

## FARO Technologies Reports Year-End Results

March 22, 2000

Q4 Revenue Increases 30.9%  
-- Q4 Gross Margin Before Unusual Charges Improves to 61.8%--

LAKE MARY, Fla., March 22 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced that its revenues for the fourth quarter ended December 31, 1999, increased 30.9% to \$10.6 million from \$8.1 million in the fourth quarter of 1998. Before unusual charges related to inventory write downs, the Company's gross margin improved to 61.8% in the fourth quarter of 1999 from 58.6% a year ago. The Company's fourth quarter 1999 earnings before interest, taxes, depreciation and amortization (EBITDA) and unusual charges of \$5.2 million (including asset impairments and write downs), improved to \$894,000 from a loss of \$674,000 in the fourth quarter of 1998, an improvement of \$1,568,000.

Sequentially, FARO's sales for the fourth quarter of 1999 increased by 51.4% from \$7.0 million in the third quarter of 1999, which is impacted by seasonality as a result of summer vacations in Europe. Gross margin before the unusual charges for the fourth quarter of 1999 improved by 10.1 percentage points from 51.7% in the third quarter of 1999 to 61.8% in the fourth quarter.

"I am pleased that for the first time we surpassed the \$10 million revenue mark in a quarter," said Simon Raab, FARO's President and CEO. "The year-over-year and sequential revenue improvement resulted from sales gains in both the USA and Europe, the two regions where we have established a direct marketing presence and gained increasing recognition of the value of our innovative product line among a growing base of customers. Expected gross margin improvements before unusual charges were achieved as a result of improved pricing."

Selling, general and administrative expenses (SG&A) for the fourth quarter of 1999, before unusual charges of approximately \$400,000, were \$4.6 million, or 43.4% of sales, compared with \$4.5 million, or 55.2% of sales, a year ago.

The Company announced that its fourth quarter 1999 financial statements will reflect a \$3.1 million impairment loss on acquired intangible assets, related to the acquisition in Germany in the second quarter of 1998. The impairment loss reflects a forecast of lower sales of German software than originally expected at the time of the acquisition, resulting from delays in introduction of some products, cancellation of other products, and weaker sales of still other products. As a result, amortization expenses will decrease in 2000 by approximately \$850,000 at present exchange rates. In addition, as a result of the lower than expected sales of the acquired German software, 333,332 shares of the Company's common stock, held in escrow for eighteen months under the terms of the acquisition, were not earned and are in the process of being returned to the Company's treasury.

"Despite the weaker than expected sales of acquired software, the merged German Company, now a part of FARO Europe, has substantially increased sales of FARO's U.S.-developed hardware and software, as evidenced by a 24.7% increase in year-over-year European sales," Raab noted.

In addition to the \$3.1 million impairment loss, the Company announced that it is taking \$2.1 million in other unusual charges, consisting of a \$0.9 million charge related to the write down of demonstration, excess and obsolete inventory and a \$1.2 million charge primarily related to write downs of patents and capitalized software development costs, resulting from changes in technology and an increased focus on the Company's most productive assets. The inventory write down reduced fourth quarter gross profit by approximately \$550,000 and gross margin by 5.2 percentage points. The write down of demonstration inventory increased selling expenses in the fourth quarter by approximately \$400,000.

Excluding the unusual charges, the Company's net loss in the fourth quarter was \$75,000, or \$0.01 per basic and diluted share, compared with \$1.5 million, or \$0.13 per basic and diluted share, a year ago. Including the unusual charges, the Company's net loss for the fourth quarter of 1999 was \$4.4 million, or a loss of \$0.40 per basic and diluted share.

For the year ended December 31, 1999, FARO's worldwide revenues increased 20.4% to \$33.1 million from \$27.5 million in the prior year. Sales in the United States increased 20.4% for 1999 to \$17.7 million from \$14.7 million in 1998, while sales in the three European countries where the Company has a direct presence -- France, Germany and the United Kingdom -- increased by 24.7%, from \$8.5 million to \$10.6 million. Export sales to other regions increased by 11.6%, from \$4.3 million to \$4.8 million.

Before the above-noted unusual charges, the Company's gross margin for 1999 was virtually unchanged from 1998, at 58.9% in 1999, compared to 59.0% a year ago. The Company's EBITDA excluding unusual charges was a loss of \$363,000 in 1999, compared to earnings of \$481,000 in 1998.

Excluding the unusual charges, the Company's net loss for 1999 was \$2.7 million, or \$0.25 per basic and diluted share, compared with a net loss of \$1.7 million, or \$0.16 per basic and diluted share, a year ago. Including the unusual charges, the Company's net loss for 1999 was \$7.4 million, or \$0.67 per basic and diluted share, compared to a net loss of \$4.9 million or \$0.46 per basic and diluted share in 1998. At year end 1999, the Company had 11,019,510 shares outstanding. The Company remains virtually debt free and had cash and marketable securities of \$16.9 million at December 31, 1999.

"With our top-line growth increasing, amortization charges reduced, strong capitalization and efforts underway that will adapt our product line to simplify its use and improve its customer acceptance, we are excited about our prospects in 2000, when we expect to return to profitability," concluded Raab.

FARO Technologies, Inc. and its international subsidiaries are pioneers and market leaders in the computer-aided manufacturing measurement (CMM) market, which is the final frontier of the computer-aided design (CAD) and computer-aided manufacturing (CAM) revolution. FARO's product line includes portable, 3D measurement equipment, a broad range of CAD-based inspection software for portable and fixed-base coordinate measurement machines, as well as factory-level statistical process control (SPC), and manufacturing quality consulting services. The Company's products play a key role in the worldwide trend toward CAD-based total quality management for shortened production cycles and for the reduction in scrap and rework. 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 web site 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 STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	1999	1998	1999	1998
Sales	\$10,564,803	\$8,138,508	\$33,105,740	\$27,514,699
Cost of sales	4,583,727	3,369,565	14,160,938	11,291,313
Gross profit	5,981,076	4,768,943	18,944,802	16,223,386
Operating expenses				
Selling	4,019,524	3,295,482	12,139,567	9,960,914
General and administrative	956,861	1,194,349	4,974,558	3,161,599
Depreciation and amortization	1,857,810	1,097,406	4,465,441	2,816,135
Research and development	1,246,007	1,027,471	3,828,801	2,587,181
Employee stock options	42,195	43,041	168,912	172,164
Impairment loss on acquired intangible assets	3,073,000		3,073,000	
In-process research and development resulting from acquisition				3,210,000
Total operating expenses	11,195,397	6,657,749	28,650,279	21,907,993
(Loss) income from operations	(5,214,321)	(1,888,806)	(9,705,477)	(5,684,607)
Interest income	193,837	239,168	715,953	1,077,713
Other income	94,239	117,210	475,162	139,355
Interest expense	21	(1,924)	(1,924)	(13,023)
Loss before taxes	(4,926,224)	(1,534,352)	(8,516,286)	(4,480,562)
Tax benefit (expense)	500,498	30,407	1,121,464	(450,532)

Net loss	\$ (4,425,726)	\$ (1,503,945)	\$ (7,394,822)	\$ (4,931,094)
Net (loss) income per common share - Basic	\$ (0.40)	\$ (0.13)	\$ (0.67)	\$ (0.46)
Weighted average shares - Basic	11,018,352	11,008,138	11,015,140	10,632,708
Net (loss) income per common share - Diluted	\$ (0.40)	\$ (0.13)	\$ (0.67)	\$ (0.46)
Weighted average shares and assumed - Diluted	11,018,352	11,008,138	11,015,140	10,632,708

SELECTED CONSOLIDATED BALANCE SHEET DATA  
(Unaudited)

	December 31,	
	1999	1998
Cash and Marketable Securities	\$16,879,140	\$18,195,487
Current Assets	\$30,320,150	\$34,595,076
Total Assets	\$42,103,912	\$49,120,147
Current Liabilities	\$5,450,306	\$3,597,307
Total Debt	\$26,236	\$337,710
Total Liabilities	\$5,504,566	\$3,744,756
Shareholder's Equity	36,599,346	45,375,391
Total Liabilities & Shareholder's Equity	\$42,103,912	\$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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