

FARO Technologies, Inc. Logo

## **FARO Technologies Fourth-Quarter Revenue Increases 12% --Year-End 1998 Revenues Rise 17%--**

March 12, 1999

--New Product Line Introduction On Track With Plan--

LAKE MARY, Fla., March 12 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), today announced that sales for the fourth quarter ended December 31, 1998, increased 11.7% to \$8,138,508 from \$7,288,544 for the fourth quarter ended December 31, 1997. Exclusive of acquisition-related amortization charges the Company reported a net loss for the quarter of \$596,142, equal to a negative \$0.05 per diluted share, compared with net income of \$1,121,907, equal to \$0.11 per diluted share for the year-ago fourth quarter. Including acquisition-related amortization charges the Company reported a net loss of \$1,480,263, equal to a negative \$0.13 per diluted share.

For the year ended December 31, 1998, revenues increased 17.0% to \$27,514,699 from \$23,516,385 for the previous year. Net income for 1998 before one-time and amortized acquisition-related charges was \$489,209, equal to \$0.05 per diluted share, compared with \$3,206,630, equal to \$0.39 per diluted share for 1997. Including one-time and amortized acquisition-related charges, the Company reported a net loss for 1998 of \$4,931,094, equal to a negative \$0.46 per diluted share.

Commenting on FARO's performance, Simon Raab, President and Chief Executive Officer, said, "Our results for the fourth quarter and year reflect the introduction of our New Generation product line, including our Sterling and Gold FAROARMS and our expanded AnthroCam family of software programs, aimed at repositioning FARO from being a niche to a mainstream player in the multi-billion dollar overall CAD/CAM worldwide marketplace. The introduction is proceeding according to plan -- even exceeding it in some cases -- and meeting with excellent marketplace reception. Unit shipments for the fourth quarter increased 31 percent from the same period last year, when only our previous product line was available. Our production line retooling is complete, our sales force is now fully equipped with demonstration models so that we can now concentrate on selling all of our production, and we have cleared out our inventory of our older, bronze product line."

"Our customer base continued to broaden in the fourth quarter, with no single customer representing more than 5% of sales," Raab also noted. "International sales for the fourth quarter contributed 57% to revenue, up from 35% in 1997, primarily attributable to significant increases in sales in Europe and Canada that more than offset a significant drop in sales in Asia. The growth in international sales resulted from our acquisition in 1998 of CATS Computer Aided Technologies, GmbH (CATS) and from internal growth.

"Our gross margin for the fourth quarter improved to 58.6% from 58.2% from the year-ago period and widened substantially from 50.5% for the third quarter of 1998 as a result of both less aggressive price reduction on our repositioned Silver Series of FAROARMS and the sale of a significant number of our new Gold and Sterling models.

"Our SG&A and R&D expenses increased by 104 percent to \$5.5 million, primarily as a result of the build up of our sales force, our acquisition of CATS GmbH, and the expansion of our infrastructure in Europe as our operations there evolve in recognition of the size of the European market. Our net loss result was attributable to these primary factors: acquisition-related amortization charges and higher operating expenses in general as a percentage of sales. We expect the non-amortization operating expenses to drop as a percentage of sales as our new sales force and European unit gets up to speed.

"Looking ahead, we continue to expect that, based on demand for our product and our improved margins, we will regain our growth rate in sales and our profitability before acquisition-related expenses by the end of 1999. We continue to carry minimal debt and maintain a strong cash position, which at the end of December 1998 was \$18 million -- sufficient to fund our medium-term growth plan."

FARO also announced today that it is voluntarily restating results for its second and third quarters of 1998 as a result of an adjustment to the second-quarter in-process research and development charge in connection with its acquisition of CATS. The adjustment stems from newly established Securities and Exchange Commission accounting guidelines for valuing in-process R&D in purchase transactions. FARO's previously reported value of \$14.4 million for CATS in-process R&D, which had been determined by independent valuation and in conformance with generally accepted accounting principles and which had been recorded as a second-quarter charge, has been reduced to \$3.2 million, with a corresponding increase in intangible assets and a \$307,459 increase in amortization expense for the second quarter. The revaluation also resulted in a \$638,456 increase in amortization expense in the company's third quarter. These adjustments reduced the loss for the second quarter by \$9,866,406, or \$0.92 per diluted share, and increased the loss for the third quarter by \$1,464,505, or \$0.14 per diluted share.

FARO Technologies, Inc. and its international subsidiaries are pioneers and market leaders in the Computer Aided Manufacturing Measurement (CAMM) market which is the final frontier of the Computer Aided Design (CAD) revolution. The Company's hardware and software products play a key role in the worldwide trend toward CAD-based total quality management for shortened production cycles and Total Quality Management for the reduction in scrap and rework. FARO's product line includes portable measurement equipment, a broad line of CAD-based inspection software for portable and fixed-base coordinate measurement machines, and factory-level statistical process control (SPC) software. FARO's products are used worldwide by a wide variety of manufacturing companies, both large and small. News and information are available at the Company's Website at <http://www.faro.com>.

Statements contained in this press release that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities and Litigation Reform Act of 1995. In addition, words such as "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties or other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- customer acceptance of the company's products,
- the impact of competitive products and pricing,
- cyclicity of the automotive market, and

-- the other risks detailed in the company's 10-K report and other filings from time to time with the Securities and Exchange Commission.

Actual results may differ materially from those projected. These forward-looking statements represent the company's judgment as of the date of this release. The company disclaims, however, any intent or obligation to update these forward-looking statements.

FARO TECHNOLOGIES, INC.  
SUMMARY FINANCIAL TABLE

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1998	1997	1998	1997
Sales	\$8,138,508	\$7,288,544	\$27,514,699	\$23,516,385
Cost of Sales	3,369,565	3,043,444	11,291,313	9,610,838
Gross profit	4,768,943	4,245,100	16,223,386	13,905,547
Operating Expenses				
Selling	3,295,482	1,731,782	9,960,914	5,676,113
General and Administrative	1,194,349	587,483	3,161,599	1,519,657
Depreciation and amortization	1,073,722	90,327	2,816,135	293,998
Research and development	1,027,471	353,748	2,587,181	1,075,505
Employee stock options	43,041	43,041	172,164	408,000
In-process research and development resulting from acquisition	0	0	3,210,000	0
Total operating expenses	6,634,065	2,806,381	21,907,993	8,973,271
Income (loss) From Operations	(1,865,122)	1,438,719	(5,684,607)	4,932,276
Interest Income	239,168	398,650	1,077,713	442,444
Other Income (Expense)	117,210	(9,915)	139,355	57,308
Interest Expense	(1,924)	(1,105)	(13,023)	(110,768)
Income (Loss) Before income taxes	(1,510,668)	1,826,347	(4,480,562)	5,321,260
Income Tax Benefit (Expense)	30,405	(704,440)	(450,532)	(2,114,630)
Net Income (Loss)	\$(1,480,263)	\$1,121,907	\$(4,931,094)	\$3,206,630
Net Income (Loss) Per Common Share - Basic	\$(0.13)	\$0.11	\$(0.46)	\$0.41
Weighted Average Shares	11,008,138	9,919,000	10,632,708	7,831,715
Net Income (Loss) Per Common Share - Assuming Dilution	\$(0.13)	\$0.11	\$(0.46)	\$0.39
Weighted Average Shares and Assumed Conversions	11,025,869	10,293,309	10,728,783	8,189,048

CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	December 31, 1998	December 31, 1997
Current Assets	\$34,595,076	\$39,485,839
Total Assets	\$49,120,147	\$41,192,333
Current Liabilities	\$3,597,307	\$2,208,294
Total Liabilities	\$3,744,756	\$2,252,922
Shareholder's Equity	45,375,391	38,939,411
Total Liabilities and Shareholders' Equity	\$49,120,147	\$41,192,333

FARO TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS -- RESTATED  
(Unaudited)

	Three Months Ended September 30, 1998		Three Months Ended June 30, 1998	
	(revised)	(previously reported)	(revised)	(previously reported)
Sales	\$4,972,182	\$4,972,182	\$7,721,808	\$7,721,808
Cost of Sales	2,460,143	2,460,143	2,779,843	2,779,843
Gross profit	2,512,039	2,512,039	4,941,965	4,941,965
Operating Expenses				
Selling	2,870,373	2,870,373	2,211,523	2,211,523
General and Administrative	851,532	851,532	517,136	517,136
Depreciation and amortization	1,038,391	399,935	569,976	262,517
Research and development	737,732	737,732	435,534	435,534
Employee stock options	43,041	43,041	43,041	43,041
In-process research and development resulting from acquisition	0	0	3,210,000	14,374,000
Total operating expenses	5,541,069	4,902,613	6,987,210	17,843,751
Loss From Operations	(3,029,030)	(2,390,574)	(2,045,245)	(12,901,786)
Interest Income	215,766	215,766	302,852	302,852
Other Income	19,391	19,391	5,408	5,408
Interest Expense	(3,234)	(3,234)	(7,865)	(7,865)
Loss Before Income Taxes	(2,797,107)	(2,158,651)	(1,744,850)	(12,601,391)
Income Tax Benefit	56,298	882,347	35,119	1,025,254
Net Loss	\$(2,740,809)	\$(1,276,304)	\$(1,709,731)	\$(11,576,137)
Net Loss Per Common Share - Basic	\$(0.25)	\$(0.12)	\$(0.16)	\$(1.10)
Weighted Average Shares	11,028,890	11,028,890	10,531,132	10,531,132

Net Loss Per Common Share - Assuming Dilution	\$(0.25)	\$ (0.11)	\$(0.16)	\$(1.08)
Weighted Average Shares and Assumed Conversions	11,131,677	11,131,677	10,718,310	10,718,310

SOURCE FARO Technologies Inc.  
Web site: <http://www.faro.com>  
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