

FARO Reports Third Quarter 2010 Sales Growth of 26.8%; Orders Growth of 30.7%; Net Income of \$2.3 million

November 3, 2010

LAKE MARY, Fla., Nov. 3, 2010 /PRNewswire via COMTEX/ --

FARO Technologies, Inc. (Nasdaq: FARO) today announced results for the third quarter ended October 2, 2010. Sales in the third quarter of 2010 increased 26.8%, to \$45.3 million, from \$35.7 million in the third quarter of 2009. The Company reported net income of \$2.3 million, or \$0.14 per share, compared to a net loss of \$0.08 per share in the third quarter of 2009.

New order bookings for the third quarter of 2010 were \$46.8 million, an increase of \$11.0 million, or 30.7%, compared to \$35.8 million in the third quarter of 2009.

"We generated strong double-digit orders and sales growth for the third straight quarter as customers continued to focus on improving their manufacturing efficiency and workforce productivity, particularly as demand in their end-markets is increasing," stated Jay Freeland, FARO's President and CEO. "FARO's products are used to achieve the efficiency gains that they're looking for."

"We also introduced the FARO Focus 3D Laser Scanner and the FARO AMP 3D Imager. We believe these revolutionary new products are another example of FARO's ability to stay ahead of the technology curve, leading the marketplace forward. Our continuing commitment to outstanding customer support and service was also reinforced with the announcement of the Innovative Solutions Network; a marketing, sales and support collaboration in North America with Carl Zeiss Industrial Metrology. "

Gross margin for the third quarter of 2010 was 58.3%, compared to 54.9% in the third quarter of 2009. Gross margin increased primarily due to an increase in the proportion of higher margin product sales relative to lower margin service revenue.

"We're getting good operating leverage and staying aggressive in our sales and R&D execution while still running lean throughout the organization. We earned \$0.14 per share in the third quarter despite incurring more than \$1 million in legal costs associated with the FCPA monitor in connection with the DOJ and SEC settlement and our patent suit. We are optimistic about the fourth quarter, but are maintaining our practice of not providing specific financial guidance," Freeland concluded.

This press release contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are subject to risks and uncertainties, such as statements about FARO's focus, plans and strategies, and its future operating results and financial condition. Statements that are not historical facts or that describe the Company's plans, objectives, projections, expectations, assumptions, strategies, or goals are forward-looking statements. In addition, words such as "intend," "believe," "will," "expect" and similar expressions or discussions of our strategy or other intentions identify forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to various known and unknown risks, uncertainties, and other factors that may cause actual results, performances, or achievements to differ materially from future results, performances, or achievements expressed or implied by such forward-looking statements. Consequently, undue reliance should not be placed on these forward-looking statements.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to:

- *development by others of new or improved products, processes or technologies that make the Company's products obsolete or less competitive;*
- *the cyclical nature of the industries of the Company's customers and material adverse changes in customers' access to liquidity and capital;*
- *declines or other adverse changes, or lack of improvement, in industries that the Company serves or the domestic and international economies in the regions of the world where the Company operates and other general economic, business, and financing conditions;*
- *fluctuations in the Company's annual and quarterly operating results and the inability to achieve its financial operating targets;*
- *risks associated with expanding international operations, such as fluctuations in currency exchange rates, difficulties in staffing and managing foreign operations, political and economic instability, compliance with import and export regulations, and the burdens and potential exposure of complying with a wide variety of U.S. and foreign laws and labor practices;*
- *other risks detailed in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.*

Forward-looking statements in this release represent the Company's judgment as of the date of this release. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

About FARO

With over 20,000 installations and 11,000 customers globally, FARO Technologies, Inc. designs, develops, and markets portable, computerized measurement and imaging devices and software used to create digital models -- or to perform evaluations against an existing model -- for anything requiring highly detailed 3-D measurements, including part and assembly inspection, factory planning and asset documentation, as well as specialized applications ranging from surveying, recreating accident sites and crime scenes to digitally preserving historical sites.

FARO's technology increases productivity by dramatically reducing the amount of on-site measuring time, and the various industry-specific software

packages enable users to process and present their results quickly and more effectively.

Principal products include the world's best-selling portable measurement arm -- the FaroArm; the world's best-selling laser tracker -- the FARO Laser Tracker X and Xi; the FARO Laser ScanArm; FARO Photon Laser Scanners; the FARO Gage, Gage-PLUS and PowerGAGE; and the CAM2 Q family of advanced CAD-based measurement and reporting software. FARO Technologies is ISO-9001 certified and ISO-17025 laboratory registered.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UnAUDITED)

(in thousands, except share and per share data)	Three Months Ended		Nine Months Ended	
	Oct 2, 2010	Oct 3, 2009	Oct 2, 2010	Oct 3, 2009
SALES				
Product	\$ 36,725	\$ 27,876	\$ 107,875	\$ 79,292
Service	8,561	7,837	25,385	22,385
Total Sales	45,286	35,713	133,260	101,677
COST OF SALES				
Product	12,901	11,261	36,796	30,647
Service	6,002	4,850	17,602	15,805
Total Cost of Sales (exclusive of depreciation and amortization, shown separately below)	18,903	16,111	54,398	46,452
GROSS PROFIT	26,383	19,602	78,862	55,225
OPERATING EXPENSES:				
Selling	11,707	11,482	34,969	36,434
General and administrative	7,201	6,158	19,476	18,591
Depreciation and amortization	1,779	1,410	4,834	4,090
Research and development	2,850	2,802	8,836	9,566
Total operating expenses	23,537	21,852	68,115	68,681
INCOME (LOSS) FROM OPERATIONS	2,846	(2,250)	10,747	(13,456)
OTHER (INCOME) EXPENSE				
Interest income	(38)	(31)	(83)	(225)
Other (income) expense, net	(544)	(183)	1,800	(359)
Interest expense	2	3	31	9
INCOME (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	3,426	(2,039)	8,999	(12,881)
INCOME TAX EXPENSE (BENEFIT)	1,098	(766)	2,770	(2,919)
NET INCOME (LOSS)	\$ 2,328	\$ (1,273)	\$ 6,229	\$ (9,962)
NET INCOME (LOSS) PER SHARE - BASIC	\$ 0.14	\$ (0.08)	\$ 0.39	\$ (0.62)
NET INCOME (LOSS) PER SHARE - DILUTED	\$ 0.14	\$ (0.08)	\$ 0.38	\$ (0.62)
Weighted average shares - Basic	16,160,378	16,093,759	16,144,366	16,131,680
Weighted average shares - Diluted	16,270,741	16,093,759	16,292,938	16,131,680

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	October 2,	December
	2010	31,
	Unaudited	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 44,625	\$ 35,078
Short-term investments	64,985	64,986
Accounts receivable, net	43,218	42,944
Inventories, net	28,395	26,582
Deferred income taxes, net	5,520	4,473
Prepaid expenses and other current assets	9,414	6,016
Total current assets	196,157	180,079
Property and Equipment:		

Machinery and equipment	23,930	19,867
Furniture and fixtures	5,308	5,225
Leasehold improvements	9,430	9,434
Property and equipment at cost	38,668	34,526
Less: accumulated depreciation and amortization	(24,086)	(20,788)
Property and equipment, net	14,582	13,738
Goodwill	19,371	19,934
Intangible assets, net	7,224	7,985
Service inventory	13,369	12,079
Deferred income taxes, net	1,444	1,895
Total Assets	\$ 252,147	\$ 235,710
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,083	\$ 8,985
Accrued liabilities	13,292	8,173
Income taxes payable	-	229
Current portion of unearned service revenues	12,627	12,226
Customer deposits	2,652	2,173
Current portion of obligations under capital leases	23	80
Total current liabilities	36,677	31,866
Unearned service revenues - less current portion	6,286	5,910
Deferred tax liability, net	2,953	1,143
Obligations under capital leases - less current portion	215	193
Total Liabilities	46,131	39,112
Shareholders' Equity:		
Common stock - par value \$.001, 50,000,000 shares authorized; 16,842,093 and 16,795,289 issued; 16,161,858 and 16,115,054 outstanding, respectively	17	17
Additional paid-in capital	154,585	152,380
Retained earnings	53,144	46,915
Accumulated other comprehensive income	7,345	6,361
Common stock in treasury, at cost - 680,235 shares	(9,075)	(9,075)
Total Shareholders' Equity	206,016	196,598
Total Liabilities and Shareholders' Equity	\$ 252,147	\$ 235,710

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Nine Months Ended	
	Oct 2, 2010	Oct 3, 2009
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income (loss)	\$ 6,229	\$ (9,962)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,834	4,090
Compensation for stock options and restricted stock units	1,799	1,827
Provision for bad debts	1,638	961
Deferred income tax expense	1,210	1,919
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(2,548)	14,040
Inventories, net	(5,141)	6,202
Prepaid expenses and other current assets	(3,455)	(4,234)
Income tax benefit from exercise of stock options	(27)	(2)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,197	(11,220)
Income taxes payable	(318)	(1,965)
Customer deposits	444	186
Unearned service revenues	923	(1,490)

Net cash provided by (used in) operating activities	<u>9,785</u>	<u>352</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,533)	(2,919)
Payments for intangible assets	(574)	(504)
Purchases of short-term investments	-	(64,979)
Proceeds from sales of short-term investments	-	81,965
Net cash (used in) provided by investing activities	<u>(3,107)</u>	<u>13,563</u>
FINANCING ACTIVITIES:		
Proceeds from notes payable	2,490	-
Payments on notes payable	(2,490)	-
Payments on capital leases	(60)	(55)
Income tax benefit from exercise of stock options	27	2
Purchases of treasury stock	-	(8,829)
Proceeds from issuance of stock, net	380	45
Net cash provided by (used in) financing activities	<u>347</u>	<u>(8,837)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>2,522</u>	<u>(1,171)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	9,547	3,907
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>35,078</u>	<u>23,494</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 44,625</u>	<u>\$ 27,401</u>

SOURCE FARO Technologies, Inc.