

Faro Technologies Reports Third Quarter Results

November 6, 2002

LAKE MARY, Fla., Nov. 6 /PRNewswire-FirstCall/ -- FARO Technologies, Inc. (Nasdaq: FARO) today reported financial results for the three and nine months ended September 30, 2002, reflecting a return to profitability in the third quarter of 2002. Sales for the quarter were approximately \$11.8 million, a 40.5% increase from approximately \$8.4 million in the third quarter of 2001. Net income for the quarter was approximately \$72,000, or one cent per share, compared to a net loss of approximately \$699,000, or six cents per share in the year-ago quarter.

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

The third quarter's results were impacted by assembly line start-ups for two major new product introductions. Production of the new FARO Laser Tracker, and the new Platinum and Titanium models of the Faro Arm were started in April and August, respectively, with both lines reaching near capacity production levels in September. Gross margin for the third quarter of 2002 was 53.0% compared to 63.0% in the third quarter of 2001. For the first nine months of 2002 gross margin was 52.2% compared to 60.1% in 2001. Gross margin has been negatively affected by the assembly line start-ups in April and August. In September, gross margin already showed some improvement as the plants neared capacity, and further improvements are expected in the fourth quarter.

Sales growth in the third quarter and year to date has primarily been from sales of the Company's new Laser Tracker product. The initial positive customer response to this new product, combined with the relatively low introductory period production volume, resulted in an increase in backlog of this product to approximately \$5.2 million at September 30, 2002, compared to \$4.1 million at June 30, 2002.

Regionally, sales in the USA increased 85.3% to approximately \$6.3 million in the third quarter of 2002, from approximately \$3.4 million in the same period in 2001, primarily as a result of sales of the new Laser Tracker product. Sales in Europe were approximately \$3.4 million in the third quarter of 2002, unchanged from the year-ago quarter. There was approximately \$250,000 in Laser Tracker sales in Europe in the quarter, which offset a corresponding drop in FaroArm sales there. Sales in the rest of the world increased 31.3% to approximately \$2.1 million in the third quarter of 2002 from approximately \$1.6 million in 2001. Approximately half of this increase resulted from sales of the new Laser Tracker product. The Company expects sales outside the USA to experience growth in 2003 resulting from product demonstrations of the new Laser Tracker in the second half of 2002.

"I am pleased with the year-over-year and sequential quarter increases in sales which, combined with our cost cutting efforts -- particularly in selling expenses as a percentage of sales -- returned us to profitability in the third quarter," said Simon Raab, Faro's President and CEO. "As our gross margin returns to historical levels, and we hold our fixed operating expenses at current levels, we should have stronger, sustainable earnings, barring any further downturn in an already sluggish manufacturing sector of the economy."

The company had cash and total investments of approximately \$8.1 million and approximately \$1.5 million in borrowings under a line of credit at September 30, 2002.

The company also announced the naming of John E. Caldwell to its board of directors. Most recently Mr. Caldwell was President and CEO of Toronto-based Geac Computer Corporation, an ERP software company. Previously, Mr. Caldwell was the President and CEO of CAE Inc., the world leader in advanced simulation and training systems for civil and military aerospace applications. "John's extensive general and financial management experience in advanced technology businesses, particularly in the worldwide aerospace industry, as well as his record of profitable growth, fit very well with the Company's strategy," said Raab.

A conference call reviewing third quarter results will be held Thursday, November 7, 2002 beginning at 11:00 AM (Eastern)/ 8:00 AM (Pacific). To participate please dial 800-223-9488 five minutes prior to start time. International callers should dial 785-830-1962. The Conference ID is "FARO". A recording of the call will be available until February 7, 2003 by dialing 888-566-0176. International callers should dial 402-351-0786. No access code is needed for the replay. The call will be simultaneously broadcast over the Internet at: <http://www.firstcallevts.com/service/ajwz369323356gf12.html>. 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 maintain or reduce operating expenses,
- * inability of the Company to ramp up shipments of its new Laser Trackers in 2002 and 2003 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 conditions,
 * 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		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Sales	\$11,816,696	\$8,416,886	\$30,522,903	\$25,087,547
Cost of sales	5,552,740	3,116,386	14,589,099	10,019,714
Gross profit	6,263,956	5,300,500	15,933,804	15,067,833
Operating expenses:				
Selling	3,135,738	3,337,978	9,778,401	10,531,573
General and administrative	1,975,530	1,498,108	5,702,658	4,399,892
Depreciation and amortization	529,488	659,326	1,811,874	1,983,804
Research and development	966,398	894,422	3,338,829	2,605,644
Employee stock options	--	--	2,022	--
Total operating expenses	6,607,154	6,389,834	20,633,784	19,520,913
Income (loss) from operations	(343,198)	(1,089,334)	(4,699,980)	(4,453,080)
Interest income	100,940	180,730	342,391	684,748
Other income, net	304,504	429,275	801,033	579,232
Interest expense	(6,584)	294	(9,681)	(473)
Income (Loss) before income taxes	55,662	(479,035)	(3,566,237)	(3,189,573)
Income tax (benefit) provision	(16,333)	220,000	20,667	220,000
Net income (loss)	\$71,995	\$(699,035)	\$(3,586,904)	\$(3,409,573)
Net income (loss) per common share - Basic	\$0.01	\$(0.06)	\$(0.30)	\$(0.31)
Weighted average shares - Basic	11,890,726	11,030,706	11,837,172	11,029,321
Net income (loss) per common share - Diluted	\$0.01	\$(0.06)	\$(0.30)	\$(0.31)

Weighted average
shares - Diluted 11,908,109 11,030,706 11,837,172 11,029,321

SELECTED CONSOLIDATED BALANCE SHEET DATA
(Unaudited)

September 30, 2002

Cash and investments	\$8,143,077
Current assets	\$27,289,370
Total assets	\$42,437,906
Current liabilities	\$10,482,956
Long-term debt	\$53,481
Total liabilities	\$10,991,378
Total shareholders' equity	31,446,528
Total liabilities and shareholders' equity	\$42,437,906

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