ExOne Co
Form 10-Q
November 14, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

# FORM 10-Q

**(Mark One)**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**Or**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission File No. 001-35806**

**The ExOne Company**

**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Delaware** | **46-1684608** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |

**127 Industry Boulevard**

**North Huntingdon, Pennsylvania 15642**

**(Address of Principal Executive Offices) (Zip Code)**

**(724) 863-9663**

**(Registrant s telephone number, including area code)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer ¨ |
| Non-accelerated filer x (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ¨ No x

As of November 14, 2013, 14,387,608 shares of common stock, par value $0.01 were outstanding.

## PART I FINANCIAL INFORMATION

**Item I. Financial Statements.**

**The ExOne Company and Subsidiaries (formerly The Ex One Company, LLC and Subsidiaries)**

**Condensed Statement of Consolidated Operations and Comprehensive Income (Loss) (Unaudited)**

**(in thousands, except per-share amounts)**

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Revenue** | $ 11,621 | $ 8,515 | $ 28,785 | $ 15,913 |
| **Cost of sales** | 6,370 | 4,959 | 16,515 | 10,018 |
| **Gross profit** | 5,251 | 3,556 | 12,270 | 5,895 |
| **Operating expenses** | | | | |
| Research and development | 1,286 | 347 | 3,418 | 1,179 |
| Selling, general and administrative | 3,703 | 8,879 | 11,179 | 14,827 |
| | 4,989 | 9,226 | 14,597 | 16,006 |
| **Income (loss) from operations** | 262 | (5,670) | (2,327) | (10,111) |
| **Other (income) expense** | | | | |
| Interest expense | 46 | 234 | 326 | 542 |
| Other (income) expense - net | 1 | (47) | (63) | (74) |
| | 47 | 187 | 263 | 468 |
| **Income (loss) before income taxes** | 215 | (5,857) | (2,590) | (10,579) |
| **Provision (benefit) for income taxes*** | 439 | (63) | 530 | 171 |
| **Net loss** | (224) | (5,794) | (3,120) | (10,750) |
| **Less: Net income attributable to noncontrolling interests** | | 138 | 138 | 320 |
| **Net loss attributable to ExOne** | $ (224) | $ (5,932) | $ (3,258) | $ (11,070) |
| **Net loss attributable to ExOne per common share:** | | | | |
| Basic | $ (0.02) | N/A* | $ (0.28) | N/A* |
| Diluted | (0.02) | N/A* | (0.28) | N/A* |
| **Comprehensive income (loss):** | | | | |
| Net loss attributable to ExOne | $ (224) | $ (5,932) | $ (3,258) | $ (11,070) |
| Other comprehensive income (loss): | | | | |

| | | | | |
|---|---|---|---|---|
| Foreign currency translation adjustments | 470 | 264 | (287) | (53) |
| **Comprehensive income (loss)** | 246 | (5,668) | (3,545) | (11,123) |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | | | | |
| **Comprehensive income (loss) attributable to ExOne** | $ 246 | $ (5,668) | $ (3,545) | $ (11,123) |

* Information not comparable for the quarter and nine months ended September 30, 2012 as a result of the Reorganization of the Company as a corporation on January 1, 2013 (Note 1).

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**The ExOne Company and Subsidiaries (formerly The Ex One Company, LLC and Subsidiaries)**

**Condensed Consolidated Balance Sheets (Unaudited)**

**(in thousands, except share and unit amounts)**

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 115,144 | $ 2,802 |
| Accounts receivable - net of allowance of $65 (2013) and $83 (2012) | 8,391 | 8,413 |
| Inventories - net | 10,809 | 7,485 |
| Prepaid expenses and other current assets | 3,352 | 1,543 |
| Total current assets | 137,696 | 20,243 |
| Property and equipment - net | 23,967 | 12,467 |
| (Including amounts attributable to consolidated variable interest entities of $5,567 at December 31, 2012) | | |
| Deferred income taxes | | 178 |
| Other noncurrent assets | 1,034 | 187 |
| **Total assets** | $ 162,697 | $ 33,075 |
| **Liabilities** | | |
| Current liabilities: | | |
| Line of credit | $ | $ 528 |
| Demand note payable to member | | 8,666 |
| Current portion of long-term debt | 126 | 2,028 |
| (Including amounts attributable to consolidated variable interest entities of $1,913 at December 31, 2012) | | |
| Current portion of capital and financing leases | 532 | 920 |
| Accounts payable | 3,173 | 2,451 |
| Accrued expenses and other current liabilities | 5,148 | 4,436 |
| Preferred unit dividends payable | | 1,437 |
| Deferred income taxes | | 178 |
| Deferred revenue and customer prepayments | 1,031 | 4,281 |
| Total current liabilities | 10,010 | 24,925 |
| Long-term debt - net of current portion | 2,114 | 5,669 |
| (Including amounts attributable to consolidated variable interest entities of $3,150 at December 31, 2012) | | |
| Capital and financing leases - net of current portion | 607 | 1,949 |
| Other noncurrent liabilities | 378 | 491 |
| **Total liabilities** | 13,109 | 33,034 |

| | | |
|---|---|---|
| Contingencies and commitments | | |
| **Stockholders / Members Equity** | | |
| ExOne stockholders / members equity (deficit): | | |
| Common stock, $0.01 par value, 200,000,000 shares authorized, 14,387,608 shares issued and outstanding | 144 | |
| Additional paid-in capital | 153,163 | |
| Accumulated deficit | (3,258) | |
| Preferred units, $1.00 par value, 18,983,602 units issued and outstanding | | 18,984 |
| Common units, $1.00 par value, 10,000,000 units issued and outstanding | | 10,000 |
| Members deficit | | (31,355) |
| Accumulated other comprehensive loss | (461) | (174) |
| **Total ExOne stockholders / members equity (deficit)** | 149,588 | (2,545) |
| Noncontrolling interests | | 2,586 |
| **Total stockholders / members equity** | 149,588 | 41 |
| **Total liabilities and stockholders / members equity** | $ 162,697 | $ 33,075 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**The ExOne Company and Subsidiaries (formerly The Ex One Company, LLC and Subsidiaries)**

**Condensed Statement of Consolidated Cash Flows (Unaudited)**

**(in thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2013** | **2012** |
| **Operating activities** | | |
| Net loss | $ (3,120) | $ (10,750) |
| Adjustments to reconcile net loss to cash used for operations: | | |
| Depreciation | 1,685 | 1,258 |
| Equity-based compensation | 511 | 7,735 |
| Changes in assets and liabilities, excluding effects of foreign currency translation adjustments: | | |
| (Increase) decrease in accounts receivable | (196) | (1,186) |
| (Increase) decrease in inventories | (6,128) | (5,395) |
| (Increase) decrease in prepaid expenses and other assets | (2,723) | (57) |
| Increase (decrease) in accounts payable | (75) | 793 |
| Increase (decrease) in accrued expenses and other liabilities | 187 | 554 |
| Increase (decrease) in deferred revenue and customer prepayments | (3,592) | (1,944) |
| **Cash used for operating activities** | (13,451) | (8,992) |
| **Investing activities** | | |
| Capital expenditures | (9,822) | (1,802) |
| Cash effect of deconsolidation of noncontrolling interests in variable interest entities | (2,327) | |
| **Cash used for investing activities** | (12,149) | (1,802) |
| **Financing activities** | | |
| Net proceeds from issuance of common stock initial public offering | 91,083 | |
| Net proceeds from issuance of common stock secondary public offering | 65,201 | |
| Net change in line of credit borrowings | (528) | 914 |
| Net change in demand note payable to member | (9,885) | 6,953 |
| Proceeds from financing leases | | 2,539 |
| Payments on long-term debt | (5,457) | (1,311) |
| Payments on capital and financing leases | (2,031) | (341) |
| Payment of preferred stock dividends | (456) | |
| **Cash provided by financing activities** | 137,927 | 8,754 |
| Effect of exchange rate changes on cash and cash equivalents | 15 | (25) |
| Net change in cash and cash equivalents | 112,342 | (2,065) |
| Cash and cash equivalents at beginning of period | 2,802 | 3,496 |

| | | | | |
|---|---|---|---|---|
| **Cash and cash equivalents at end of period** | $ | 115,144 | $ | 1,431 |
| **Supplemental disclosure of noncash investing and financing activities** | | | | |
| Property and equipment acquired through financing arrangements | $ | 282 | $ | 3,170 |
| Transfer of inventories to property and equipment for internal use | $ | 3,338 | $ | 1,400 |
| Transfer of property and equipment to inventories for sale | $ | (534) | $ | (336) |
| Reorganization of The Ex One Company, LLC with and into The ExOne Company | $ | (2,371) | $ | |
| Conversion of preferred stock dividends payable and accrued interest to principal amounts due under the demand note payable to member | $ | 1,219 | $ | 313 |
| Noncash effect of deconsolidation of noncontrolling interests in variable interest entities | $ | (397) | $ | |
| Secondary public offering costs included in accounts payable and accrued expenses and other current liabilities | $ | (898) | $ | |
| Secondary public offering costs reimbursable from selling stockholders | $ | 645 | $ | |
| Reclassification of redeemable preferred units to preferred units | $ | | $ | 18,984 |
| Preferred unit dividends declared but unpaid | $ | | $ | 1,031 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**The ExOne Company and Subsidiaries (formerly The Ex One Company, LLC and Subsidiaries)**

**Condensed Statement of Changes in Consolidated Stockholders / Members Equity (Deficit) (Unaudited)**

**(in thousands)**

| | ExOne unitholders / stockholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Preferred units** | **Common units** | **Members deficit** | **Preferred stock** | **Common stock** | **Additional paid-in capital** | **Accumulated deficit** | **Accumulated other comprehensive loss** | **Noncontrolling interests** | **Total stockholders / members equity (deficit)** |
| **Balance at December 31, 2011** | $ | $ 10,000 | $ (27,485) | $ | $ | $ | $ | $ (220) | $ 2,106 | $ (15,599) |
| Preferred unit reclassification | 18,984 | | | | | | | | | 18,984 |
| Preferred unit dividends | | | (1,031) | | | | | | | (1,031) |
| Equity-based compensation | | | 7,735 | | | | | | | 7,735 |
| Net loss | | | (11,070) | | | | | | 320 | (10,750) |
| Other comprehensive loss | | | | | | | | (53) | | (53) |
| **Balance at September 30, 2012** | $ 18,984 | $ 10,000 | $ (31,851) | $ | $ | $ | $ | $ (273) | $ 2,426 | $ (714) |
| **Balance at December 31, 2012** | $ 18,984 | $ 10,000 | $ (31,355) | $ | $ | $ | $ | $ (174) | $ 2,586 | $ 41 |
| Reorganization of The Ex One Company, LLC with and into The ExOne Company | (18,984) | (10,000) | 31,355 | 190 | 58 | (2,619) | | | | |
| **Balance at January 1, 2013** | | | | 190 | 58 | (2,619) | | (174) | 2,586 | 41 |
| Preferred stock dividends | | | | | | (152) | | | | (152) |
| | | | | (190) | 20 | 170 | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Conversion of preferred stock to common stock | | | | | | | | | | |
| Initial public offering of common stock in The ExOne Company, net of issuance costs | | | | | 55 | 90,316 | | | | 90,371 |
| Secondary public offering of common stock in The ExOne Company, net of issuance costs | | | | | 11 | 64,937 | | | | 64,948 |
| Equity-based compensation | | | | | | 511 | | | | 511 |
| Net loss | | | | | | | (3,258) | | 138 | (3,120) |
| Other comprehensive loss | | | | | | | | (287) | | (287) |
| Deconsolidation of noncontrolling interests in variable interest entities | | | | | | | | | (2,724) | (2,724) |
| **Balance at September 30, 2013** | $ | $ | $ | $ | $ 144 | $ 153,163 | $ (3,258) | $ (461) | $ | $ 149,588 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**The ExOne Company and Subsidiaries (formerly The Ex One Company, LLC and Subsidiaries)**

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**(dollars in thousands, except per-share, share and unit amounts)**

**Note 1. Basis of Presentation, Principles of Consolidation and Going Concern**

The ExOne Company ( ExOne ) is a corporation organized under the laws of the state of Delaware. ExOne was formed on January 1, 2013, when The Ex One Company, LLC, a Delaware limited liability company, merged with and into a Delaware corporation, which survived and changed its name to The ExOne Company (the Reorganization ). As a result of the Reorganization, The Ex One Company, LLC became ExOne, the common and preferred interest holders of The Ex One Company, LLC became holders of common stock and preferred stock, respectively, of ExOne, and the subsidiaries of The Ex One Company, LLC became the subsidiaries of ExOne.

The Company has considered the proforma effects of its Reorganization on the provision for income taxes for both the quarter and nine months ended September 30, 2012, in its condensed statement of consolidated operations and comprehensive income (loss) and concluded that there would be no difference as compared to the amount reported, principally due to valuation allowances established against net deferred tax assets (Note 15). In addition, the Company has omitted basic and diluted earnings per share for both the quarter and nine months ended September 30, 2012, as a result of the Reorganization, as the basis for such calculation is no longer comparable to current period presentation.

The condensed consolidated financial statements include the accounts of ExOne, its wholly-owned subsidiaries, ExOne Americas LLC (United States), ExOne GmbH (Germany), effective in August 2013 ExOne Properties GmbH (formerly ExOne Holding Deutschland GmbH) (Germany) and ExOne KK (Japan), and through March 27, 2013 (see further description below) two variable interest entities ( VIEs ) in which ExOne was identified as the primary beneficiary, Lone Star Metal Fabrication, LLC ( Lone Star ) and Troy Metal Fabricating, LLC ( TMF ). Collectively, the consolidated group is referred to as the Company .

At December 31, 2012 and through March 27, 2013, ExOne leased property and equipment from Lone Star and TMF. ExOne did not have an ownership interest in Lone Star or TMF and the assets of Lone Star and TMF could only be used to settle obligations of Lone Star and TMF. ExOne was identified as the primary beneficiary of Lone Star and TMF in accordance with the guidance issued by the Financial Accounting Standards Board ( FASB ) on the consolidation of VIEs, as ExOne guaranteed certain long-term debt of both Lone Star and TMF and governed these entities through common ownership. This guidance requires certain VIEs to be consolidated when an enterprise has the power to direct the activities of the VIE that most significantly impact VIE economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The condensed consolidated financial statements therefore include the accounts of Lone Star and TMF through March 27, 2013.

On March 27, 2013, ExOne Americas LLC acquired certain assets, including property and equipment (principally land, buildings and machinery and equipment) held by the two VIEs, and assumed all outstanding debt of such VIEs (Note 4). Following this transaction, neither of the entities continued to meet the definition of a VIE with respect to ExOne, and as a result, the remaining assets and liabilities of both entities were deconsolidated following the transaction.

On February 6, 2013, the Company commenced an initial public offering of 6,095,000 shares of its common stock at a price to the public of $18.00 per share, of which 5,483,333 shares were sold by the Company and 611,667 were sold by a selling stockholder (including consideration of the exercise of the underwriters over-allotment option). Following completion of the offering on February 12, 2013, the Company received net proceeds of approximately $91,996 (net of underwriting commissions). In addition, the Company incurred associated offering costs of approximately $1,625, including approximately $712 in offering costs previously paid and deferred by the Company at December 31, 2012.

On September 9, 2013, the Company commenced a secondary public offering of 3,054,400 shares of its common stock at a price to the public of $62.00 per share, of which 1,106,000 shares were sold by the Company and 1,948,400 were sold by selling stockholders (including consideration of the exercise of the underwriters over-allotment option). Following completion of the offering on September 13, 2013, the Company received net proceeds of approximately $65,315 (net of underwriting commissions). In addition, associated offering costs of approximately $1,012 were incurred in connection with this offering. Associated offering costs incurred by the Company in connection with the secondary public offering of $367 were based on its pro-rata sale of shares as compared to selling stockholders, who were responsible for their pro-rata portion. As a result, at September 30, 2013, amounts reimbursable from selling stockholders of approximately $645, representing their pro-rata portion of the secondary offering costs, are recorded in prepaid expenses and other current assets in the condensed consolidated balance sheets. Amounts reimbursable from selling stockholders are expected to be settled prior to December 31, 2013.

The condensed consolidated financial statements of the Company are unaudited. The condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary by management to fairly state the results of operations, financial position and cash flows of the Company. All material intercompany transactions and balances have been eliminated in consolidation. The results reported in these condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year. The December 31, 2012 condensed consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ( GAAP ). This Quarterly Report on Form 10-Q should be read in connection with the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

The Company has incurred net losses of approximately $9,688, $7,617 and $5,180 for the years ended December 31, 2012, 2011 and 2010, respectively. As shown in the accompanying condensed consolidated financial statements, the Company incurred a net loss of approximately $224 and $3,120 for the quarter and nine months ended September 30, 2013. Prior to Reorganization the Company operated as a limited liability company and was substantially supported by the continued financial support provided by its majority member. These conditions raised substantial doubt as to the Company s ability to continue as a going concern. As noted above, in connection with the completion of its initial public offering in February 2013 and secondary public offering in September 2013, the Company received total unrestricted net proceeds from the sale of its common stock of approximately $157,311. Management believes that the unrestricted net proceeds obtained through these transactions have alleviated the substantial doubt and will be sufficient to support the Company s operations through October 1, 2014.

**Note 2. Recently Issued Accounting Guidance**

In February 2013, the FASB issued guidance changing the requirements of companies reporting of amounts reclassified out of accumulated other comprehensive income (loss). These changes require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income (loss) on the respective line items in net income (loss) if the amount being reclassified is required to be reclassified in its entirety to net income (loss). For other amounts that are not required to be reclassified in their entirety to net income (loss) in the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about those amounts. These requirements are to be applied to each component of accumulated other comprehensive income (loss). This change becomes effective for the Company on January 1, 2014. Other than the additional disclosure requirements, management has determined that the adoption of these changes will not have an impact on the consolidated financial statements of the Company.

In July 2013, the FASB issued guidance clarifying the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The amendment requires that unrecognized tax benefits be presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions exist. This change becomes effective for the Company on January 1, 2015. The adoption of this guidance is not expected to have a material impact on the consolidated financial statements of the Company.

**Note 3. Computation of Net Loss Attributable to ExOne Per Common Share**

The Company presents basic and diluted loss per common share amounts. Basic loss per share is calculated by dividing net loss available to ExOne common shareholders by the weighted average number of common shares outstanding during the applicable period. Diluted loss per share is calculated by dividing net loss available to ExOne common shareholders by the weighted average number of common shares and common equivalent shares outstanding during the applicable period.

The weighted average shares outstanding for both the quarter and nine months ended September 30, 2013, include (i) the exchange of common units in the former limited liability company for common shares in the Company on a 0.58:1.00 basis in connection with the Reorganization of the Company on January 1, 2013, (ii) the issuance of 5,483,333 common shares in connection with the commencement of the initial public offering of the Company on February 6, 2013, (iii) the conversion of preferred shares to common shares in the Company on a 9.5:1.0 basis in connection with the closing of the initial public offering of the Company on February 12, 2013, and (iv) the issuance of 1,106,000 common shares in connection with the commencement of the secondary public offering of the Company on September 9, 2013.

As ExOne incurred a net loss during both the quarter and nine months ended September 30, 2013, basic average shares outstanding and diluted average shares outstanding were the same because the effect of potential shares of common stock consisting of incentive stock options and restricted stock issued (Note 12), was anti-dilutive.

The information used to compute basic and diluted net loss attributable to ExOne per common share was as follows:

| | Quarter Ended September 30, 2013 | | Nine Months Ended September 30, 2013 | |
|---|---|---|---|---|
| Net loss attributable to ExOne | $ | (224) | $ | (3,258) |
| Less: Preferred stock dividends declared | | | | (152) |
| Net loss available to ExOne common shareholders | $ | (224) | $ | (3,410) |
| Weighted average shares outstanding (basic and diluted) | | 13,534,065 | | 12,316,096 |
| Net loss attributable to ExOne per common share: | | | | |
| Basic | $ | (0.02) | $ | (0.28) |
| Diluted | | (0.02) | | (0.28) |

The Company has omitted basic and diluted earnings per share for the quarter and nine months ended September 30, 2012, as a result of the Reorganization (Note 1), as the basis for such calculation is no longer comparable to current period presentation.

**Note 4. Acquisition of Net Assets of Variable Interest Entities**

On March 27, 2013, ExOne Americas LLC acquired certain assets, including property and equipment (principally land, buildings and machinery and equipment) held by two VIEs of the Company, TMF and Lone Star, and assumed all outstanding debt of such VIEs.

Payments of approximately $1,900 and $200 were made to TMF and Lone Star, respectively, including a return of capital to the entities of approximately $1,400. As the parties subject to this transaction were determined to be under common control, property and equipment acquired in the transaction were recorded at their net carrying value on the date of acquisition (approximately $5,400) similar to a pooling-of-interests. As the VIEs were consolidated by the Company in previous periods, no material differences exist due to the change in reporting entity, and as such, no restatement of prior period financial statements on a combined basis is considered necessary. There was no gain or loss or goodwill generated as a result of this transaction, as the total purchase price was equal to the net book value of assets at the VIE level (previously consolidated by the Company). Simultaneous with the completion of this transaction, the Company also repaid all of the outstanding debt assumed from the VIEs, resulting in a payment of approximately $4,700. Subsequent to this transaction, neither TMF or Lone Star continued to meet the definition of a VIE with respect to ExOne, and as a result, the remaining assets and liabilities of both entities were deconsolidated following the transaction, resulting in a reduction to equity (through noncontrolling interest) of approximately $2,700.

**Note 5. Inventories**

Inventories consist of the following:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Raw materials and components | $ 6,594 | $ 4,892 |
| Work in process | 4,076 | 2,098 |
| Finished goods | 139 | 495 |
| | $ 10,809 | $ 7,485 |

At September 30, 2013 and December 31, 2012, the allowance for slow-moving and obsolete inventories was approximately $867 and $891, respectively, and has been reflected as a reduction to inventories (raw materials and components).

**Note 6. Property and Equipment**

Property and equipment consist of the following:

| | September 30, 2013 | December 31, 2012 | Useful Life (in years) |
|---|---|---|---|
| Land | $ 5,120 | $ 778 | |
| Buildings and related improvements | 6,187 | 4,941 | 25 |
| Machinery and equipment | 10,694 | 9,674 | 3 - 7 |
| Other | 1,863 | 1,450 | 3 - 7 |
| | 23,864 | 16,843 | |
| Less: Accumulated depreciation | (4,448) | (5,118) | |
| | 19,416 | 11,725 | |
| Construction-in-progress | 4,551 | 742 | |
| Property and equipment - net | $ 23,967 | $ 12,467 | |

At December 31, 2012, property and equipment net, includes $5,567 in assets held by variable interest entities (Note 1).

Machinery and equipment includes leased assets of approximately $1,264 and $1,160 at September 30, 2013 and December 31, 2012, respectively.

Depreciation expense was approximately $589 and $1,685 for the quarter and nine months ended September 30, 2013, respectively. Depreciation expense was approximately $453 and $1,258 for the quarter and nine months ended September 30, 2012, respectively.

On March 27, 2013, in connection with the acquisition of certain net assets of the Lone Star and TMF variable interest entities (Note 4), the Company acquired all of the property and equipment associated with the variable interest entities (see description above).

On August 1, 2013, ExOne Properties GmbH entered into an agreement with the Municipality of Gersthofen, Germany (the Municipality ) to purchase certain real property from the Municipality for an aggregate amount of approximately $4,000 ( 3,000). The agreement contains terms and conditions that are customary for German land purchase agreements of this nature. Additionally, on August 1, 2013, ExOne Properties GmbH and the Municipality entered into an agreement pursuant to which the Municipality granted ExOne Properties GmbH an option to purchase adjacent parcels of land consisting of 14,319 square meters on the same terms and conditions as those set forth in the agreement. The option expires on December 31, 2016.

On August 14, 2013, ExOne Properties GmbH entered into a construction services contract with a turnkey provider of construction services for the design and construction of a new manufacturing facility to be located in the Municipality of Gersthofen, Germany. The total cost for construction of the facility (including design services) is estimated at approximately $16,500 ( 12,200). At September 30, 2013, construction-in-progress includes total capitalized costs of approximately $1,800 ( 1,300) associated with this project.

On August 15, 2013, the Company entered into a purchase agreement for approximately one acre of land and a 17,240 square foot manufacturing facility in North Las Vegas, Nevada for a total purchase price of approximately $1,400.

This amount was subsequently paid in-full by the Company in September 2013.

**Note 7. Line of Credit**

The Company has a line of credit and security agreement with a German bank collateralized by certain assets of the Company for approximately $1,750 ( 1,300). In addition to the collateralization of assets against this facility, the line of credit and security agreement was also previously guaranteed by the Chairman and Chief Executive Officer ( CEO ) of the Company. On July 19, 2013, the bank removed this guarantee from the arrangement. There were no changes to available borrowing capacity or interest rates as a result of the removal of the guarantee.

Of the total amount available under this facility, approximately $675 ( 500) is available for short-term borrowings or cash advances (overdrafts). Both short-term borrowings and overdrafts are subject to variable interest rates as determined by the bank. At September 30, 2013, interest rates were 2.52% for short-term borrowings and 6.20% for overdrafts. There is no commitment fee associated with this agreement. At September 30, 2013, the Company had no outstanding short-term borrowings. At December 31, 2012, the Company had outstanding short-term borrowings of approximately $528 ( 400). At September 30, 2013 and December 31, 2012, there were no outstanding overdraft amounts.

Amounts in excess of the amounts available for short-term borrowings and overdrafts are available for additional bank transactions requiring security (i.e. bank guarantees, letters of credit, etc.). Amounts covered under the security agreement accrue interest at 1.75%. There is no charge for unused amounts under the security agreement. At September 30, 2013 and December 31, 2012, the Company had transactions guaranteed by the security agreement of approximately $261 (  193) and $757 (  573), respectively. Separate from the available capacity under its existing security agreement, the Company was granted additional capacity in August 2013 for a short-term bank guarantee of approximately $1,715 (  1,268) which subsequently expired in October 2013.

**Note 8. Demand Note Payable to Member**

The Company has received cash advances to support its operations from an entity controlled by the majority member of the former limited liability company (also the Chairman and CEO of the Company). These cash advances accrued interest at 8.0% annually and were payable on demand. The Company formalized these cash advances in the form of a line of credit with the entity in 2012.

At December 31, 2012, the line of credit balance outstanding on these advances, including accrued interest, was approximately $8,666. In January and February 2013, approximately $1,219 in additional amounts (including accrued interest) were added to the outstanding line of credit, including the conversion of preferred stock dividends payable of approximately $1,133 by the principal preferred stock holder (also the majority member of the former limited liability company and Chairman and CEO of the Company) to amounts payable under the line of credit. On February 14, 2013, the Company repaid all outstanding amounts on the line of credit (approximately $9,885) and retired the arrangement.

**Note 9. Long-Term Debt**

Long-term debt consists of the following:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| ***ExOne*** | | |
| Building note payable to a bank, with monthly payments of $18 including interest at 4.00% through May 2017 and subsequently, the monthly average yield on U.S. Treasury Securities plus 3.25% for the remainder of the term through May 2027. | $ 2,240 | $ 2,334 |
| Building note payable to an unrelated entity, with monthly payments including interest at 6.00% through June 2014. | | 300 |
| ***Lone Star Metal Fabrication, LLC*** | | |
| Building note payable to a bank, with monthly payments including interest at 7.00% through July 2014. | | 727 |
| ***Troy Metal Fabricating, LLC*** | | |
| Equipment note payable to a bank, with monthly payments including interest at one-month BBA LIBOR plus 3.00% (3.21% at December 31, 2012) through December 2017. | | 1,193 |
| Equipment note payable to a bank, with monthly payments including interest at 4.83% through December 2016. | | 1,056 |
| Equipment line of credit to a bank, converted to term debt in January 2012; monthly payments including interest at one-month BBA LIBOR plus 2.75% (2.96% at December 31, 2012) through December 2016. | | 886 |
| Building note payable to a bank, with monthly payments including interest at one-month BBA LIBOR plus 2.45% (2.66% at December 31, 2012) through April 2013. Interest is fixed at 6.80% under a related interest rate swap agreement. | | 760 |
| Equipment note payable to a bank, with monthly payments including interest at one-month BBA LIBOR plus 2.75% (2.96% at December 31, 2012) through January 2014. Interest is fixed at 6.68% under a related interest rate swap | | 228 |

| | | | | |
|---|---|---|---|---|
| agreement. | | | | |
| Equipment note payable to a bank, with monthly payments including interest at one-month BBA LIBOR plus 2.75% (2.96% at December 31, 2012) through April 2013. | | | | 213 |
| | | 2,240 | | 7,697 |
| Less: Current portion of long-term debt | | 126 | | 2,028 |
| | $ | 2,114 | $ | 5,669 |

On February 14, 2013, the Company repaid $300 to retire its building note payable to an unrelated entity. There were no prepayment penalties or gains or losses associated with this early retirement of debt.

On March 27, 2013, in connection with the acquisition of certain net assets of the Lone Star and TMF VIEs (Note 4), the Company assumed and repaid all amounts outstanding on Lone Star and TMF debt (approximately $4,700). There were no prepayment penalties or gains or losses associated with this early retirement of debt.

Prior to deconsolidation, the Company, through its VIEs, entered into certain interest rate swap agreements with a bank. The Company utilized the interest rate swaps for the purpose of managing risks related to the variability of future earnings and cash flows caused by changes in interest rates. Under the terms of the agreements, the Company agreed to pay interest at fixed rates and receive variable interest from the counterparty.

At December 31, 2012, the fair value of the interest rate swaps was a liability of approximately $13. These obligations are included in accrued expenses and other current liabilities in the condensed consolidated balance sheets. Gains (losses) on interest rate swap contracts are recorded as a component of interest expense in the condensed statement of consolidated operations and comprehensive income (loss).

## Note 10. Capital and Financing Leases

In January 2013, the Company entered into an equipment leasing arrangement with a bank. Terms of the agreement include monthly payments of $5 over a five-year period beginning in January 2013 and a bargain purchase option at the end of the lease term. As a result, this agreement was determined to be a capital lease. The present value of future minimum lease payments, including an interest rate of 4.4%, was approximately $239 at September 30, 2013.

In November 2012, the Company entered into a sale-leaseback transaction with a bank for a 3D printing machine. Due to continuing involvement outside of the normal leaseback by the Company, this transaction has been accounted for as a financing lease. Under the terms of the agreement, the Company received proceeds of approximately $974 ( 737) with repayment of the lease occurring over a three-year period beginning in January 2013. The present value of the future minimum lease payments, including an interest rate of 6.0%, was approximately $515 ( 381) and $853 ( 646) at September 30, 2013 and December 31, 2012, respectively.

In July 2012, the Company entered into a sale-leaseback transaction with a related party for a 3D printing machine. Based on the economic substance of the transaction between the parties, this transaction was accounted for as a financing lease. Under the terms of the agreement, the Company received proceeds of approximately $1,553 with repayment of the lease occurring over a five-year period beginning in August 2012. On April 4, 2013, the Company settled this financing lease obligation for a cash payment of approximately $1,372 (including accrued interest). There were no prepayment penalties or gains or losses associated with this settlement.

In March 2012, the Company entered into a sale-leaseback transaction with a bank for a 3D printing machine. Due to continuing involvement outside of the normal leaseback by the Company, this transaction has been accounted for as a financing lease. Under the terms of the agreement, the Company received proceeds of approximately $985 ( 739) with repayment of the lease occurring over a three-year period beginning in April 2012. The present value of the future minimum lease payments, including an interest rate of 6.0%, was approximately $385 ( 285) and $553 ( 418) at September 30, 2013 and December 31, 2012, respectively.

## Note 11. Common Units, Preferred Units, Preferred Stock and Common Stock

***Common Units***

At December 31, 2012, the Company had 10,000,000 common units issued and outstanding.

Net income (loss) was allocated to each common unitholder in proportion to the units held by each common unitholder relative to the total units outstanding. The common unitholders shared the Company s positive cash flow, to the extent available, which was distributed annually and allocated among the common unitholders in proportion to the units held by each common unitholder relative to the total units outstanding. Common unitholders were entitled to one vote per unit on all matters.

On January 1, 2013, in connection with the Reorganization of the Company (Note 1), common units in the former limited liability company were exchanged for 5,800,000 shares of common stock.

***Preferred Units and Preferred Stock***

On December 30, 2011, the Company entered into a debt conversion agreement with the majority member of the former limited liability company to convert $18,984 of unpaid principal and interest on a demand note payable to member into redeemable preferred units of the Company in full satisfaction of the indebtedness. Accordingly, 18,983,602 in redeemable preferred units were issued at a conversion price of $1.00 per share.

The preferred units were non-voting limited liability company membership interests, and permitted the majority member (unitholder) to receive cumulative dividends at the annual rate of 8.0% per unit prior to, and in preference to, any declaration or payment of any dividend on the Company s common units. Dividends on the preferred units accumulated and were payable irrespective of whether the Company had earnings, whether there were funds legally available for the payment of such dividends, and whether dividends were declared.

The Company had the option to redeem all or any number of the preferred units at any time upon written notice and payment to the unitholder of $1.00 plus all accrued but unpaid dividends for each unit being redeemed. The unitholder had the option to convert all or any number of preferred units to common units at the conversion rate of 9.5 preferred units for 1.0 common unit. Preferred units were designed to automatically convert to 1,998,275 common units upon the closing of any initial public offering in which the gross proceeds of the offering exceeded $50,000 provided that the unitholder elected to retain such units. The Company analyzed the conversion feature under the applicable FASB guidance for accounting for derivatives and concluded that the conversion feature did not require separate accounting under such FASB guidance.

Because the unitholder was also the majority member of the Company at December 31, 2011, he had the ability to redeem the preferred units at his option, thus giving the units characteristics of a liability rather than equity. Accordingly, the Company s preferred units were classified as a liability in the Company s consolidated balance sheet at December 31, 2011. At December 31, 2011, the unitholder had committed to not exercise his redemption rights through January 1, 2013.

In February 2012, the redemption feature on the preferred units was removed by an amendment to the preferred unit agreement. As a result, the preferred units were reclassified at fair value ($18,984) from a liability to equity in the condensed consolidated balance sheets.

In May 2012, the unitholder sold 6,000,000 preferred units to two separate unrelated parties for $1.00 per unit.

On January 1, 2013, in connection with the Reorganization of the Company (Note 1), all of the preferred units in the former limited liability company were exchanged for 18,983,602 shares of preferred stock.

On February 12, 2013, immediately prior to the closing of the initial public offering of the Company (Note 1), shares of preferred stock were converted into shares of common stock at a 9.5 to 1.0 basis (1,998,275 shares). Following the conversion, there are no issued or outstanding shares of preferred stock in the Company. Following the closing of the initial public offering of the Company on February 12, 2013, there are 50,000,000 shares of preferred stock authorized at a par value of $0.01 per share and no shares issued and outstanding at September 30, 2013.

***Common Stock***

Following the closing of the secondary public offering of the Company on September 13, 2013, there are 200,000,000 shares of common stock authorized at a par value of $0.01 per share and 14,387,608 shares issued and outstanding.

The following table summarizes common stock activity:

| | **Common Stock (number of shares)** |
|---|---|
| **Balance at December 31, 2012** | |
| Conversion of common units of The Ex One Company, LLC to common stock of The ExOne Company | 5,800,000 |
| Conversion of preferred stock to common stock immediately prior to closing of the initial public offering of The ExOne Company | 1,998,275 |
| Initial public offering of common stock in The ExOne Company | 5,483,333 |
| Secondary public offering of common stock in The ExOne Company | 1,106,000 |
| **Balance at September 30, 2013** | 14,387,608 |

**Note 12. Equity-Based Compensation**

***2013 Equity Incentive Plan***

On January 24, 2013, the Board of Directors of the Company adopted the 2013 Equity Incentive Plan (the Plan ). In connection with the adoption of the Plan, 500,000 shares of common stock were reserved for issuance pursuant to the Plan, with automatic increases in such reserve available each year annually on January 1 from 2014 through 2023 equal to the lesser of (i) 3.0% of the total outstanding shares of common stock as of December 31 of the immediately preceding year or (ii) a number of shares of common stock determined by the Board of Directors, provided that the maximum number of shares authorized under the Plan will not exceed 1,992,242 shares, subject to certain adjustments.

On January 24, 2013, the Board of Directors authorized awards of 180,000 incentive stock options ( ISOs ) under the Plan to certain employees, which grants were effective contemporaneously with the initial public offering of the Company at an exercise price determined by the initial offering price ($18.00 per share). These awards vest in one-third increments on the first, second and third anniversaries of the grant date, respectively, and expire on February 6, 2023.

On January 24, 2013, the Board of Directors authorized awards of 10,000 shares of restricted stock under the Plan to certain members of the Board of Directors, which grants were effective contemporaneously with the initial public offering of the Company. These awards vest in one-third increments on the first, second and third anniversaries of the grant date, respectively.

On March 11, 2013, the Board of Directors authorized an award of 10,000 shares of restricted stock under the Plan to an executive of the Company. This award vests vest in one-third increments on the first, second and third anniversaries of the grant date, respectively.

The following table summarizes the total equity-based compensation expense recognized for all ISOs and restricted stock awards:

| | Quarter Ended September 30, 2013 | | Nine Months Ended September 30, 2013 | |
|---|---|---|---|---|
| Equity-based compensation expense recognized: | | | | |
| ISOs | $ | 161 | $ | 418 |
| Restricted stock | | 39 | | 93 |
| Total equity-based compensation expense before income taxes | $ | 200 | $ | 511 |
| Benefit for income taxes* | | | | |
| Total equity-based compensation expense net of income taxes | $ | 200 | $ | 511 |

* The benefit for income taxes from equity-based compensation has been determined to be $0 based on a full valuation allowance against net deferred tax assets for both the quarter and nine months ended September 30, 2013. In the absence of a full valuation allowance, the tax benefit derived from equity-based compensation would be approximately $34 and $85 for the quarter and nine months ended September 30, 2013, respectively.

At September 30, 2013, total future compensation expense related to unvested awards yet to be recognized by the Company was approximately $1,511 for ISOs and $373 for restricted stock awards. Total future compensation expense related to unvested awards yet to be recognized by the Company is expected to be recognized over a weighted-average remaining vesting period of approximately 2.4 years.

The fair value of ISOs was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Weighted average fair value per ISO | $ 11.03 |
| Volatility | 68.70% |
| Average risk-free interest rate | 1.07% |
| Dividend yield | 0.00% |
| Expected term (years) | 6.0 |

Expected volatility has been estimated based on historical volatilities of certain peer group companies over the expected term of the awards, due to the fact that prior to issuance, the Company was a nonpublic entity. The average risk-free rate is based on a weighted average yield curve of risk-free interest rates consistent with the expected term of the awards. Expected dividend yield is based on historical dividend data as well as future expectations. Expected term has been calculated using the simplified method as the Company does not have sufficient historical exercise experience upon which to base an estimate.

The activity for ISOs for the nine months ended September 30, 2013, was as follows:

| | Number of ISOs | Weighted Average Exercise Price | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| Outstanding at January 1, 2013 | | $ | $ |
| ISOs granted | 180,000 | $ 18.00 | $ 11.03 |
| ISOs forfeited | (5,000) | $ 18.00 | $ 11.03 |
| Outstanding at September 30, 2013 | 175,000 | $ 18.00 | $ 11.03 |
| ISOs exercisable | | $ | $ |
| ISOs expected to vest | 175,000 | $ 18.00 | $ 11.03 |

At September 30, 2013, the aggregate intrinsic value of both unvested ISOs and ISOs expected to vest was approximately $4,305. The weighted average remaining contractual term of ISOs expected to vest at September 30, 2013, was approximately 9.4 years.

The activity for restricted stock awards for the nine months ended September 30, 2013, was as follows:

| | Shares of Restricted Stock | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at January 1, 2013 | | $ |
| Restricted shares granted | 20,000 | $ 23.26 |
| Restricted shares forfeited | | $ |
| Outstanding at September 30, 2013 | 20,000 | $ 23.26 |
| Restricted shares vested | | $ |
| Restricted shares expected to vest | 20,000 | $ 23.26 |

***Other***

In May 2012, the Company s majority member completed the sale of 300,000 common units of the former limited liability company to another existing member of the former limited liability company for $1.25 per unit. In July and August 2012, the Company s majority member completed the sale of an additional 1,000,000 common units of the former limited liability company to two executives of the former limited liability company for $1.25 per unit. The fair value of these common units on each of the respective measurement dates was $7.20 per common unit. The Company recognized compensation expense of approximately $5,950 and $7,735 during the quarter and nine months ended September 30, 2012, in connection with the sale of these common units which has been recorded in selling, general and administrative expenses in the condensed statement of consolidated operations and comprehensive income (loss).

Determining the fair value of the common units required complex and subjective judgments. The Company used the sale of a similar security in an arms-length transaction with unrelated parties to estimate the value of the enterprise at each of the respective measurement dates, which included assigning a value to the similar security s rights, preferences and privileges, relative to the common units. The enterprise value was then allocated to the Company s outstanding equity securities using a Black-Scholes option pricing model. The option pricing required certain estimates to be made, including: (i) the anticipated timing of a potential liquidity event (less than one year), (ii) volatility (65.0%) estimated based on historical volatilities of peer group companies, and (iii) a risk-free interest rate (0.2%).

**Note 13. License Agreements**

The Company has license agreements with certain organizations which require license fee payments to be made on a periodic basis, including royalties on net sales of licensed products, processes and consumables. License fee expenses amounted to approximately $66 and $149 for the quarter and nine months ended September 30, 2013, respectively. License fee expenses amounted to approximately $586 and $972 for the quarter and nine months ended September 30, 2012, respectively. License fee expenses are included in cost of sales in the condensed consolidated statement of operations and comprehensive income (loss). At September 30, 2013, accrued license fees were approximately $785 and are recorded in accrued expenses and other current liabilities ($604) and other noncurrent liabilities ($181) in the condensed consolidated balance sheets. At December 31, 2012, accrued license fees were approximately $1,015 and are recorded in accrued expenses and other current liabilities ($748) and other noncurrent liabilities ($267) in the condensed consolidated balance sheets.

Included in the license agreements is an exclusive patent license agreement with the Massachusetts Institute of Technology (the MIT Agreement ). Patents covered under the MIT Agreement have expiration dates ranging from 2013 to 2021.

On January 22, 2013, the Company and MIT agreed to an amendment of their exclusive patent license agreement (the Amended MIT Agreement ). The Amended MIT Agreement provides for, among other things, (1) a reduction in the term of the agreement between the Company and MIT from the date of expiration or abandonment of all issued patent rights to December 31, 2016, (2) an increase in the annual license maintenance fees due for the years ended December 31, 2013 through December 31, 2016 from $50 annually to $100 annually, with amounts related to 2013 through 2016 guaranteed by the Company, (3) a settlement of all past and future royalties on net sales of licensed products, processes and consumables for a one-time payment of $200 (paid in March 2013), and (4) a provision for extension of the term of the arrangement between the parties for an annual license maintenance fee of $100 for each subsequent year beyond 2016. As a result of the Amended MIT Agreement, the Company recorded a reduction to its accrued license fees at December 31, 2012, of approximately $1,500, with a corresponding reduction to cost of sales.

There were no license fee expenses associated with the Amended MIT Agreement for either the quarter or nine months ended September 30, 2013. License fee expenses, including minimum license maintenance fees and royalties, associated with the MIT Agreement for the quarter and nine months ended September 30, 2012 were $530 and $912, respectively. Reimbursement of qualifying patent expenses incurred by MIT were approximately $1 and $4 for the quarter and nine months ended September 30, 2013, respectively. Reimbursement of qualifying patent expenses incurred by MIT were approximately $4 and $26 for the quarter and nine months ended September 30, 2012, respectively. Reimbursement of qualifying patent expenses incurred by MIT are recorded in selling, general and administrative expenses in the condensed statement of consolidated operations and comprehensive income (loss).

**Note 14. Contingencies and Commitments**

The Company and its subsidiaries are subject to various litigation, claims, and proceedings which have been or may be instituted or asserted from time to time in the ordinary course of business. Management does not believe that the outcome of any pending or threatened matters will have a material adverse effect, individually or in the aggregate, on the financial position, results of operations or cash flows of the Company.

**Note 15. Income Taxes**

Prior to Reorganization (Note 1) the Company was a limited liability company whereby its members were taxed on a proportionate share of the Company s taxable income. Following the merger of The Ex One Company, LLC with and into The ExOne Company, The ExOne Company became a corporation, taxable for federal, state, local and foreign income tax purposes. On January 1, 2013, the Company recorded a net deferred tax asset of approximately $410 based on the difference between the book and tax basis of assets and liabilities as of that date. Due to a history of operating losses by the limited liability company, a valuation allowance of 100% of the initial net deferred tax asset was established.

The provision (benefit) for income taxes was $439 and $530 for the quarter and nine months ended September 30, 2013, respectively. The provision (benefit) for income taxes was ($63) and $171 for the quarter and nine months ended September 30, 2012, respectively. The provision (benefit) for income taxes for all periods presented relate entirely to the taxable income of ExOne GmbH. The Company has completed a discrete period computation of its provision (benefit) for income taxes for each of the periods presented. Discrete period computation is as a result of (i) jurisdictions with losses before income taxes for which no tax benefit can be recognized and (ii) an inability to generate reliable estimates for results in certain jurisdictions as a result of inconsistencies in generating net operating profits (losses) in those jurisdictions.

The effective tax rate was 204.2% and 120.5% for the quarter and nine months ended September 30, 2013, respectively. The effective tax rate was (1.1%) and 101.6% for the quarter and nine months ended September 30, 2012, respectively. For the quarter and nine months ended September 30, 2013, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to net changes in valuation allowances for the period. For the quarter and nine months ended September 30, 2012, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to the effects of (i) limited liability company losses not subject to tax and (ii) net changes in valuation allowances for the period.

The components of net deferred income tax assets and net deferred income tax liabilities were as follows:

| | September 30, 2013 | January 1, 2013 (Reorganization) | December 31, 2012 |
|---|---|---|---|
| Current deferred tax assets (liabilities): | | | |
| Accounts receivable | $ 24 | $ 31 | $ |
| Inventories | 385 | (40) | (434) |
| Accrued expenses and other current liabilities | 578 | 562 | 143 |
| Deferred revenue and customer prepayments | 54 | 1,851 | 1,912 |
| Other | 134 | 10 | 250 |
| Valuation allowance | (1,175) | (2,429) | (2,049) |
| Current deferred tax assets (liabilities) | | (15) | (178) |
| Noncurrent deferred tax assets (liabilities): | | | |
| Net operating loss carryforwards | 1,039 | 431 | 431 |
| Tax credit carryforwards | 1,164 | | |
| Property and equipment | 869 | 691 | 599 |
| Other | 16 | 342 | 567 |
| Valuation allowance | (3,088) | (1,449) | (1,419) |
| Noncurrent deferred tax assets (liabilities) | | 15 | 178 |
| Net deferred tax assets (liabilities) | $ | $ | $ |

The Company has provided a valuation allowance for its net deferred tax assets as a result of the Company not generating consistent net operating profits in jurisdictions with which it operates. As such, any benefit from deferred taxes in any of the periods presented has been fully offset by changes in the valuation allowance for net deferred tax assets. The Company continues to assess its future taxable income by jurisdiction based on (i) recent historical operating results (ii) the expected timing of reversal of temporary differences (iii) various tax planning strategies that the Company may be able to enact in future periods (iv) the impact of potential operating changes on the business and (v) forecast results from operations in future periods based on available information at the end of each reporting period. To the extent that the Company is able to reach the conclusion that deferred tax assets are realizable based on any combination of the above factors, a reversal of existing valuation allowances may occur.

At September 30, 2013, the Company had approximately $460 in net operating loss carryforwards which expire from 2013 through 2019, to offset the future taxable income of its Japanese subsidiary. At September 30, 2013, the Company had approximately $579 in net operating loss carryforwards which expire in 2033, and $1,164 in tax credit carryforwards which expire in 2023, to offset the future taxable income of its United States subsidiary.

The Company has a liability for uncertain tax positions related to certain capitalized expenses and related party transactions. At September 30, 2013 and December 31, 2012, the liability for uncertain tax positions was approximately $675 and $416, respectively, and is included in accrued expenses and other current liabilities in the condensed consolidated balance sheets. At September 30, 2013, there was no liability for uncertain tax positions related to the Company s Japanese subsidiary. At December 31, 2012, the liability for uncertain tax positions related to the Company s Japanese subsidiary was $94 and was fully offset against net operating loss carryforwards of this subsidiary.

The Company files income tax returns in the United States (effective January 1, 2013), Germany and Japan. In Germany, the Company s 2010 through 2012 tax years remain subject to examination. In Japan, the Company s 2005 through 2012 tax years remain subject to examination.

The Company includes interest and penalties related to income taxes as a component of the provision for income taxes in the condensed statement of consolidated operations and comprehensive income (loss).

**Note 16. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

***Level 1*** Observable inputs such as quoted prices in active markets for identical investments that the Company has the ability to access.

***Level 2*** Inputs include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;

Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

***Level 3*** Inputs that are generally unobservable and typically reflect management s estimates of assumptions that market participants would use in pricing the asset or liability.

The Company is required to disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its consolidated financial statements, in accordance with GAAP.

The following table sets forth the fair value of the Company s liabilities measured on a recurring basis by level:

| | Level | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| Accrued expenses and other current liabilities: | | | |
| Interest rate swap liability | 2 | $ | $ 13 |

The fair value of the interest rate swap liability is determined by using a discounted cash flow model using observable inputs from the related forward interest rate yield curves with the differential between the forward rate and the stated interest rate of the instrument discounted back from the settlement date of the contracts to the respective balance sheet date. As this model utilizes observable inputs and does not require significant management judgment it has been determined to be a Level 2 financial instrument in the fair value hierarchy.

Prior to redemption during the quarter ended March 31, 2012, the fair value of the Company s redeemable preferred units was estimated based on unobservable inputs, including the present value of the Company s demand note payable to member immediately prior to conversion (Note 11). As this estimate utilized unobservable inputs and required significant management judgment it was determined to be a Level 3 financial instrument in the fair value hierarchy.

The following table sets forth a summary of changes in the fair value of the Company s Level 3 financial instruments:

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Beginning balance | $ | $ | $ | $ 18,984 |
| Realized gains (losses) | | | | |
| Unrealized gains (losses) | | | | |
| Purchases | | | | |
| Sales | | | | |
| Issuances | | | | |
| Settlements | | | | (18,984) |
| Transfers into Level 3 | | | | |
| Transfers out of Level 3 | | | | |
| Ending balance | $ | $ | $ | $ |

The carrying values and fair values of other financial instruments (assets and liabilities) not required to be recorded at fair value were as follows:

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Cash and cash equivalents | $ 115,144 | $ 115,144 | $ 2,802 | $ 2,802 |
| Line of credit | | | 528 | 528 |
| Demand note payable to member | | | 8,666 | 8,666 |
| Current portion of long-term debt | 126 | 126 | 2,028 | 2,028 |
| Current portion of capital and financing leases | 532 | 532 | 920 | 920 |
| Long-term debt - net of current portion | 2,114 | 1,822 | 5,669 | 7,880 |
| Capital and financing leases - net of current portion | 607 | 607 | 1,949 | 1,949 |

The carrying amounts of cash and cash equivalents, line of credit, demand note payable to member, current portion of long-term debt and current portion of financing leases approximate fair value due to their short-term maturities. Cash and cash equivalents are classified in Level 1; Line of credit, demand note payable to member, current portion of long-term debt, current portion of capital and financing leases, long-term debt net of current portion and capital and financing leases net of current portion are classified in Level 2.

**Note 17. Customer Concentration**

During the quarters and nine months ended September 30, 2013 and 2012, the Company conducted a significant portion of its business with a limited number of customers. For the quarter and nine months ended September 30, 2013, the Company s five most significant customers represented approximately 60.3% and 31.4% of total revenue, respectively. For the quarter and nine months ended September 30, 2012, the Company s five most significant customers represented approximately 66.3% and 45.9% of total revenue, respectively. At September 30, 2013 and December 31, 2012, accounts receivable from the Company s five most significant customers were approximately $4,726 and $1,671, respectively.

**Note 18. Related Party Transactions**

The Company provides various services to several related entities under common control by the Chairman and CEO of the Company, primarily in the form of accounting, finance, information technology and human resource outsourcing, which are generally reimbursed by the related entities. The cost of these services was approximately $11 and $99 for the quarter and nine months ended September 30, 2013, respectively. The cost of these services was approximately $60 and $138 for the quarter and nine months ended September 30, 2012, respectively. In addition, the Company may purchase certain items on behalf of related parties under common control by the Chairman and CEO of the Company. Amounts due from these related entities at September 30, 2013 and December 31, 2012, were not significant.

The Company receives design services and the corporate use of an airplane from related entities under common control by the Chairman and CEO of the Company. The cost of these services received was approximately $29 and $107 for the quarter and nine months ended September 30, 2013, respectively. The cost of these services received was approximately $9 and $68 for the quarter and nine months ended September 30, 2012, respectively. Amounts due to these related entities at September 30, 2013 and December 31, 2012, were not significant.

In addition to the transactions identified above, in connection with the secondary public offering of shares of common stock (Note 1) of the Company completed on September 13, 2013, total associated offering costs of approximately $1,012 were incurred, a portion of which ($645) are reimbursable to the Company from other selling stockholders (each selling stockholder separately qualifying as a related party and consisting principally of entities controlled by the Chairman and CEO of the Company and other executives of the Company) based on their pro-rata participation in the offering. At September 30, 2013, these amounts are recorded in prepaid expenses and other current assets in the condensed consolidated balance sheets. Amounts reimbursable from selling stockholders are expected to be settled prior to December 31, 2013.

**Note 19. Subsequent Events**

The Company has evaluated all of its activities and concluded that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements or disclosure in the notes to the condensed consolidated financial statements.

## Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations. (dollars in thousands, except per-share amounts)

The following discussion and analysis should be read together with our unaudited condensed consolidated financial statements and related notes thereto set forth in this Quarterly Report on Form 10-Q. Certain statements contained in this discussion may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those reflected in any forward-looking statements, as a result of a variety of risks and uncertainties, including those described under Cautionary Statements Regarding Forward Looking Statements and Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012.

The forward looking information set forth in this Quarterly Report on Form 10-Q is provided as of the date of this filing, and, except as required by law, we undertake no duty to update that information.

**Overview.**

***Business and Strategy***

We are a global provider of three dimensional ( 3D ) printing machines and printed products, materials and other services to industrial customers. Our business primarily consists of manufacturing and selling 3D printing machines and printing products to specification for our customers using our in-house 3D printing machines. We offer pre-production collaboration and print products for customers through our seven production service centers ( PSCs ), which are located in the United States, Germany and Japan. We build 3D printing machines at our facilities in the United States and Germany. We also supply the associated materials, including consumables and replacement parts, and other services, including training and technical support, necessary for purchasers of our machines to print products. We believe that our ability to print in a variety of industrial materials, as well as our industry-leading printing capacity (as measured by build box size and printhead speed), uniquely position us to serve the needs of industrial customers.

As an additive manufacturer, we are an early entrant into an evolving manufacturing technology and marketplace. Our strategy has been to position our manufacturing assets, both in terms of our ability and capacity, to prepare for an anticipated increase of customer acceptance of this form of manufacturing. We have made financial support of this growth strategy a priority. We have invested in both our research and development and infrastructure, including capital investment in 3D printing machines, and hiring key personnel.

As our infrastructure grows, we intend to shift our strategic focus to opening additional PSCs in order to broaden our potential global customer base and to expand our 3D printing capability in an increasing variety of industrial materials. Our growth strategy focuses on growing our PSCs in order to print more products for our existing customers and gain new customers. By the end of 2015, we plan to expand our PSC network from the current seven locations to fifteen locations. Like our current PSCs, we plan to locate the additional PSCs in major industrial centers near existing and potential customers.

Our growth strategy includes using our printed products as an introduction of our technology to facilitate 3D printing machine sales. An important part of reaching these goals is to increase our capability to print in a growing number of industrial materials and increase the job box sizes and production speeds (volumetric output) available to our potential customers, which will increase the efficiency and usefulness of our technology. In addition, we use our regional PSCs to educate our potential customers and the marketplace about the advantages of 3D printing.

We also believe expanding the location of our PSCs to high-growth economies and geographic regions that are readily accessible by a significant number of potential customers will help us to increase sales. To better balance our business, we intend to develop our customer base so that revenue is not dependent on any one region North America, South America and Latin America (collectively the Americas), Europe and Asia. Likewise we intend to balance revenue between our 3D printing machines and 3D printed products, materials and other services.

Our next generation 3D printing machine platforms have achieved the volumetric output rate and quality necessary to serve industrial markets on a production scale. We believe that there is an opportunity to similarly advance the pre-print and post-print processing phases of product materialization to more fully exploit the transformative power of our 3D printing machines and drive growth. These opportunities relate to both direct and indirect part materialization. For direct metal production, we believe that enhancing pre-print processes, notably design optimization tools and suitable print material availability, can greatly accelerate our capture of market share in the near-term. Additionally, enhancements to post-print processing will increase the applications for printed parts. Through our ExOne Materials Application Laboratory ( ExMAL ), we are developing post-print processing technologies to achieve fully dense metal product materialization without the need for infiltration, and we are exploring technology-sharing partnerships to further this initiative. In indirect production utilizing 3D printed molds and cores, advanced performance casting technologies can be leveraged to increase yields and reduce weight of casted products. To address the market opportunity and fill the execution gap, we have developed a suite of processes, many of which are proprietary, for producing high-quality castings through a process that we call ExCAST. ExCAST provides industry guidance and support through all stages of production, from computer-aided drafting at the design stage, through the 3D materialization of molds and cores, metal casting of the end product and rapid delivery to the end-user.

Finally, we intend to opportunistically identify and, through acquisitions, alliances and/or strategic investment, integrate and advance complementary businesses, technologies and capabilities. Our goal is to expand the functionality of our products, provide access to new customers and markets, and increase our production capacity. We are in active discussions with parties that we believe can contribute to a superior end-to-end manufacturing process.

**Results of Operations.**

***Net Loss Attributable to ExOne***

Net loss attributable to ExOne for the quarter ended September 30, 2013, was $224, or $0.02 per basic and diluted share, compared with a net loss attributable to ExOne of $5,932 for the quarter ended September 30, 2012. The decrease in our net loss was principally due to (i) increases in our revenue and gross profit as a result of a significant increase in 3D printing machine and micromachinery sales for 2013 compared to 2012 and (ii) a net decrease in our operating expenses from 2013 compared to 2012. The net decrease in operating expenses included a decrease in selling, general and administrative expenses, principally due to a net reduction in equity-based compensation expense between the periods, offset by higher professional service fees and personnel costs in making the transition from a private company to a publicly traded company and increased selling costs (principally increases in our global sales headcount and commissions for machine sale transactions). Offsetting the reduction in selling, general and administrative expenses were increased research and development spending, mostly associated with (i) our continued efforts in qualifying materials for our 3D printing operations and (ii) investments in enhancing our 3D printing machine and micromachinery technology. Refer to the sections below for further description of these changes.

Net loss attributable to ExOne for the nine months ended September 30, 2013, was $3,258, or $0.28 per basic and diluted share, compared with a net loss attributable to ExOne of $11,070 for the nine months ended September 30, 2012. The decrease in our net loss was principally due to (i) increases in our revenue and gross profit as a result of a significant increase in 3D printing machine and micromachinery sales for 2013 compared to 2012 and (ii) a net decrease in our operating expenses from 2013 compared to 2012. The net decrease in operating expenses included a decrease in selling, general and administrative expenses, principally due to a net reduction in equity-based compensation expense between the periods, offset by higher professional service fees and personnel costs in making the transition from a private company to a publicly traded company and increased selling costs (principally increases in our global sales headcount and commissions for machine sale transactions). Offsetting the reduction in selling, general and administrative expenses were increased research and development spending, mostly associated with (i) our continued efforts in qualifying materials for our 3D printing operations and (ii) investments in enhancing our 3D printing machine and micromachinery technology. Refer to the sections below for further description of these changes.

***Revenue***

The following table summarizes revenue by product line for each of the quarter and nine month periods ended September 30:

| | Quarter Ended September 30, 2013 | | Quarter Ended September 30, 2012 | | Nine Months Ended September 30, 2013 | | Nine Months Ended September 30, 2012 | |
|---|---|---|---|---|---|---|---|---|
| 3D printing machines and micromachinery | $ 7,767 | 66.8% | $ 5,183 | 60.9% | $ 17,820 | 61.9% | $ 6,710 | 42.2% |
| 3D printed products, materials and other services | 3,854 | 33.2% | 3,332 | 39.1% | 10,965 | 38.1% | 9,203 | 57.8% |
| | $ 11,621 | 100.0% | $ 8,515 | 100.0% | $ 28,785 | 100.0% | $ 15,913 | 100.0% |

Revenue for the quarter ended September 30, 2013, was $11,621 compared with revenue of $8,515 for the quarter ended September 30, 2012, an increase of $3,106, or 36.5%. This increase was principally due to a higher volume of sales of 3D printing machines and micromachinery (eight for the quarter ended September 30, 2013 as compared to four for the quarter ended September 30, 2012) as well as 3D printed products, materials and other services based on a continued increase in customer acceptance of our additive manufacturing technologies. Offsetting increases in volume were decreases attributed to sales mix of machines as a higher percentage of machines sold for the 2012 period were S-Max units, our highest price point machine, and net negative foreign currency movements associated with the devaluation of the Japanese Yen.

The following table summarizes the significant components of the change in revenue by product line for the quarter ended September 30, 2012 compared to the quarter ended September 30, 2013:

| | 3D printing machines and micromachinery | 3D printed products, materials and other services | Total |
|---|---|---|---|
| **Quarter Ended September 30, 2012** | $ 5,183 | $ 3,332 | $ 8,515 |
| Change in revenue attributed to: | | | |
| Volume | 5,588 | 588 | 6,176 |
| Pricing and sales mix | (2,599) | | (2,599) |
| Foreign currency | (405) | (66) | (471) |
| | 2,584 | 522 | 3,106 |
| **Quarter Ended September 30, 2013** | $ 7,767 | $ 3,854 | $ 11,621 |

Revenue for the nine months ended September 30, 2013, was $28,785 compared with revenue of $15,913 for the nine months ended September 30, 2012, an increase of $12,872, or 80.9%. This increase was principally due to a higher volume of sales of 3D printing machines and micromachinery (seventeen for the nine months ended September 30, 2013 as compared to five for the nine months ended September 30, 2012) as well as 3D printed products, materials and other services based on a continued increase in customer acceptance of our additive manufacturing technologies. Offsetting increases in volume were decreases attributed to sales mix of machines as a higher percentage of machines sold for the 2012 period were S-Max units, our highest price point machine, and net negative foreign currency movements associated with the devaluation of the Japanese Yen.

The following table summarizes the significant components of the change in revenue by product line for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2013:

| | 3D printing machines and micromachinery | 3D printed products, materials and other services | Total |
|---|---|---|---|
| **Nine Months Ended September 30, 2012** | $ 6,710 | $ 9,203 | $ 15,913 |
| Change in revenue attributed to: | | | |
| Volume | 17,804 | 2,036 | 19,840 |
| Pricing and sales mix | (6,289) | | (6,289) |
| Foreign currency | (405) | (274) | (679) |
| | 11,110 | 1,762 | 12,872 |
| **Nine Months Ended September 30, 2013** | $ 17,820 | $ 10,965 | $ 28,785 |

The following table summarizes 3D printing machines and micromachinery sold by type for each of the quarter and nine month periods ended September 30 (refer to the Our Machines and Machine Platforms section of Part I Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2012, for a description of 3D printing machines and micromachinery by type):

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Machine units sold: | | | | |
| S-Max | 4 | 3 | 10 | 4 |
| S-Print | 1 | | 2 | |
| S-15 | 1 | 1 | 1 | 1 |
| M-Flex | 1 | | 1 | |
| X1-Lab | 1 | | 2 | |
| Micromachinery | | | 1 | |
| | 8 | 4 | 17 | 5 |

***Cost of Sales and Gross Profit***

Cost of sales for the quarter ended September 30, 2013 was $6,370 compared with cost of sales of $4,959 for the quarter ended September 30, 2012, an increase of $1,411, or 28.5%. Cost of sales as a percentage of revenue was 54.8% for the quarter ended September 30, 2013 compared with 58.2% for the quarter ended September 30, 2012, a decrease of 3.4%.

Gross profit for the quarter ended September 30, 2013 was $5,251 compared with gross profit of $3,556 for the quarter ended September 30, 2012, an increase of $1,695, or 47.7%. Gross profit percentage was 45.2% for the quarter ended September 30, 2013, compared with 41.8% for the quarter ended September 30, 2012, an increase of 3.4%. This increase was principally due to volume increases in sales of 3D printing machines and an increase in productivity for the quarter ended September 30, 2013, compared with September 30, 2012 (see table above).

Cost of sales for the nine months ended September 30, 2013 was $16,515 compared with cost of sales of $10,018 for the nine months ended September 30, 2012, an increase of $6,497, or 64.9%. Cost of sales as a percentage of revenue was 57.4% for the nine months ended September 30, 2013 compared with 63.0% for the nine months ended September 30, 2012, a decrease of 5.6%.

Gross profit for the nine months ended September 30, 2013 was $12,270 compared with gross profit of $5,895 for the nine months ended September 30, 2012, an increase of $6,375, or 108.1%. Gross profit percentage was 42.6% for the nine months ended September 30, 2013, compared with 37.0% for the nine months ended September 30, 2012, an increase of 5.6%. This increase was principally due to volume increases in sales of 3D printing machines and an increase in productivity for the nine months ended September 30, 2013, compared with September 30, 2012 (see table above).

***Operating Expenses***

The following table summarizes the significant components of operating expenses for each of the quarter and nine month periods ended September 30:

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Research and development | $ 1,286 | $ 347 | $ 3,418 | $ 1,179 |
| Selling, general and administrative | 3,703 | 8,879 | 11,179 | 14,827 |
| | $ 4,989 | $ 9,226 | $ 14,597 | $ 16,006 |

Operating expenses for the quarter ended September 30, 2013, were $4,989 compared with operating expenses of $9,226 for the quarter ended September 30, 2012, a decrease of $4,237, or 45.9%. Operating expenses as a percentage of revenue were 42.9% for the quarter ended September 30, 2013, compared with 108.3% for the quarter ended September 30, 2012, a decrease of 65.4%.

Research and development expenses for the quarter ended September 30, 2013, were $1,286 compared with research and development expenses of $347 for the quarter ended September 30, 2012, an increase of $939, or 270.6%. This increase was primarily due to (i) increased costs associated with our materials qualification activities, including additional research and development headcount and facilities costs associated with our new materials development laboratory in the United States and (ii) continued investment in enhancing our 3D printing machine and micromachinery technology.

Selling, general and administrative expenses for the quarter ended September 30, 2013, were $3,703 compared with selling, general and administrative expenses of $8,879 for the quarter ended September 30, 2012, a decrease of $5,176, or 58.3%. This decrease was principally due to the absence of an equity-based compensation expense of $5,950 during the quarter ended September 30, 2012 associated with the sale of common units by the majority member of the former limited liability company to two executives of the former limited liability company. Offsetting this amount were increases in (i) professional service fees (including legal, audit and other consulting expenses), (ii) personnel costs associated with an increased headcount (including salaries and related benefits) in making the transition from a private company to a publicly traded company and (iii) selling costs (principally increases in our global sales headcount and commissions for machine sale transactions).

Operating expenses for the nine months ended September 30, 2013, were $14,597 compared with operating expenses of $16,006 for the nine months ended September 30, 2012, a decrease of $1,409, or 8.8%. Operating expenses as a percentage of revenue were 50.7% for the nine months ended September 30, 2013, compared with 100.6% for the nine months ended September 30, 2012, a decrease of 49.9%.

Research and development expenses for the nine months ended September 30, 2013, were $3,418 compared with research and development expenses of $1,179 for the nine months ended September 30, 2012, an increase of $2,239 or 189.9%. This increase was primarily due to increased (i) costs associated with our materials qualification activities, including additional research and development headcount and facilities costs associated with our new materials development laboratory in the United States and (ii) continued investment in enhancing our 3D printing and laser machine technology.

Selling, general and administrative expenses for the nine months ended September 30, 2013, were $11,179 compared with selling, general and administrative expenses of $14,827 for the nine months ended September 30, 2012, a decrease of $3,648, or 24.6%. This decrease was principally due to the absence of an equity-based compensation expense of $7,735 during the nine months ended September 30, 2012 associated with the sale of common units by the majority member of the former limited liability company to another member and two executives of the former limited liability company. Offsetting this amount were increases in (i) professional service fees (including legal, audit and other consulting expenses), (ii) personnel costs associated with an increased headcount (including salaries and related benefits) in making the transition from a private company to a publicly traded company and (iii) selling costs (principally increases in our global sales headcount and commissions for machine sale transactions).

***Interest Expense***

Interest expense for the quarter ended September 30, 2013, was $46 compared with interest expense of $234 for the quarter ended September 30, 2012, a decrease of $188, or 80.3%. This decrease was principally due to a lower average outstanding debt balance for the quarter ended September 30, 2013, as compared to the quarter ended September 30, 2012, mostly due to the absence of advances on the demand note payable to member during the quarter ended September 30, 2013.

Interest expense for the nine months ended September 30, 2013, was $326 compared with interest expense of $542 for the nine months ended September 30, 2012, a decrease of $216, or 39.9%. This decrease was principally due to a lower average outstanding debt balance for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, mostly due to decreased average amounts outstanding on the demand note payable to member.

***Other (Income) Expense Net***

Other (income) expense net for the quarter ended September 30, 2013 was $1 compared with other (income) expense net of ($47) for the quarter ended September 30, 2012. The change of $48 was mostly due to a decrease in financing activity benefits.

Other (income) expense net for the nine months ended September 30, 2013 was ($63) compared with other (income) expense net of ($74) for the nine months ended September 30, 2012. Amounts for both periods consist principally of interest income on cash deposits and other financing activity benefits.

***Provision for Income Taxes***

The provision (benefit) for income taxes for the quarters ended September 30, 2013 and 2012 was $439 and ($63), respectively, and relate entirely to the taxable income of ExOne GmbH. The effective tax rate for the quarters ended September 30, 2013 and 2012 was 204.2% and (1.1%), respectively. For the quarter ended September 30, 2013, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to net changes in valuation allowances for the period. For the quarter ended September 30, 2012, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to the effects of (i) limited liability company losses not subject to tax and (ii) net changes in valuation allowances for the period.

The provision (benefit) for income taxes for the nine months ended September 30, 2013 and 2012 was $530 and $171, respectively, and relate entirely to the taxable income of ExOne GmbH. The effective tax rate for the nine months ended September 30, 2013 and 2012 was 120.5% and 101.6%, respectively. For the nine months ended September 30, 2013, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to net changes in valuation allowances for the period. For the nine months ended September 30, 2012, the effective tax rate differs from the U.S. federal statutory rate of 34.0% primarily due to the effects of (i) limited liability company losses not subject to tax and (ii) net changes in valuation allowances for the period.

We have provided a valuation allowance for our net deferred tax assets as a result of our inability to generate consistent net operating profits in jurisdictions in which we operate. As such, any benefit from deferred taxes in either quarterly period has been fully offset by changes in the valuation allowance for net deferred tax assets. We continue to assess our future taxable income by jurisdiction based on (i) our recent historical operating results (ii) the expected timing of reversal of temporary differences (iii) various tax planning strategies that we may be able to enact in future periods (iv) the impact of potential operating changes on our business and (v) our forecast results from operations in future periods based on available information at the end of each reporting period. To the extent that we are able to reach the conclusion that deferred tax assets are realizable based on any combination of the above factors, a reversal of existing valuation allowances may occur.

***Noncontrolling Interests***

There was no net income attributable to noncontrolling interests for the quarter ended September 30, 2013 following the acquisition of net assets in the related variable interest entities, completed during the quarter ended March 31, 2013. Net income attributable to noncontrolling interests was $138 for the quarter ended September 30, 2012.

Net income attributable to noncontrolling interests for the nine months ended September 30, 2013, was $138 compared with net income attributable to noncontrolling interests of $320 for the nine months ended September 30, 2012, a decrease of $182, or 56.9%. This decrease was principally the result of the acquisition of net assets of the variable interest entities referenced above.

***Other Financial Information***

We define Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) as net income (loss) attributable to ExOne (as calculated under accounting principles generally accepted in the United States ( GAAP )) plus net income (loss) of noncontrolling interests, provision (benefit) for income taxes, interest expense, depreciation, equity-based compensation associated with our 2013 Equity Incentive Plan and other (income) expense net. Disclosure in this Quarterly Report on Form 10-Q of Adjusted EBITDA, which is a non-GAAP financial measure, as defined under the rules of the U.S. Securities and Exchange Commission ( SEC ), is intended as a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA should not be considered as an alternative to net income (loss) attributable to ExOne or any other performance measure derived in accordance with GAAP. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by unusual or non-recurring items.

We believe Adjusted EBITDA is meaningful to our investors to enhance their understanding of our financial performance. Although Adjusted EBITDA is not necessarily a measure of our ability to fund our cash needs, we understand that it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report Adjusted EBITDA. Our calculation of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

***Reconciliation of Adjusted EBITDA to Net Loss Attributable to ExOne***

| | **Quarter Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Net loss attributable to ExOne | $ (224) | $ (5,932) | $ (3,258) | $ (11,070) |
| Net income attributable to noncontrolling interests | | 138 | 138 | 320 |
| Interest expense | 46 | 234 | 326 | 542 |
| Provision (benefit) for income taxes | 439 | (63) | 530 | 171 |
| Depreciation | 589 | 453 | 1,685 | 1,258 |
| Equity-based compensation* | 200 | | 511 | |
| Other (income) expense - net | 1 | (47) | (63) | (74) |
| Adjusted EBITDA | $ 1,051 | $ (5,217) | $ (131) | $ (8,853) |

* As noted above, amounts reflected for equity-based compensation relate solely to expense incurred in connection with equity-based awards granted under our 2013 Equity Incentive Plan. During the quarter and nine months ended September 30, 2012, we incurred approximately $5,950 and $7,735 of equity-based compensation expense related to the sale of common units by the majority member of the former limited liability company to an existing member and two executives of the former limited liability company. As these transactions were not a part of our 2013 Equity Incentive Plan, we have elected not to consider the related equity-based compensation in measuring Adjusted EBITDA for the respective 2012 periods.

The significant changes in the reconciling items between Adjusted EBITDA and net loss attributable to ExOne for the quarter ended September 30, 2013, compared to the quarter ended September 30, 2012, include (i) a decrease in net income attributable to noncontrolling interests as a result of the acquisition of the related variable interest entities during the quarter ended March 31, 2013, (ii) a decrease in interest expense of $188 associated with a lower average outstanding debt balance for the quarter ended September 30, 2013, (iii) an increase in the provision for income taxes of $502 associated with changes in the taxable income of ExOne GmbH, (iv) an increase in depreciation expense of $136 attributed to an increase in 3D printing machines in-service in 2013 as compared to 2012 and (v) an increase in equity-based compensation of $200 based on the adoption of the 2013 Equity Incentive Plan and subsequent issuance of incentive stock options and restricted stock during the quarter ended March 31, 2013.

The significant changes in the reconciling items between Adjusted EBITDA and net loss attributable to ExOne for the nine months ended September 30, 2013, compared to the nine months ended September 30, 2012, include (i) a decrease in net income attributable to noncontrolling interests as a result of the acquisition of the related variable interest entities during the quarter ended March 31, 2013, (ii) a decrease in interest expense of $216 associated with a lower average outstanding debt balance for the nine months ended September 30, 2013, (iii) an increase in the provision for income taxes of $359 associated with changes in the taxable income of ExOne GmbH, (ii) an increase in depreciation expense of $427 attributed to an increase in 3D printing machines in-service in 2013 as compared to 2012 and (iii) an increase in equity-based compensation of $511 based on the adoption of the 2013 Equity Incentive Plan and subsequent issuance of incentive stock options and restricted stock during the quarter ended March 31, 2013.

***Impact of Inflation***

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition are not significant.

**Liquidity and Capital Resources.**

We incurred net losses of approximately $9,688, $7,617 and $5,180 for the years ended December 31, 2012, 2011 and 2010, respectively. As shown in the accompanying condensed consolidated financial statements we incurred a net loss of approximately $224 and $3,120 for the quarter and nine months ended September 30, 2013. Prior to our Reorganization we operated as a limited liability company and were substantially supported by the continued financial support provided by our majority member. These conditions raised substantial doubt as to our ability to continue as a going concern. In connection with the completion of our initial public offering in February 2013 and our secondary public offering in September 2013, we received total unrestricted net proceeds from the sale of our common stock of approximately $157,311. We believe that the unrestricted net proceeds obtained through these transactions have alleviated the substantial doubt and will be sufficient to support our operations through October 1, 2014.

The following table summarizes the significant components of cash flows for each of the nine month periods ended September 30 and our cash and cash equivalents balance at September 30, 2013 and December 31, 2012:

| | 2013 | 2012 |
|---|---|---|
| Cash used for operating activities | $ (13,451) | $ (8,992) |
| Cash used for investing activities | (12,149) | (1,802) |
| Cash provided by financing activities | 137,927 | 8,754 |
| Effect of exchange rate changes on cash and cash equivalents | 15 | (25) |
| Net change in cash and cash equivalents | $ 112,342 | $ (2,065) |

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Cash and cash equivalents | $ 115,144 | $ 2,802 |

***Operating Activities***

Cash used for operating activities for the nine months ended September 30, 2013, was $13,451 compared with $8,992 for the nine months ended September 30, 2012. The increase of $4,459, or 49.6%, was mostly attributed to net changes in assets and liabilities as a result of (i) an increase in outflows associated with inventories (as a result of increases in global machine manufacturing activities), (ii) an increase in outflows associated with prepaid expenses and other current assets (attributed mostly to vendor prepayment activity), (iii) a decrease in inflows associated with accounts payable and accrued expenses and other liabilities (based on increased purchasing activity and the timing of payment) and (iv) an increase in outflows associated with deferred revenue and customer prepayments (as a result of increases in the timing of product delivery to customers). These amounts were offset by (i) increased earnings in 2013 as compared to 2012 driven by higher volume of sales of 3D printing machines and (ii) increased collections activity on accounts receivable.

***Investing Activities***

Cash used for investing activities for the nine months ended September 30, 2013, was $12,149 compared with $1,802 for the nine months ended September 30, 2012. The increase of $10,347, or 574.2%, was primarily attributed to increased capital expenditures in 2013, mostly due to spending associated with (i) the expansion of our facilities in Germany to increase our 3D printing machine manufacturing, PSCs and other administrative facilities located there and (ii) costs associated with expanding our global PSC network, including the purchase of land and a manufacturing facility in North Las Vegas, Nevada. In addition, the cash flow effect of deconsolidating certain variable interest entities previously under our control also increased outflows from investing activities.

Related to the expansion of our facilities in Germany, we currently estimate total costs of this project (including the acquisition of land and the design cost of the facility) to be approximately $20,000 with an expected completion date in the fourth quarter of 2014. Through September 30, 2013, approximately $5,800 of the total estimated costs of approximately $20,000 have been incurred, including the associated purchase of land in the Municipality of Gersthofen, Germany (approximately $4,000). The remaining estimated costs of approximately $16,000 (including $1,800 incurred through September 30, 2013) are covered under a firmly committed contract with a turnkey provider of construction services.

Related to the continued expansion of our global PSC network, we continue to focus on expanding our existing network from seven global locations to fifteen global locations by the end of 2015. We currently estimate the cost of expanding our global PSC network to range between $2,000 and $4,000 per location.

***Financing Activities***

Cash provided by financing activities for the nine months ended September 30, 2013, was $137,927 compared with $8,754 for the nine months ended September 30, 2012.

The principal sources of cash for the nine months ended September 30, 2013, were (i) net proceeds from our initial public offering of $91,083 and (ii) net proceeds from our secondary public offering of $65,201. Offsetting these sources of cash were outflows of (i) $528 associated with the repayment of amounts outstanding on our German line of credit, (ii) $9,885 associated with the repayment of amounts outstanding on the demand note payable to member (which was subsequently retired by us), (iii) $7,488 associated with the repayment of other outstanding debt and principal payments on financing leases, including repayment of all of the debt assumed from our VIEs in connection with the acquisition of net assets on March 27, 2013 and settlement of our financing lease obligation with a related party for a cash payment of approximately $1,372 during the quarter ended June 30, 2013, and (iv) $456 in preferred stock dividends paid prior to conversion of preferred stock to common stock upon closing of our initial public offering.

The principal sources of cash for the nine months ended September 30, 2012, were (i) net borrowings on the demand note payable to member of approximately $6,953 to support operations, (ii) net borrowings on our German line of credit of approximately $914 to support operations, and (iii) proceeds from financing leases of $2,539 used to finance 3D printing machine production. Offsetting these sources of cash were long-term debt and financing lease repayments of approximately $1,652.

**Contractual Obligations.**

We are required to make future payments under various contracts, including operating lease and license agreements, construction services agreements, debt agreements and capital and financing lease agreements. At September 30, 2013, a summary of our outstanding contractual obligations is as follows:

| | Total | 1 Year | 1-3 Years | 3-5 Years | Thereafter |
|---|---|---|---|---|---|
| Operating activities: | | | | | |
| Operating leases | $ 1,491 | $ 738 | $ 394 | $ 256 | $ 103 |
| License fee obligations | 805 | 605 | 200 | | |
| Deferred revenue and customer prepayments | 1,228 | 1,031 | 197 | | |
| Investing activities: | | | | | |
| Capital expenditures | 14,699 | 13,882 | 817 | | |

| | | | | | |
|---|---|---|---|---|---|
| Financing activities: | | | | | |
| Long-term debt | 2,240 | 126 | 267 | 283 | 1,564 |
| Capital and financing leases | 1,140 | 533 | 536 | 71 | |
| Interest | 812 | 137 | 184 | 153 | 338 |
| Total | $ 22,415 | $ 17,052 | $ 2,595 | $ 763 | $ 2,005 |

***Operating Leases***

Operating leases consist of various lease agreements of manufacturing facilities, office and warehouse spaces, and equipment and vehicles, expiring in various years through 2017.

***License Fee Obligations***

License fee obligations include amounts contractually due to third parties for use of patented technology, expiring in various years through 2016.

***Deferred Revenue and Customer Prepayments***

Deferred revenue and customer prepayments require the Company to deliver products or services to customers over a specified contract period. While these obligations are not expected to result in cash payments, they represent contractual obligations for which we would be obligated if the specified deliveries could not be made.

***Capital Expenditures***

Capital expenditures consist of firmly committed amounts under a construction services contract for the design and construction of a manufacturing facility in the Municipality of Gersthofen, Germany, with an expected completion date in the fourth quarter of 2014.

***Long-Term Debt***

Long-term debt consists of the following instruments: (i) a line of credit held by our German subsidiary and (ii) the current and noncurrent portion of a note payable used to finance the acquisition of a building. Maturity of our long-term debt extends to 2027.

***Capital and Financing Leases***

Capital and financing leases consist of obligations associated with (i) leased assets or (ii) sale-leaseback transactions required to be accounted for as financings. Maturity of our capital and financing leases extends to 2017.

***Interest***

Interest related to long-term debt and capital and financing leases is based on interest rates in effect at September 30, 2013, and is calculated on financial instruments with maturities that extend to 2027.

**Off Balance Sheet Arrangements.**

We are not a party to any off balance sheet arrangements.

**Recently Issued and Adopted Accounting Guidance.**

Refer to Note 2 to the condensed consolidated financial statements in Part I Item 1 of this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk from fluctuations in foreign currency exchange rates which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities and, when we consider it to be appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading or speculative purposes.

The local currency is the functional currency for significant operations outside of the United States. The determination of the functional currency of an operation is made based on the appropriate economic and management indicators.

Foreign currency assets and liabilities are translated into their U.S. dollar equivalents based on year end exchange rates, and are included in stockholders equity (deficit) as a component of comprehensive income (loss). Revenues and expenses are translated at average exchange rates. Transaction gains and losses that arise from exchange rate fluctuations are charged to operations as incurred, except for gains and losses associated with intercompany receivables and payables for which settlement is not planned or anticipated in the foreseeable future, which are included in accumulated other comprehensive loss in the consolidated balance sheets.

We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. The geographic areas outside the United States in which we operate are generally not considered to be highly inflationary. Approximately 64.3% and 79.6% of our consolidated revenue was derived from transactions outside the United States for the quarters ended September 30, 2013 and 2012, respectively. Approximately 64.7% and 63.1% of our consolidated revenue was derived from transactions outside the United States for the nine months ended September 30, 2013 and 2012, respectively. This revenue is generated primarily from wholly-owned subsidiaries operating in their respective countries and surrounding geographic areas. This revenue is primarily denominated in each subsidiary s local functional currency, including the Euro and Japanese Yen. A hypothetical change in foreign exchange rates of +/- 10.0% for the quarter and nine months ended September 30, 2013, would result in an increase (decrease) in revenue of approximately $750 and $1,900, respectively. These subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currencies.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2013. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, management concluded as of September 30, 2013, that our disclosure controls and procedures were not effective at the reasonable assurance level due to material weaknesses in our internal control over financial reporting as discussed in the Company s Annual Report on Form 10-K filed on March 29, 2013.

As a result of material weaknesses described in our Annual Report on Form 10-K, we performed additional analysis and other post-closing procedures to ensure our condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). Accordingly, management believes that the financial statements and related notes thereto included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

***Changes in Internal Control over Financial Reporting***

With the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of our identified material weaknesses. Our plan includes (i) enhancing our global accounting and reporting process by designing and strengthening the operating effectiveness of internal controls over financial reporting, (ii) evaluating our information technology systems to further integrate existing systems or invest in improvements to our technology sufficient to generate accurate and timely financial information and (iii) adding financial personnel with adequate knowledge and experience in GAAP.

In addition to these efforts, we are in the process of documenting and testing our internal control over financial reporting in order to report on the effectiveness of our internal controls as of December 31, 2013, as required following our initial public offering. We can provide no assurance at this time that management will be able to report that our internal control over financial reporting is effective as of December 31, 2013. As an emerging growth company, we are exempt from the requirement to obtain an attestation report from our independent registered public accounting firm on the assessment of our internal controls pursuant to the Sarbanes-Oxley Act of 2002 until 2018, or such time that we no longer qualify as an emerging growth company in accordance with the Jumpstart Our Businesses Startups Act of 2012.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

The Company and its subsidiaries are subject to various litigation, claims, and proceedings which have been or may be instituted or asserted from time to time in the ordinary course of business. Management does not believe that the outcome of any pending or threatened matters will have a material adverse effect, individually or in the aggregate, on the financial position, results of operations or cash flows of the Company.

### Item 1A. Risk Factors.

In connection with our secondary offering of common stock in September 2013, we revised our risk factors to reflect various changes and updates to the risk factors that we previously included in our Annual Report on Form 10-K for the year ended December 31, 2012. The following are the risk factors that we included in our Annual Report on Form 10-K for the year ended December 31, 2012 with changes that reflect updates to the risk factors that we included in Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-190768) dated September 3, 2013.

## RISK FACTORS

*The following risks should be considered in evaluating our business and future prospects and an investment in our common stock. The risks and uncertainties described below are not the only ones we face. If any of the following risks and uncertainties develops into actual events, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, the price of our common stock could decline and you may lose all or part of your investment.*

### Risks Related to Our Business and Industry

***We may not be able to significantly increase the number of materials in which we can print products fast enough to meet our business plan.***

Our business plan is heavily dependent upon our ability to steadily increase the number of qualified materials in which our machines can print products, because this will increase our addressable market, both as to customers and products for customers. However, qualifying new materials is a complicated engineering task, and there is no way to predict whether, or when, any given material will be qualified. If we cannot hire people with sufficient technical skills to work on qualifying new materials for printing, or if we lack the resources necessary to create a steady flow of new materials, we will not be able to meet our business plan goals and a competitor may emerge that is better at qualifying new materials, either of which would have an adverse effect on our business results.

***Our future success in qualifying new materials for printing may attract more competitors into our markets, some which may be much larger than we are.***

If we succeed in qualifying a growing number of materials for use in our 3D printing machines, that will increase our addressable market. However, as we create a larger addressable market, our market may become more attractive to other 3D printing companies or large companies that are not 3D printing companies, but which may see an economic opportunity in the markets we have created. Because we are a supplier of 3D printed products to industrial companies, an increase in the number of competitors for our addressable market is likely to adversely affect our business and financial results.

***We may not be able to adequately increase demand for our products.***

Our business plan is built around a steady increase in the demand for our products. However, only a relatively small number of our potential customers know of the existence of additive manufacturing ( AM ) and are familiar with its capabilities, and even fewer understand the potential benefits of using AM to manufacture products. If we do not develop effective strategies to raise awareness among potential customers of the benefits of AM and 3D printing, we may be unable to achieve our planned rate of growth, which could adversely affect our results of operations.

***We may not be able to hire the number of skilled employees that we need to achieve our business plan.***

For our business to grow in accordance with our business plan, we will need to hire and retain additional employees with the technical competence and engineering skills to operate our machines, improve our technology and processes and expand our technological capability to print using an increasing variety of materials. People with these skills are in short supply and may not be available in sufficient numbers to allow us to meet the goals of our business plan. If we cannot obtain the services of a sufficient number of technically skilled employees, we may not be able to achieve our planned rate of growth, which could adversely affect our results of operations.

***Our revenues and operating results may fluctuate.***

Our revenues and operating results may fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which are not within our control. A significant portion of our machine orders are typically received during the third or fourth quarter of the fiscal year as a result of the timing of capital expenditures of our customers. Our machines typically are shipped within the quarter or the next quarter after orders are received. Thus, revenues and operating results for any future period are not predictable with any significant degree of certainty. We also typically experience weaker demand for our machines in the first and second quarters. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance.

Fluctuations in our operating results and financial condition may occur due to a number of factors, including, but not limited to, those listed below and those identified throughout this Risk Factors section:

- the degree of market acceptance of our products;
- the mix of products that we sell during any period;
- our long sales cycle;
- generally weaker demand for machines in the first and second quarters;
- development of competitive systems by others;
- our response to price competition;
- delays between our expenditures to develop and market new or enhanced machines and products and the generation of sales from those products;
- changes in the amount we spend to promote our products and services;

- the geographic distribution of our sales;
- changes in the cost of satisfying our warranty obligations and servicing our installed base of products;
- our level of research and development activities and their associated costs and rates of success;
- general economic and industry conditions that affect end-user demand and end-user levels of product design and manufacturing, including the adverse effects of the current economic crisis affecting Europe;
- changes in accounting rules and tax laws; and
- changes in interest rates that affect returns on our cash balances and short-term investments.

Due to the foregoing factors, you should not rely on quarter-to-quarter or year-to-year comparisons of our operating results as an indicator of future performance.

***We may not be able to generate operating profits.***

Since our inception, we have not generated operating profits. In the event that we are unable to execute on our business plan, we may be unable to generate profits in the future.

Our operating expenses (which include research and development and selling, general and administrative expenses) for the nine months ended September 30, 2013, were approximately $14.6 million compared with operating expenses of approximately $16.0 million for the nine months ended September 30, 2012. We expect our operating expenses for the year ending December 31, 2013 to be between approximately $18.0 million and $21.0 million. The increases in our research and development expenses are due primarily to continued investment in our 3D printing machine and micromachinery technology and increased costs associated with our materials qualification activities, including additional research and development headcount. The increases in our selling, general and administrative expenses are due primarily to increased expenses in professional service fees (including legal, audit and other consulting expenses) and increased personnel costs associated with an increased headcount (including salaries and related benefits) in making the transition from a private company to a publicly traded company.

We expect that our operating expenses will continue to increase in future periods as we pursue our growth strategies. Based on our current plans, we further expect our operating expenses for the year ending December 31, 2014 to exceed our 2013 operating expenses by 20% to 25%. Any future increases in our research and development expenses and selling, general and administrative expenses will directly affect our future results of operations and may have an effect on our financial condition.

***We may not be able to introduce new machines and related industrial materials acceptable to the market or to improve the technology and industrial materials used in our current machines.***

Our revenues are derived from the sale of machines for, and products manufactured using, AM. Our market is subject to innovation and technological change. A variety of technologies have the capacity to compete against one another in our market, which is, in part, driven by technological advances and end-user requirements and preferences, as well as the emergence of new standards and practices. Our ability to compete in the industrial AM market depends, in large part, on our success in enhancing and developing new machines, in enhancing our current machines, in enhancing and adding to our technology, and in developing and qualifying new industrial materials in which we can print. We believe that to remain competitive we must continuously enhance and expand the functionality and features of our products and technologies. However, we may not be able to:

- Enhance our existing products and technologies;
- Continue to leverage advances in industrial printhead technology;
- Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective end-users, particularly with respect to the physical properties of industrial materials and other consumables;
- Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis;
- Develop products that are cost-effective or that otherwise gain market acceptance; and
- Adequately protect our intellectual property as we develop new products and technologies.

***If the market does not develop as we expect, our revenues may stagnate or decline.***

The marketplace for industrial manufacturing is dominated by conventional manufacturing methods that do not involve AM technology. If AM technology does not gain market acceptance as an alternative for industrial manufacturing, or if the marketplace adopts AM based on a technology other than our technology, we may not be able to increase or sustain the level of sales of our products and machines and our results of operations would be adversely affected as a result.

***Loss of key management or sales or customer service personnel could adversely affect our results of operations.***

Our future success depends to a significant extent on the skills, experience and efforts of our management and other key personnel. We must continue to develop and retain a core group of management individuals if we are to realize our goal of continued expansion and growth. While we have not previously experienced significant problems attracting and retaining members of our management team and other key personnel, there can be no assurance that we will be able to continue to retain these individuals, and the loss of any or all of these individuals could materially and adversely affect our business. We do not carry key-man insurance on any member of management.

***Our international operations pose currency risks, which may adversely affect our operating results.***

Our operating results may be affected by volatility in currency exchange rates and our ability to effectively manage our currency transaction and translation risks. In general, we conduct our business, earn revenue and incur costs in the local currency of the countries in which we operate. As a result, our international operations present risks from currency exchange rate fluctuations. The financial condition and results of operations of each of our foreign operating subsidiaries are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements. We do not manage our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates. Therefore, changes in exchange rates between these foreign currencies and the U.S. dollar will affect the recorded levels of our foreign assets and liabilities, as well as our revenues, cost of goods sold, and operating margins, and could result in exchange losses in any given reporting period.

In the future, we may not benefit from favorable exchange rate translation effects, and unfavorable exchange rate translation effects may harm our operating results. In addition to currency translation risks, we incur currency transaction risks whenever we enter into either a purchase or a sale transaction using a different currency from the currency in which we receive revenues. In such cases we may suffer an exchange loss because we do not currently engage in currency swaps or other currency hedging strategies to address this risk.

Given the volatility of exchange rates, we can give no assurance that we will be able to effectively manage our currency transaction and/or translation risks or that any volatility in currency exchange rates will not have an adverse effect on our results of operations.

***One of our principal stockholders will be able to exert substantial influence.***

S. Kent Rockwell, our Chairman and Chief Executive Officer, beneficially owns approximately 21.98% of our common stock and may have effective control over the election of our Board of Directors and the direction of our affairs. As a result, he could exert considerable influence over the outcome of any corporate matter submitted to our stockholders for approval, including the election of directors and any transaction that might cause a change in control, such as a merger or acquisition. Any stockholders who are in favor of a matter that is opposed by Mr. Rockwell would have to obtain a significant number of votes to overrule the votes of Mr. Rockwell.

***We may need to raise additional capital from time to time if we are going to meet our growth strategy and may be unable to do so on attractive terms.***

Expanding our business to meet our growth strategy may require additional investments of capital from time to time, and our existing sources of cash and any funds generated from operations may not provide us with sufficient capital. For various reasons, including any current noncompliance with existing or future lending arrangements, additional financing may not be available when needed, or may not be available on terms favorable to us. If we fail to obtain adequate capital on a timely basis or if capital cannot be obtained at reasonable costs, we will not be able to achieve our planned rate of growth, which will adversely affect our results of operations.

***We are highly dependent upon sales to certain industries.***

For our most recent fiscal year ended (December 31, 2012), revenues of machines and products were concentrated to companies in the aerospace (20%), automotive (24%), heavy equipment (26%), and energy/oil/gas (13%) industries and those industries   respective suppliers. To the extent any of these industries experience a downturn, our results of operations may be adversely affected. Additionally, if any of these industries or their respective suppliers or other providers of manufacturing services develop new technologies or alternatives to manufacture the products that are currently manufactured using our machines, it may adversely affect our results of operations.

***We are dependent on a single supplier of printheads.***

We currently rely on a single source to supply the printheads used by our machines. While we believe that there are other suppliers of printheads upon which we could rely, we could experience delays and interruptions if our supply is interrupted that might temporarily impact the financial performance of our business.

***We may not be able to manage the expansion of our operations effectively in order to achieve our projected levels of growth.***

We have expanded our operations significantly in recent periods, and our business plan calls for further expansion over the next several years. We anticipate that further development of our infrastructure and an increase in the number of our employees will be required to achieve our planned broadening of our product offerings and client base, improvements in our machines and materials used in our machines, and our planned international growth. In particular, we must increase our marketing and services staff to support new marketing and service activities and to meet the needs of both new and existing customers. Our future success will depend in part upon the ability of our management to manage our growth effectively. If our management is unsuccessful in meeting these challenges, we may not be able to achieve our anticipated level of growth which would adversely affect our results of operations.

***We may not be able to consummate and effectively integrate future acquisitions, if any.***

We may from time to time engage in strategic acquisitions and partnerships with third parties if we determine that they will provide future financial and operational benefits. Successful completion of any strategic transaction depends on a number of factors that are not entirely within our control, including our ability to negotiate acceptable terms, conclude satisfactory agreements and obtain all necessary regulatory approvals. In addition, our ability to effectively integrate any potential acquisition into our existing business and culture may not be successful, which could jeopardize future operational performance for the combined businesses. Although we are currently exploring a combination of acquisitions, strategic investments, and/or alliances, some of which we believe will promote advances in pre-print and post-print process, there is no guarantee that we will complete such transactions on favorable terms or at all. The exploration, negotiation, and consummation of acquisitions, strategic investments and/or alliances may involve significant expenditures by us, which may adversely affect our results of operations at the time such expenses are incurred. We may not be able to successfully negotiate and complete a specific acquisition, investment, or alliance. In addition, any acquisition, investment or alliance may not be accretive to ExOne for a period of time which may be significant following the completion of such acquisition, investment or alliance.

***Our planned expansion of our international sales is subject to various risks, and failure to manage these risks could adversely affect our results of operations.***

Our business is subject to certain risks associated with doing business globally. For our three most recent fiscal years ended (December 31, 2012, 2011 and 2010), our sales outside of the United States were 72.8%, 70.0% and 70.7%, respectively. One of our growth strategies is to pursue opportunities for our business in several areas of the world outside of the United States, any or all of which could be adversely affected by the risks set forth below. Our operations outside of the United States are subject to risks associated with the political, regulatory and economic conditions of the countries in which we operate, such as:

- fluctuations in foreign currency exchange rates;
- potentially longer sales and payment cycles;
- potentially greater difficulties in collecting accounts receivable;
- potentially adverse tax consequences;

- reduced protection of intellectual property rights in certain countries;
- difficulties in staffing and managing foreign operations;
- laws and business practices favoring local competition;
- costs and difficulties of customizing products for foreign countries;
- compliance with a wide variety of complex foreign laws, treaties and regulations;
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets; and
- becoming subject to the laws, regulations and court systems of many jurisdictions.

Any of these factors could materially adversely affect sales of our products to global customers or harm our reputation, which could adversely affect our results of operations.

***Global economic, political and social conditions have adversely impacted our sales and may continue to do so.***

The uncertain direction and relative strength of the global economy, difficulties in the financial services sector and credit markets, continuing geopolitical uncertainties and other macroeconomic factors all affect spending behavior of potential end-users of our products. The prospects for economic growth in the United States and other countries remain uncertain and may cause end-users to further delay or reduce technology purchases. In particular, a substantial portion of our sales are made to customers in countries in Europe, which is experiencing a significant economic crisis. If global economic conditions remain volatile for a prolonged period or if European economies experience further disruptions, our results of operations could be adversely affected. The global financial crisis affecting the banking system and financial markets has resulted in a tightening of credit markets, lower levels of liquidity in many financial markets and extreme volatility in fixed income, credit, currency and equity markets. These conditions may make it more difficult for our end-users to obtain financing.

***Due to our plan to increase our global business activities, we may be adversely affected by violations of the FCPA, similar anti-bribery laws in other jurisdictions in which we currently or may in the future operate, or various international trade and export laws.***

Our business plan envisions that we will conduct increasing amounts of business outside of the United States, which will create various domestic and foreign regulatory challenges. The Foreign Corrupt Practices Act of 1977, as amended (the FCPA ), and similar anti-bribery laws in other jurisdictions generally prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We have policies and controls in place designed to ensure internal and external compliance with these and other anti-bribery laws. To ensure compliance, our anti-bribery policy and training on a global basis provides our employees with procedures, guidelines and information about anti-bribery obligations and compliance. Further, we require our partners, subcontractors, agents and others who work for us or on our behalf to comply with anti-bribery laws. We also have procedures and controls in place designed to ensure internal and external compliance. However, such anti-bribery policy, training, internal controls, and procedures will not always protect us from reckless, criminal or unintentional acts committed by our employees, agents or other persons associated with us. If we are found to be in violation of the FCPA or other anti-bribery laws (either due to the intentional or inadvertent acts of our employees, or due to the intentional or inadvertent acts of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business. In addition, actual or alleged violations could damage our reputation and adversely affect our results of operations.

***We rely on our information technology systems to manage numerous aspects of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our results of operations.***

We depend on our information technology, or IT, systems to manage numerous aspects of our business and provide analytical information to management. Our IT systems allow us to efficiently purchase products from our suppliers, provide procurement and logistic services, ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. Our IT systems are an essential component of our business and growth strategies, and a disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power loss, including as a result of natural disasters, computer system and network failures, loss of telecommunication services, operator negligence, loss of data, security breaches and computer viruses. Any such disruption could adversely affect our results of operations.

***We could be subject to personal injury, property damage, product liability, warranty and other claims involving allegedly defective products that we supply.***

The products we supply are sometimes used in potentially hazardous applications, such as the assembled parts of an aircraft or automobile, that could result in death, personal injury, property damage, loss of production, punitive damages, and consequential damages. While we have not experienced any such claims to date, actual or claimed defects in the products we supply could result in our being named as a defendant in lawsuits asserting potentially large claims. Any such lawsuit, regardless of merit, could result in material expense, diversion of management time and efforts, and damage to our reputation, and could cause us to fail to retain or attract customers, which could adversely affect our results of operations.

***We may not have adequate insurance for potential liabilities.***

In the ordinary course of business, we may be subject to various product and non-product related claims, lawsuits and administrative proceedings seeking damages or other remedies arising out of our commercial operations. We maintain insurance to cover our potential exposure for most claims and losses. However, our insurance coverage is subject to various exclusions, self-retentions and deductibles, may be inadequate or unavailable to protect us fully, and may be cancelled or otherwise terminated by the insurer. Furthermore, we face the following additional risks under our insurance coverage:

- we may not be able to continue to obtain insurance coverage on commercially reasonable terms, or at all;

- we may be faced with types of liabilities that are not covered under our insurance policies, such as environmental contamination or terrorist attacks, and that exceed any amounts what we may have reserved for such liabilities;

- the amount of any liabilities that we may face may exceed our policy limits and any amounts we may have reserved for such liabilities; and

- we may incur losses resulting from interruption of our business that may not be fully covered under our insurance policies.

Even a partially uninsured claim of significant size, if successful, could materially adversely affect our business, financial condition, results of operations and liquidity. However, even if we successfully defend ourselves against any such claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time in the defense against these claims and our reputation could suffer, any of which could adversely affect our results of operations.

***If any of our manufacturing facilities or PSCs are disrupted, sales of our products may be disrupted, which could result in loss of revenues and an increase in unforeseen costs.***

We manufacture our machines at our facilities in Augsburg, Germany and North Huntingdon, Pennsylvania. Our PSCs are located in North Huntingdon, Pennsylvania; Houston, Texas; Troy, Michigan; Auburn, Washington; North Las Vegas, Nevada; Augsburg, Germany; and Kanagawa, Japan.

If the operations of these facilities are materially disrupted, we would be unable to fulfill customer orders for the period of the disruption, we would not be able to recognize revenue on orders, and we might need to modify our standard sales terms to secure the commitment of new customers during the period of the disruption and perhaps longer. Depending on the cause of the disruption, we could incur significant costs to remedy the disruption and resume product shipments. Such a disruption could have an adverse effect on our results of operations.

***Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.***

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work, including Germany and Japan, and it may be difficult for us to restrict our competitors from benefitting from the expertise of our former employees or consultants developed while working for us. If we cannot demonstrate that our legally protectable interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

**Risks Related to Our Intellectual Property**

***We may not be able to protect our trade secrets and intellectual property.***

While some of our technology is licensed under patents belonging to others or is covered by process patents which are owned or applied for by us, much of our key technology is not protected by patents. Since we cannot legally prevent one or more other companies from developing similar or identical technology to our unpatented technology, it is likely that, over time, one or more other companies may be able to replicate our technology, thereby reducing our technological advantages. If we do not protect our technology or are unable to develop new technology that can be protected by patents or as trade secrets, we may face increased competition from other companies, which may adversely affect our results of operations.

***We enjoy license rights and exclusivity of certain patents and intellectual property and cannot adequately estimate the effects of their expiration upon the entrance or advancement of competitors into the AM industrial market.***

We have exclusive license and non-exclusive license rights to certain patents that we utilize in the industrial market. Some of these patents expired in November 2012 and others are scheduled to expire over the next two years. We cannot adequately estimate the effect that the expiration of these patents will have upon the entrance or advancement of other AM manufacturers into the industrial market. See Part I Item 1. Business to the Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

***We may not be able to obtain patent protection or otherwise adequately protect or enforce our intellectual property rights, which could impair our competitive position.***

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We rely primarily on patents, trademarks, and trade secrets, as well as non-disclosure agreements and other methods, to protect our proprietary technologies and processes globally. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use, or disclose our technologies and processes. We cannot assure you that any of our existing or future patents or other intellectual property rights will not be challenged, invalidated, or circumvented or will otherwise provide us with meaningful protection. We may not be able to obtain foreign patents corresponding to our U.S. or foreign patent applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents and other intellectual property protections do not adequately protect our technology, our competitors may be able to offer products similar to ours. We may not be able to detect the unauthorized use of our proprietary technology and processes or take appropriate steps to prevent such use. Our competitors may also be able to develop similar technology independently or design around our patents. Any of the foregoing events would lead to increased competition and lower revenue or gross profits, which would adversely affect our results of operations.

***We may be subject to alleged infringement claims.***

We may be subject to intellectual property infringement claims from individuals, vendors, and other companies who have acquired or developed patents in the field of AM for purposes of developing competing products or for the sole purpose of asserting claims against us. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending, and resolving such claims, and may prohibit or otherwise impair our ability to commercialize new or existing products. If we are unable to effectively defend our technologies and processes, our market share, sales and profitability could suffer, which could adversely affect our results of operations.

***Certain of our employees and patents are subject to German law.***

Many of our employees work in Germany and are subject to German employment law. Ideas, developments, discoveries and inventions made by such employees and consultants are subject to the provisions of the German Act on Employees Inventions (Gesetz über Arbeitnehmererfindungen), which regulates the ownership of, and compensation for, inventions made by employees. We face the risk that disputes can occur between us and our employees or ex-employees pertaining to alleged non-adherence to the provisions of this act that may be costly to defend and take up our management s time and efforts whether we prevail or fail in such dispute. In addition, under the German Act on Employees Inventions, certain employees retained rights to patents they invented or co-invented prior to 2009. Although most of these employees have subsequently assigned their interest in these patents to us, there is a risk that the compensation we provided to them may be deemed to be insufficient in the future and we may be required under German law to increase the compensation due to such employee for the use of their patent. In those cases where employees have not assigned their interests to us, we may need to pay compensation for the use of those patents. If we are required to pay additional compensation or face other disputes under the German Act on Employees Inventions, our results of operations could be adversely affected.

**Risks Related to the Securities Markets and Ownership of Our Common Stock**

***We have broad discretion as to the use of the net proceeds from our February 2013 IPO and September 2013 secondary common stock offering and may not use them effectively.***

We cannot specify with certainty how we will use the net proceeds that we receive from our February 2013 IPO and September 2013 secondary common stock offering. Our management has broad discretion in the application of the net proceeds, and we may use these proceeds in ways with which you may disagree or for purposes other than those contemplated at the time of the offering. The failure by our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operations. Pending their use, we may invest the net proceeds from our IPO and secondary offering in a manner that does not produce income or that loses value.

***The market price of our common stock may fluctuate significantly.***

The market price and liquidity of the market for shares of our common stock may fluctuate and may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of companies in our sector, which is not necessarily related to the operating performance of these companies;

- the mix of products that we sell, and related services that we provide, during any period;
- delays between our expenditures to develop and market new products and the generation of sales from those products;
- changes in the amount that we spend to develop, acquire or license new products, technologies or businesses;
- changes in our expenditures to promote our products and services;
- changes in the cost of satisfying our warranty obligations and servicing our installed base of systems;
- success or failure of research and development projects of us or our competitors;
- announcements of acquisitions by us or one of our competitors;
- the general tendency towards volatility in the market prices of shares of companies that rely on technology and innovation;
- changes in regulatory policies or tax guidelines;
- changes or perceived changes in earnings or variations in operating results;
- any shortfall in revenue or earnings from levels expected by investors or securities analysts; and
- general economic trends and other external factors.

***If equity research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our shares, the price of our shares could decline.***

The trading market for our shares relies in part on the research and reports that equity research analysts publish about us and our business. We do not have control over these analysts, and we do not have commitments from them to write research reports about us. The price of our shares could decline if one or more equity research analysts downgrades our shares, issues other unfavorable commentary, or ceases publishing reports about us or our business.

***Future sales of our shares could reduce the market price of our shares.***

The price of our shares could decline if there are substantial sales of our common stock, particularly by our directors, their affiliates or our executive officers, or when there is a large number of shares of our common stock available for sale. The perception in the public market that our stockholders might sell our shares could also depress the market price of our shares. Our executive officers, directors and selling stockholders are subject to lock-up agreements with the underwriters that restrict their ability to transfer their shares for 90 days after the date of our September 2013 secondary common stock offering. Consequently, upon expiration of the lock-up agreements, approximately 3,948,927 shares held by our existing officers or directors will be eligible for sale in the public market. The market price of our shares may drop significantly when the restrictions on resale by our existing stockholders lapse and these stockholders are able to sell their shares into the market. If this occurs or continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

***We are incurring increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives.***

As a public company whose shares are listed on The NASDAQ Global Market, we incur significant accounting, legal and other expenses that we did not incur as a private company, and these expenses will increase even more after we are no longer an emerging growth company (as described below). We incur significant costs associated with our compliance with the public company reporting requirements of the Securities and Exchange Act of 1934, as amended (the Exchange Act ), requirements imposed by the Sarbanes-Oxley Act (most notably Section 404), Dodd Frank Wall Street Reform and Protection Act, and other rules adopted, and to be adopted, by the SEC and The NASDAQ Global Market. Compliance with these rules and regulations have increased our legal and financial compliance costs, introduced new costs (including stock exchange listing fees and costs related to investor relations and stockholder reporting), and made certain activities more time-consuming and costly. These increased costs of doing business have increased our consolidated net loss. They also make it more difficult for us to obtain director and officer liability insurance, and we may incur substantial costs to maintain sufficient coverage.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies generally, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected. We cannot predict or estimate the amount or timing of additional costs we may incur in the future to respond to these constantly evolving requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers.

However, for as long as we remain an emerging growth company as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues, qualify as a large accelerated filer under the Securities Exchange Act of 1934, as amended (which requires us to have more than $700 million in market value of our common stock held by non-affiliates), or issue more than $1.0 billion of non-convertible debt over a three-year period. See Part I Item 1. Business to the Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

***We have never paid cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. Therefore, if our share price does not appreciate, our investors may not gain and could potentially lose on their investment in our shares.***

We have never declared or paid cash dividends on our common stock, nor do we anticipate paying any cash dividends on our share capital in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our shares will be investors sole source of gain for the foreseeable future.

***As an emerging growth company, we intend to follow certain permitted corporate governance practices instead of the otherwise applicable SEC and NASDAQ requirements, which may result in less protection than is accorded to investors in a non-emerging growth company.***

As an emerging growth company, we will be permitted, and intend to follow, certain corporate governance practices instead of those otherwise required by the SEC and under the listing requirements of The NASDAQ Global Market. Following our emerging growth company governance practices as opposed to the requirements that would otherwise apply to a company listed on The NASDAQ Global Market may provide less protection to you than what is accorded to investors under the Listing Rules of The NASDAQ Global Market applicable to non-emerging growth company issuers.

***As an emerging growth company, we will delay adoption of new or revised accounting standards, which may make our stock less attractive and our trading price more volatile.***

Pursuant to the JOBS Act, as an emerging growth company, we have elected to take advantage of an extended transition period for any new or revised accounting standards that may be issued by the Financial Accounting Standards Board (FASB) or the SEC, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, will delay adoption of the standard until it applies to private companies. This may make a comparison of our financial statements with any other public company that is either not an emerging growth company or is an emerging growth company that has opted out of using the extended transition period difficult, as different or revised standards may be used. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile and could decline.

***If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common stock.***

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. In addition, commencing with our annual report on Form 10-K for the year ending December 31, 2013, we will be required, under Section 404(a) of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2012, we concluded that there are material weaknesses in the design and operating effectiveness of our internal control over financial reporting as defined in SEC Regulation S-X. A description of the identified material weaknesses in internal control over financial reporting are as follows:

*The design and operating effectiveness of internal controls related to our financial reporting process were not sufficient to allow for accurate and timely reporting of our consolidated financial results.* We did not maintain adequate control with respect to the application of GAAP. This was principally due to a lack of personnel with adequate knowledge and experience in GAAP. As a result, we recorded certain manual, post-close adjustments in order to prepare the consolidated financial statements of the Company.

*The design and operating effectiveness of internal controls related to our information technology systems was not sufficient to allow for accurate and timely reporting of our consolidated financial results.* Each of our primary locations (United States, Germany and Japan) utilizes separate and distinct information technology platforms to record, process and summarize transactions. As a result, our process to consolidate and report financial information is substantially a manual process and inherently subject to error.

*The design and operating effectiveness of internal controls related to our consolidation process and management s review of our consolidated financial results did not operate at a level of precision sufficient to allow for accurate and timely reporting of our consolidated financial results.* Our consolidation process is substantially a manual process and inherently subject to error. Further, because of internal control weaknesses identified with respect to our financial reporting process and information technology systems, management was unable to complete an adequate review of either subsidiary or consolidated financial results at a sufficient level of precision to prevent or detect misstatements. As a result, we recorded certain manual, post-close adjustments in order to prepare the consolidated financial statements of the Company.

With the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the identified material weaknesses. Our plan includes (i) enhancing our global accounting and reporting process by designing and strengthening the operating effectiveness of internal controls over financial reporting, (ii) evaluating our information technology systems to further integrate existing systems or invest in improvements to our technology sufficient to generate accurate and timely financial information, and (iii) adding financial personnel with adequate knowledge and experience in GAAP.

In addition to these efforts, we are in the process of documenting and testing our internal control over financial reporting in order to report on the effectiveness of our internal controls as of December 31, 2013. We can provide no assurance at this time that management will be able to report that our internal control over financial reporting is effective as of December 31, 2013. Furthermore, as our business continues to grow internationally, our internal controls will become more complex and will require significantly more resources and attention to ensure that our internal controls remain effective overall. If our management cannot favorably assess the effectiveness of our internal controls over financial reporting, investor confidence in our financial results may weaken, and our share price may suffer.

Notwithstanding the identified material weaknesses, management believes the consolidated financial statements of the Company fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Additionally, Section 404(b) of the Sarbanes-Oxley Act requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. As an emerging growth company, we will not be required to comply with Section 404(b), until we file our annual report for 2018 with the SEC, provided we maintain our status as an emerging growth company for the full five-year period.

Our compliance with Section 404(b) will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge, and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404(b). We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting once that firm begins its Section 404(b) attestations, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

***Provisions in our charter documents or Delaware law may inhibit a takeover, which could adversely affect the value of our common stock.***

Our certificate of incorporation and bylaws contain, and Delaware corporate law contains, provisions that could delay or prevent a change of control or changes in our management. These provisions will apply even if some of our stockholders consider the offer to be beneficial or favorable. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

***Raising additional capital by issuing securities may cause dilution to our stockholders.***

We may need or desire to raise substantial additional capital in the future. Our future capital requirements will depend on many factors, including, among others:

- Our degree of success in capturing a larger portion of the industrial products production market;

- The costs of establishing or acquiring sales, marketing, and distribution capabilities for our products;

- The costs of preparing, filing, and prosecuting patent applications, maintaining and enforcing our issued patents, and defending intellectual property-related claims;

The extent to which we acquire or invest in businesses, products, or technologies and other strategic relationships; and

The costs of financing unanticipated working capital requirements and responding to competitive pressures. If we raise additional funds by issuing equity or convertible debt securities, we will reduce the percentage ownership of our then-existing stockholders, and the holders of those newly-issued equity or convertible debt securities may have rights, preferences, or privileges senior to those possessed by our then-existing stockholders. Additionally, future sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**
**Unregistered Sales of Equity Securities.**

On January 1, 2013, we merged our predecessor company, The Ex One Company, LLC, a Delaware limited liability company (the LLC ), with and into a Delaware corporation (the Corporation ), which changed its name to The ExOne Company (the Reorganization ). At the time the Reorganization became effective, by operation of the Delaware corporation law and in accordance with the Agreement and Plan of Merger by and between the LLC and the Corporation, each common unit of LLC membership interest was converted into 0.58 shares of our Common Stock for a total of 5,800,000 shares of Common Stock and each preferred unit of LLC membership interest was converted into 1 share of our Class A Preferred Stock or a total of 18,984,000 shares of Class A Preferred Stock. There were no underwriters. The persons who acquired shares of our Common Stock and our Class A Preferred Stock were those persons who were the owners of the equivalent class of LLC membership interests in our predecessor company prior to the Reorganization.

The shares of Common Stock and Class A Preferred Stock were not sold for cash, and the Company received no consideration in the transaction. The conversion of securities in the Reorganization was exempt from registration under Section 4(2) of the Securities Act as a private placement.

**Initial Public Offering.**

***Net Proceeds from IPO***

On February 6, 2013, the Company s registration statement on Form S-1 (File No. 333-185933) was declared effective for the Company s initial public offering ( IPO ), pursuant to which the Company offered and sold 5,483,333 shares of common stock at a public offering price of $18.00 per share; and Rockwell Holdings Inc. ( RHI ) also offered and sold 611,667 shares of common stock at a public offering price of $18.00 per share. S. Kent Rockwell, our Chairman and Chief Executive Officer, is the beneficiary of the S. Kent Rockwell Revocable Trust, which is the indirect, sole stockholder of RHI. Accordingly, S. Kent Rockwell is deemed to have beneficial ownership of our common stock owned by RHI. The managing underwriter was FBR Capital Markets & Co. and the co-managers were BB&T Capital Markets and Stephens Inc.

As a result of the completion of our IPO on February 12, 2013, the Company received net proceeds of approximately $92.0 million, after deducting underwriting discounts and commissions. The Company did not receive any proceeds from the sale of 611,667 shares of common stock by RHI, although we bore the costs, other than underwriting discounts and commissions, associated with the sale of these shares. The Company incurred approximately $1.6 million in total associated offering costs in connection with the IPO of which $0.7 million were previously paid and deferred by the Company at December 31, 2012.

Except as described below, none of such payments were direct or indirect payments to any of the Company s directors or officers or their associates or to persons owning 10.0 percent or more of the Company s common stock or direct or indirect payments to others.

***Rockwell Line of Credit (Demand Note Payable to Member)***

On February 14, 2013, we paid approximately $9.9 million of the net proceeds from the IPO to repay a revolving line of credit that we had with Rockwell Forest Products ( RFP ) for working capital (the Rockwell Line of Credit ). The Rockwell Line of Credit provided for borrowing, repayment and reborrowing from time to time. While no limit was specified, borrowings were subject to RFP s approval. Borrowings under the Rockwell Line of Credit bore interest at the rate of 8.0% per annum and were repayable, in whole or part, upon demand of RFP. As of February 14, 2013, we had approximately $9.9 million in borrowings and accrued interest outstanding under the Rockwell Line of Credit. S.

Kent Rockwell, our Chairman and Chief Executive Officer, is the beneficiary of the S. Kent Rockwell Revocable Trust, which is the indirect, sole stockholder of RFP. The Company no longer maintains the Rockwell Line of Credit.

***Acquisition of Net Assets of Variable Interest Entities***

On March 27, 2013, our wholly-owned subsidiary, ExOne Americas LLC, acquired certain assets, including property and equipment (principally land, buildings and machinery and equipment) held by our two variable interest entities, Troy Metal Fabricating, LLC ( TMF ) and Lone Star Metal Fabrication LLC ( Lone Star, together TMF and Lone Star, the VIEs, ) and assumed all outstanding debt of the VIEs. Lone Star is owned by RFP and TMF is owned by the S. Kent Rockwell Revocable Trust. S. Kent Rockwell, our Chairman and Chief Executive Officer, is the trustee and beneficiary of the S. Kent Rockwell Revocable Trust, which is the 100% owner of Rockwell Venture Capital, Inc. which is the 100% owner of RFP.

Payment of approximately $1.9 million and $0.2 million was made to TMF and Lone Star, respectively, including a return of capital to these entities, both of which are controlled by Mr. Rockwell, of approximately $1.4 million. These payments were made using a portion of the net proceeds from the IPO. There was no gain or loss or goodwill generated as a result of this transaction. Simultaneous with the completion of this transaction, we also repaid all of the outstanding debt assumed from the VIEs, resulting in a payment of approximately $4.7 million.

Prior to such purchase and for the periods represented herein, we leased property and equipment used by our Houston, Texas and Troy, Michigan operations from Lone Star and TMF, respectively, and we guaranteed certain debt of both of them.

***Other***

On February 14, 2013, we paid approximately $0.3 million of the net proceeds from the IPO to retire our building note payable to an unrelated third party with respect to our facility in North Huntingdon, Pennsylvania. There were no prepayment penalties or gains or losses associated with this early retirement of debt.

On April 4, 2013, we paid approximately $1.4 million of the net proceeds from the IPO to settle a financing lease obligation (including accrued interest) for a 3D printing machine with a related party. There were no prepayment penalties or gains or losses associated with this settlement.

On August 1, 2013, ExOne Properties GmbH entered into an agreement with the Municipality of Gersthofen, Germany (the Municipality ) to purchase certain real property from the Municipality for an aggregate amount of approximately $4.0 million ( 3.0 million). The agreement contains terms and conditions that are customary for German land purchase agreements of this nature. Additionally, on August 1, 2013, ExOne Properties GmbH and the Municipality entered into an agreement pursuant to which the Municipality granted ExOne Properties GmbH an option to purchase adjacent parcels of land consisting of 14,319 square meters on the same terms and conditions as those set forth in the agreement. The option expires on December 31, 2016.

On August 14, 2013, ExOne Properties GmbH entered into a construction services contract with a turnkey provider of construction services for the design and construction of a new manufacturing facility to be located in the Municipality of Gersthofen, Germany. The total cost for construction of the facility (including design services) is estimated at approximately $16.5 million ( 12.2 million). At September 30, 2013, construction-in-progress includes total capitalized costs of approximately $1.8 million ( 1.3 million) associated with this project.

On August 15, 2013, the Company entered into a purchase agreement for approximately one acre of land and a 17,240 square foot manufacturing facility in North Las Vegas, Nevada for a total purchase price of approximately $1.4 million. This amount was subsequently paid in-full by the Company in September 2013.

In addition to the amounts identified above, we have utilized approximately $15.6 million in net proceeds from the IPO during the nine months ended September 30, 2013, for general corporate purposes, principally to support working capital and our operations (including expected capital expenditures and long-term debt and capital and financing lease repayments).

We had previously disclosed in our IPO an intention to assume the liabilities of our VIEs. Other than our payment of such liabilities described above, rather than the assumption of their debt, there has been no material change in the planned use of the net proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b). As of September 30, 2013, we held the remainder of the net proceeds from the IPO as cash and cash equivalents.

**Issuance of Restricted Stock to Directors.**

On February 6, 2013, the Company issued 2,500 shares of our common stock to each of Ms. Wachtel and Messrs. Semple, Sellier and Kilmer in connection with their appointment to our Board of Directors and their future service to the Company. These shares are subject to certain restrictions until certain vesting requirements are met. These shares vest, and the restrictions on transfer lapse, in one-third increments on the first, second and third anniversaries of the grant date, respectively. The issuance of these shares was exempt from registration under Section 4(2) of the Securities Act as a private placement.

**Item 3. Defaults Upon Senior Securities.**

There have been no material defaults in senior securities.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

(a)(3) Exhibits

The Exhibits listed on the accompanying Index to Exhibits are filed as part of this Quarterly Report.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The ExOne Company

By: /s/ S. Kent Rockwell
S. Kent Rockwell
*Chief Executive Officer*

*(Principal Executive Officer)*

Date: November 14, 2013

By: /s/ John Irvin
John Irvin
*Chief Financial Officer*

*(Principal Financial Officer and Principal Accounting Officer)*

Date: November 14, 2013

## EXHIBIT INDEX

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**Exhibits and Financial Statement Schedules**

(A) Exhibits:

| Exhibit Number | Description | Method of Filing |
|---|---|---|
| 10.20 | Offer to conclude a sales contract | Incorporated by reference to Exhibit 10.20 to Amendment No. 1 to Form S-1 Registration Statement (#333-190768) filed on September 3, 2013. |
| 10.21 | Sales contract | Incorporated by reference to Exhibit 10.16 to Amendment No. 1 to Form S-1 Registration Statement (#333-190768) filed on September 3, 2013. |
| 10.22 | General contractor agreement | Incorporated by reference to Exhibit 10.16 to Amendment No. 1 to Form S-1 Registration Statement (#333-190768) filed on September 3, 2013. |
| 31.1 | Rule 13(a)-14(a) Certification of Principal Executive Officer. | Filed herewith |
| 31.2 | Rule 13(a)-14(a) Certification of Principal Financial Officer. | Filed herewith |
| 32 | Section 1350 Certification of Principal Executive Officer and Principal Financial Officer. | Filed herewith |
| 101 | Interactive Data File (XBRL). | Filed herewith |