### **FARO Reports First Quarter 2016 Financial Results**

May 3, 2016

LAKE MARY, Fla., May 3, 2016 /PRNewswire/ -- FARO Technologies, Inc. (NASDAQ: FARO) today announced its financial results for the first quarter ended March 31, 2016.



Sales for the quarter ended March 31, 2016 were \$75.7 million, up 8.3% compared with \$69.9 million in the first quarter last year. Excluding approximately \$0.9 million of unfavorable foreign exchange impacts, first quarter sales would have increased approximately 10% as compared with the first quarter of 2015. The Company's sales growth was driven primarily by higher metrology sales within the Americas and Asia-Pacific regions.

Gross margin for the quarter was 56.3% compared with 56.6% in the prior year period with product and service margins remaining relatively consistent with the prior year period.

Operating income for the quarter was \$4.3 million compared with \$1.9 million in the prior year period, reflecting increased sales volume partially offset by a modest increase in operating expenses.

Net income and EPS for the quarter was \$3.1 million and \$0.19, respectively, compared with \$0.7 million and \$0.04, respectively, in the prior year period.

"The FARO team delivered a strong first quarter, while overcoming economic pressures in certain regions around the globe," stated Dr. Simon Raab, President and Chief Executive Officer. "As announced previously, we are in the process of re-aligning our organization to better serve our customers. I was pleased with the focus and dedication of our employees to drive growth in the quarter, and at the same time take key steps forward with our reorganization initiatives. We remain committed to increasing our products' customer focus and improving our global efficiency in order to retain and enhance our market leadership position."

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 long-term growth, demand for and customer acceptance of FARO's products, anticipated improvement in the markets in which FARO operates, and FARO's product development and product launches. 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 "is," "are," "expects," "continues," "may," "will," 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:

- the Company's inability to successfully identify and acquire target companies or achieve expected benefits from acquisitions that are consummated;
- development by others of new or improved products, processes or technologies that make the Company's products less competitive or obsolete;
- the Company's inability to maintain its technological advantage by developing new products and enhancing its existing products;
- 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 financial conditions;
- the impact of fluctuations of foreign exchange rates; and
- 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, 2015.

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, unless otherwise required by law.

#### **About FARO**

FARO is the world's most trusted source for 3D measurement technology. The Company develops and markets computer-aided measurement and imaging devices and software. Technology from FARO permits high-precision 3D measurement, imaging and comparison of parts and complex

structures within production and quality assurance processes. The devices are used for inspecting components and assemblies, rapid prototyping, documenting large volume spaces or structures in 3D, surveying and construction, as well as for investigation and reconstruction of accident sites or crime scenes.

FARO's global headquarters are located in Lake Mary, Florida. The Company also has a new technology center and manufacturing facility consisting of approximately 90,400 square feet located in Exton, Pennsylvania containing research and development, manufacturing and service operations of our FARO Laser Tracker<sup>TM</sup> and FARO Cobalt Array 3D Imager product lines. The Company's European regional headquarters is located in Stuttgart, Germany and its Asia Pacific regional headquarters is located in Singapore. FARO has other offices in the United States, Canada, Mexico, Brazil, Germany, the United Kingdom, France, Spain, Italy, Poland, Turkey, the Netherlands, Switzerland, India, China, Malaysia, Vietnam, Thailand, South Korea, and Japan.

More information is available at <a href="http://www.faro.com">http://www.faro.com</a>

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

	Three Months Ended		
(in the consideration and an allowed date)	Manah 24	2040	March 20, 2045
(in thousands, except share and per share data)	March 31	, 2016	March 28, 2015
SALES Product	\$	59,3129	55,044
Service	*	16,436	14,895
Total sales		75,748	69,939
COST OF SALES		13,140	09,939
Product		24,008	22,177
Service		9,067	8,151
Total cost of sales (exclusive of depreciation and amortization, shown separately below	·	33,075	30,328
GROSS PROFIT		42,673	39,611
ONO GO T NOT TI		42,073	39,011
OPERATING EXPENSES			
Selling and marketing		17,625	19,105
General and administrative		10,541	9,801
Depreciation and amortization		3,086	2,493
Research and development		7,091	6,356
Total operating expenses		38,343	37,755
INCOME FROM OPERATIONS		4,330	1,856
OTHER (INCOME) EXPENSE			
Interest income		(44)	(19)
Other expense, net		751	1,307
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)		3,623	568
INCOME TAX EXPENSE (BENEFIT)		543	(96)
NET INCOME	\$	3,080	\$ 664
NET INCOME PER SHARE - BASIC	\$	0.19	\$ 0.04
NET INCOME PER SHARE - DILUTED	\$	0.19	\$ 0.04
Weighted average shares - Basic	16,6	09,084	17,335,464
Weighted average shares - Diluted	16,6	38,458	17,511,821
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### FARO TECHNOLOGIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31,	
		December
	2016	31,
(in thousands, except share data)	(unaudited)	2015

**ASSETS** 

Current assets:

Short-lem investments         42,922         42,994           Accounts receivable, net         60,122         69,918           Inventories, net         48,614         45,571           Prepaid expenses and other current assets         19,573         18,527           Total current assets         299,293         29,205           Properly and equipment         6,188         5,945           Lease hold improvements         6,188         5,945           Leasehold improvements         11,362         76,540           Lease accumulated depreciation and amortization         46,5714         42,594           Property and equipment, net         35,633         35,946           Lease, accumulated depreciation and amortization         27,365         26,371           Intarquible assets, net         16,000         15,533         35,946           Goodwill         27,365         26,371         16,500         15,535         26,371           Intarquible assets, net         4,124         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,150         4,15			
Inventions, nef	Short-term investments	42,952	42,994
Deferred income taxes, net         7,75         7,70           Trepaid expenses and other current assets         19,573         18,527           Total current assets         299,233         292,136           Property and equipment.         55,982         54,124           Bushing row and dequipment and fixtures         6,188         5,945           Leasahold improvements         19,182         18,471           Property and equipment, at cost         81,352         78,540           Less: accumulated depreciation and amortization         46,5714         4(25,94)           Property and equipment, net         35,633         35,466           Goodwill         16,030         15,885           Service and sales demonstration inventory, net         34,649         33,033           Service and sales demonstration inventory, net         41,224         40,500           Deferred income taxes, net         16,030         15,985           Service and sales demonstration inventory, net         418,254         40,500           Deferred income taxes, net         11,171         11,345           Carrent liabilities         5         5           Total assets         11,171         11,345           Accounts payable         10,171         11,345	Accounts receivable, net	60,122	69,918
Properly and equipment         19.57         18.267           Total current assets         799,293         32,218           Properly and equipment         55,982         54,128           Leashold improvements         19,182         18,45           Leashold improvements         19,182         18,45           Property and equipment, at cost         18,182         78,54           Less: accumulated depreciation and amortization         45,714         42,594           Boodwill         27,365         35,638         35,638           Goodwill         16,093         15,856         26,737           Intangible assets, net         16,093         15,856         26,737           Cervice and sales demonstration inventory, net         41,24         4,050         4,124         4,050           Deferred income taxes, net         8         955         967         76	Inventories, net	48,614	45,571
Total current assets         299,293         293,158           Property and equipment         55,982         54,124           Machinery and equipment         6,188         5,945           Eassehold improvements         19,182         18,471           Property and equipment, at cost         81,352         78,540           Less: accumulated depreciation and amortization         45,714         4(25,944)           Ess: accumulated depreciation and amortization         35,638         3,346           Goodwill         27,365         26,371           Intangible assets, net         16,030         15,985           Service and sales demonstration inventory, net         34,849         33,709           Deferred income taxes, net         955         967           Total assets         11,124         4,050           Unern Itabilities         5         418,254         40,918           Current potione taxes, net         10,171         11,345         40,918           Accounts payable         10,171         11,345         40,918           Accounts payable         10,171         11,345         42,574           Accounts payable         2,647         6,114           Current protion of uneamed service revenues         28,671	Deferred income taxes, net	7,754	7,792
Machinery and equipment	Prepaid expenses and other current assets	19,573	18,527
Machinery and equipment         55,982         5,142           Furniture and fixtures         6,188         5,945           Leasehold improvements         19,182         18,71           Property and equipment, at cost         81,352         78,50           Less: accumulated depreciation and amortization         35,638         35,946           Goodwill         35,638         26,354           Goodwill         16,030         15,985           Coodwill assets, net         16,030         15,985           Deferred income teaxes, net         41,24         4,050           Other long-term assets         95         95           Total assets         418,254         40,916           LIABILITIES AND SHAREHOLDERS' EQUITY         5         5           Current labilities         5         5           Accounts payable         10,171         1,345           Accounts payable         10,171         1,345           Account susse payable         10,171         1,345           Current portion of unearned service revenues         26,471         20,114           Unear tax labilities         58,431         63,031         63,931         63,032           Deferred income tax liabilities         58,431	Total current assets	299,293	292,158
Machinery and equipment         55,982         5,142           Furniture and fixtures         6,188         5,945           Leasehold improvements         19,182         18,71           Property and equipment, at cost         81,352         78,50           Less: accumulated depreciation and amortization         35,638         35,946           Goodwill         35,638         26,354           Goodwill         16,030         15,985           Coodwill assets, net         16,030         15,985           Deferred income teaxes, net         41,24         4,050           Other long-term assets         95         95           Total assets         418,254         40,916           LIABILITIES AND SHAREHOLDERS' EQUITY         5         5           Current labilities         5         5           Accounts payable         10,171         1,345           Accounts payable         10,171         1,345           Account susse payable         10,171         1,345           Current portion of unearned service revenues         26,471         20,114           Unear tax labilities         58,431         63,031         63,931         63,032           Deferred income tax liabilities         58,431	Property and equipment:		
Leasehold improvements         19,182         18,471           Property and equipment, at cost         81,352         78,547           Less: accumulated depreciation and amortization         (45,714)         42,594           Property and equipment, net         35,638         35,946           Goodwill         16,030         15,885           Intangible assets, net         34,849         33,709           Deferred income taxes, net         41,829         40,600           Other long-term assets         955         967           Total assets         418,254         40,916           LIABILITIES AND SHAREHOLDERS' EQUITY         \$         \$           Current liabilities         \$         \$           Accounts payable         10,171         \$11,345           Accounts payable         16,67         25,76           Current portion of uncarned service revenues         2,36         2,99           Total current liabilities         2,36         2,99           Total current liabilities         38,41         63,031           Uses payable         5,6         2,574           Current portion of uncarned service revenues         2,84         63,031           Total current portion         16,67         15,035		55,982	54,124
Property and equipment, at cost         48.1352         78.540           Less: accumulated depreciation and amortization         (45.714)         42.5943           Property and equipment, net         35.633         35.936           Goodwill         27.365         26.371           Intangible assets, net         16.03         15.582           Deferred income taxes, net         34.849         33.709           Deferred income taxes, net         41.24         4.050           Other long-term assets         418.254         3 69.67           Total assets         418.254         3 69.67           Total assets         418.254         3 69.67           Accounts payable         10.171         11.345           Accrued liabilities         10.171         11.345           Income taxes payable         5.76         2.6471         26.141           Current portion of unearned service revenues         2.364         2.998           Total current liabilities         5.8431         63.031           Unearned service revenues - less current portion         6.8431         63.031           Unearned service revenues - less current portion         7.96         2.996           Deferred income tax liability         8.1         8.2		6,188	5,945
Property and equipment, at cost         48.1352         78.540           Less: accumulated depreciation and amortization         (45.714)         42.5943           Property and equipment, net         35.633         35.936           Goodwill         27.365         26.371           Intangible assets, net         16.03         15.582           Deferred income taxes, net         34.849         33.709           Deferred income taxes, net         41.24         4.050           Other long-term assets         418.254         3 69.67           Total assets         418.254         3 69.67           Total assets         418.254         3 69.67           Accounts payable         10.171         11.345           Accrued liabilities         10.171         11.345           Income taxes payable         5.76         2.6471         26.141           Current portion of unearned service revenues         2.364         2.998           Total current liabilities         5.8431         63.031           Unearned service revenues - less current portion         6.8431         63.031           Unearned service revenues - less current portion         7.96         2.996           Deferred income tax liability         8.1         8.2	Leasehold improvements	19,182	18,471
Property and equipment, net         35,638         35,946           Goodwill         27,365         26,371           Intangible assets, net         16,030         15,985           Service and sales demonstration inventory, net         34,849         33,709           Deferred income taxes, net         4,124         4,050           Other long-term assets         955         967           Total assets         418,254         \$ 967           Current liabilities         5         \$           Accounts payable         10,171         11,345           Accrued liabilities         18,845         22,574           Current portion of unearmed service revenues         26,471         26,114           Current portion of unearmed service revenues         26,471         26,114           Current proftion of unearmed service revenues         26,471         26,114           Current proftion of unearmed service revenues         87         68           Total current liabilities         58,431         63,031           Unearmed service revenues - less current portion         16,676         15,025           Deferred income tax liability         87         68           Other long-term liabilities         78,910         81,542           Com	Property and equipment, at cost	81,352	78,540
Goodwill Intangible assets, net Intangible assets, net Intangible assets, net Intangible assets, net Intended and sales demonstration inventory, net Intangible assets, net Intended and sales demonstration inventory, net Intended Int	Less: accumulated depreciation and amortization		
Intangible assets, net         16,030         15,985           Service and sales demonstration inventory, net         34,849         33,709           Deferred income taxes, net         4,124         4,050           Other long-term assets         955         967           Total assets         418,265         \$ 09,186           LABILITIES AND SHAREHOLDERS' EQUITY           Current liabilities         \$           Accounts payable         10,171         11,345           Accrued liabilities         10,171         11,345           Accrued liabilities         576         -           Curson proposits         26,471         26,114           Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         2,916         2,809           Other long-term liabilities         2,916         2,809           Total liabilities         2,916         2,809           Total liabilities         2,916         2,809           Total liabilities         2,916         2,809           Total liabilities         2,			
Service and sales demonstration inventory, net         34,849         33,709           Deferred income taxes, net         4,124         4,050           Other long-term assets         8         967           Total assets         418,254 \$ 409,186           LABILITIES AND SHAREHOLDERS' EQUITY         \$           Current liabilities:         \$           Accounts payable         10,171 \$ 11,345           Accorued liabilities         18,845 22,574           Income taxes payable         26,471 26,114           Current portion of unearned service revenues         26,471 26,114           Current portion of unearned service revenues         26,471 26,114           Unearned service revenues - less current portion         16,676 15,025           Deferred income tax liabilities         2,980 27,000           Other long-term liabilities         2,916 2,000           Other long-term liabilities         2,916 2,000           Total liabilities         2,916 2,000           Total liabilities         2,916 2,000           Other long-term liabilities         2,916 2,000           Total liabilities         2,916 2,000           Total liabilities         2,916 2,000           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 18,000	Goodwill	,	
Deferred income taxes, net         4,124         4,050           Other long-term assets         955         967           Total assets         418,254         409,166           LABILITIES AND SHAREHOLDERS' EQUITY           Current liabilities         \$           Accounts payable         10,171         11,345           Accruded liabilities         18,845         22,574           Income taxes payable         26,471         26,114           Current portion of unearned service revenues         26,471         26,114           Current possis         2,368         2,998           Total current liabilities         58,431         63,05           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         2,916         2,800           Total liabilities         2,916         2,800           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,558,118 outstanding, respectively         18         18         18           Additional paid-in capital         208,995         206,906	Intangible assets, net	16,030	15,985
Other long-term assets         955         967           Total assets         418,254         409,186           LABILITIES AND SHAREHOLDERS' EQUITY           Current liabilities           \$           Accounts payable         10,171         11,345           Accound liabilities         18,845         22,574           Income taxes payable         576         576           Current portion of uneamed service revenues         26,471         26,114           Customer deposits         2,368         2,998           Total current liabilities         35,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         78,910         81,542           State liabilities         78,910         81,542           Shareholders' equity:         20,916         2,916         2,916           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,551,622 and 16,551,652 and 16,	Service and sales demonstration inventory, net	34,849	33,709
Total assets         418,254 \$ 409,186           LIABILITIES AND SHAREHOLDERS' EQUITY           Current liabilities:           Accounts payable         10,171 \$ 11,345           Accrued liabilities         18,845 22,574           Income taxes payable         576 2-74           Current portion of unearned service revenues         26,471 26,114           Customer deposits         5,8431 36,3031           Total current liabilities         58,431 80,3031           Unearned service revenues - less current portion         16,676 15,025           Deferred income tax liability         887 686           Other long-term liabilities         78,910 81,542           Total liabilities         78,910 81,542           Shareholders' equity:         200,000         81,542           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18 18 18         18 20,995 206,996           Retained earnings         175,409 172,329         175,409 172,329         175,409 172,329           Acditional paid-in capital         6,000 175,400 175	Deferred income taxes, net	4,124	4,050
Total assets         418,254 \$ 409,166           LABILITIES AND SHAREHOLDERS' EQUITY           Current liabilities:           \$           Accounts payable         10,171 \$ 11,345           Accouged liabilities         18,845         22,574           Income taxes payable         576         576           Current portion of unearned service revenues         26,471         26,114           Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         31,542           Shareholders' equity:           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18         18         18         18         18         18         18         28         29         20         996         20	Other long-term assets	955	967
Current liabilities:   S   S   Current liabilities:   S   S   Current liabilities:   S   S   Current liabilities:   S   S   Current portion of unearmed service revenues   10,171   11,345   22,574   16,000   18,845   22,574   16,000   18,845   22,574   16,000   18,845   22,574   16,000   18,845   22,574   16,000   1		\$	
Current liabilities:   Accounts payable	Total assets	418,254\$	409,186
Accounts payable Accrued liabilities 10,171 \$ 11,345 Accrued liabilities 118,845 22,574 Income taxes payable 576 - Current portion of unearned service revenues 26,471 26,114 Customer deposits Total current liabilities 12,368 2,998 Total current liabilities 13,431 63,031 Unearned service revenues - less current portion 16,676 15,025 Deferred income tax liability 887 686 Other long-term liabilities 2,916 2,800 Total liabilities 3,916 2,916 2,800 Total liabilities 3,916 2,916 2,800 Accumon stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively 4,04ditional paid-in capital 4,04ditional paid-in capital 5,588,118 outstanding, respectively 6,588,118 outstanding, respectively 7,172,329 Accumulated other comprehensive loss 7,15,409 172,329 Accumulated other comprehensive loss 8,18,418,419,419,419,419,419,419,419,419,419,419	LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable       10,171 \$ 11,345         Accrued liabilities       18,845 22,574         Income taxes payable       576 -         Current portion of unearned service revenues       26,471 26,114         Customer deposits       2,368 2,998         Total current liabilities       58,431 63,031         Unearned service revenues - less current portion       16,676 15,025         Deferred income tax liability       887 686         Other long-term liabilities       2,916 2,800         Total liabilities       78,910 81,542         Shareholders' equity:	Current liabilities:		
Accrued liabilities         18,845         22,574           Income taxes payable         576         -           Current portion of unearned service revenues         26,471         26,114           Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         2         20,916         2,800           Total liabilities         78,910         81,542         81,542           Shareholders' equity:         2         20,916         2,800           Total liabilities         78,910         81,542         81,542           Shareholders' equity:         2         20,909         81,542           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329<		\$	
Income taxes payable	Accounts payable	10,171 \$	11,345
Current portion of unearned service revenues         26,471         26,114           Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         2         20,100         81,542           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	Accrued liabilities	18,845	22,574
Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         78,910         81,542           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and         18         18           16,588,118 outstanding, respectively         18         18         18           Additional paid-in capital         208,995         206,995         206,995           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	Income taxes payable	576	-
Customer deposits         2,368         2,998           Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         78,910         81,542           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and         18         18           16,588,118 outstanding, respectively         18         18         18           Additional paid-in capital         208,995         206,996         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	Current portion of unearned service revenues	26,471	26,114
Total current liabilities         58,431         63,031           Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and         18         18           16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	·	2,368	2,998
Unearned service revenues - less current portion         16,676         15,025           Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:           Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and         18         18           16,588,118 outstanding, respectively         18         18         18           Additional paid-in capital         208,995         206,996         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	·	58,431	63,031
Deferred income tax liability         887         686           Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644	Unearned service revenues - less current portion		15,025
Other long-term liabilities         2,916         2,800           Total liabilities         78,910         81,542           Shareholders' equity:         Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644		•	
Total liabilities         78,910         81,542           Shareholders' equity:         Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively         18         18           Additional paid-in capital         208,995         206,996           Retained earnings         175,409         172,329           Accumulated other comprehensive loss         (13,240)         (19,861)           Common stock in treasury, at cost - 1,489,476 shares         (31,838)         (31,838)           Total shareholders' equity         339,344         327,644		2,916	2,800
Shareholders' equity:  Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively  Additional paid-in capital  Retained earnings  Accumulated other comprehensive loss  Common stock in treasury, at cost - 1,489,476 shares  Total shareholders' equity  Shareholders' equity:  18,141,098 and 18,077,594 issued; 16,651,622 and 18  208,995  206,996  175,409  172,329  401,8240  (13,240)  (19,861)  339,344  327,644	· · · · · · · · · · · · · · · · · · ·	78.910	81.542
Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively       18       18         Additional paid-in capital       208,995       206,996         Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644	Ioda nasimos		<u> </u>
Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively       18       18         Additional paid-in capital       208,995       206,996         Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644			
Common stock - par value \$.001, 50,000,000 shares authorized; 18,141,098 and 18,077,594 issued; 16,651,622 and 16,588,118 outstanding, respectively       18       18         Additional paid-in capital       208,995       206,996         Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644	Shareholders' equity:		
16,588,118 outstanding, respectively       18       18         Additional paid-in capital       208,995       206,996         Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644	·		
Additional paid-in capital       208,995       206,996         Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644		18	18
Retained earnings       175,409       172,329         Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644			_
Accumulated other comprehensive loss       (13,240)       (19,861)         Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644	· · · ·		
Common stock in treasury, at cost - 1,489,476 shares       (31,838)       (31,838)         Total shareholders' equity       339,344       327,644         \$       400,000	·		
Total shareholders' equity 339,344 327,644	•		, ,
\$	•		
440.054.00.400	iotal sharehelders. Equity		021,077
Total liabilities and shareholders equity	Total liabilities and abarahaldara! aquity		409 186
	rotal napinties and shareholders equity	+10,20+ψ	700,100

## **FARO TECHNOLOGIES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

		Three Months Ended			
(in thousands)	March	31, 2016 March	n 28, 2015		
CASH FLOWS FROM:					
OPERATING ACTIVITIES:					
Net income	\$	3,080 \$	664		
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		3,086	2,493		
Compensation for stock options and restricted stock units		1,482	1,198		
Provision for bad debts		310	319		
Loss on disposal of assets		64	-		
Write-down of inventories		413	1,028		
Deferred income tax expense		165	2,272		
Income tax benefit from exercise of stock options		(65)	(292)		

Change in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable		11,109	18,405
Inventories		(1,585)	(14,221)
Prepaid expenses and other current assets		(717)	(1,562)
(Decrease) increase in:			
Accounts payable and accrued liabilities		(5,305)	(9,550)
Income taxes payable		641	263
Customer deposits		(635)	(457)
Unearned service revenues		1,077	211
Net cash provided by operating activities		13,120	771
INVESTING ACTIVITIES:			
Purchases of property and equipment		(2,057)	(2,436)
Payments for intangible assets		(322)	(133)
Purchase of business acquired		-	(12,011)
Net cash used in investing activities		(2,379)	(14,580)
FINANCING ACTIVITIES:			
Payments on capital leases		(2)	(2)
Income tax benefit from exercise of stock options		65	292
Proceeds from issuance of stock, net		452	2,019
•		515	2,309
Net cash provided by financing activities		313	2,309
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	s	1,666	(1,723)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,922	(13,223)
		,-	( -, -,
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		107,356	109,289
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	120,278\$	96,066
• • • • • • • • • • • • • • • • • • • •		-	

### FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended			
(in thousands)	March 31, 2016		March 28, 2015	
Net income	\$	3,080	\$	664
Currency translation adjustments, net of tax		6,621		(6,778)
Comprehensive income (loss)	\$	9,701	\$	(6,114)

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SOURCE FARO Technologies, Inc.

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