

## FARO Technologies Reports Third Quarter Results

November 12, 2001

LAKE MARY, Fla., Nov. 12 /PRNewswire/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced that sales for the quarter ended September 30, 2001 decreased 4.5% to \$8.4 million from \$8.8 million in the third quarter of 2000. Net loss for the third quarter was \$699,000, or six cents per share compared to \$360,000, or three cents per share in the third quarter of 2000.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20000522/FLM035LOGO>)

Sequentially, sales in the third quarter of 2001 were the same as the first quarter of 2001, and increased 1.2% compared to \$8.3 million in the second quarter of 2001. Net loss of six cents per share in the third quarter was significantly less than ten cents per share and fourteen cents per share in the first and second quarters of 2001, respectively.

"I am pleased that on a sequential basis, third quarter sales remained relatively stable in a quarter which is traditionally slower due to seasonal effects," said Simon Raab, president and chief executive officer. "I am also pleased to see the results of our cost reduction initiatives, which reduced our loss per share by 40.0% and 57.1% compared to the first and second quarters, respectively."

Gross margin for the third quarter of 2001 decreased to 63.0% from 63.7% in the third quarter of 2000. Sequentially, gross margin in the third quarter of 2001 increased from 59.1% and 58.1% in the first and second quarters of 2001, respectively. Selling, General and Administrative (SG&A) expenses for the third quarter of 2001 increased 2.1% to \$4.8 million from \$4.7 million a year ago, primarily as a result of higher expenses in Europe and Japan from an increase in headcount and marketing efforts, partially offset by a reduction in headcount and marketing expenses in the USA. Sequentially, SG&A expenses decreased 9.4% from \$5.3 million in the second quarter of 2001. Before a one time consulting fee of \$220,000, SG&A expenses for the third quarter of 2001 were \$4.6 million, or 13.2% less than the second quarter of 2001.

"As a result of the cost reductions we used very little cash in the quarter, a significant improvement from the first half of 2001. Given the uncertainty in the current economy, we are continuing to streamline costs with a goal to reduce or eliminate cash burn going forward, in a way that will allow us to quickly rebound into profitability when the economy improves," said Raab.

Regionally, sales in the United States for the quarter decreased by 22.7%, from \$4.4 million in 2000 to \$3.4 million in 2001, while sales in the European countries where the Company has a direct presence (Germany, France, United Kingdom, Spain and Italy) increased by 28.6%, to \$3.6 million from \$2.8 million. Export sales to other regions, including Japan where the Company recently opened offices, decreased by 18.8% from \$1.6 million in 2000 to \$1.3 million in 2001.

"Our international expansion over the past few years helps mitigate the effect of economic downturns in one geographic area such as what happened this year to date in the USA. However, indications are that the ripple effect of the USA economic downturn may negatively impact Europe as soon as the current quarter. For this reason we will continue to move forward conservatively into 2002," concluded Raab.

The Company also said that it was continuing its previously announced financing arrangement with SpatialMetriX ("SMX") Corporation. Through September 30, 2001, the company had loaned SMX \$1.5 million. The Company loaned to SMX an additional \$750,000 in October 2001 and will provide to SMX up to an additional \$750,000 in financing upon the attainment by SMX of product development benchmarks to the satisfaction of the Company. All of the Company's financings to SMX are being made through a participation with SMX's line of credit with its bank. In addition, the Company and SMX have entered into an agreement that grants to the Company an option to purchase SMX.

The Company remains virtually debt free and had cash and marketable securities of \$14.1 million at September 30, 2001, virtually unchanged from \$14.2 million at June 30, 2001.

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) 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 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,
- \* inability of the Company to conclude an acquisition of SpatialMetriX Corporation
- \* downturn in manufacturing activity in Europe and 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  
SUMMARY FINANCIAL TABLE

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Sales	\$8,416,886	\$8,810,972	\$25,087,547	\$29,584,018
Cost of sales	3,116,386	3,196,895	10,019,714	11,133,799
Gross profit	5,300,500	5,614,077	15,067,833	18,450,219
Operating expenses:				
Selling	3,337,978	3,233,294	10,531,573	10,264,455
General and administrative	1,498,108	1,481,068	4,399,892	4,124,963
Depreciation and amortization	659,326	626,517	1,983,804	2,067,932
Research and development	894,422	876,605	2,605,644	2,691,460
Employee stock options	---	31,671	---	95,013
Total operating expenses	6,389,834	6,249,155	19,520,913	19,243,823
Loss from operations	(1,089,334)	(635,078)	(4,453,080)	(793,604)
Interest income	180,730	219,810	684,748	584,604
Interest expense	294	---	(473)	---
Other income, net	429,275	139,937	579,232	252,634
Income (Loss) before income taxes	(479,035)	(275,331)	(3,189,573)	43,634
Income tax expense	(220,000)	(85,056)	(220,000)	(230,193)
Net loss	\$(699,035)	\$(360,387)	\$(3,409,573)	\$(186,559)
Net loss per common share - Basic	\$(0.06)	\$(0.03)	\$(0.31)	\$(0.02)
Weighted average shares - Basic	11,030,706	11,020,682	11,029,321	11,020,174

Net loss per common share - Diluted	\$ (0.06)	\$ (0.03)	\$ (0.31)	\$ (0.02)
Weighted average shares - Diluted	11,030,706	11,020,682	11,029,321	11,020,174

SELECTED CONSOLIDATED BALANCE SHEET DATA

	September 30, 2001 (Unaudited)	December 31, 2000
Cash and investments	\$14,086,553	\$19,003,526
Current assets	\$28,420,442	\$32,281,913
Total assets	\$38,906,658	\$44,699,274
Current liabilities	\$6,500,360	\$8,609,177
Total debt	\$44,055	\$66,657
Total liabilities	\$6,921,024	\$8,743,821
Total shareholders' equity	31,985,634	35,955,453
Total liabilities and shareholders' equity	\$38,906,658	\$44,699,274

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