

ExOne Co
Form 10-Q
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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 (I.R.S. Employer

incorporation or organization) 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 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 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 (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

As of November 9, 2016, 16,111,286 shares of common stock, par value \$0.01, were outstanding.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We qualify as an “emerging growth company” (“EGC”) as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An EGC may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies.

As an EGC:

- We are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- We are permitted to provide less extensive disclosure about our executive compensation arrangements;
- We are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and
- We have elected to use an extended transition period for complying with new or revised accounting standards.

We will continue to operate under these provisions until December 31, 2018, or such earlier time that we are no longer an EGC. We would cease to be an EGC 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 (the “Exchange Act”), 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. We may choose to take advantage of some, but not all, of these reduced burdens.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The ExOne Company and Subsidiaries

Condensed Statement of Consolidated Operations and Comprehensive Loss (Unaudited)

(in thousands, except per-share amounts)

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--|--------------------------------|-------------|------------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | | | | |
| Revenue - third parties | \$ 12,987 | \$ 8,712 | \$ 33,084 | \$ 22,861 |
| Revenue - related parties | 1 | 152 | 73 | 1,294 |
| | 12,988 | 8,864 | 33,157 | 24,155 |
| Cost of sales | 9,428 | 7,695 | 24,215 | 21,881 |
| Gross profit | 3,560 | 1,169 | 8,942 | 2,274 |
| Operating expenses | | | | |
| Research and development | 1,898 | 1,825 | 5,737 | 5,218 |
| Selling, general and administrative | 5,234 | 5,018 | 15,222 | 17,479 |
| Goodwill impairment | — | 4,419 | — | 4,419 |
| | 7,132 | 11,262 | 20,959 | 27,116 |
| Loss from operations | (3,572) | (10,093) | (12,017) | (24,842) |
| Other expense (income) | | | | |
| Interest expense | 22 | 29 | 276 | 87 |
| Other (income) expense - net | (8) | (4) | (306) | (83) |
| | 14 | 25 | (30) | 4 |
| Loss before income taxes | (3,586) | (10,118) | (11,987) | (24,846) |
| Provision (benefit) for income taxes | 25 | (41) | 43 | (200) |
| Net loss | \$(3,611) | \$(10,077) | \$(12,030) | \$(24,646) |
| Net loss per common share: | | | | |
| Basic | \$(0.23) | \$(0.70) | \$(0.76) | \$(1.71) |
| Diluted | \$(0.23) | \$(0.70) | \$(0.76) | \$(1.71) |
| Comprehensive loss: | | | | |
| Net loss | \$(3,611) | \$(10,077) | \$(12,030) | \$(24,646) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 489 | 809 | 2,288 | (3,854) |
| Comprehensive loss | \$(3,122) | \$(9,268) | \$(9,742) | \$(28,500) |

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

The ExOne Company and Subsidiaries

Condensed Consolidated Balance Sheet (Unaudited)

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

| | September 30, 2016 | December 31, 2015 |
|---|--------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 29,813 | \$ 19,342 |
| Accounts receivable - net of allowance of \$1,697 (2016) and \$1,920 (2015) | 5,215 | 9,368 |
| Inventories - net | 19,032 | 19,839 |
| Prepaid expenses and other current assets | 1,802 | 2,918 |
| Total current assets | 55,862 | 51,467 |
| Property and equipment - net | 54,323 | 54,832 |
| Other noncurrent assets | 1,716 | 1,659 |
| Total assets | \$ 111,901 | \$ 107,958 |
| Liabilities | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 141 | \$ 138 |
| Current portion of capital leases | 82 | 82 |
| Accounts payable | 2,003 | 3,231 |
| Accrued expenses and other current liabilities | 5,336 | 6,410 |
| Deferred revenue and customer prepayments | 9,122 | 7,103 |
| Total current liabilities | 16,684 | 16,964 |
| Long-term debt - net of current portion | 1,707 | 1,812 |
| Capital leases - net of current portion | 24 | 81 |
| Other noncurrent liabilities | 9 | 28 |
| Total liabilities | 18,424 | 18,885 |
| Contingencies and commitments | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value, 200,000,000 shares authorized, | | |
| 15,998,782 (2016) and 14,446,967 (2015) shares issued and outstanding | 160 | 144 |
| Additional paid-in capital | 170,757 | 156,627 |
| Accumulated deficit | (66,193) | (54,163) |
| Accumulated other comprehensive loss | (11,247) | (13,535) |
| Total stockholders' equity | 93,477 | 89,073 |
| Total liabilities and stockholders' equity | \$ 111,901 | \$ 107,958 |

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

The ExOne Company and Subsidiaries

Condensed Statement of Consolidated Cash Flows (Unaudited)

(in thousands)

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------|
| | 2016 | 2015 |
| Operating activities | | |
| Net loss | \$ (12,030) | \$ (24,646) |
| Adjustments to reconcile net loss to cash used for operations: | | |
| Depreciation and amortization | 4,280 | 3,819 |
| Deferred income taxes | (29) | (269) |
| Equity-based compensation | 1,104 | 1,244 |
| (Recoveries) provision for bad debts | (256) | 144 |
| Loss from disposal of property and equipment | 163 | 87 |
| Amortization of debt issuance costs | 204 | — |
| Changes in fair value of contingent consideration | — | (193) |
| Goodwill impairment | — | 4,419 |
| Changes in assets and liabilities, excluding effects of foreign currency translation adjustments: | | |
| Decrease in accounts receivable | 4,681 | 8,145 |
| Decrease (increase) in inventories | 43 | (9,459) |
| Decrease in prepaid expenses and other assets | 800 | 468 |
| (Decrease) increase in accounts payable | (1,296) | 850 |
| Decrease in accrued expenses and other | (1,259) | (1,386) |

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| | | |
|--|-----------|-----------|
| liabilities | | |
| Increase in deferred revenue and customer prepayments | 1,687 | 5,770 |
| Cash used for operating activities | (1,908) | (11,007) |
| Investing activities | | |
| Capital expenditures | (690) | (4,089) |
| Proceeds from sale of property and equipment | 52 | — |
| Increase in restricted cash | — | (330) |
| Cash used for investing activities | (638) | (4,419) |
| Financing activities | | |
| Net proceeds from issuance of common stock - Registered direct offering to a related party | 12,447 | — |
| Net proceeds from issuance of common stock - At the market offerings | 595 | — |
| Payments on long-term debt | (102) | (99) |
| Payments on capital and financing leases | (61) | (264) |
| Cash provided by (used for) financing activities | 12,879 | (363) |
| Effect of exchange rate changes on cash and cash equivalents | 138 | (160) |
| Net change in cash and cash equivalents | 10,471 | (15,949) |
| Cash and cash equivalents at beginning of period | 19,342 | 36,202 |
| Cash and cash equivalents at end of period | \$ 29,813 | \$ 20,253 |
| Supplemental disclosure of noncash investing and financing activities | | |
| Property and equipment included in accounts payable | \$ 15 | \$ 344 |

| | | | | |
|---|----|-------|----|-------|
| Advance deposits on property and equipment | \$ | 203 | \$ | — |
| Transfer of internally developed 3D printing machines from inventories to property and equipment for internal use or leasing activities | \$ | 2,666 | \$ | 3,495 |
| Transfer of internally developed 3D printing machines from property and equipment to inventories for sale | \$ | 1,276 | \$ | 149 |

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

The ExOne Company and Subsidiaries

Condensed Statement of Changes in Consolidated Stockholders' Equity (Unaudited)

(in thousands)

| | Common stock | | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive loss | Total stockholders' equity |
|---|--------------|--------|----------------------------|---------------------|--------------------------------------|----------------------------|
| | Shares | \$ | | | | |
| Balance at December 31, 2014 | 14,417 | \$ 144 | \$ 154,902 | \$ (28,298) | \$ (8,203) | \$ 118,545 |
| Net loss | — | — | — | (24,646) | — | (24,646) |
| Other comprehensive loss | — | — | — | — | (3,854) | (3,854) |
| Equity-based compensation | — | — | 1,244 | — | — | 1,244 |
| Common stock issued from equity incentive plan | 11 | — | — | — | — | — |
| Balance at September 30, 2015 | 14,428 | \$ 144 | \$ 156,146 | \$ (52,944) | \$ (12,057) | \$ 91,289 |
| Balance at December 31, 2015 | 14,447 | \$ 144 | \$ 156,627 | \$ (54,163) | \$ (13,535) | \$ 89,073 |
| Registered direct offering of common stock to a | | | | | | |
| related party, net of issuance costs | 1,424 | 15 | 12,432 | — | — | 12,447 |
| At the market offerings of common stock, net | | | | | | |
| of issuance costs | 92 | 1 | 594 | — | — | 595 |
| Net loss | — | — | — | (12,030) | — | (12,030) |
| Other comprehensive income | — | — | — | — | 2,288 | 2,288 |
| Equity-based compensation | — | — | 1,104 | — | — | 1,104 |
| Common stock issued from equity incentive plan | 36 | — | — | — | — | — |
| Balance at September 30, 2016 | 15,999 | \$ 160 | \$ 170,757 | \$ (66,193) | \$ (11,247) | \$ 93,477 |

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

The ExOne Company and Subsidiaries

Notes to the Condensed Consolidated Financial Statements (Unaudited)

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

Note 1. Basis of Presentation

Organization

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 condensed consolidated financial statements include the accounts of ExOne, its wholly-owned subsidiaries, ExOne Americas LLC (United States), ExOne GmbH (Germany), ExOne Property GmbH (Germany); ExOne KK (Japan); ExOne Italy S.r.l (Italy); effective in July 2015, ExOne Sweden AB (Sweden) and effective through September 2016, MWT—Gesellschaft für Industrielle Mikrowellentechnik mbH (Germany). Collectively, the consolidated group is referred to as the “Company”.

On September 15, 2016, the Company completed a transaction merging its MWT—Gesellschaft für Industrielle Mikrowellentechnik mbH (Germany) subsidiary with and into its ExOne GmbH (Germany) subsidiary. The purpose of this transaction was to further simplify the Company’s legal structure. There were no significant accounting or tax related impacts associated with the merger of these wholly owned subsidiaries.

The Company filed a registration statement on Form S-3 (No. 333-203353) with the Securities and Exchange Commission (“SEC”) on April 10, 2015. The purpose of the Form S-3 was to register, among other securities, debt securities. Certain subsidiaries of the Company (other than any minor subsidiary) are co-registrants with the Company (“Subsidiary Guarantors”), and the registration statement registered guarantees of debt securities by one or more of the Subsidiary Guarantors. The Subsidiary Guarantors are 100% owned by the Company and any guarantees by the Subsidiary Guarantors will be full and unconditional.

Basis of Presentation

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, 2015 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, 2015, which includes all disclosures required by GAAP.

Recently Issued Accounting Guidance

The Company considers the applicability and impact of all Accounting Standard Updates (“ASUs”) as issued by the Financial Accounting Standards Board (“FASB”). Recently issued ASUs not listed below were assessed and determined to be either not applicable or are currently expected to have no impact on the consolidated financial statements of the Company.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This ASU created a comprehensive framework for all entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersedes virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract(s), (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract(s), and (v) recognize revenue when, or as, the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date," which deferred the effective date of this guidance for the Company until January 1, 2019, or January 1, 2018, in the event that the Company no longer qualifies as an EGC. Early adoption is permitted, but the Company may adopt the changes no earlier than January 1, 2017 (regardless of EGC status). In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations", which serves to clarify the implementation guidance issued in ASU 2014-09 with respect to principal versus agent considerations in an arrangement. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing", which serves to clarify the implementation guidance issued in ASU 2014-09 with respect to identifying performance obligations in an arrangement and accounting for licensing arrangements. In May 2016, the FASB issued ASU 2016-11, "Revenue Recognition and Derivatives and

Hedging: Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting”, which serves to rescind certain previously issued SEC Staff Observer comments upon adoption of ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients”, which serves to clarify certain technical aspects and transition guidance associated with ASU 2014-09. Management is currently evaluating the potential impact of these collective changes on the consolidated financial statements of the Company.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Even if an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. Because there is no guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related note disclosures, there is diversity in practice whether, when, and how an entity discloses the relevant conditions and events in its financial statements. As a result, this ASU requires an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations, (iii) management’s plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management’s plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity’s ability to continue as a going concern. This ASU becomes effective for the Company on December 31, 2016. Subsequent to adoption, this ASU will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the consolidated financial statements of the Company in a given reporting period.

In April 2015, the FASB issued ASU 2015-03, “Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.” Further, in August 2015, the FASB issued ASU 2015-15, “Interest – Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.” This ASU requires an entity to present debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset, with an exception for line of credit arrangements. Amortization of debt issuance costs will continue to be reported as interest expense. This ASU becomes effective for the Company on December 31, 2016. Early adoption is permitted. The ASU will be applied retrospectively to each prior period presented. Management has determined that the adoption of this ASU will not have a significant impact on the consolidated financial statements of the Company.

In July 2015, the FASB issued ASU 2015-11, “Inventory: Simplifying the Measurement of Inventory.” This ASU requires inventories to be measured at the lower of cost and net realizable value, with net realizable value defined as the estimated selling price in the normal course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU becomes effective for the Company on January 1, 2017. Early adoption is permitted. The ASU will be applied prospectively in the interim or annual period adopted. Management has determined that the adoption of this ASU will not have an impact on the consolidated financial statements of the Company.

In February 2016, the FASB issued ASU 2016-02, “Leases.” As a result of this ASU, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. As a result of this ASU, lessor accounting is largely unchanged and lessees will no longer be

provided with a source of off-balance sheet financing. This ASU becomes effective for the Company on January 1, 2019. Early adoption is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Management is currently evaluating the potential impact of this ASU on the consolidated financial statements of the Company.

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting.” This ASU simplifies certain aspects of accounting for equity-based compensation, including (i) accounting for income taxes, (ii) accounting for pre-vesting forfeitures and (iii) certain classification and disclosure elements. This ASU becomes effective for the Company on January 1, 2018. Early adoption is permitted. Management is currently evaluating the potential impact of this ASU on the consolidated financial statements of the Company.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments.” This ASU is intended to reduce diversity in practice in how certain cash receipts and payments are presented and classified in the statement of cash flows. The standard provides guidance in a number of situations including, among others, settlement

of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The ASU also provides guidance for classifying cash receipts and payments that have aspects of more than one class of cash flows. This ASU becomes effective for the Company on January 1, 2019. Early adoption is permitted. Management is currently evaluating the potential impact of this ASU on the consolidated financial statements of the Company.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory." This ASU modifies existing guidance and is intended to reduce diversity in practice with respect to the accounting for the income tax consequences of intra-entity transfers of assets. The ASU indicates that the current exception to income tax accounting that requires companies to defer the income tax effects of certain intercompany transactions would apply only to intercompany inventory transactions. That is, the exception would no longer apply to intercompany sales and transfers of other assets (e.g., intangible assets). Under the existing exception, income tax expense associated with intra-entity profits in an intercompany sale or transfer of assets is eliminated from earnings. Instead, that cost is deferred and recorded on the balance sheet (e.g., as a prepaid asset) until the assets leave the consolidated group. Similarly, the entity is prohibited from recognizing deferred tax assets for the increases in tax bases due to the intercompany sale or transfer. This ASU becomes effective for the Company on January 1, 2019. Early adoption is permitted. Management is currently evaluating the potential impact of this ASU on the consolidated financial statements of the Company.

In October 2016, the FASB issued ASU 2016-17, "Consolidation: Interests Held through Related Parties That Are under Common Control." This ASU modifies existing guidance with respect to how a decision maker that holds an indirect interest in a variable interest entity ("VIE") through a common control party determines whether it is the primary beneficiary of the VIE as part of the analysis of whether the VIE would need to be consolidated. Under the ASU, a decision maker would need to consider only its proportionate indirect interest in the VIE held through a common control party. Previous guidance had required the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself. As a result of the ASU, in certain cases, previous consolidation conclusions may change. This ASU becomes effective for the Company on January 1, 2017, with retrospective application to January 1, 2016. The Company does not have significant involvement with entities subject to consolidation considerations impacted by VIE model factors. As a result, management does not expect this ASU to have a material impact on the consolidated financial statements of the Company.

Note 2. Liquidity

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 of common stock were sold by the Company and 611,667 shares of common stock 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).

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 of common stock were sold by the Company and 1,948,400 shares of common stock 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).

On January 8, 2016, the Company announced that it had entered into an At Market Issuance Sales Agreement ("ATM") with FBR Capital Markets & Co. ("FBR") and MLV & Co. LLC ("MLV") pursuant to which FBR and MLV agreed to act as distribution agents in the sale of up to \$50,000 in the aggregate of ExOne common stock in "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). Both FBR and MLV have been identified as related parties to the Company on the basis of significant influence in that a member of the Board of Directors of the Company also serves as a member of the Board of Directors of FBR (which controls MLV). The

terms of the ATM were reviewed and approved by a sub-committee of the Board of Directors of the Company (which included each of the members of the Audit Committee of the Board of Directors except for the identified director who also holds a position on the Board of Directors of FBR). Terms of the ATM require a 3.0% commission on the sale of common stock under the ATM and a reimbursement of certain legal expenses of \$25. During the quarter ended March 31, 2016, the Company sold 91,940 shares of common stock under the ATM at a weighted average selling price of approximately \$9.17 per share resulting in gross proceeds to the Company of approximately \$843. Net proceeds to the Company from the sale of common stock under the ATM during the quarter ended March 31, 2016 were approximately \$595 (after deducting offering costs of approximately \$248, including certain legal, accounting and administrative costs associated with the ATM, of which approximately \$50 was paid to FBR or MLV relating to the aforementioned reimbursement of certain legal expenses and commissions on the sale of common stock under the ATM). There were no sales of shares of common stock under the ATM during any periods subsequent to the quarter ended March 31, 2016.

The Company's ongoing ability to issue and sell shares of common stock under the ATM is dependent on its ability to use its shelf Registration Statement on Form S-3 (the "Shelf"), as filed on April 10, 2015. As a result of the Company's delinquent filing of its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, the Company's offerings and sales under the Shelf

(and therefore the ATM) were suspended. On August 18, 2016, the Company filed a post-effective amendment to its Shelf. As a result of the post-effective amendment filing, the Company is now eligible to re-activate the ATM.

On January 11, 2016, the Company announced that it had entered into a subscription agreement with Rockwell Forest Products, Inc. and S. Kent Rockwell for the registered direct offering and sale of 1,423,877 shares of ExOne common stock at a per share price of \$9.13 (a \$0.50 premium from the closing price on the close of business on January 8, 2016). The terms of this transaction were reviewed and approved by a sub-committee of independent members of the Board of Directors of the Company (which included each of the members of the Audit Committee of the Board of Directors). The sub-committee of independent members of the Board of Directors of the Company were advised on the transaction by an independent financial advisor and independent legal counsel. Concurrent with the approval of this sale of common stock under the terms identified, a separate sub-committee of independent members of the Board of Directors of the Company approved the termination of the Company's revolving credit facility with RHI Investments, LLC. Following completion of the registered direct offering on January 13, 2016, the Company received gross proceeds of approximately \$13,000. Net proceeds to the Company from the sale of common stock in the registered direct offering were approximately \$12,447 (after deducting offering costs of approximately \$553).

The Company has incurred a net loss in each of its annual periods since its inception. As shown in the accompanying condensed statement of consolidated operations and comprehensive loss, the Company incurred a net loss of approximately \$3,611 and \$12,030 for the quarter and nine months ended September 30, 2016, respectively. As noted above, the Company has received cumulative unrestricted net proceeds from the sale of its common stock of approximately \$170,353 to fund its operations. At September 30, 2016, the Company had approximately \$29,813 in cash and cash equivalents.

Management believes that the Company's existing capital resources will be sufficient to support the Company's operating plan. If management anticipates that the Company's actual results will differ from its operating plan, management believes it has sufficient capabilities to enact cost savings measures to preserve capital. Further, the Company may seek to raise additional capital to support its growth through additional debt, equity or other alternatives or a combination thereof.

Note 3. Accumulated Other Comprehensive Loss

The following table summarizes changes in the components of accumulated other comprehensive loss:

| | Quarter Ended | | Nine Months Ended | |
|--|---------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| Foreign currency translation adjustments | 2016 | 2015 | 2016 | 2015 |
| Balance at beginning of period | \$(11,736) | \$(12,866) | \$(13,535) | \$(8,203) |
| Other comprehensive income (loss) | 489 | 809 | 2,288 | (3,854) |
| Balance at end of period | \$(11,247) | \$(12,057) | \$(11,247) | \$(12,057) |

Foreign currency translation adjustments consist of (i) the effect of translation of functional currency financial statements (denominated in the Euro and Japanese Yen) to the reporting currency of the Company (United States dollar) and (ii) certain long-term intercompany transactions between subsidiaries for which settlement is not planned or anticipated in the foreseeable future.

There were no tax impacts related to income tax rate changes and no amounts were reclassified to earnings for either of the periods presented.

Note 4. Loss Per Share

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

As the Company incurred a net loss during each of the quarters and nine months ended September 30, 2016 and 2015, basic average shares outstanding and diluted average shares outstanding were the same because the effect of potential shares of common stock, including incentive stock options (317,637 – 2016 and 204,470 – 2015) and unvested restricted stock issued (112,504 – 2016 and 96,003 – 2015), was anti-dilutive.

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

| | Quarter Ended | | Nine Months Ended | |
|---|---------------|-------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Net loss | \$(3,611) | \$(10,077) | \$(12,030) | \$(24,646) |
| Weighted average shares outstanding (basic and diluted) | 15,997,146 | 14,428,634 | 15,912,628 | 14,426,855 |
| Net loss per common share: | | | | |
| Basic | \$(0.23) | \$(0.70) | \$(0.76) | \$(1.71) |
| Diluted | \$(0.23) | \$(0.70) | \$(0.76) | \$(1.71) |

Note 5. Inventories

Inventories consist of the following:

| | September 30, 2016 | December 31, 2015 |
|------------------------------|--------------------|-------------------|
| Raw materials and components | \$ 8,931 | \$ 9,467 |
| Work in process | 5,855 | 6,048 |
| Finished goods | 4,246 | 4,324 |
| | \$ 19,032 | \$ 19,839 |

Raw materials and components consist of (i) consumable materials and (ii) component parts and subassemblies associated with 3D printing machine manufacturing and support activities. Work in process consists of 3D printing machines and other products in varying stages of completion. Finished goods consist of 3D printing machines and other products prepared for delivery in accordance with customer specifications.

At September 30, 2016 and December 31, 2015, the allowance for slow-moving and obsolete inventories was approximately \$1,583 and \$1,909, respectively, and has been reflected as a reduction to inventories (principally raw materials and components). Included in the allowance for slow-moving and obsolete inventories at December 31, 2015, is approximately \$507 associated with the Company's laser micromachining product line which was discontinued at the end of 2014. During the quarter ended June 30, 2016, the Company sold its remaining laser micromachining inventories, eliminating the previously recorded reserve.

Note 6. Restructuring

In April 2016, the Company committed to a plan to consolidate certain of its 3D printing operations in its Auburn, Washington facility into its North Las Vegas, Nevada facility and reorganize certain of its corporate departments as part of its 2016 operating plan. As a result of these actions, during the quarter ended June 30, 2016, the Company incurred a net charge of approximately \$170 including, \$57 associated with involuntary employee terminations and \$113 associated with the disposal of certain property and equipment related to the Auburn, Washington facility which was either sold or abandoned. This net charge was split between cost of sales (\$129), research and development (\$2)

and selling, general and administrative expenses (\$39) in the accompanying condensed statement of consolidated operations and comprehensive loss. In addition to the net charge incurred by the Company in connection with this plan, the Company also has an operating lease commitment for the Auburn, Washington facility with a lease term through December 2018. At the time of closure of this facility, the Company was able to secure a firmly committed sublease arrangement with a third party which fully offsets its remaining contractual operating lease liability. There are no additional charges expected to be incurred associated with this plan in future periods. All amounts associated with involuntary employee terminations have been settled by the Company.

Note 7. Impairment

During the quarter ended September 30, 2016, as a result of continued operating losses and cash flow deficiencies, the Company identified a triggering event requiring a test for the recoverability of long-lived assets held for use at the asset group level. Assessing the recoverability of long-lived assets held for use requires significant judgments and estimates by management.

For purposes of testing long-lived assets for recoverability, the Company operates as three separate asset groups: United States, Europe and Japan. In assessing the recoverability of long-lived assets held for use, the Company determined the carrying amount of long-lived assets held for use to be in excess of the estimated future undiscounted net cash flows of the related assets. The Company proceeded to determine the fair value of its long-lived assets held for use, principally through use of the market approach. The Company's use of the market approach included consideration of market transactions for comparable assets. Management concluded that the fair value of long-lived assets held for use exceeded their carrying value and as such no impairment loss was recorded.

A significant decrease in the market price of a long-lived asset, adverse change in the use or condition of a long-lived asset, adverse change in the business climate or legal or regulatory factors impacting a long-lived asset and continued operating losses and cash flow deficiencies associated with a long-lived asset, among other indicators, could cause a future assessment to be performed which may result in an impairment of long-lived assets held for use, resulting in a material adverse effect on the financial position and results of operations of the Company.

During the quarter ended September 30, 2015, as a result of the significant decline in the market capitalization of the Company and continued operating losses and cash flow deficiencies, the Company identified a triggering event requiring both (i) a test for the recoverability of long-lived assets held for use at the asset group level and (ii) a test for impairment of goodwill at the reporting unit level. Assessing the recoverability of long-lived assets held for use and goodwill requires significant judgments and estimates by management.

In assessing the recoverability of long-lived assets held for use, the Company determined the carrying amount of long-lived assets held for use to be in excess of the estimated future undiscounted net cash flows of the related assets. The Company proceeded to determine the fair value of its long-lived assets held for use, principally through use of the market approach. The Company's use of the market approach included consideration of market transactions for comparable assets. Management concluded that the fair value of long-lived assets held for use exceeded their carrying value and as such no impairment loss was recorded.

The Company subsequently performed an impairment test for goodwill. For purposes of testing goodwill for impairment, the Company operates as a singular reporting unit. In assessing goodwill for impairment, the Company compared the fair value of its reporting unit to its carrying value. The Company determined the fair value of its reporting unit through a combination of the market approach and income approach. The Company's use of the market approach included consideration of the Company's market capitalization along with consideration of other factors that could influence the use of market capitalization as a fair value estimate, including premiums or discounts to be applied based on both market and entity-specific data. The Company's use of the income approach included consideration of present value techniques, principally the use of a discounted cash flow model. In performing the impairment test for goodwill, the Company determined the carrying amount of goodwill to be in excess of the implied fair value of goodwill. As a result, the Company recognized an impairment loss of approximately \$4,419 associated with goodwill during the quarter ended September 30, 2015.

Note 8. 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.

In the course of its normal operations, ExOne GmbH issues guarantees and letters of credit to third parties in connection with certain commercial transactions requiring security. ExOne GmbH maintains a credit facility agreement with a German bank which provides for various short-term financings in the form of overdraft credit, guarantees, letters of credit and collateral security for commercial transactions for approximately \$1,500. In addition, ExOne GmbH may use the credit facility agreement for short-term, fixed-rate loans in minimum increments of approximately \$100 with minimum terms of at least thirty days. The overdraft credit interest rate is fixed at 10.2% while the interest rate associated with commercial transactions requiring security (guarantees, letters of credit or collateral security) is fixed at 1.75%. The credit facility agreement has an indefinite term and is subject to cancellation by either party at any time upon repayment of amounts outstanding or expiration of commercial transactions requiring security. There is no commitment fee associated with the credit facility agreement. There are no negative covenants associated with the credit facility agreement. The credit facility agreement has been guaranteed by

the Company. At September 30, 2016 and December 31, 2015, there were no outstanding borrowings in the form of overdraft credit or short-term loans under the credit facility agreement. At September 30, 2016, total outstanding guarantees and letters of credit issued by ExOne GmbH were approximately \$1,277 with expiration dates ranging from November 2016 through July 2018. At December 31, 2015, total outstanding guarantees and letters of credit issued by ExOne GmbH were approximately \$685.

Note 9. Equity-Based Compensation

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 1,992,241 shares, subject to certain adjustments.

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The following table summarizes the total equity-based compensation expense recognized for awards issued under the Plan:

| | Quarter Ended September 30, 2016 | | Nine Months Ended September 30, 2015 | |
|---|--|-------|---|---------|
| Equity-based compensation expense recognized: | | | | |
| Incentive stock options | \$347 | \$185 | \$490 | \$566 |
| Restricted stock | 203 | 237 | 614 | 678 |
| Total equity-based compensation expense before income taxes | 550 | 422 | 1,104 | 1,244 |
| Benefit for income taxes* | — | — | — | — |
| Total equity-based compensation expense net of income taxes | \$550 | \$422 | \$1,104 | \$1,244 |

*The benefit for income taxes from equity-based compensation for each of the periods presented has been determined to be \$0 based on valuation allowances against net deferred tax assets.

At September 30, 2016, total future compensation expense related to unvested awards yet to be recognized by the Company was approximately \$1,000 for incentive stock options (“ISOs”) and \$1,110 for restricted stock. 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 2.0 years.

On August 12, 2016, the Company issued 39,000 ISOs to certain members of management. Each of the ISOs issued vests in one-third increments on the first, second and third anniversaries of the date of grant. Separately, on August 19, 2016, the Company issued 100,000 ISOs to the newly appointed CEO of the Company. For the August 19, 2016, issuance, one-third of the ISOs issued vested immediately. The remaining two-thirds vests on the first and second anniversaries of the date of grant. The fair value of ISOs issued was estimated on the respective dates of grant using the Black-Scholes option pricing model with the following assumptions:

| | August 19, 2016 | August 12, 2016 |
|-------------------------------------|-----------------------|-----------------------|
| Weighted average fair value per ISO | \$7.97 | \$8.07 |
| Volatility | 66.24% | 66.43% |
| Average risk-free interest rate | 1.20% | 1.18% |
| Dividend yield | 0.00% | 0.00% |
| Expected term (years) | 5.5 | 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 a lack of historical stock prices for a period at least equal to the expected term of issued awards. 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 was as follows:

Nine Months Ended September 30,

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| | 2016 | | | 2015 | | |
|--|-------------------|------------------------------------|--------------------------|-------------------|------------------------------------|--------------------------|
| | Number of ISOs | Weighted Average Exercise Price | Grant Date Fair Value | Number of ISOs | Weighted Average Exercise Price | Grant Date Fair Value |
| Outstanding at beginning of period | 210,970 | \$ 17.43 | \$ 10.67 | 215,137 | \$ 17.35 | \$ 10.62 |
| ISOs granted | 139,000 | \$ 13.72 | \$ 8.00 | — | \$ — | \$ — |
| ISOs exercised | — | \$ — | \$ — | — | \$ — | \$ — |
| ISOs forfeited | (6,001) | \$ 15.74 | \$ 9.60 | (9,834) | \$ 17.08 | \$ 10.45 |
| ISOs expired | (26,332) | \$ 17.74 | \$ 10.87 | (833) | \$ 18.00 | \$ 11.03 |
| Outstanding at end of period | 317,637 | \$ 15.77 | \$ 9.48 | 204,470 | \$ 17.43 | \$ 10.67 |
| ISOs exercisable at end of period | 178,304 | \$ 17.01 | \$ 10.32 | 95,639 | \$ 18.00 | \$ 11.03 |
| ISOs expected to vest at end of period | 132,908 | \$ 14.18 | \$ 8.38 | 100,128 | \$ 16.85 | \$ 10.30 |

At September 30, 2016, the aggregate intrinsic value associated with ISOs exercisable was approximately \$47. At September 30, 2016, the aggregate intrinsic value associated with ISOs expected to vest was approximately \$155. The weighted average remaining contractual term of ISOs exercisable and expected to vest at September 30, 2016, was approximately 7.4 years and 9.5 years, respectively. There were no ISO exercises during any of the periods presented.

The activity for restricted stock was as follows:

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|--|------------------|--|
| | 2016 | | 2015 | |
| | Shares | | Shares | |
| | of | | of | |
| | Restricted Stock | Weighted Average Grant Date Fair Value | Restricted Stock | Weighted Average Grant Date Fair Value |
| Outstanding at beginning of period | 77,670 | \$ 19.57 | 80,834 | \$ 22.78 |
| Restricted stock granted | 74,500 | \$ 11.78 | 26,000 | \$ 13.23 |
| Restricted stock vested | (35,998) | \$ 19.25 | (10,831) | \$ 34.80 |
| Restricted stock forfeited | (3,668) | \$ 19.46 | — | \$ — |
| Outstanding at end of period | 112,504 | \$ 14.52 | 96,003 | \$ 18.84 |
| Restricted stock expected to vest at end of period | 112,504 | \$ 14.52 | 96,003 | \$ 18.84 |

* Restricted stock vesting during the nine months ended September 30, 2016 and 2015, had a fair value of approximately \$351 and \$158, respectively.

Note 10. Income Taxes

The provision (benefit) for income taxes for the quarters ended September 30, 2016 and 2015 was \$25 and (\$41), respectively. The provision (benefit) for income taxes for the nine months ended September 30, 2016 and 2015 was \$43 and (\$200), respectively. The Company has completed a discrete period computation of its 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 for the quarters ended September 30, 2016 and 2015 was 0.7% (provision on a loss) and 0.4% (benefit on a loss), respectively. The effective tax rate for the nine months ended September 30, 2016 and 2015 was 0.4% (provision on a loss) and 0.8% (benefit on a loss), respectively. The effective tax rate differs from the United States federal statutory rate of 34.0% for each of the periods presented primarily due to net changes in valuation allowances for the periods.

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 in which it operates. 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. 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.

The Company has a liability for uncertain tax positions related to certain capitalized expenses and intercompany transactions. At September 30, 2016 and December 31, 2015, the liability for uncertain tax positions was

approximately \$803 and \$781, respectively, and is included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet. At September 30, 2016 and December 31, 2015, the Company had an additional liability for uncertain tax positions related to its ExOne GmbH (Germany) subsidiary of approximately \$234 and \$195, respectively, which were fully offset against net operating loss carryforwards. At September 30, 2016 and December 31, 2015, the Company had an additional liability for uncertain tax positions related to its ExOne KK (Japan) subsidiary of approximately \$471 and \$285, respectively, which were fully offset against net operating loss carryforwards. At September 30, 2016, the Company's ExOne GmbH (2010-2013) and ExOne Property GmbH (2013) subsidiaries were under examination by tax authorities.

Note 11. 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; and

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.

At September 30, 2016 and December 31, 2015, the Company had no financial instruments (assets or liabilities) measured at fair value on a recurring basis.

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, 2016 | | December 31, 2015 | |
|---|-----------------------|---------------|----------------------|---------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and cash equivalents | \$29,813 | \$29,813 | \$19,342 | \$19,342 |
| Current portion of long-term debt | \$141 | \$141 | \$138 | \$138 |
| Current portion of capital leases | \$82 | \$82 | \$82 | \$82 |
| Long-term debt - net of current portion | \$1,707 | \$1,707 | \$1,812 | \$1,800 |
| Capital leases - net of current portion | \$24 | \$24 | \$81 | \$81 |

The carrying amounts of cash and cash equivalents, current portion of long-term debt and current portion of capital leases approximate fair value due to their short-term maturities. The fair value of long-term debt – net of current portion and capital leases – net of current portion have been estimated by management based on the consideration of applicable interest rates (including certain instruments at variable or floating rates) and other available information (including quoted prices of similar instruments available to the Company). Cash and cash equivalents are classified in Level 1; 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 12. Concentration of Credit Risk

During the quarters and nine months ended September 30, 2016 and 2015, the Company conducted a significant portion of its business with a limited number of customers, though not necessarily the same customers for each respective period. For the quarters ended September 30, 2016 and 2015, the Company's five most significant customers represented approximately 36.0% and 34.6% of total revenue, respectively. For the nine months ended September 30, 2016 and 2015, the Company's five most significant customers represented approximately 21.4% and 22.1% of total revenue, respectively. At September 30, 2016 and December 31, 2015, accounts receivable from the Company's five most significant customers were approximately \$1,400 and \$4,808, respectively.

Note 13. Related Party Transactions

Revolving Credit Facility with a Related Party

On October 23, 2015, ExOne and its ExOne Americas LLC and ExOne GmbH subsidiaries, as guarantors, entered into a Credit Agreement (the "Credit Agreement") with RHI Investments, LLC ("RHI"), a related party, on a \$15,000 revolving credit facility to (i) assist the Company in its efforts to finance customer acquisition of its 3D printing machines and 3D printed and other products and services and (ii) provide additional funding for working capital and general corporate purposes. RHI was determined to be a related party based on common control by the Chairman of the Board of Directors of the Company (also the CEO of the Company through August 19, 2016). Prior to execution, the Credit Agreement was subject to review and approval by a sub-committee of independent members of the Board of Directors of the Company (which included each of the members of the Audit Committee of the Board of Directors). The Company incurred approximately \$215 in debt issuance costs associated with the Credit Agreement.

On January 10, 2016, the Company delivered notice to RHI of its intent to terminate the Credit Agreement in connection with the closing of a registered direct offering of common stock to an entity under common control by the Chairman of the Board of Directors of the Company (also the CEO of the Company through August 19, 2016). There were no borrowings under the Credit Agreement from January 1, 2016 through the effective date of its termination, January 13, 2016. In connection with the termination, the Company settled its remaining accrued interest under the Credit Agreement of approximately \$5 relating to the commitment fee on the unused portion of the revolving credit facility (100 basis points, or 1.0% on the unused portion of the revolving credit facility). In addition, during the quarter ended March 31, 2016, the Company recorded approximately \$204 to interest expense related to the accelerated amortization of debt issuance costs. Upon termination of the Credit Agreement, all liens and guaranties in respect thereof were released.

Other

Refer to Note 2 for further discussion relating to two separate equity offerings during the quarter ended March 31, 2016, certain elements of which qualify as related party transactions.

Revenues

Sales of products and/or services to related parties for the quarters ended September 30, 2016 and 2015 were approximately \$1 and \$152, respectively. Sales of products and/or services to related parties for the nine months ended September 30, 2016 and 2015 were approximately \$73 and \$1,294, respectively.

In December 2014, the Company entered into a sale agreement for a 3D printing machine with a powdered metal company with proprietary powders determined to be a related entity based on common control by the Chairman of the Board of Directors of the Company (also the CEO of the Company through August 19, 2016). Total consideration for the 3D printing machine (approximately \$1,000) was determined to represent a fair market value selling price (based on comparable 3D printing machine sales to third parties) and was approved prior to execution by the Audit Committee of the Board of Directors of the Company. The Company recorded revenue of approximately \$815 on this transaction during 2014 based on the delivery of products and/or services. During the quarter and nine months ended September 30, 2015, the Company recorded revenue of approximately \$70 and \$185, respectively, of the remaining consideration covered under this transaction based on the delivery of additional products and/or services.

In March 2015, the Company entered into a separate sale agreement for a 3D printing machine with the same related entity described above. Total consideration for the 3D printing machine (approximately \$950) was determined to represent a fair market value selling price (based on comparable 3D printing machine sales to third parties) and was approved prior to execution by the Audit Committee of the Board of Directors of the Company. During the quarter and nine months ended September 30, 2015, the Company recorded revenue of approximately \$47 and \$913,

respectively, based on the delivery of products and/or services.

In June 2015, the Company entered into a sale agreement for a 3D printing machine with a multi-national, diversified metals company determined to be a related entity on the basis that a member of the Board of Directors of the Company also receives his principal compensation from the entity. Total consideration for the 3D printing machine (approximately \$146) was determined to represent a fair market value selling price (based on comparable 3D printing machine sales to third parties) and was approved prior to execution by the Audit Committee of the Board of Directors of the Company. During the quarter and nine months ended September 30, 2015, the Company recorded revenue of approximately \$5 and \$146, respectively, based on the delivery of products and/or services.

Amounts due from related parties at September 30, 2016 and December 31, 2015, were approximately \$1 and \$151, respectively and are reflected in accounts receivable – net, in the accompanying condensed consolidated balance sheet. At December 31, 2015, the Company continued to defer approximately \$17 of consideration associated with sales to related parties for which products and/or services remained undelivered to the customer, with such amounts reflected in deferred revenue and customer prepayments in the accompanying condensed consolidated balance sheet. Such amounts were recognized as part of revenues during the quarter ended June 30, 2016 based on the delivery of products and/or services.

Expenses

15

In December 2014, the Company entered into a consulting arrangement with Hans J. Sack who was subsequently appointed to the Board of Directors of the Company on December 17, 2014. Total consideration under the consulting arrangement was approximately \$75, of which approximately \$50 was included in selling, general and administrative expenses in the accompanying condensed statement of consolidated operations and comprehensive loss during the quarter ended March 31, 2015, based on the services rendered (the remaining amount having been recorded by the Company during the quarter ended December 31, 2014). This arrangement was approved by the Audit Committee of the Board of Directors of the Company in connection with the appointment of Hans J. Sack to the Board of Directors of the Company. In March 2015, Hans J. Sack resigned from the Board of Directors of the Company to accept a position as President of the Company.

Separate from the consulting arrangement further described above, the Company has purchased website design services and the corporate use of an airplane and leased office space from related parties under common control by the Chairman of the Board of Directors of the Company (also the CEO of the Company through August 19, 2016). The cost of these products and/or services for the quarters ended September 30, 2016 and 2015 were approximately \$3 and \$6, respectively. The cost of these products and/or services for the nine months ended September 30, 2016 and 2015 were approximately \$13 and \$21, respectively. None of the transactions met a threshold requiring review and approval by the Audit Committee of the Board of Directors of the Company.

Amounts due to related parties at September 30, 2016, were approximately \$1 and are reflected in accounts payable in the accompanying condensed consolidated balance sheet. Amounts due to related parties at December 31, 2015, were approximately \$15 of which approximately \$1 and \$14 are reflected in accounts payable and accrued expenses and other current liabilities, respectively, in the accompanying condensed consolidated balance sheet.

The Company also receives the benefit of the corporate use of an airplane from a related party under common control by the Chairman of the Board of Directors of the Company (also the CEO of the Company through August 19, 2016) for no consideration. The Company estimates the fair market value of the benefits received during the quarter ended September 30, 2016 was approximately \$17. There were no such benefits received by the Company during the quarter ended September 30, 2015. The Company estimates the fair market value of the benefits received during the nine months ended September 30, 2016 and 2015 were approximately \$21 and \$22, respectively.

Note 14. 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 as well as our Annual Report on Form 10-K for the year ended December 31, 2015.

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to our future financial or business performance, strategies, or expectations. Forward-looking statements typically are identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assess," "continue," "remain," "maintain," "sustain," "seek," "achieve," as well as similar expressions, or future or conditional verbs such as "will," "would," "should," "could" and "may."

We caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made and we assume no duty to and do not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to items described under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015, as modified and supplemented by "Risk Factors" in Part II, Item 1A of our Quarterly Report for the period ended June 30, 2016, the following factors, among others, could cause results to differ materially from forward-looking statements or historical performance: timing and length of sales of three dimensional ("3D") printing machines; risks related to global operations including effects of foreign currency and risks related to the situation in the Ukraine; our ability to qualify more industrial materials in which we can print; the availability of skilled personnel; the impact of increases in operating expenses and expenses relating to proposed investments and alliances; our strategy, including the expansion and growth of our operations; the impact of loss of key management; our plans regarding increased international operations in additional international locations; sufficiency of funds for required capital expenditures, working capital, and debt service; the adequacy of sources of liquidity; expectations regarding demand for our industrial products, operating revenues, operating and maintenance expenses, insurance expenses and deductibles, interest expenses, debt levels, and other matters with regard to outlook; demand for aerospace, automotive, heavy equipment, energy/oil/gas and other industrial products; individual customer contractual requirements; the scope, nature or impact of alliances and strategic investments and our ability to integrate strategic investments; liabilities under laws and regulations protecting the environment; the impact of governmental laws and regulations; operating hazards, war, terrorism and cancellation or unavailability of insurance coverage; the effect of litigation and contingencies; the impact of disruption of our manufacturing facilities or production service centers ("PSCs"); the adequacy of our protection of our intellectual property; material weaknesses in our internal control over financial reporting; the impact of customer specific terms in machine sale agreements on the period in which we recognize revenue; the impact of market conditions and other factors on the carrying value of long-lived assets; our ability to continue as a going concern; and the potential impact of the results from the United Kingdom's referendum on its withdrawal from the European Union.

Overview

Our Business

We are a global provider of 3D printing machines and 3D printed and other products, materials and 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 installed base of 3D printing machines. Our machines serve direct and indirect applications. Direct printing produces a component; indirect printing makes a tool to produce a component. We offer pre-production collaboration and print products for customers through our network of PSCs. We

also supply the associated materials, including consumables and replacement parts, and other services, including training and technical support that is necessary for purchasers of our 3D printing 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.

Recent Developments

Our results of operations for the quarter ended September 30, 2016, benefited from an increase in sales of 3D printing machines and as a result, our gross profit increased due to contribution margin realized in connection with those sales. Overall, our cost of sales and operating expenses have stabilized following the transition and expansion of certain of our global facilities and the deployment of our new enterprise resource planning (“ERP”) system (both of which were finalized during 2015). Our liquidity has continued to improve following certain financing transactions (our registered direct offering to a related party and ATM offerings of our common stock) executed during the quarter ended March 31, 2016, and improvements in our cash flows from operations and a reduction in our capital expenditures.

In April 2016, we committed to a plan to consolidate certain of our 3D printing operations in our Auburn, Washington facility into our North Las Vegas, Nevada facility and reorganize certain of our corporate departments as part of our 2016 operating plan. As a result of these actions, during the quarter ended June 30, 2016, we incurred a net charge of approximately \$170 including, \$57 associated with involuntary employee terminations and \$113 associated with the disposal of certain property and equipment related to our Auburn, Washington facility which was either sold or abandoned. This net charge was split between cost of sales (\$129), research and development (\$2) and selling, general and administrative expenses (\$39) in the accompanying condensed statement of consolidated operations and comprehensive loss. In addition to the net charge incurred by us in connection with this plan, we also have an operating lease commitment for the Auburn, Washington facility with a lease term through December 2018. At the time of closure of this facility, we were able to secure a firmly committed sublease arrangement with a third party which fully offsets our remaining contractual operating lease liability. There are no additional charges expected to be incurred associated with this plan in future periods. We have settled all amounts associated with involuntary employee terminations. The consolidation of our 3D printing operation in our Auburn, Washington facility into our North Las Vegas, Nevada facility is not expected to have a significant impact on our revenues in future periods. We expect annualized cost savings related to the plan (including the closure of the Auburn, Washington facility and reorganization of corporate departments) of approximately \$1,000, with approximately \$800 in the form of cash cost savings and approximately \$200 in the form of reduced depreciation expense.

Note the following additional highlights for the nine months ended September 30, 2016:

- **ATM offerings.** In January 2016, we announced our ATM with FBR and MLV pursuant to which FBR and MLV will act as distribution agents in the sale of up to \$50,000 in the aggregate of ExOne common stock in “at the market offerings” as defined in Rule 415 under the Securities Act. During the quarter ended March 31, 2016, we sold 91,940 shares of common stock under the ATM at a weighted average selling price of approximately \$9.17 per share resulting in gross proceeds to us of approximately \$843. Net proceeds to us from the sale of common stock under the ATM during the quarter ended March 31, 2016 were approximately \$595 (after deducting offering costs of approximately \$248, including certain legal, accounting and administrative costs associated with the ATM).

• **Registered direct offering to a related party.** In January 2016, we announced our entry into a subscription agreement with Rockwell Forest Products, Inc. and S. Kent Rockwell for the registered direct offering and sale of 1,423,877 shares of ExOne common stock at a per share price of \$9.13 (a \$0.50 premium from the closing price on the close of business on January 8, 2016). Following completion of the registered direct offering on January 13, 2016, we received gross proceeds of approximately \$13,000. Net proceeds to us from the sale of common stock in the registered direct offering were approximately \$12,447 (after deducting offering costs of approximately \$553).

• **Awarded \$1.5 million contract with United States Missile Defense Agency.** In July 2016, we announced our award of a three-year contract valued at \$1.5 million with the United States Missile Defense Agency for the application of 3D printing in the development of silicon carbide components.

• **Announced Introduction of 3D Printing With Industry Standard Metal and Ceramic Powders of Less Than 10 Microns.** In October 2016, we announced certain advancements to our Innovent direct 3D printing machine which enables the printing of industry standard metal and ceramic powders of less than 10 microns. This results in a higher density and significant improvements in surface finish quality for printed products. As a result of these advancements, we were also able to announce our addition of stainless steel 316L to our material portfolio, representing our second single metal alloy (Inconel alloy 625 our first) for industrial 3D printing applications. In addition to offering fine powder capability on future Innovent units, we have also developed an upgrade package for existing Innovent customers for conversion. We plan to further apply this technology to our M-Flex 3D printing machine system as well as other large format printing systems as part of our future machine development strategy.

Outlook

Our 2016 priorities include the following:

-

Accelerate the adoption rate of binder jetting. In 2016, we are continuing our growth at an accelerated rate as we further proliferate use of binder jetting in additive manufacturing. We continue to introduce new technologies, including advancements to our machine platforms (Exerial and Innovent). We improved applications for both direct printing and indirect printing (in the form of new material sets and/or printing processes or refinements). We also significantly expanded our global installed base of machines by delivering to our customers a record number of our 3D printing machines.

• **Evaluation of our business model.** We are focusing our efforts on optimizing our business model, including maximizing our cost absorption and our gross profit. We have consolidated certain PSC operations in April 2016 and we will continue to consider additional strategic decisions resulting in further consolidation, elimination or other modification to our existing machine manufacturing, PSC and other operations.

• **Focus on profitability and working capital.** We are focused on scaling and evolving our business toward profitable growth. This includes a mix of growing our revenues, increasing our facility utilization and effectively managing our operating expenses. We expect to build on our existing liquidity through enhanced working capital management, principally in the form of efficiently managing cash flows from customers and improving our net cash flows from inventories.

Backlog

At September 30, 2016, our backlog was approximately \$19,900 of which approximately \$18,600 is expected to be fulfilled during the next twelve months. At December 31, 2015, our backlog was approximately \$16,500.

Impairment

During the quarter ended September 30, 2016, as a result of continued operating losses and cash flow deficiencies, we identified a triggering event requiring a test for the recoverability of long-lived assets held for use at the asset group level. Assessing the recoverability of long-lived assets held for use requires significant judgments and estimates by management.

For purposes of testing long-lived assets for recoverability, we operate as three separate asset groups: United States, Europe and Japan. In assessing the recoverability of long-lived assets held for use, we determined the carrying amount of long-lived assets held for use to be in excess of the estimated future undiscounted net cash flows of the related assets. We proceeded to determine the fair value of our long-lived assets held for use, principally through use of the market approach. Our use of the market approach included consideration of market transactions for comparable assets. Management concluded that the fair value of long-lived assets held for use exceeded their carrying value and as such no impairment loss was recorded.

A significant decrease in the market price of a long-lived asset, adverse change in the use or condition of a long-lived asset, adverse change in the business climate or legal or regulatory factors impacting a long-lived asset and continued operating losses and cash flow deficiencies associated with a long-lived asset, among other indicators, could cause a future assessment to be performed which may result in an impairment of long-lived assets held for use, resulting in a material adverse effect on our financial position and results of operations.

During the quarter ended September 30, 2015, as a result of the significant decline in our market capitalization and continued operating losses and cash flow deficiencies, we identified a triggering event requiring both (i) a test for the recoverability of long-lived assets held for use at the asset group level and (ii) a test for impairment of goodwill at the reporting unit level. Assessing the recoverability of long-lived assets held for use and goodwill requires significant judgments and estimates by management.

In assessing the recoverability of long-lived assets held for use, we determined the carrying amount of long-lived assets held for use to be in excess of the estimated future undiscounted net cash flows of the related assets. We proceeded determine the fair value of our long-lived assets held for use, principally through use of the market approach. Our use of the market approach included consideration of market transactions for comparable assets. Management concluded that the fair value of long-lived assets held for use exceeded their carrying value and as such no impairment loss was recorded.

We subsequently performed an impairment test for goodwill. For purposes of testing goodwill for impairment, we operate as a singular reporting unit. In assessing goodwill for impairment, we compared the fair value of our reporting unit to its carrying value. We determined the fair value of our reporting unit through a combination of the market approach and income approach. Our use of the market approach included consideration of our market capitalization along with consideration of other factors that could influence the use of market capitalization as a fair value estimate, including premiums or discounts to be applied based on both market and entity-specific data. Our use of the income approach included consideration of present value techniques, principally the use of a discounted cash flow model. In performing the impairment test for goodwill, we determined the carrying amount of goodwill to be in excess of the implied fair value of goodwill. As a result, we recognized an impairment loss of approximately \$4,419 associated with goodwill during the quarter ended September 30, 2015.

Results of Operations

Net Loss

Net loss for the quarter ended September 30, 2016, was \$3,611, or \$0.23 per basic and diluted share, compared with a net loss of \$10,077 or \$0.70 per basic and diluted share, for the quarter ended September 30, 2015. Net loss for the nine months ended September 30, 2016, was \$12,030, or \$0.76 per basic and diluted share, compared with a net loss of \$24,646 or \$1.71 per basic and diluted share, for the nine months ended September 30, 2015.

The decrease in our net loss for both periods was due to an increase in our revenues and gross profit principally based on an increase in volume and favorable mix of revenues from 3D printing machines (and an increase in revenues from 3D printed and other products, materials and services for the nine month period), coupled with the elimination of certain production inefficiencies experienced during 2015 as a result of our global facilities transition and expansion activities and ERP system deployment (effective January 1, 2015). Net operating expenses increased for the quarter ended September 30, 2016 as compared to the quarter ended September 30, 2015, versus a net decrease for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015 (see further discussion below). Also, during the quarter ended September 30, 2015, we recorded a goodwill impairment charge of approximately \$4,419 as a result of a significant decline in our market capitalization during the period, combined with continued operating losses and cash flow deficiencies which negatively affected our results of operations.

Revenue

The following table summarizes revenue by product line:

| | Quarter Ended September 30, | | | | Nine Months Ended September 30, | | | | |
|---|--------------------------------|---------|---------|---------|------------------------------------|---------|----------|---------|--|
| | 2016 | | 2015 | | 2016 | | 2015 | | |
| 3D printing machines | | | | | | | | | |
| 3D printing machines - third parties | \$6,489 | 50.0 % | \$2,250 | 25.4 % | \$13,461 | 40.6 % | \$4,651 | 19.3 % | |
| 3D printing machines - related parties | — | 0.0 % | 122 | 1.4 % | — | 0.0 % | 1,244 | 5.1 % | |
| | 6,489 | 50.0 % | 2,372 | 26.8 % | 13,461 | 40.6 % | 5,895 | 24.4 % | |
| 3D printed and other products, materials and services | | | | | | | | | |
| 3D printed and other products, materials and services - third parties | 6,498 | 50.0 % | 6,462 | 72.9 % | 19,623 | 59.2 % | 18,210 | 75.4 % | |
| 3D printed and other products, materials and services - related parties | | | | | | | | | |
| | 1 | 0.0 % | 30 | 0.3 % | 73 | 0.2 % | 50 | 0.2 % | |
| | 6,499 | 50.0 % | 6,492 | 73.2 % | 19,696 | 59.4 % | 18,260 | 75.6 % | |
| | \$12,988 | 100.0 % | \$8,864 | 100.0 % | \$33,157 | 100.0 % | \$24,155 | 100.0 % | |

Revenue for the quarter ended September 30, 2016, was \$12,988 compared with revenue of \$8,864 for the quarter ended September 30, 2015, an increase of \$4,124, or 46.5%. The increase in revenue was principally as a result of an increase in revenues from 3D printing machines resulted from both an increase in volume of 3D printing machines sold (eleven 3D printing machines sold during the quarter ended September 30, 2016, as compared to five 3D printing machines sold during the quarter ended September 30, 2015) and a favorable mix of 3D printing machines sold (as we sold six indirect printers during the quarter ended September 30, 2016, as compared to one indirect printer during the quarter ended September 30, 2015, as indirect printers generally bear a higher average selling price than direct printers).

Revenue for the nine months ended September 30, 2016, was \$33,157 compared with revenue of \$24,155 for the nine months ended September 30, 2015, an increase of \$9,002, or 37.3%. The increase in revenue was as a result of increases to both of our product lines (3D printing machines and 3D printed and other products, materials and services). The increase in revenues from 3D printing machines resulted from both an increase in volume of 3D printing machines sold (21 3D printing machines sold during the nine months ended September 30, 2016, as compared to 14 3D printing machines sold during the nine months ended September 30, 2015) and a favorable mix of 3D printing machines sold (as we sold eleven indirect printers during the nine months ended September 30, 2016, as compared to one indirect printer during the nine months ended September 30, 2015, indirect printers generally bearing a higher average selling price than direct printers). The increase in revenues from 3D printed and other products, materials and services resulted from an overall continued increase in customer acceptance and demand for our additive manufacturing technologies, including an increase in materials and service revenues associated with an increased global installed base of our 3D printing machines, the sale of the remaining inventories associated with our former laser micromachining production line (approximately \$475) during the quarter ended June 30, 2016, and an increase

in revenues derived from certain contractual research and development activities.

The following table summarizes 3D printing machines sold by type (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, 2015, for a description of 3D printing machines by type):

| | Quarter | | Nine | |
|---------------------------------|-----------|------|-----------|------|
| | Ended | | Months | |
| | September | | Ended | |
| | 30, | | September | |
| | 2016 | | 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| 3D printing machine units sold: | | | | |
| S-Max+ | — | — | 1 | — |
| S-Max | 4 | 1 | 5 | 1 |
| S-Print | 1 | — | 3 | — |
| S-15 | 1 | — | 2 | — |
| M-Print* | — | — | — | 1 |
| M-Flex | 1 | 1 | 3 | 3 |
| Innovent* | 3 | 3 | 6 | 8 |
| X1-Lab | 1 | — | 1 | 1 |
| | 11 | 5 | 21 | 14 |

* For the nine months ended September 30, 2015, one M-Print unit and one Innovent unit were sold to related parties. There were no units sold to related parties during the quarter or nine months ended September 30, 2016, or the quarter ended September 30, 2015. Refer to Note 13 to the condensed consolidated financial statements in Part I Item 1 of this Quarterly Report on Form 10-Q.

Cost of Sales and Gross Profit

Cost of sales for the quarter ended September 30, 2016, was \$9,428 compared with cost of sales of \$7,695 for the quarter ended September 30, 2015, an increase of \$1,733, or 22.5%. The increase in cost of sales was primarily due to increases in our variable cost of sales associated with our increased revenues, resulting in an improved gross profit net of our fixed cost base. Offsetting this increase was the benefit of a reduction in certain production inefficiencies experienced during 2015 as a result of the transition and expansion of our facilities in Germany and the United States, and the deployment of our ERP system (effective January 1, 2015) which resulted in a reduced fixed cost base for the quarter ended September 30, 2016.

Gross profit for the quarter ended September 30, 2016, was \$3,560 compared with gross profit of \$1,169 for the quarter ended September 30, 2015. Gross profit percentage was 27.4% for the quarter ended September 30, 2016, compared with 13.2% for the quarter ended September 30, 2015. The increase in gross profit was the result of the increase in revenues offset by the increase in cost of sales as further cited above.

Cost of sales for the nine months ended September 30, 2016, was \$24,215 compared with cost of sales of \$21,881 for the nine months ended September 30, 2015, an increase of \$2,334, or 10.7%. The increase in cost of sales was primarily due to increases in our variable cost of sales associated with our increased revenues, resulting in an improved gross profit net of our fixed cost base. Offsetting this increase was the benefit of the reversal of our reserve for obsolete and slow-moving inventories related to our sale of the remaining inventories associated with our former laser micromachining product line (approximately \$507) during the quarter ended June 30, 2016, and a reduction in certain production inefficiencies experienced during 2015 as a result of the transition and expansion of our facilities in Germany and the United States, and the deployment of our ERP system (effective January 1, 2015) which resulted in a reduced fixed cost base for the nine months ended September 30, 2016.

Gross profit for the nine months ended September 30, 2016, was \$8,942 compared with gross profit of \$2,274 for the nine months ended September 30, 2015. Gross profit percentage was 27.0% for the nine months ended September 30, 2016, compared with 9.4% for the nine months ended September 30, 2015. The increase in gross profit was the result of the increase in revenues offset by the increase in cost of sales as further cited above.

Research and Development

Research and development expenses for the quarter ended September 30, 2016, were \$1,898 compared with research and development expenses of \$1,825 for the quarter ended September 30, 2015, an increase of \$73, or 4.0%.

Research and development expenses for the nine months ended September 30, 2016, were \$5,737 compared with research and development expenses of \$5,218 for the nine months ended September 30, 2015, an increase of \$519, or 9.9%.

The increase in research and development expenses for both periods was primarily due to an increase in costs associated with materials qualification and machine development activities, principally materials usage for both our direct and indirect printing applications.

Selling, General and Administrative

Selling, general and administrative expenses for the quarter ended September 30, 2016, were \$5,234 compared with selling, general and administrative expenses of \$5,018 for the quarter ended September 30, 2015, an increase of \$216, or 4.3%. The increase in selling, general and administrative expenses was principally due to an increase in equity-based compensation (mostly due to awards granted to our newly appointed CEO on August 19, 2016, a portion of which vested immediately upon issuance), an increase in trade show related expenses and a net provision for bad debts of approximately \$15 during the quarter ended September 30, 2016 as compared to net recoveries of bad debts of approximately \$180 during the quarter ended September 30, 2015. These increases were offset by a reduction in agency commissions associated with sales of 3D printing machines to customers.

Selling, general and administrative expenses for the nine months ended September 30, 2016, were \$15,222 compared with selling, general and administrative expenses of \$17,479 for the nine months ended September 30, 2015, a decrease of \$2,257, or 12.9%. The decrease in selling, general and administrative expenses was principally due to net recoveries of bad debts of approximately \$256 during the nine months ended September 30, 2016 as compared to a net provision for bad debts of approximately \$144 during the nine months ended September 30, 2015, a reduction in consulting and professional fees (including costs associated with the deployment of our ERP system during 2015) and a reduction in costs associated with trade show activities (mostly due to the absence of costs associated with the GIFA International Foundry Trade Fair in June 2015), all of which was offset by the absence of the reversal of the remaining contingent consideration associated with our acquisition of Machin-a-Mation during the quarter ended June 30, 2015.

Interest Expense

Interest expense for the quarter ended September 30, 2016, was \$22 compared with interest expense of \$29 for the quarter ended September 30, 2015, a decrease of \$7, or 24.1%. The decrease in interest expense was principally due to a lower average outstanding debt balance for the quarter ended September 30, 2016, as compared to the quarter ended September 30, 2015.

Interest expense for the nine months ended September 30, 2016, was \$276 compared with interest expense of \$87 for the nine months ended September 30, 2015, an increase of \$189, or 217.2%. The increase in interest expense was principally due to the effect of the termination of the revolving credit facility with a related party during the quarter ended March 31, 2016, which resulted in an acceleration of amortization of debt issuance costs of approximately \$204.

Other (Income) Expense – Net

Other (income) expense – net for the quarter ended September 30, 2016, was (\$8) compared with other (income) expense – net of (\$4) for the quarter ended September 30, 2015, an increase of \$4. Other (income) expense – net for the nine months ended September 30, 2016, was (\$306) compared with other (income) expense – net of (\$83) for the nine months ended September 30, 2015, an increase of \$223. The increase in other (income) expense – net for both periods was principally due to an increase in net currency exchange gains on certain intercompany transactions between subsidiaries either settled or planned for settlement in the foreseeable future.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes for the quarters ended September 30, 2016 and 2015, was \$25 and (\$41), respectively. The provision (benefit) for income taxes for the nine months ended September 30, 2016 and 2015, was \$43 and (\$200), respectively. The effective tax rate for the quarters ended September 30, 2016 and 2015, was 0.7% (provision on a loss) and 0.4% (benefit on a loss), respectively. The effective tax rate for the nine months ended September 30, 2016 and 2015, was 0.4% (provision on a loss) and 0.8% (benefit on a loss), respectively. For each of the quarters and nine months ended September 30, 2016 and 2015, 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.

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.

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

Liquidity

We have incurred a net loss in each of our annual periods since our inception. In addition, we incurred a net loss of approximately \$3,611 and \$12,030 for the quarter and nine months ended September 30, 2016, respectively. In connection with the completion of our initial public offering and subsequent secondary offerings, we received cumulative unrestricted net proceeds from the sale of our common stock of approximately \$170,353 to fund our operations. At September 30, 2016, we had approximately \$29,813 in cash and cash equivalents.

We believe that our existing capital resources will be sufficient to support our operating plan. If we anticipate that our actual results will differ from our operating plan, we believe we have sufficient capabilities to enact cost savings measures to preserve capital. Further, we may seek to raise additional capital to support our growth through additional debt, equity or other alternatives or a combination thereof.

Revolving Credit Facility with a Related Party

On October 23, 2015, ExOne and its ExOne Americas LLC and ExOne GmbH subsidiaries, as guarantors, entered into the Credit Agreement with RHI, a related party, on a \$15,000 revolving credit facility to (i) assist us in our efforts to finance customer acquisition of our 3D printing machines and 3D printed and other products and services and (ii) provide additional funding for working capital and general corporate purposes. RHI was determined to be a related party based on common control by the Chairman of our Board of Directors (also our CEO through August 19, 2016). Prior to execution, the Credit Agreement was subject to review and approval by a sub-committee of independent members of our Board of Directors (which included each of the members of the Audit Committee of our Board of Directors). We incurred approximately \$215 in debt issuance costs associated with the Credit Agreement.

On January 10, 2016, we delivered notice to RHI of our intent to terminate the Credit Agreement in connection with the closing of a registered direct offering of common stock to an entity under common control by the Chairman of our Board of Directors (also our CEO through August 19, 2016) (see further discussion below). There were no borrowings under the Credit Agreement from January 1, 2016 through the effective date of its termination, January 13, 2016. In connection with the termination, we settled the remaining accrued interest under the Credit Agreement of approximately \$5 relating to the commitment fee on the unused portion of the revolving credit facility (100 basis points, or 1.0% on the unused portion of the revolving credit facility). In addition, during the quarter ended March 31, 2016, we recorded approximately \$204 to interest expense related to the accelerated amortization of debt issuance costs. Upon termination of the Credit Agreement, all liens and guaranties in respect thereof were released.

ATM Offerings

On January 8, 2016, we announced that we had entered into an ATM with FBR and MLV pursuant to which FBR and MLV agreed to act as distribution agents in the sale of up to \$50,000 in the aggregate of ExOne common stock in “at the market offerings” as defined in Rule 415 under the Securities Act. Both FBR and MLV have been identified as related parties to us on the basis of significant influence in that a member of our Board of Directors also serves as a member of the Board of Directors of FBR (which controls MLV). The terms of the ATM were reviewed and approved by a sub-committee of our Board of Directors (which included each of the members of the Audit Committee of our Board of Directors except for the identified director who also holds a position on the Board of Directors of FBR). Terms of the ATM require a 3.0% commission on the sale of common stock under the ATM and a reimbursement of certain legal expenses of \$25. During the quarter ended March 31, 2016, we sold 91,940 shares of common stock under the ATM at a weighted average selling price of approximately \$9.17 per share resulting in gross proceeds to us of approximately \$843. Net proceeds to us from the sale of common stock under the ATM during the quarter ended March 31, 2016 were approximately \$595 (after deducting offering costs of approximately \$248, including certain legal, accounting and administrative costs associated with the ATM, of which approximately \$50 was paid to FBR or MLV relating to the aforementioned reimbursement of certain legal expenses and commissions on the sale of common stock under the ATM). There were no sales of shares of common stock under the ATM during any periods subsequent to the quarter ended March 31, 2016.

Our ongoing ability to issue and sell common stock under the ATM is dependent on our ability to use our Shelf, as filed on April 10, 2015. As a result of our delinquent filing of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, our offerings and sales under the Shelf (and therefore the ATM) were suspended. On August 18, 2016, we filed a post-effective amendment to our Shelf. As a result of the post-effective amendment filing, we are now eligible to re-activate the ATM.

Registered Direct Offering to a Related Party

On January 11, 2016, we announced that we had entered into a subscription agreement with Rockwell Forest Products, Inc. and S. Kent Rockwell for the registered direct offering and sale of 1,423,877 shares of ExOne common stock at a per share price of \$9.13 (a \$0.50 premium from the closing price on the close of business on January 8, 2016). The terms of this transaction were reviewed and approved by a sub-committee of independent members of our Board of Directors (which included each of the members of the Audit Committee of our Board of Directors). The sub-committee of independent members of our Board of Directors were advised on the transaction by an independent financial advisor and independent legal counsel. Concurrent with the approval of this sale of common stock under the terms identified, the independent members of our Board of Directors also approved the termination of our revolving credit facility with RHI (see further discussion above). Following completion of the registered direct offering on January 13, 2016, we received gross proceeds of approximately \$13,000. Net proceeds to us from the sale of common stock in the registered direct offering were approximately \$12,447 (after deducting offering costs of approximately \$553).

Cash Flows

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The following table summarizes the significant components of cash flows for each of the nine months ended September 30 and our cash and cash equivalents balance at September 30, 2016 and December 31, 2015:

| | 2016 | 2015 |
|--|-------------|--------------|
| Cash used for operating activities | \$ (1,908) | \$ (11,007) |
| Cash used for investing activities | (638) | (4,419) |
| Cash provided by (used for) financing activities | 12,879 | (363) |
| Effect of exchange rate changes on cash and cash equivalents | 138 | (160) |
| Net change in cash and cash equivalents | \$ 10,471 | \$ (15,949) |
| | September | December |
| | 30, | 31, |
| | 2016 | 2015 |
| Cash and cash equivalents | \$ 29,813 | \$ 19,342 |

Operating Activities

Cash used for operating activities for the nine months ended September 30, 2016, was \$1,908 compared with \$11,007 for the nine months ended September 30, 2015. The decrease of \$9,099, or 82.7%, was mostly attributed to an increase in cash flows associated with a reduction in our net loss (further described above) and from net changes in assets and liabilities. Increases attributable to net changes in assets and liabilities were principally impacted by a reduction in net cash outflows associated with inventories based on our operating plans and increase in net cash inflows associated with prepaid expenses and other assets, principally due to a reduction in deposit payments to vendors and the collection of refundable income taxes. These increases were offset by a decrease in net cash inflows associated with accounts receivable and deferred revenue and customer prepayments and an increase in net outflows associated with accounts payable based on the timing of payment from customers and to vendors, respectively.

Investing Activities

Cash used for investing activities for the nine months ended September 30, 2016, was \$638 compared with \$4,419 for the nine months ended September 30, 2015. The decrease of \$3,781, or 85.6%, was attributed to a decrease in capital expenditures (principally due to a reduction in spending for facility expansions) and approximately \$52 in proceeds received from the sale of property and equipment (principally associated with our former Auburn, Washington PSC).

We expect our remaining 2016 capital expenditures to be limited to spending associated with sustaining our existing operations and strategic asset acquisition and deployment (estimated spending of approximately less than \$1,000).

Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2016, was \$12,879 compared with cash used for financing activities of \$363 for the nine months ended September 30, 2015.

Sources of cash for the nine months ended September 30, 2016, included net proceeds from the issuance of common stock (see further discussion above). Uses of cash for the nine months ended September 30, 2016, included principal payments on outstanding debt and capital leases.

Uses of cash for the nine months ended September 30, 2015, included principal payments on outstanding debt and capital and financing leases.

Off Balance Sheet Arrangements

In the course of our normal operations, our ExOne GmbH subsidiary issues guarantees and letters of credit to third parties in connection with certain commercial transactions requiring security under a credit facility agreement held with a German bank. At September 30, 2016, total outstanding guarantees and letters of credit issued by us were approximately \$1,277 with expiration dates ranging from November 2016 through July 2018. At December 31, 2015, total outstanding guarantees and letters of credit issued by us were approximately \$685. For further discussion related to the credit facility agreement, refer to Note 8 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Recently Issued and Adopted Accounting Guidance

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

Critical Accounting Policies and Estimates

Refer to Note 1 of the consolidated financial statements in Part I, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

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. We do not currently utilize derivative financial instruments to offset market risk from fluctuations in foreign currency exchange rates.

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 United States dollar equivalents based on period end spot exchange rates, and are included in stockholders' equity as a component of other 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 certain long-term intercompany transactions for which settlement is not planned or anticipated in the foreseeable future, which are included in accumulated other comprehensive loss in the condensed consolidated balance sheet.

We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. Approximately 59.3% and 44.5% of our consolidated revenue was derived from transactions outside the United States for the quarters ended September 30, 2016 and 2015, respectively. Approximately 54.0% and 45.4% of our consolidated revenue was derived from transactions outside the United States for the nine months ended September 30, 2016 and 2015, 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, 2016, would result in an increase (decrease) in revenue of approximately \$800 and \$1,800, respectively. These subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currencies.

At September 30, 2016, we held approximately \$29,813 in cash and cash equivalents of which approximately \$22,859 was held by our United States parent in United States dollars.

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, 2016. 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. 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, 2016, 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 22, 2016.

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 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

During the quarter and nine months ended September 30, 2016, with the oversight of executive management and the Audit Committee of our Board of Directors, we continued to take steps and additional measures to remediate the underlying causes of the identified material weaknesses including:

Enhancing our global accounting and reporting process (including our global consolidation of financial information) by redesigning and strengthening the operating effectiveness of internal controls over financial reporting. This includes a detailed review of our existing processes, improvements to the design of our internal controls (including conversion of historically manual control activities to automated control activities), updating documentation related to our business process flows, internal testing of operating effectiveness of our controls and remediation activities, as necessary. This process began in mid-2014 and we expect it to continue for the remainder of 2016.

Evaluating our information technology systems to further integrate existing systems or invest in improvements to our information technology sufficient to generate accurate and timely financial information. On January 1, 2015, we implemented the first phase of a new ERP system for our Europe operations. Despite certain difficulties encountered in the initial implementation phase of this project, resulting in a delay of the filing of our Quarterly Report on Form 10-Q for the period ended March 31, 2015, we believe that this system, when fully implemented, provides a substantial upgrade in operational and financial reporting as compared to our legacy systems. We continue to address the difficulties encountered in the initial implementation in a variety of ways, including through the direct hire of personnel and collaboration with external consultants, both with system expertise, in an effort to resolve identified issues in a timely and efficient manner. Our 2016 information technology plan includes additional upgrades or enhancements of this system, as well as our other existing information technologies (including the addition of a global consolidation software) with the overall goal of a simple, common and global platform for processing, recording and analyzing financial and operational data.

Streamlining our processes in evaluating transactions under GAAP. In 2015, we added or replaced several accounting and finance positions within the organization, specifically as it relates to our United States and Europe operations. While we do

not expect a further significant investment in personnel in 2016, we do expect that the experience garnered by our 2015 personnel investments will result in better processes and procedures with respect to the application of GAAP. We can provide no assurance at this time that management will be able to report that our internal control over financial reporting will be effective as of December 31, 2016. As an EGC, 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 such time that we no longer qualify as an EGC.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We 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 our financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 as modified and supplemented by “Risk Factors” in Part II Item 1A of our Quarterly Report on Form 10-Q for the period ended June 30, 2016.

Item 6. Exhibits.

(a)(3) Exhibits

The Exhibits listed on the accompanying Index to Exhibits are filed as part of this Quarterly Report on Form 10-Q.

Signatures

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

The ExOne Company

By: /s/ James L. McCarley
James L. McCarley
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2016

By: /s/ Brian W. Smith
Brian W. Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: November 9, 2016

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.

Exhibit

| Number | Description | Method of Filing |
|---------|--|--|
| 10.1 | Employment Agreement by and between The ExOne Company and James L. McCarley dated as of August 19, 2016. | Incorporated by reference to Exhibit 10.1 to Form 8-K (#001-35806) filed on August 23, 2016. |
| 10.2 | Offer Letter to Mr. McCarley dated August 18, 2016. | Incorporated by reference to Exhibit 10.2 to Form 8-K (#001-35806) filed on August 23, 2016. |
| 10.3 | Letter agreement between The ExOne Company and Hans Sack dated August 19, 2016. | Incorporated by reference to Exhibit 10.3 to Form 8-K (#001-35806) filed on August 23, 2016. |
| 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.INS | XBRL Instance Document. | Filed herewith. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | Filed herewith. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | Filed herewith. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | Filed herewith. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | Filed herewith. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | Filed herewith. |

