

FARO Technologies Reports Third Quarter Results

November 3, 1999

Revenue Grows 40% as Investment in Growth Continues; Orders up 30%

LAKE MARY, Fla., Nov. 3 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), today announced that revenue during the third quarter of 1999 grew 40% to \$7.0 million from \$5.0 million in the third quarter of 1998. The Company's net loss decreased by 37% for the third quarter of 1999 to \$1.7 million, or 15 cents per basic and diluted share, from a net loss of \$2.7 million, or 25 cents per basic and diluted share for the year ago quarter.

The Company's operating loss before interest, taxes, depreciation and amortization (EBITDA) decreased 30% to negative \$1.4 million in the third quarter of 1999, compared with EBITDA of negative \$2.0 million in the third quarter of 1998.

Orders for the quarter were up 30% over the year earlier quarter, and backlog, or unfilled orders, grew from \$1.5 million at the end of the second quarter of 1999 to \$2.2 million at the end of the third quarter. FARO is organized into two principal operating units -- FARO U.S., which sells around the world, excluding Europe, and FARO Europe. FARO U.S.'s sales for the third quarter of 1999 compared to the year earlier quarter increased 38%, and this unit's orders increased by 42%. FARO Europe's sales for the third quarter of 1999 compared to the year earlier quarter increased by 49% and orders increased by 10%.

"We are pleased with our sales growth in the third quarter of 1999 compared to the year-ago quarter," said Simon Raab, President and Chief Executive Officer. "Although, as we previously announced, we did not reach our sales target for the quarter, this resulted partially from the timing of orders, received in late September. We expect to ship all outstanding orders from the third quarter by year end and, even without our backlog, look forward to strong fourth quarter revenues."

"As expected, our gross margin rate for the third quarter of 1999 declined from 60.1% in the second quarter, due to the seasonality of our higher margin software sales in Europe. We sell a lower proportion of software in Europe during the summer season slowdown there. We expect our mix of product sales to return to our historical average, with gross margins at least 5 to 10 percentage points better in the fourth quarter. Our gross margin also improved to 51.7%, up 1.2 percentage points from the year-ago quarter," Raab added.

FARO's operating expenses for the third quarter were \$6.2 million, compared with \$5.5 million for the year ago period. The 12.7% increase reflects higher General and Administrative expenses (up 77.5%) and higher R&D expenses (up 21.3%), partially offset by reduced Selling and D&A expenses (down 1.6% and 15.3%, respectively).

"Approximately \$250,000, or approximately 38%, of the increase in G&A expenses came from non-recurring operating costs. The non-recurring costs included a provision for uncollectable accounts, write-off of remaining costs related to the acquisition of CATS GmbH in May 1998, and expenses incurred to recruit and relocate new executives. Additional G&A expenses are the result in part of an aggressive licensing program for existing medical product patents and further investment into our ISO 9001 program expansion into Europe."

"Our increased overall operating expenses for the quarter reflects the continuation of our three-year investment in building sales, developing product and market position," Raab commented. "Recent additions to our senior management team, investments in marketing, further expansion of our worldwide sales force and a new Detroit area technical center are all part of our sales expansion efforts and will continue to add to costs this year. These marketing efforts and a continued emphasis on new product development are needed to remain the leading player in the new CAM2 market and should favorably impact future bottom lines."

The Company's balance sheet at September 30, 1999 included total assets of \$47.5 million, \$16.7 million of cash and marketable securities, no debt and total liabilities of \$5.1 million. "With our strong balance sheet, rapidly growing sales and our major initiatives, we are excited about our prospects," Raab noted. "Our current strategy remains focused on taking actions now to ensure future shareholder value while maintaining a strong liquidity position. Our balance sheet reflects our success at attaining these goals for 1999."

FARO Technologies, Inc. and its international subsidiaries are pioneers and rapidly-growing market leaders in the Computer Aided Manufacturing Measurement (CAM2) 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>.

To receive additional information on FARO Technologies, Inc. via fax at no charge, dial 1-800-PRO-INFO and enter code FARO. For international access, dial 732-544-2850.

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,
- increased stand-alone software sales,
- foreign exchange fluctuation,
- 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 INCOME STATEMENTS
(Unaudited)

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1998	
Sales	\$7,025,005	\$4,972,182	\$22,540,937	\$19,376,191
Cost of Sales	3,391,029	2,460,143	9,577,211	7,921,748
Gross Profit	3,633,976	2,512,039	12,963,726	11,454,443
Operating Expenses				
Selling	2,824,957	2,870,373	8,120,043	6,665,432
General and Administrative	1,511,350	851,532	4,017,697	1,967,250
Depreciation and amortization	879,535	1,038,391	2,607,631	1,718,729
Research and development	895,227	737,732	2,582,794	1,559,710
Employee stock options	42,243	43,041	126,717	129,123
In-process research and development resulting from acquisition				3,210,000
Total operating expenses	6,153,312	5,541,069	17,454,882	15,250,244
Income (Loss) From Operations	(2,519,336)	(3,029,030)	(4,491,156)	(3,795,801)
Interest Income	165,393	215,766	522,116	838,545
Other Income (Expense)	230,522	19,391	380,923	22,145
Interest Expense	(1,945)	(3,234)	(1,945)	(11,099)
Income (Loss) Before Income Taxes	(2,125,366)	(2,797,107)	(3,590,062)	(2,946,210)
Income Tax Benefit (Expense)	461,616	56,298	620,966	(480,939)
Net Income				
(Loss) \$(1,663,750) \$(2,740,809) \$(2,969,096) \$(3,427,149)				
Net Income (Loss) Per Common Share - Basic	\$(0.15)	\$(0.25)	\$(0.27)	\$(0.33)
Weighted Average Shares	11,017,810	11,028,890	11,013,885	10,506,189
Net Income (Loss) Per Common Share -				

Assuming Dilution	\$(0.15)	\$(0.25)	\$(0.27)	\$(0.32)
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Weighted Average
Shares and
Assumed
Conversions

11,017,810	11,131,677	11,013,885	10,719,291
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CONSOLIDATED BALANCE SHEETS

(Unaudited)

September 30,
1999

December 31,
1998

Current Assets	\$30,192,061	\$25,897,582
Total Assets	\$47,541,891	\$49,120,147
Current Liabilities	\$5,062,036	\$3,597,307
Total Liabilities	\$5,135,206	\$3,744,756
Shareholders' Equity	42,406,685	45,375,391
Total Liabilities and Shareholders' Equity	\$47,541,891	\$49,120,147

SOURCE FARO Technologies Inc.

Web site: <http://www.faro.com>

Company News On-Call: <http://www.prnewswire.com/comp/154366.html> or fax, 800-758-5804, ext. 154366

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