

FARO Reports First Quarter 2012 Sales Growth of 24.1%

May 1, 2012

Net Income Growth of 108.2%

LAKE MARY, Fla., May 1, 2012 /PRNewswire via COMTEX/ --FARO Technologies, Inc. (NASDAQ: FARO) today announced results for the first quarter ended March 31, 2012. Sales in the first quarter of 2012 increased 24.1% to \$65.2 million, from \$52.6 million in the first quarter of 2011. The Company reported net income increased by 108.2% to \$6.7 million, or \$0.39 per share, in the first quarter of 2012, from \$3.2 million, or \$0.20 per share, in the first quarter of 2011.

(Logo: <http://photos.prnewswire.com/prnh/20110415/MM84316LOGO>)

New order bookings for the first quarter of 2012 were \$62.1 million, an increase of 11.1% from \$55.9 million in the first quarter of 2011.

"The first quarter was strong. Sales grew 24% and Net Income grew more than 100% compared to the first quarter of 2011. We had good sales growth from our metrology products as well as the Focus Laser Scanner," stated Jay Freeland, FARO's President and CEO. "Robust orders growth in Asia continued in the quarter and the Americas had strong demand. However, order intake in the Americas was affected by timing, as a significant number of orders were not received until after the quarter ended. Europe experienced some market softness in the first quarter, but we expect that market to recover during the remainder of 2012."

Gross margin for the first quarter of 2012 was 57.0%, compared to 57.6% in the first quarter of 2011 and represents continued improvement in our product margins over the past few quarters when the gross margins declined as a result of proportionately higher laser scanner sales, which currently have a lower gross margin relative to the Company's historical product mix.

The Company's operating margin for the first quarter increased to 12.9%, compared with 8.2% in the first quarter of 2011. The increase was driven by a combination of continued cost containment and substantial operating leverage on the Company's cost structure.

"The first quarter was a good start to the year. We are encouraged by the continued strength in demand for our products and the solid leverage we're getting from our operating model," 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 demand for its products, 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 FARO's plans 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;*
- *production delays caused by shortages of raw materials incorporated in the Company's products;*
- *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;*
- *risks associated with 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, 2011.*

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 28,000 installations and 14,000 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 Focus 3D Laser Scanner; 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 BALANCE SHEETS

| (in thousands, except share data) | March 31, 2012 (Unaudited) | December 31, 2011 |
|--|----------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 73,588 | \$ 64,540 |
| Short-term investments | 64,993 | 64,997 |
| Accounts receivable, net | 48,731 | 57,512 |
| Inventories, net | 56,342 | 49,934 |
| Deferred income taxes, net | 5,295 | 5,297 |
| Prepaid expenses and other current assets | 11,426 | 9,207 |
| Total current assets | 260,375 | 251,487 |
| Property and Equipment: | | |
| Machinery and equipment | 30,248 | 29,171 |
| Furniture and fixtures | 6,066 | 5,963 |
| Leasehold improvements | 10,343 | 10,233 |
| Property and equipment at cost | 46,657 | 45,367 |
| Less: accumulated depreciation and amortization | (30,677) | (29,134) |
| Property and equipment, net | 15,980 | 16,233 |
| Goodwill | 18,962 | 18,610 |
| Intangible assets, net | 6,790 | 6,849 |
| Service inventory | 18,477 | 17,316 |
| Deferred income taxes, net | 2,349 | 2,296 |
| Total Assets | \$ 322,933 | \$ 312,791 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 10,745 | \$ 13,396 |
| Accrued liabilities | 16,753 | 18,076 |
| Income taxes payable | 746 | 2,682 |
| Current portion of unearned service revenues | 16,475 | 15,638 |
| Customer deposits | 3,933 | 4,072 |
| Current portion of obligations under capital leases | 57 | 84 |
| Total current liabilities | 48,709 | 53,948 |
| Unearned service revenues - less current portion | 9,575 | 9,540 |
| Deferred tax liability, net | 1,159 | 1,148 |
| Obligations under capital leases - less current portion | 392 | 257 |
| Total Liabilities | 59,835 | 64,893 |
| Shareholders' Equity: | | |
| Common stock - par value \$.001, 50,000,000 shares authorized; 17,601,556 and 17,381,110 issued; 16,921,321 and 16,700,875 outstanding, respectively | 18 | 17 |
| Additional paid-in capital | 176,897 | 169,780 |
| Retained earnings | 88,110 | 81,360 |
| Accumulated other comprehensive income | 7,148 | 5,816 |
| Common stock in treasury, at cost - 680,235 shares | (9,075) | (9,075) |
| Total Shareholders' Equity | 263,098 | 247,898 |
| Total Liabilities and Shareholders' Equity | \$ 322,933 | \$ 312,791 |

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

| (in thousands, except share and per share data) | Three Months Ended | |
|---|--------------------|---------------|
| | March 31, 2012 | April 2, 2011 |
| SALES | | |
| Product | \$ 54,424 | \$ 42,958 |
| Service | 10,805 | 9,608 |
| Total Sales | 65,229 | 52,566 |
| COST OF SALES | | |
| Product | 20,506 | 15,573 |

| | | |
|--|-------------------|-------------------|
| Service | 7,537 | 6,721 |
| Total Cost of Sales (exclusive of depreciation and amortization, shown separately below) | <u>28,043</u> | <u>22,294</u> |
| GROSS PROFIT | 37,186 | 30,272 |
| OPERATING EXPENSES: | | |
| Selling | 16,038 | 14,152 |
| General and administrative | 6,628 | 6,590 |
| Depreciation and amortization | 1,679 | 1,614 |
| Research and development | 4,408 | 3,632 |
| Total operating expenses | <u>28,753</u> | <u>25,988</u> |
| INCOME FROM OPERATIONS | <u>8,433</u> | <u>4,284</u> |
| OTHER (INCOME) EXPENSE | | |
| Interest income | (101) | (26) |
| Other (income) expense, net | (140) | (129) |
| Interest expense | 13 | 29 |
| INCOME BEFORE INCOME TAX EXPENSE | 8,661 | 4,410 |
| INCOME TAX EXPENSE | 1,911 | 1,167 |
| NET INCOME | <u>\$ 6,750</u> | <u>\$ 3,243</u> |
| NET INCOME PER SHARE - BASIC | <u>\$ 0.40</u> | <u>\$ 0.20</u> |
| NET INCOME PER SHARE - DILUTED | <u>\$ 0.39</u> | <u>\$ 0.20</u> |
| Weighted average shares - Basic | <u>16,788,241</u> | <u>16,253,121</u> |
| Weighted average shares - Diluted | <u>17,162,959</u> | <u>16,598,797</u> |

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

| (in thousands) | Three Months Ended | |
|----------------------------------|--------------------|-----------------|
| | March 31, 2012 | April 2, 2011 |
| Net income | \$ 6,750 | \$ 3,243 |
| Currency translation adjustments | <u>1,334</u> | <u>2,571</u> |
| Comprehensive income | <u>\$ 8,084</u> | <u>\$ 5,814</u> |

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

| (in thousands) | Three Months Ended | |
|---|--------------------|----------------|
| | March 31, 2012 | April, 2, 2011 |
| CASH FLOWS FROM: | | |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 6,750 | \$ 3,243 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,679 | 1,614 |
| Compensation for stock options and restricted stock units | 773 | 642 |
| Provision for bad debts | 11 | 329 |
| Deferred income tax (benefit) expense | (5) | 291 |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Accounts receivable | 9,254 | 5,412 |
| Inventories, net | (6,432) | (7,525) |
| Prepaid expenses and other current assets | (1,979) | (509) |
| Income tax benefit from exercise of stock options | (1,056) | (237) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | (4,290) | (2,447) |
| Income taxes payable | (774) | (742) |
| Customer deposits | (258) | 762 |
| Unearned service revenues | 661 | 1,389 |
| Net cash provided by operating activities | <u>4,334</u> | <u>2,222</u> |
| INVESTING ACTIVITIES: | | |

| | | |
|--|-------------------------|-------------------------|
| Purchases of property and equipment | (703) | (1,183) |
| Payments for intangible assets | <u>(193)</u> | <u>(294)</u> |
| Net cash (used in) investing activities | <u>(896)</u> | <u>(1,477)</u> |
| FINANCING ACTIVITIES: | | |
| Payments on capital leases | (131) | (22) |
| Income tax benefit from exercise of stock options | 1,056 | 237 |
| Proceeds from issuance of stock, net | <u>5,288</u> | <u>2,529</u> |
| Net cash provided by financing activities | <u>6,213</u> | <u>2,744</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>(603)</u> | <u>(929)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 9,048 | 2,560 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>64,540</u> | <u>50,722</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u><u>\$ 73,588</u></u> | <u><u>\$ 53,282</u></u> |

SOURCE FARO Technologies, Inc.