Average residual service time of the employee | 24 years |

The reported cost for the year was £77,631 (2002 - £112,004)

FRS 17 Transitional Disclosure

The disclosures in this note have been determined by a qualified actuary and are based on a valuation as at 4th March 2004. The assumptions used by the actuary were:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|-------------|-------------|-------------|
| Rate of salary increases | 2.0% | 2.0% | 3.0% |
| Rate of pension increases | 1.5% | 1.5% | 2.0% |
| Discount rate | 5.3% | 5.5% | 6.0% |
| Inflation assumption | 1.5% | 1.5% | 2.0% |
| Average residual service time of the employees | 24 years | 25 years | 26 years |

Projected unit credit method

| <u>2003</u> | <u>2002</u> |
|---------------|---------------|
| <u>£000's</u> | <u>£000's</u> |

Analysis of amount that would have been charged to Operating Profit

| | | |
|------------------------|-----------|-----------|
| Service cost | 76 | 64 |
| Total Operating Charge | <u>76</u> | <u>64</u> |

Analysis of amount that would have been credited to other finance income

| | | |
|--|-----------|-----------|
| Interest on pension scheme liabilities | 42 | 38 |
| Net Return | <u>42</u> | <u>38</u> |

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| | <u>2003</u> £000's | <u>2002</u> £000's |
|--|-----------------------|-----------------------|
| <u>Analysis of amounts that would have been included in the statement of total recognised gains & losses</u> | | |
| Experience gains and losses arising on the scheme liabilities | 0 | (29) |
| Actuarial loss | 0 | (29) |

The history of experience gains and losses is as follows

| | | |
|---|--------|--------|
| Experience gains and losses arising on the scheme liabilities | | |
| - amount | 0 | (29) |
| - percentage | -0.05% | -4.14% |
| Actuarial loss to be recognised in the STRGL | | |
| - amount | 0 | (29) |
| - percentage | -0.05% | -4.14% |

Movement during the year

| | | |
|--|-------|-------|
| Deficit in scheme at beginning of the year | (712) | (639) |
| Current service cost | (76) | (64) |
| Other finance income | (42) | (38) |
| Actuarial loss | 0 | 29 |
| Deficit in scheme at end of the year | (830) | (712) |

Effect on Net Assets

| | | |
|--|-------|-------|
| Net Assets excluding pension asset/liability | 2,495 | 1,540 |
| FRS 17 Liability | (830) | (712) |
| Net Assets including pension asset/liability | 1,665 | 828 |

20 POST BALANCE SHEET EVENT

Effective from 1 January 2004, the net assets and trade of 3D Systems Europe Limited (registered no. 2540492) were transferred to its wholly owned subsidiary, 3D European Holdings Ltd (registered no. 4192367). Also, effective 1 January 2004, there was a name swap between the two companies.