

FARO Technologies Reports First-Quarter Results Sales, Gross Margin Up New Orders Up 48%

April 27, 1999

LAKE MARY, Fla., April 27 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), today announced that sales for the first quarter ended March 31, 1999 increased 3.3% to \$6,904,496 from \$6,682,201 in the first quarter of 1998. Exclusive of acquisition-related amortization charges in the first quarter of 1999, the Company reported a net loss of \$473,587, equal to a negative \$0.04 per diluted share, compared with net income of \$1,023,391, equal to \$0.10 per diluted share for the year-ago first quarter. Including acquisition-related amortization charges, the Company reported a net loss of \$1,140,791, equal to a negative \$0.10 per diluted share.

Reflecting a correction resulting from the recent installation of its U.S. accounting software in its European headquarters, the Company also revised the dollar amount of new orders taken in the first quarter to \$8.0 million, from \$7.4 million as previously reported. As a result, new orders increased 48% from \$5.4 million in the first quarter of 1998. The increase over the year-ago quarter results from demand for the Company's new generation products and from organizational improvements in the sales process, both of which were introduced in the second half of 1998.

"We are pleased with the level of new orders in the quarter, which is the strongest indicator we have that our various marketing and organizational efforts are succeeding," said Simon Raab, President and Chief Executive Officer. "These efforts, part of our investment and expansion phase, should return the Company's financial results to levels associated with its profitable business model achieved in 1997, prior to our IPO and our planned two-year drive for market share."

"The first quarter represented the second full quarter in our new generation product transition, which includes our corporate and sales reorganization related to the new product line and to our acquisition of CATS, GmbH, a German software manufacturer, in May 1998," Raab added. "Although revenues and earnings were somewhat below expectations, I am pleased that for the most part our plan for this transition period is on track."

"Because the German acquisition was in May 1998, it is instructive to look at new orders from a regional perspective," Raab continued. "In Europe orders were \$3,410,000 in the first quarter of 1999, up 136% from \$1,442,000 in the same period in 1998 with the largest increase, as expected, in Germany as a result of our expansion and acquisition of CATS. In the U.S.A. new orders were \$4,249,000 in the first quarter of this year, up 75% from \$2,433,000 in 1998. However new orders in the first quarter from other international regions including Japan and Korea declined 78% when compared to the first quarter of 1998."

"We were gratified to see our gross margin continue to improve," Raab noted. "It has strengthened sequentially for the last two quarters, recovering from the erosion which resulted from the introduction of our new product line. Increasing demand for the higher-end Gold model FaroArms, as well as growth in stand-alone software sales, should result in some additional improvement in gross margin as the year progresses. SG&A expenses increased significantly in the quarter as a result of the addition of CATS which was not included in the year-ago quarter, and a build up of our sales force and the administrative infrastructure to support our growth plans."

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

Forward-looking statements in this release 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
March 31,

1999

1998

Sales	\$6,904,496	\$6,682,201
Cost of Sales	2,738,729	2,681,762
Gross profit	4,165,767	4,000,439
Operating Expenses		
Selling	2,865,818	1,583,536
General and Administrative	985,630	598,582
Depreciation and amortization	864,469	110,362
Research and development	774,266	386,444
Employee stock options	42,246	43,041
In-process research and development resulting from acquisition	0	0
Total operating expenses	5,532,429	2,721,965
Income (loss) From Operations	(1,366,662)	1,278,474
Interest Income	94,469	319,927
Other Income (Expense)	79,927	(2,654)
Interest Expense	0	0
Income (Loss) Before income taxes	(1,192,266)	1,595,747
Income Tax Benefit (Expense)	51,475	(572,356)
Net Income (Loss)	\$(1,140,791)	\$1,023,391
Net Income (Loss) Per Common Share - Basic	\$(0.10)	\$0.10
Weighted Average Shares	11,009,247	9,944,855
Net Income (Loss) Per Common Share - Assuming Dilution	\$(0.10)	\$0.10
Weighted Average Shares and Assumed Conversions	11,087,068	10,231,156

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1999	March 31, 1998
Current Assets	\$34,238,436	\$40,927,745
Total Assets	\$48,238,858	\$43,072,558
Current Liabilities	\$3,541,316	\$2,850,155
Total Liabilities	\$3,831,377	\$2,874,762
Shareholder's Equity	44,407,481	40,197,796
Total Liabilities and Shareholders' Equity	\$48,238,858	\$43,072,558

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