

FARO Technologies Reports First Quarter Results

May 10, 2001

LAKE MARY, Fla., May 10 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced that revenues for the quarter ended March 31, 2001 decreased 14.3% to \$8.4 million from \$9.8 million in the first quarter of 2000. Net loss for the quarter was \$1.1 million, or 10 cents per share compared to a net loss of approximately \$400,000 or 4 cents per share in the first quarter of 2000.

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"While the economic slowdown adversely impacted revenues in the quarter, we are pleased that stronger than expected sales in March allowed us to exceed our forecast," said Simon Raab, president and CEO. "We also took the opportunity in the quarter to complete a large part of our sales force hiring and restructuring plan in the USA. This restructuring plan will ultimately lead to greater territorial coverage and a lower cost sales model going forward."

Gross margin for the first quarter decreased by 0.9% to 59.1% from 60.0% in the first quarter of 2000. Selling, general and administrative expenses (SG&A) for the first quarter of 2001 decreased 2.1% to \$4.8 million from \$4.9 million a year ago mainly due to lower sales expenses principally composed of sales commissions, partially offset by a slight increase in administrative expenses.

Regionally, sales in the United States for the quarter decreased by 27.7%, from \$4.7 million in 2000 to \$3.4 million in 2001, while sales in the European countries where the Company has a direct presence -- France, Germany, Spain and the United Kingdom -- decreased by 13.2%, from \$3.8 million to \$3.3 million. Export sales to other regions, including Japan where the Company recently opened offices, increased by 21.4%, from \$1.4 million to \$1.7 million.

"Despite challenging market conditions affecting the Company in the first quarter, we saw an increase in revenues in Japan related to our recent office opening," said Simon Raab. "Revenues there increased from \$100,000 in the first quarter of 2000 to \$500,000 this year and we are optimistic that similar growth will continue through the next three quarters. We expect the economic slowdown to continue in North America at least through the next two quarters, and as a result we have laid off approximately 10% of the USA workforce consisting primarily of administrative staff and in a manner that does not impact product development or the sales reorganization efforts," Raab concluded.

The Company remains virtually debt free and had cash and marketable securities of \$18.1 million at March 31, 2001.

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>.

Financial Tables Follow

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:

- * inability of the Company's products to attain broad market acceptance,
- * downturn in manufacturing activity in Japan,
- * foreign exchange fluctuation,
- * the impact of competitive products and pricing,
- * fluctuations in quarterly operating results as a result of the size, timing and recognition of revenue from significant orders, increases in operating expenses required for product development and marketing, the timing and market acceptance of new products and product enhancements; customer order deferrals in anticipation of new products and product enhancements; the Company's success in expanding its sales and marketing programs, and general economic condition,
- * increased length of the Company's sales cycle,
- * uncertainties in patent enforcement or the protection of other proprietary rights,
- * dependence on Simon Raab and Gregory A. Fraser and other key personnel,
- * the cyclical nature of the industries of the Company's customers,
- * 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,	
	2001	2000
Sales	\$8,405,530	\$9,849,767
Cost of sales	3,439,527	3,940,360
Gross profit	4,966,003	5,909,407
Operating expenses:		
Selling	3,429,125	3,630,141
General and administrative	1,383,121	1,295,134
Depreciation and amortization	666,937	638,099
Research and development	921,051	1,001,447
Employee stock options	---	31,671
Total operating expenses	6,400,234	6,596,492
Loss from operations	(1,434,231)	(687,085)
Interest income	236,043	197,249
Interest expense	(354)	---
Other income, net	86,070	72,266
Loss before income taxes	(1,112,472)	(417,570)
Income tax expense	(14,783)	---
Net loss	\$(1,127,255)	\$(417,570)
NET LOSS PER SHARE - BASIC	(\$0.10)	(\$0.04)
NET LOSS PER SHARE - DILUTED	(\$0.10)	(\$0.04)

SELECTED CONSOLIDATED BALANCE SHEET DATA
(Unaudited)

	March 31, 2001	December 31, 2000
Cash and investments	\$18,071,398	\$19,003,526
Current assets	\$30,960,837	\$32,281,913
Total assets	\$42,241,462	\$44,699,274
Current liabilities	\$8,044,208	\$8,609,177
Total debt	\$50,539	\$52,264
Total liabilities	\$8,168,512	\$8,743,821
Total shareholders' equity	34,072,950	35,955,453
Total liabilities and shareholders' equities	\$42,241,462	\$44,699,274

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