



## Align Technology, Inc. Reports Q3 2006 Revenues of \$49.0 Million

SANTA CLARA, Calif., Oct 25, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Align Technology, Inc. (Nasdaq: ALGN), the inventor of Invisalign(R), a proprietary method of straightening teeth without wires and brackets, today reported financial results for the third quarter of 2006. Total revenues for the third quarter of 2006 were \$49.0 million, compared to \$50.9 million in the third quarter of 2005, a decrease of 3.6 percent.

"The third quarter was a busy one for Align," stated Thomas M. Prescott, Align Technology's President and CEO. "Over 1,100 doctors used Invisalign for the first time and we trained almost 1,000 new doctors. Additionally, at the end of the quarter, we announced our intent to sign a definitive agreement with OrthoClear -- which we did earlier this month -- ending all pending litigation matters with them. With the litigation now behind us and our base of doctors growing, we can focus entirely on growing the top line. We will generate that growth through increased adoption of Invisalign by dentists and orthodontists as the Invisalign product evolves to better meet their specific needs. Our goal is to return to profitability and increase value for our shareholders, customers, and employees."

The net loss for the third quarter of 2006, as reported on a GAAP basis, was \$10.3 million, or loss per share of \$0.16. This compares to GAAP net loss of \$1.5 million for the third quarter of 2005, or loss per share of \$0.02.

The non-GAAP net loss for the third quarter of 2006 was \$8.0 million, or non-GAAP loss per share of \$0.13. The reconciliation of the GAAP to non-GAAP measurements for net loss for the third quarter of 2006 is set forth below within Align Technology's financial statements.

As of September 30, 2006, Align had \$86.1 million in cash, cash equivalents, marketable securities, and restricted cash, compared to \$74.4 million as of December 31, 2005. Align borrowed \$15 million from its credit facility during the third quarter. Additionally, on October 13, 2006, Align signed the definitive agreement with OrthoClear and subsequently disbursed \$20 million to them.

### Align Webcast and Conference Call

Align Technology will host a webcast and conference call today, October 25, 2006 at 8:45 a.m. EDT, 5:45 a.m. PDT, to review the third quarter of 2006 results and discuss future operating trends and guidance. To access the webcast, click on "Webcasts & Presentations" on Align Technology's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial (201) 689-8341 approximately fifteen minutes prior to the start of the call. If you are unable to listen to the call, an archived web cast will be available beginning approximately one hour after the call's conclusion and will remain available through 5:30 p.m. EDT on July 25, 2007. Additionally, a telephonic replay of the call can be accessed by dialing (877) 660-6853 with account number 292 followed by # and conference number 199387 followed by #. The replay may be accessed from international locations by dialing (201) 612-7415 and using the same account and conference numbers referenced above. The telephonic replay will be available through 5:30 p.m. EDT on November 8, 2006.

### About Align Technology, Inc.

Align Technology designs, manufactures and markets Invisalign, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position. Because it does not rely on the use of metal or ceramic brackets and wires, Invisalign significantly reduces the aesthetic and other limitations associated with braces. Invisalign is appropriate for treating adults and older teens. Align Technology was founded in April 1997 and received FDA clearance to market Invisalign in 1998.

To learn more about Invisalign or to find a certified Invisalign doctor in your area, please visit [www.invisalign.com](http://www.invisalign.com) or call 1-800-INVISIBLE.

### Forward-Looking Statement

This news release contains forward-looking statements, including statements regarding Align's expectation that it will generate revenue growth through increased adoption of Invisalign by dentists and orthodontists by evolving the Invisalign system to better meet their specific needs. Forward-looking statements contained in this news release relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to

predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, including expenses related to the OrthoClear settlement, customer demand for Invisalign, acceptance of Invisalign by consumers and dental professionals, Align's third party manufacturing processes and personnel, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, competition from manufacturers of traditional braces and new competitors, Align's ability to develop and successfully introduce new products and product enhancements, and the loss of key personnel, including members of its direct sales force. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which was filed with the Securities and Exchange Commission on March 1, 2006, and its Quarterly Reports on Form 10-Q. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

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ALIGN TECHNOLOGY, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (unaudited)

	Three Months Ended		Nine Months Ended	
	Sept.	Sept.	Sept.	Sept.
	30, 2006	30, 2005	30, 2006	30, 2005
(in thousands, except per share data)				
Revenues	\$49,034	\$50,866	\$151,163	\$155,961
Cost of revenues	16,789	14,975	47,578	47,073
Gross profit	32,245	35,891	103,585	108,888
Operating expenses:				
Sales and marketing	19,165	21,315	59,872	61,498
General and administrative	19,238	11,715	49,656	30,949
Research and development	4,807	4,400	13,526	14,658
Total operating expenses	43,210	37,430	123,054	107,105
Profit (Loss) from operations	(10,965)	(1,539)	(19,469)	1,783
Interest and other income, net	854	326	2,393	28
Provision for income taxes	(209)	(303)	(618)	(926)
Net profit (loss)	\$(10,320)	\$(1,516)	\$(17,694)	\$885
Net profit (loss) per share				
- basic	\$(0.16)	\$(0.02)	\$(0.28)	\$0.01
- diluted	\$(0.16)	\$(0.02)	\$(0.28)	\$0.01

Shares used in computing net profit  
(loss) per share

- basic	63,230	61,788	62,907	61,509
- diluted	63,230	61,788	62,907	63,129

ALIGN TECHNOLOGY, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited)

	Sept. 30, 2006	Dec. 31, 2005
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$74,034	\$74,219
Restricted cash	161	150
Marketable securities, short-term	11,898	--
Accounts receivable, net	32,607	29,305
Inventories, net	2,665	2,930
Other current assets	5,299	4,982
Total current assets	126,664	111,586
Property and equipment, net	27,336	26,427
Other long-term assets	2,891	4,097
Total assets	\$156,891	\$142,110

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Line of credit	\$15,000	\$--
Accounts payable	7,137	2,489
Accrued liabilities	31,891	29,372
Deferred revenue	12,143	16,747
Total current liabilities	66,171	48,608
Other long term liabilities	296	64
Total liabilities	66,467	48,672
Total stockholders' equity	90,424	93,438
Total liabilities and stockholders' equity	\$156,891	\$142,110

ALIGN TECHNOLOGY, INC.  
NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, we use non-GAAP measures of gross profit, profit (loss) from operations, net profit (loss) and certain expenses (including sales and marketing, general and administrative and research and development), which exclude stock-based compensation to allow for a better comparison of results in the current period to those in prior periods that did not include FAS 123(R) stock-based compensation. We believe the non-GAAP measures that exclude stock-based compensation enhance the comparability of results against prior periods. In addition, we use these non-GAAP

financial measures for internal management purposes, when publicly providing our business outlook and as a means to evaluate period-to-period comparisons. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

(in thousands, except per share data)

Three Months Ended September 30,  
2006

	Reported	Adjustments(a)	Non GAAP
Revenues	\$49,034	\$--	\$49,034
Cost of revenues	16,789	(186)	16,603
Gross profit	32,245	186	32,431
Operating expenses:			
Sales and marketing	19,165	(714)	18,451
General and administrative	19,238	(1,015)	18,223
Research and development	4,807	(362)	4,445
Total operating expenses	43,210	(2,091)	41,119
Profit (Loss) from operations	(10,965)	2,277	(8,688)
Interest and other income, net	854	--	854
Provision for income taxes	(209)	--	(209)
Net profit (loss)	\$(10,320)	\$2,277	\$(8,043)
Net profit (loss) per share			
- basic	\$(0.16)		\$(0.13)
- diluted	\$(0.16)		\$(0.13)
Shares used in computing net profit (loss) per share			
- basic	63,230		63,230
- diluted	63,230		63,230

Three Months Ended September 30,  
2005

	Reported	Adjustments(a)	Non GAAP
Revenues	\$50,866	\$--	\$50,866
Cost of revenues	14,975	--	14,975
Gross profit	35,891	--	35,891
Operating expenses:			
Sales and marketing	21,315	--	21,315
General and administrative	11,715	--	11,715
Research and development	4,400	--	4,400

Total operating expenses	37,430	--	37,430
Profit (Loss) from operations	(1,539)	--	(1,539)
Interest and other income, net	326	--	326
Provision for income taxes	(303)	--	(303)
Net profit (loss)	\$(1,516)	\$--	\$(1,516)
Net profit (loss) per share			
- basic	\$(0.02)		\$(0.02)
- diluted	\$(0.02)		\$(0.02)
Shares used in computing net profit (loss) per share			
- basic	61,788		61,788
- diluted	61,788		61,788

(a) Non cash stock-based compensation included in cost of sales and operating expenses.

ALIGN TECHNOLOGY, INC.

NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, we use non-GAAP measures of gross profit, profit (loss) from operations, net profit (loss) and certain expenses (including sales and marketing, general and administrative and research and development), which exclude stock-based compensation to allow for a better comparison of results in the current period to those in prior periods that did not include FAS 123(R) stock-based compensation. We believe the non-GAAP measures that exclude stock-based compensation enhance the comparability of results against prior periods. In addition, we use these non-GAAP financial measures for internal management purposes, when publicly providing our business outlook and as a means to evaluate period-to-period comparisons. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

(in thousands, except per share data)

Nine Months Ended September 30, 2006

	Reported	Adjustments(a)	Non GAAP
Revenues	\$151,163	\$--	\$151,163
Cost of revenues	47,578	(515)	47,063
Gross profit	103,585	515	104,100
Operating expenses:			
Sales and marketing	59,872	(2,125)	57,747
General and administrative	49,656	(3,132)	46,524
Research and development	13,526	(976)	12,550

Total operating expenses	123,054	(6,233)	116,821
Profit (Loss) from operations	(19,469)	6,748	(12,721)
Interest and other income, net	2,393	--	2,393
Provision for income taxes	(618)	--	(618)
Net profit (loss)	\$(17,694)	\$6,748	\$(10,946)
Net profit (loss) per share			
- basic	\$(0.28)		\$(0.17)
- diluted	\$(0.28)		\$(0.17)
Shares used in computing net profit(loss) per share			
- basic	62,907		62,907
- diluted	62,907		62,907

Nine Months Ended September 30, 2005

	Reported	Adjustments(a)	Non GAAP
Revenues	\$155,961	\$--	\$155,961
Cost of revenues	47,073	--	47,073
Gross profit	108,888	--	108,888
Operating expenses:			
Sales and marketing	61,498	(6)	61,492
General and administrative	30,949	(6)	30,943
Research and development	14,658	--	14,658
Total operating expenses	107,105	(12)	107,093
Profit (Loss) from operations	1,783	12	1,795
Interest and other income, net	28	--	28
Provision for income taxes	(926)	--	(926)
Net profit (loss)	\$885	\$12	\$897
Net profit (loss) per share			
- basic	\$0.01		\$0.01
- diluted	\$0.01		\$0.01
Shares used in computing net profit(loss) per share			
- basic	61,509		61,509
- diluted	63,129		63,129

(a) Non cash stock-based compensation included in cost of sales and operating expenses

ALIGN TECHNOLOGY, INC.  
FACT SHEET

The following information highlights business metrics for Align's third quarter of 2006. For prior quarter information, please refer to the Investor Relations website at <http://investor.aligntech.com> .

(rounded to the nearest hundred, except in utilization)

Cases Delivered	3Q 2006
U.S. Orthodontists - Full	9,600
U.S. Orthodontists - Invisalign Express	3,400
U.S. GP dentists - Full	12,500
U.S. GP dentists - Invisalign Express	5,800
International - Full	4,300
International - Invisalign Express	100
Total Cases Delivered	35,700

Doctors Trained	3Q 2006	Cumulative Total
U.S. Orthodontists	--	7,900
U.S. GP dentists	750	20,700
International	200	10,400
Total Doctors Trained	950	39,000

Total Submitting Doctors	3Q 2006
U.S. Orthodontists	2,700
U.S. GP dentists	7,700
International	1,700
Total Submitting Doctors	12,100

Doctor Utilization*	3Q 2006
U.S. Orthodontists	4.71
U.S. GP dentists	2.49
International	2.72

\* Doctor Utilization = # of cases / # of doctors cases are shipped to

SOURCE Align Technology, Inc.

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