SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2000

[ ] Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _________ to __________

Commission File Number: 0-23081

FARO TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

FLORIDA	59-3157093
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
125 TECHNOLOGY PARK DRIVE, LAKE MARY, FLORIDA	32746
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code: 407-333-9911

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Class: Voting Common Stock, $.001 Par Value

Outstanding at November 6, 2000: 11,020,682

FARO Technologies, Inc.
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FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note C)	$ 6,617,817	$ 6,637,184
Short term investments - at cost (Note C)	6,423,850	6,494,262
Accounts receivable - net of allowance	8,633,789	9,812,838
Income taxes refundable	151,592	234,470
Inventories (Note D)	6,178,519	6,199,414
Prepaid expenses and other assets	725,781	447,894
Deferred income taxes	601,130	494,088
Total current assets	29,332,478	30,320,150
PROPERTY AND EQUIPMENT - at cost:		
Machinery and equipment	2,911,613	2,895,706
Furniture and fixtures	1,254,278	1,094,927
Leasehold improvements	74,686	34,086
Total	4,240,577	4,024,719
Less accumulated depreciation	(2,580,593)	(2,356,572)
Property and equipment, net	1,659,984	1,668,147
INTANGIBLE ASSETS - net	4,443,629	5,979,072
INVESTMENTS - at cost (Note C)	4,541,063	3,747,694
NOTES RECEIVABLE (Note E)	1,259,793	130,936
DEFERRED INCOME TAXES	258,977	257,913
TOTAL ASSETS	$ 41,495,924	$ 42,103,912
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,237,516	$ 2,200,408
Accrued and other current liabilities	3,376,815	2,847,076
Current portion of unearned service revenues	542,131	317,918
Customer deposits	73,470	84,904
Total current liabilities	6,229,932	5,450,306
OTHER LONG-TERM LIABILITIES	165,893	54,260
TOTAL LIABILITIES	6,395,825	5,504,566
SHAREHOLDERS' EQUITY:		
Class A preferred stock - par value $.001, 10,000,000 shares authorized, no shares issued and outstanding		
Common stock - par value $.001, 50,000,000 shares authorized, 11,394,014 and 11,392,842 issued; 11,020,682 and 11,019,510 outstanding, respectively	11,061	11,060
Additional paid-in-capital	47,549,064	47,544,844
Unearned compensation	(28,391)	(123,404)
Accumulated deficit	(9,494,210)	(9,307,651)
Accumulated other comprehensive income:		
Cumulative translation adjustments, net of tax	(2,786,800)	(1,374,878)
Treasury stock	(150,625)	(150,625)
Total shareholders' equity	35,100,099	36,599,346
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 41,495,924	$ 42,103,912

See accompanying notes to condensed consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Sales	$ 8,810,972	$ 7,025,005	$ 29,584,018	$ 22,540,937
Cost of sales	3,196,895	3,391,029	11,133,799	9,577,211
Gross profit	5,614,077	3,633,976	18,450,219	12,963,726
Operating expenses:				
Selling	3,233,294	2,824,957	10,264,455	8,120,043
General and administrative	1,481,068	1,511,350	4,124,963	4,017,697
Depreciation and amortization	626,517	879,535	2,067,932	2,607,631
Research and development	876,605	895,227	2,691,460	2,582,794
Employee stock options	31,671	42,243	95,013	126,717
Total operating expenses	6,249,155	6,153,312	19,243,823	17,454,882
Loss from operations	(635,078)	(2,519,336)	(793,604)	(4,491,156)
Interest income	219,810	163,448	584,604	520,171
Other income, net	139,937	230,522	252,634	380,923
Income (loss) before income taxes	(275,331)	(2,125,366)	43,634	(3,590,062)
Income tax (expense) benefit	(85,056)	461,616	(230,193)	620,966
Net loss	$ (360,387)	$ (1,663,750)	$ (186,559)	$ (2,969,096)
NET LOSS PER SHARE - BASIC	$ (0.03)	$ (0.15)	$ (0.02)	$ (0.27)
NET LOSS PER SHARE - DILUTED	$ (0.03)	$ (0.15)	$ (0.02)	$ (0.27)

See accompanying notes to condensed consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK AMOUNTS	ADDITONAL PAID-IN CAPITAL	UNEARNED COMPENSATION
BALANCE, DECEMBER 31, 1998	11,048,137	$ 11,048	$47,520,732	$ (292,316)
Net loss				
Currency translation adjustment, net of tax				
Comprehensive loss				
Issuance of common stock	11,373	12	24,112	
Amortization of unearned compensation				168,912
BALANCE, DECEMBER 31, 1999	11,059,510	11,060	47,544,844	(123,404)
Net loss				
Currency translation adjustment, net of tax				
Comprehensive loss				
Issuance of common stock	1,172	1	4,220	
Amortization of unearned compensation				95,013
BALANCE, SEPTEMBER 30, 2000 (Unaudited)	11,060,682	$ 11,061	$47,549,064	$ (28,391)

	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL
BALANCE, DECEMBER 31, 1998	$(1,912,829)	$ 199,381	$ (150,625)	$45,375,391
Net loss	(7,394,822)			(7,394,822)
Currency translation adjustment, net of tax		(1,574,259)		(1,574,259)
Comprehensive loss				(8,969,081)
Issuance of common stock				24,124
Amortization of unearned compensation				168,912
BALANCE, DECEMBER 31, 1999	(9,307,651)	(1,374,878)	(150,625)	36,599,346
Net loss	(186,559)			(186,559)
Currency translation adjustment, net of tax		(1,411,922)		(1,411,922)
Comprehensive loss				(1,598,481)
Issuance of common stock				4,221
Amortization of unearned compensation				95,013
BALANCE, SEPTEMBER 30, 2000 (Unaudited)	$(9,494,210)	$(2,786,800)	$ (150,625)	$35,100,099

See accompanying notes to condensed consolidated financial statements

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
OPERATING ACTIVITIES:		
Net loss	$ (186,559)	$(2,969,096)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,067,932	2,800,828
Bad debt expense, net of charge offs	95,000	130,000
Inventory reserve	355,000	--
Deferred income taxes	(108,106)	42,383
Employee stock options	95,013	126,695
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	505,904	954,128
Income taxes refundable	82,878	(698,957)
Inventories	(407,389)	(1,846,542)
Prepaid expenses and other assets	(319,976)	(177,522)
Increase (decrease) in:		
Accounts payable and accrued liabilities	774,103	1,638,008
Unearned service revenues	371,702	168,527
Customer deposits	(5,217)	(6,429)
Net cash provided by operating activities	3,320,285	162,023
INVESTING ACTIVITIES:		
(Payments for) proceeds from investments, net	(722,958)	2,073,718
Notes receivable	(1,147,647)	46,491
Purchases of property and equipment	(860,060)	(607,354)
Payments of patent costs	(114,421)	(121,665)
Payments of product design costs	--	(358,592)
Payments for other intangibles	(131,798)	(173,384)
Net cash provided by (used in) investing activities	(2,976,884)	859,214
FINANCING ACTIVITIES:		
Payments on debt	(7,159)	(331,435)
Proceeds from issuance of common stock, net	4,221	21,461
Net cash used in financing activities	(2,938)	(309,974)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(359,830)	(147,767)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,367)	563,496
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,637,184	1,183,656
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,617,817	$ 1,747,152

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

(UNAUDITED)

NOTE A - DESCRIPTION OF ORGANIZATION AND BUSINESS

FARO Technologies, Inc. and Subsidiaries (the "Company") develops, manufactures, markets and supports Computer Aided Design (CAD)-based quality assurance products and CAD-based inspection and statistical process control software.

On May 15, 1998, the Company acquired CATS Computer Aided Technologies, GmbH ("CATS"), a company based in Germany that develops, markets, and supports 3-D measurement retrofit and statistical process control software. The total consideration was $16,069,000 consisting of $5 million in cash, 916,668 shares of common stock and the assumption of certain outstanding liabilities of CATS. The purchase price includes direct costs of the acquisition in the amount of $674,000. In addition, 333,332 shares of common stock were placed in escrow to be issued provided CATS met certain sales performance goals within an eighteen-month period following the acquisition. These sales goals were not met by November 15, 1999. The 90-day period for registering disputes expired on February 13, 2000 with no claims. The 333,332 shares held by the escrow agent will be returned to the Company once the required documentation requirements have been met. The acquisition was treated as a purchase for accounting purposes and, accordingly, the operating results of CATS have been included in the Company's consolidated financial statements since May 15, 1998 (see Note E).

The Company has three wholly-owned subsidiaries, FARO Worldwide, Inc., Faro Europe GmbH and Co. KG, a German company, and Antares LDA, a Portuguese company. In connection with a restructuring of legal entities in Europe, effective January 1, 1999, CATS was consolidated under the name of Faro Europe GmbH and Co. KG.

NOTE B - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnote disclosure required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the consolidated financial position and operating results for the interim periods have been included. The consolidated results of operations for the nine months ended September 30, 2000 are not necessarily indicative of results that may be expected for the year ending December 31, 2000. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of December 31, 1999 and 1998, and for each of the three years in the period ended December 31, 1999 included in the Company's Annual Report to Stockholders included by reference within the Company's Annual Report on Form 10-K.

NOTE C - CASH AND INVESTMENTS

CASH AND CASH EQUIVALENTS - The Company considers cash on hand and amounts on deposit with financial institutions which have original maturities of three months or less to be cash and cash equivalents. All short-term investments in debt securities which have maturities of three months or less are included in cash and cash equivalents and classified as trading securities, which are carried at their fair value based upon the quoted market prices of those investments.

INVESTMENTS - Short-term investments and Investments ordinarily consist of debt securities acquired with cash not immediately needed in operations. Short-term investments have maturities of less than one year. Investments have maturities of at least one year (none have maturities exceeding two years).

At September 30, 2000 and December 31, 1999, cash and investments consisted of the following:

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Cash and cash equivalents	$ 6,617,817	$ 6,637,184
Short-term investments	6,423,850	6,494,262
Investments	4,541,063	3,747,694
Total cash and investments	$17,582,730	$16,879,140

NOTE D - INVENTORIES

At September 30, 2000 and December 31, 1999, inventories consist of the following:

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Raw materials	$ 1,779,612	$ 1,914,543
Finished goods	1,483,142	1,191,977
Sales demonstration	2,915,765	3,092,894
Total inventories	$ 6,178,519	$ 6,199,414

NOTE E - NOTES RECEIVABLE

The CATS acquisition agreement provided that the Company would provide a loan to the two former shareholders of CATS to fund their tax liability in connection with the shares of FARO common stock that they received in the acquisition. The former CATS shareholders remain key employees of the Company.

Pursuant to a Loan Agreement dated August 2, 1999 with each of the former CATS shareholders, the Company has agreed to loan to the former CATS shareholders an amount equal to their tax obligation to the German tax authorities in connection with the acquisition of CATS. The maximum aggregate amount of the loans is estimated to be approximately $2 million. The Company was not obligated to provide the loans until the German tax authorities issue an assessment of the tax to the former CATS shareholders and the ultimate amount of the loans depends on the issuance by such authorities of a final tax assessment. Moreover, the loan commitment would cease if the Company's share price rises to $11.34 per share (the price establishing the tax liability) for five or more consecutive days.

In June 2000, the German tax authorities issued a preliminary tax assessment to the former CATS shareholders. In connection therewith, on June 20, 2000 the Company and each of the former CATS shareholders entered into an Amended and Restated Loan Agreement and the Company granted initial loans to the former CATS shareholders in the aggregate amount of $1.1 million ("the Initial Loans"). The Initial Loans, recorded net of an unamortized discount of $68,000, are for a term of three years, at an interest rate of approximately 4.3%, and grant the borrowers an option to extend the term for an additional three years. As collateral for the loans, each of the former CATS shareholders has pledged to the Company the number of shares of Company common stock equal to the amount of the Initial Loan divided by $6.375. If the maximum amount of the loans is granted pursuant to the loan agreements, as amended and restated, the loans will be secured by 313,725 shares. All loans granted will be a non-recourse obligation of the former CATS shareholders.

NOTE F - EARNINGS PER SHARE

A reconciliation of the number of common shares used in the calculation of basic and diluted earnings per share ("EPS") is presented below:

	THREE MONTHS ENDED SEPTEMBER 30,			
	2000		1999	
	SHARES	PER-SHARE Amount	SHARES	PER-SHARE AMOUNT
Basic EPS	11,020,682	$ (.03)	11,017,810	$ (.15)
Effect of dilutive securities	--		--	
Diluted EPS	11,020,682	$ (.03)	11,017,810	$ (.15)

	THREE MONTHS ENDED SEPTEMBER 30,			
	2000		1999	
	SHARES	PER-SHARE Amount	SHARES	PER-SHARE AMOUNT
Basic EPS	11,020,174	$ (.02)	11,013,885	$ (.27)
Effect of dilutive securities	--		--	
Diluted EPS	11,020,174	$ (.02)	11,013,885	$ (.27)

NOTE G - SEGMENT GEOGRAPHIC DATA

The Company develops, manufactures, markets and supports Computer Aided Design (CAD)-based quality assurance products and CAD-based inspection and statistical process control software. This one line of business represents more than 99% of consolidated sales. The Company operates through sales teams established by geographic area. Each team is equipped to deliver the entire line of Company products to customers within its geographic area. The Company has aggregated the sales teams into a single operating segment as a result of the similarities in the nature of products sold, the type of customers and the methods used to distribute the Company's products. The following table presents information about the Company by geographic area:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
SALES:				
United States	$ 4,378,705	$ 2,297,742	$14,631,289	$10,449,564
Germany	1,498,452	1,849,935	6,287,967	5,100,516
United Kingdom	411,703	450,032	1,993,141	1,791,406
France	717,477	390,001	2,134,405	812,609
Other foreign	1,804,635	2,037,295	4,537,216	4,386,842
Total	$ 8,810,972	$ 7,025,005	$29,584,018	$22,540,937

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
LONG-LIVED ASSETS (NET):		
United States	$ 2,612,794	$ 2,522,654
Germany	3,455,609	5,083,420
Other foreign	35,210	41,145
Total	$ 6,103,613	$ 7,647,219

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY, INCLUDING THE NOTES THERETO, INCLUDED ELSEWHERE IN THIS FORM 10-Q, AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS INCLUDED IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

SALES. Sales increased $1.8 million, or 25.4%, from $7.0 million for the three months ended September 30, 1999 to $8.8 million for three months ended September 30, 2000. The increase primarily resulted from increases in product unit sales in all geographic regions, partially offset by the effect of the stronger U.S. dollar in the second quarter of 2000 (approximately $400,000).

GROSS PROFIT. Gross profit increased $2.0 million, or 54.5%, from $3.6 million for the three months ended September 30, 1999 to $5.6 million for the three months ended September 30, 2000. Gross margin increased, to 63.7% for the three months ended September 30, 2000 from 51.7% for the three months ended September 30, 1999. The increase in gross margin was primarily a result of cost reductions for computer hardware and software products in the three months ended September 30, 2000, partially offset by the effect of the stronger U.S. dollar.

SELLING EXPENSES. Selling expenses increased $408,000, or 14.5%, from $2.8 million for the three months ended September 30, 1999 to $3.2 million for the three months ended September 30, 2000. This increase was primarily a result of higher selling expenses in the United States, principally composed of higher compensation and marketing expenses ($332,000), and Europe ($178,000) offset in part by the effect of the stronger U.S. dollar in 2000 (approximately $145,000).

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses decreased $30,000, or 2.0%, from $1.5 million for the three months ended September 30, 1999 to $1.4 million for the three months ended September 30, 2000. The decrease was due to decreases across many expense categories in the United States ($111,000), offset by increase in expenses in Europe ($81,000, net of the effect of the stronger U.S. dollar in 2000).

DEPRECIATION AND AMORTIZATION EXPENSES. Depreciation and amortization expenses decreased $253,000, or 28.8%, from $880,000 for the three months ended September 30, 1999 to $627,000 for the three months ended September 30, 2000. This decrease was primarily due to the $3,073,000 impairment loss on acquired intangibles at the end of 1999, which reduced the amount of remaining acquired intangibles to be amortized, offset in part by depreciation on assets added in the second half of 1999.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses decreased $19,000, or 2.1%, from $895,000 for the three months ended September 30, 1999 to $877,000 million for the three months ended September 30, 2000 principally as a result of the effect of the stronger U.S. dollar in 2000.

INTEREST INCOME. Interest income increased $56,000, or 34.5%, from $163,000 for the three months ended September 30, 1999, to $220,000 for the three months ended September 30, 2000. The increase was primarily attributable to an increase in the average amount of interest-earning cash, cash equivalents, and investments held through the third quarter of 2000 (see Liquidity and Capital Resources below).

INCOME TAX EXPENSE. Income tax expense increased $547,000 from, an income tax benefit of $462,000 for the three months ended September 30, 1999, to an $85,000 expense for the three months ended September 30, 2000, principally as a result of the increase in U.S. income before income taxes during the third quarter of 2000.

NET INCOME. Net loss decreased $1.3 million from $1.7 million for the three months ended September 30, 1999 to $360,000 for the three months ended September 30, 2000 due to the factors stated above.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

SALES. Sales increased $7.1 million, or 31.2%, from $22.5 million for the nine months ended September 30, 1999 to $29.6 million for nine months ended September 30, 2000. The increase primarily resulted from increases in product unit sales in all geographic regions, partially offset by the effect of the stronger U.S. dollar in the first half of 2000 (approximately $1.1 million).

GROSS PROFIT. Gross profit increased $5.4 million, or 42.3%, from $13.0 million for the nine months ended September 30, 1999 to $18.4 million for the nine months ended September 30, 2000. Gross margin increased to 62.4% for the nine months ended September 30, 2000 from 57.5% for the nine months ended September 30, 1999. The increase in gross margin was primarily a result of cost reductions for computer hardware and software products in the nine months ended September 30, 2000, partially offset by the effect of the stronger U.S. dollar.

SELLING EXPENSES. Selling expenses increased $2.2 million, or 26.4%, from $8.1 million for the nine months ended September 30, 1999 to $10.3 million for the nine months ended September 30, 2000. This increase was primarily a result of higher selling expenses in the United States ($1.4 million), principally composed of higher compensation and marketing, and in Europe ($1.0 million), offset in part by the effect of the stronger U.S. dollar in 2000 (approximately $250,000).

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $107,000, or 2.7%, from $4.0 million for the nine months ended September 30, 1999 to $4.1 million for the nine months ended September 30, 2000. The increase was due to increases across many categories related to the company's expansion in Europe ($140,000) and in the U.S. ($42,000), offset in part by the effect of the stronger U.S. dollar in 2000 (approximately $75,000).

DEPRECIATION AND AMORTIZATION EXPENSES. Depreciation and amortization expenses decreased $540,000, or 20.7%, from $2.6 million for the nine months ended September 30, 1999 to $2.1 million for the nine months ended September 30, 2000. This decrease was principally due to the $3,073,000 impairment loss on acquired intangibles recorded at the end of 1999, which reduced the amount of remaining acquired intangibles to be amortized.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased $109,000, or 4.2%, from $2.6 million for the nine months ended September 30, 1999 to $2.7 million for the nine months ended September 30, 2000. The change was due principally to increase in expenses in the United States ($198,000), primarily compensation, offset in part by the effect of the stronger U.S. dollar in 2000 ($75,000) on European expenses.

INTEREST INCOME. Interest income increased $65,000, or 12.4%, from $520,000 for the nine months ended September 30, 1999, to $585,000 for the nine months ended September 30, 2000. The increase was primarily attributable to higher average yields of interest-earning cash, cash equivalents, and investments held in 2000 (see Liquidity and Capital Resources below).

INCOME TAX EXPENSE. Income tax expense increased $851,000 from an income tax benefit of $621,000 for the nine months ended September 30, 1999, to income tax expense of $230,000 for the nine months ended September 30, 2000. The income tax provision for the nine months ended September 30, 2000 resulted from the generation of earnings before income taxes by he Company's U.S. operations during the first nine months of 2000.

NET INCOME. Net loss decreased $2.8 million from $3.0 million for the nine months ended September 30, 1999 to $186,000 for the nine months ended September 30, 2000 due to the factors stated above.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended September 30, 2000, net cash provided by operating activities was $3.3 million compared to $162,000 for the nine months ended September 30, 1999. The increase was principally due to improved earnings and a net decrease in operating assets, in 2000. Net cash used in investing activities was $3.0 million for the nine months ended September 30, 2000, compared to net cash provided from investing activities of $859,000 for the nine months ended September 30, 1999. The increase in net cash used in investing activities is primarily attributable a loan granted to each of two former shareholders of CATS pursuant to the CATS acquisition agreement ($1.1 million), purchases of property and equipment ($860,000) and a net increase in investments ($723,000). Net cash used in financing activities for the nine months ended September 30, 2000 decreased to $3,000, compared to $310,000 for the nine months ended September 30, 1999.

The Company's principal commitments at September 30, 2000 were leases on its headquarters and regional offices and a loan commitment, to the two former shareholders of CATS, in the maximum amount of $2.0 million (of which $1.1 million has been loaned at September 30, 2000). There were no material commitments for capital expenditures at that date. The Company believes that its cash, investments, cash flows from operations and funds available from its credit facilities will be sufficient to satisfy its working capital, loan commitment and capital expenditure needs at least through 2000.

FOREIGN EXCHANGE EXPOSURE

Sales denominated in foreign currencies represent 47% of the Company's total revenues. Fluctuations in exchange rates between the U.S. dollar and the currencies where the Company conducts such business may have a material adverse effect on the Company's business, results of operation and financial condition, particularly its operating margins, and could also result in exchange losses. The impact of future exchange rate fluctuations on the results of the Company's operations cannot be accurately predicted. To the extent that the percentage of the Company's non-U.S. dollar revenues derived from international sales increases in the future, the risks associated with fluctuations in foreign exchange rates will increase. Historically, the Company has not managed the risks associated with fluctuations in exchange rates but may undertake transactions to manage such risks in the future using forward foreign exchange contracts, foreign currency options or other instruments to hedge these risks.

YEAR 2000

During fiscal 1999, the Company completed a company-wide program to prepare the Company's computer systems for year 2000 compliance. The year 2000 issue relates to computer systems that use the last two digits rather than all four to define a year and whether such systems would properly and accurately process information when the year changed to 2000. No significant information system projects were deferred to accommodate the year 2000 issues.

At the date of this report, the Company had not experienced any material problems related to the year 2000 nor has it become aware of any significant year 2000 issues affecting the Company's major customers or suppliers. The Company also has not received any material complaints regarding any year 2000 issues related to its products.

Year 2000 related costs through September 30, 2000 were limited to employees' time and were expensed as incurred. The remaining estimated cost to address any additional year 2000 problems is deemed immaterial.

EFFECTS OF INFLATION

Inflation generally affects the Company by increasing the cost of labor, equipment and raw materials. The Company does not believe that inflation has had any material effect on the Company's business over the last nine years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated by reference herein from the section of this report in Part I, Item 2, under the caption "Foreign Exchange Exposure."

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a.) Exhibits

EXHIBIT NO.	DESCRIPTION
27.7	Financial Data Schedule (FOR SEC USE ONLY)

b.) Reports on Form 8-K

On August 25, 2000, the Registrant filed a Current Report on Form 8-K in connection with a Change in the Registrant's Certifying Accountant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 13, 2000

FARO TECHNOLOGIES, INC.
(Registrant)

By: /s/ GREGORY A. FRASER

Gregory A. Fraser
Executive Vice President, Secretary and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

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9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
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6,423,850
9,044,209
(410,420)
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4,240,577
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35,089,038
41,495,924
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11,133,799
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(186,559)
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(186,559)
(0.02)
(0.02)