

FARO Technologies Reports Second Quarter Results

August 13, 2002

LAKE MARY, Fla., Aug. 13 /PRNewswire-FirstCall/ -- FARO Technologies, Inc. (Nasdaq: FARO), a leading provider of computer-aided manufacturing measurement (CAM2) solutions, today announced financial results for the second quarter ended June 30, 2002.

(Photo: NewsCom: <http://www.newscom.com/cgi-bin/prnh/20020813/FLTU018>)

Second quarter sales were approximately \$10.1 million, a 21.7% increase from approximately \$8.3 million in the second quarter of 2001. On a sequential basis, second quarter sales increased 17.4% from approximately \$8.6 million in the first quarter of 2002. The net loss for the second quarter was approximately \$2.0 million, or 17 cents per share compared to a net loss of approximately \$1.6 million, or 14 cents per share in the year-ago quarter. Excluding a \$729,000 one-time write-down of inventory and a \$245,000 provision for doubtful accounts receivable related to recently acquired Spatialmetrix Corporation ("SMX"), the net loss for the second quarter of 2002 was approximately \$1.1 million, or nine cents per share.

Regionally, sales in the USA increased 46.9% to approximately \$4.7 million in the second quarter of 2002, from approximately \$3.2 million in the same period in 2001, primarily as a result of sales of the Company's new laser tracker-based Control Station product. Sales in Europe increased 2.9% in the second quarter of 2002 to approximately \$3.6 million from approximately \$3.5 million in the same quarter in 2001, primarily from increased sales of FaroArm-based Control Station products. Sales in the rest of the world increased 12.5% to approximately \$1.8 million in the second quarter of 2002 from approximately \$1.6 million in 2001, from increased sales of FaroArm-based Control Station products.

"We began to ship our new laser tracker product in the second quarter, and we expect to continue to ramp up shipments of this product through the rest of this year," said Simon Raab, Faro's president and CEO. "I am excited about the initial customer interest in this latest generation technology, which resulted in approximately \$4.1 million in backlog of laser trackers at June 30, 2002. We expect to be able to ship this backlog by year end."

"I am very conscious of the erosion in our total cash and investments year to date, resulting primarily from the acquisition costs of SMX and its ongoing operating expenses, which have not been offset by deliveries of the laser tracker product. We completed the integration of the SMX sales, service and administration departments into the Company's corresponding departments in the quarter. The ramp up of laser tracker deliveries combined with reduced SG&A expenses as a percentage of sales should result in a return to profitability by the fourth quarter," Raab concluded.

The company had cash and total investments of approximately \$6.9 million and virtually no debt at June 30, 2002.

A conference call reviewing second quarter results will be held Wednesday, August 14, 2002 beginning at 11:00 AM (Eastern)/ 8:00 AM (Pacific). To participate please dial 800-233-2795 five minutes prior to start time. International callers should dial 785-832-1077. The Conference ID is "FARO". A recording of the call will be available until November 14, 2002 by dialing 800-938-2487. International callers should dial 402-220-9026. No access code is needed for the replay. The call will be simultaneously broadcast over the Internet at: <http://www.firstcallevts.com/service/ajwz364041346gf12>

The call will be archived at the Company's website 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 reduce operating expenses,
- * inability of the Company to ramp up shipments of its new laser trackers in 2002 as a result of manufacturing or other delays,
- * 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 June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Sales	\$10,116,596	\$8,265,131	\$18,706,207	\$16,670,661
Cost of sales	5,207,726	3,463,801	9,036,359	6,903,328
Gross profit	4,908,870	4,801,330	9,669,848	9,767,333
Operating expenses:				
Selling	3,415,740	3,764,470	6,642,663	7,193,595
General and administrative	2,169,447	1,518,664	3,727,128	2,901,785
Depreciation and amortization	621,027	657,541	1,282,386	1,324,478
Research and development	1,149,625	790,171	2,372,431	1,711,222
Employee stock options	(11,375)	--	2,022	--
Total operating expenses	7,344,464	6,730,846	14,026,630	13,131,080
Loss from operations	(2,435,594)	(1,929,516)	(4,356,782)	(3,363,747)
Interest income	35,723	267,975	241,451	504,018
Other income, net	392,915	63,886	496,529	149,956
Interest expense	(1,981)	(412)	(3,097)	(766)
Loss before income taxes	(2,008,937)	(1,598,067)	(3,621,899)	(2,710,539)
Income tax (benefit) provision	(2,801)	(14,783)	37,000	--
Net loss	\$(2,006,136)	\$(1,583,284)	\$(3,658,899)	\$(2,710,539)
Net loss per common share - Basic	\$(0.17)	\$(0.14)	\$(0.31)	\$(0.25)
Weighted average shares - Basic	11,885,252	11,030,706	11,809,697	11,027,950
Net loss per common share - Diluted	\$(0.17)	\$(0.14)	\$(0.31)	\$(0.25)
Weighted average shares - Diluted	11,885,252	11,030,706	11,809,697	11,027,950

SELECTED CONSOLIDATED BALANCE SHEET DATA
(Unaudited)

June 30, 2002

Cash and investments	\$6,865,499
Current assets	\$25,542,133
Total assets	\$40,237,574
Current liabilities	\$8,641,787
Total debt	\$50,536
Total liabilities	\$8,911,076
Total shareholders' equity	31,326,498
Total liabilities and shareholders' equity	\$40,237,574

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or 212-782-2840

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