Align Technology, Inc. Reports 8th Consecutive Quarter of Increasing Revenues and Record Net Profit

GAAP and Non-GAAP Supplementary 10-Quarter Financial Model - Ending 2Q 2004 - (7/22/04)

- Second Quarter Revenues Increase 51% Year Over Year to $44.2 Million
- Company Reports GAAP Net Profit of $3.8 Million, or EPS of $0.06; Non-GAAP Net Profit of $5.6 Million, or Non-GAAP EPS Of $0.09 Per Share
- Company Increases Cash Position by $8.7 Million Year-To-Date

SANTA CLARA, Calif., July 22 /PRNewswire-FirstCall/ -- Align Technology, Inc. (Nasdaq: ALGN), the inventor of Invisalign®, a proprietary method of straightening teeth without wires and brackets, today reported financial results for the second quarter of 2004. Total revenues for the second quarter of 2004 were $44.2 million, compared to $39.2 million in the first quarter of 2004, an increase of 13 percent, and $29.2 million in the second quarter of 2003, an increase of 51 percent.

"We are pleased with our results for the second quarter," stated Thomas M. Prescott, Align Technology's President and CEO. "Our marketing and sales initiatives are gaining traction and have led to increased case shipments and revenues. Our operating margins continue to improve and have begun to demonstrate the leverage in our business model. We are committed to providing a quality product for our customers and helping them achieve great results for their patients. This commitment to their success, along with consistent financial performance, and our long-term goal of becoming the most important part of our doctors' practices, will help us build a great company that delivers shareholder value."

The net profit for the second quarter of 2004 as determined under generally accepted accounting principles ("GAAP") was $3.8 million, or earnings per basic and diluted share of $0.06. This compares to a net profit for the first quarter of 2004 of $557 thousand, or earnings per basic and diluted share of $0.01, and a net loss for the second quarter of 2003 of $7.8 million, or a net loss of $0.13 per share.

The non-GAAP net profit for the second quarter of 2004, which excludes $1.8 million of stock-based compensation, was $5.6 million, or non-GAAP earnings per basic and diluted share of $0.09. This compares to a non-GAAP net profit of $2.8 million in the first quarter of 2004, which excludes $2.2 million of stock-based compensation, or a non-GAAP basic net profit of $0.05 per share and non-GAAP fully diluted net profit of $0.04. This also compares to a non-GAAP net loss of $3.4 million in the second quarter of 2003, which excludes $4.4 million of stock-based compensation charges, or a non-GAAP net loss of $0.06 per share. The reconciliation of the GAAP to non-GAAP measurements for net profit for the second quarter of 2004 is set forth below within Align Technology's financial statements.

As of June 30, 2004, Align had $56.4 million in cash, cash equivalents and marketable securities, compared to $47.7 million as of December 31, 2003.

Align Technology will host a webcast and conference call today, July 22, 2004 at 10:00 a.m. EDT, 7:00 a.m. PDT, to review second quarter of 2004 results and discuss future operating trends and guidance on the outlook for the future. To access the webcast, click on "Conference Calls" on Align Technology's Investor Relations website at http://www.aligntech.com/generalapp/us/en/corporate/investor_frameset.jsp . To access the conference call, please dial 212-271-4505 approximately ten minutes prior to the start of the call. If you are unable to listen to the call, an archived webcast will be available beginning approximately one hour after the call's conclusion and will remain available through 5:30 p.m. EDT on July 21, 2005. Additionally, a telephonic replay of the call can be accessed by dialing 800-633-8284 with reservation number 21200430. The replay may be accessed from international locations by dialing 402-977-9140 using the same reservation number. The telephonic replay will be available through 5:30 p.m. EDT on August 5, 2004.

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 March 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 or call 1-800-INVISIBLE.

Forward-Looking Statements

This news release contains forward-looking statements, including statements regarding Align's ability to increase case shipments and revenues through its marketing and sales initiatives and to improve its operating margins by leveraging its business model and Align's commitment to providing quality product to its customers and their patients as a means to deliver shareholder value. 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 history of losses and negative operating cash flows, Align's ability to increase its revenue significantly while controlling expenses, Align's ability to manage growth, loss of key personnel or the inability to attract and retain key personnel, Align's limited operating history, customer demand for Invisalign, acceptance of Invisalign by consumers and dental professionals, competition from manufacturers of traditional braces, 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, potential intellectual property or product liability claims or litigation, and the potential volatility of the market price of Align's common stock. 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, 2003, which was filed with the Securities and Exchange Commission on March 9, 2004, 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		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
(in thousands, except per share data)				
Revenues	$44,204	$29,225	$83,409	$52,185
Cost of revenues	14,250	13,269	27,643	25,193
Gross profit	29,954	15,956	55,766	26,992
Operating expenses:				
Sales and marketing	13,399	11,416	26,671	22,046
General and administrative	8,656	9,014	16,933	16,908
Research and development	3,558	3,712	6,904	6,697
Total operating expenses	25,613	24,142	50,508	45,651
Profit (loss) from operations	4,341	(8,186)	5,258	(18,659)
Interest and other income (expense), net	(175)	427	(402)	230
Provision for income taxes	(394)	--	(527)	(1)
Net profit (loss)	$3,772	$(7,759)	$4,329	$(18,430)
Net profit (loss) per share -- basic	$0.06	$(0.13)	$0.07	$(0.32)

Weighted-average shares used in computing basic net profit (loss) per share	59,692	57,489	59,391	57,339
Net profit (loss) per share -- diluted	$0.06	$(0.13)	$0.07	$(0.32)
Weighted-average shares used in computing diluted net profit (loss) per share	64,461	57,489	64,392	57,339

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

(in thousands)	June 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$56,099	$44,939
Restricted cash	281	439
Marketable securities, short-term	--	2,292
Accounts receivable, net	25,737	21,265
Inventories, net	1,359	1,395
Deferred costs	1,042	939
Other current assets	5,350	5,845
Total current assets	89,868	77,114
Property and equipment, net	23,174	23,121
Other long-term assets	1,914	1,967
Total assets	$114,956	$102,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$3,314	$3,095
Accrued liabilities	19,496	19,180
Deferred revenue	13,132	13,113
Debt obligations, current portion	1,914	1,989
Total current liabilities	37,856	37,377
Debt obligations, long-term portion	833	1,667
Capital lease obligations, net of current portion	98	182
Total liabilities	38,787	39,226
Total stockholders' equity	76,169	62,976
Total liabilities and stockholders' equity	$114,956	$102,202

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, Align uses a non-GAAP measure of net profit (loss), which is adjusted to exclude certain costs and expenses and any associated tax effects of such adjustments. We believe that our non-GAAP net profit (loss) gives an indication of our baseline performance before other charges that are considered by management to be outside of our core operating results. In addition, our non-GAAP net profit (loss) is among the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information should not be considered in isolation or as a substitute for net profit (loss) prepared in accordance with generally accepted accounting principles in the United States of America.

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Revenues	$44,204	$29,225	$83,409	$52,185
Cost of revenues	13,931	12,586	26,926	23,789
Gross profit	30,273	16,639	56,483	28,396
Operating expenses:				
Sales and marketing	13,172	10,812	26,150	20,814
General and administrative	7,712	7,120	14,834	12,322
Research and development	3,266	2,542	6,242	4,794
Total operating expenses	24,150	20,474	47,226	37,930
Profit (loss) from operations	6,123	(3,835)	9,257	(9,534)
Interest and other income (expense), net	(175)	427	(402)	230
Provision for income taxes	(394)	--	(527)	(1)
Net profit (loss)	$5,554	$(3,408)	$8,328	$(9,305)
Net profit (loss) per share -- basic	$0.09	$(0.06)	$0.14	$(0.16)
Weighted-average shares used in computing basic net profit (loss) per share	59,692	57,489	59,391	57,339
Net profit (loss) per share -- diluted	$0.09	$(0.06)	$0.13	$(0.16)
Weighted-average shares used in computing diluted net profit (loss) per share	64,461	57,489	64,392	57,339

See Following Reconciliation of GAAP Net Profit (Loss) to non-GAAP Net Profit (Loss)

ALIGN TECHNOLOGY, INC.
RECONCILIATION OF GAAP NET PROFIT (LOSS) TO ADJUSTED NON-GAAP NET PROFIT (LOSS)
(unaudited)

	Three Months Ended		Six Months Ended	
(in thousands)	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Calculation of non-GAAP net profit (loss) excluding special items:				

Net profit (loss)	$3,772	$(7,759)	$4,329	$(18,430)
Items:				
Stock-based compensation expense included in: (1)				
-- cost of revenues	319	683	717	1,404
-- sales and marketing	227	604	521	1,232
-- general and administrative	944	1,894	2,099	4,079
-- research and development	292	1,170	662	1,903
Restructuring costs included in general and administrative: (2)	--	--	--	507
Non-GAAP net profit (loss) excluding special items	$5,554	$(3,408)	$8,328	$(9,305)

(1)Stock-based compensation expense represents the amortization of deferred stock-based compensation recorded in connection with the granting of stock options to employees and non-employees. Stock-based compensation expense also includes the accelerated vesting of options to several employees in connection with severance packages.

(2)Restructuring costs represented residual restructuring charges related to the transition of operations from the United Arab Emirates and Pakistan to Costa Rica during the first quarter of 2003.

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