

April 25, 2014

FLIR Systems Announces First Quarter 2014 Financial Results

WILSONVILLE, OR -- (Marketwired) -- 04/25/14 -- **FLIR Systems, Inc.** (NASDAQ: FLIR) today announced financial results for the first quarter ended March 31, 2014. Revenue was \$351.5 million, up 1% compared to first quarter 2013 revenue of \$348.6 million. Operating income in the first quarter was \$42.5 million, compared to \$69.1 million in the first quarter of 2013, and was impacted by \$8.4 million in pretax charges related to previously-announced restructuring initiatives. First quarter 2014 net income was \$29.9 million, or \$0.21 per diluted share, compared with net income of \$51.6 million, or \$0.35 per diluted share in the first quarter a year ago. The net after tax impact of the restructuring charges in the first quarter was approximately \$6.4 million, or \$0.04 per diluted share. Cash provided by operations in the first quarter was \$59.8 million, a decrease of 3% compared to the first quarter of 2013.

Revenue from FLIR's Surveillance segment was \$117.2 million, a decrease of 1% from the first quarter results last year. The Instruments segment contributed \$84.1 million of revenue during the first quarter, up 7% from the prior year. The OEM & Emerging Markets segment had \$53.8 million of revenue, an increase of 7% over the prior year. Revenue from the Maritime segment was \$52.6 million, and was up 4% over the first quarter of 2013. FLIR's Security segment recorded revenue of \$29.3 million in the first quarter, down 1% from the prior year. The Detection segment contributed \$14.6 million of revenue, a decrease of 33% from the prior year.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$514 million as of March 31, 2014, an increase of \$24 million during the quarter.

"Our first quarter results were in-line with our expectations. Healthy growth in our commercial-oriented markets was offset by declines in government-funded sectors. We continued executing on our realignment plan, which we believe will be a valuable investment for our long-term performance," said Andy Teich, President and CEO of FLIR. "We expect continued improvement as we move throughout this year and are excited about our product pipeline that is enabled by our new Lepton core."

Revenue and Earnings Outlook for 2014

Based on financial results for the first three months of 2014 and the outlook for the remainder of the year, FLIR is reaffirming its outlook for revenue and earnings per share for the full year 2014. Management expects revenue for 2014 to be in the range of \$1.45 billion to \$1.55 billion and net earnings excluding restructuring charges associated with the business realignment to be in the range of \$1.40 to \$1.50 per diluted share.

Dividend Declaration

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.10 per share on FLIR common stock, payable June 6, 2014, to shareholders of record as of close of business on May 20, 2014.

Conference Call

FLIR has scheduled a conference call at 11:00 a.m. ET (8:00 a.m. PT) today to discuss its results for the quarter and the year. A simultaneous webcast of the conference call may be accessed online from a link in the Events & Presentations section of www.FLIR.com/investor. A replay will be available after 2:00 p.m. ET (11:00 a.m. PT) at this same Internet address. Summary first quarter and historical financial data can be accessed online from the Financial Info Database link at www.FLIR.com/investor.

About FLIR Systems

FLIR Systems, Inc. is a world leader in the design, manufacture, and marketing of sensor systems that enhance perception and awareness. FLIR's advanced systems and components are used for a wide variety of thermal imaging, situational awareness, and security applications, including airborne and ground-based surveillance, condition monitoring, navigation, recreation, research and development, manufacturing process control, search and rescue, drug interdiction, transportation safety, border and maritime patrol, environmental monitoring, and chemical, biological, radiological, nuclear, and explosives (CBRNE) threat detection. For more information, visit FLIR's web site at www.FLIR.com.

Forward-Looking Statements

The statements in this release by Andy Teich and the statements in the section captioned "Revenue and Earnings Outlook for 2014" above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations, estimates, and projections about FLIR's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or

forecasted in such forward-looking statements due to numerous factors, including the following: changes in demand for FLIR's products, product mix, the timing of customer orders and deliveries, the impact of competitive products and pricing, FLIR's continuing compliance with U.S. export control laws and regulations, the timely receipt of any required export licenses, constraints on supplies of critical components, excess or shortage of production capacity, the ability to manufacture and ship the products in the time period required, actual purchases under agreements, the continuing eligibility of FLIR to act as a federal contractor, the amount and availability of appropriated government procurement funds and other risks discussed from time to time in FLIR's Securities and Exchange Commission filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made and FLIR does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release, or for changes made to this document by wire services or internet service providers.

(Tables Below)

FLIR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Revenue	\$ 351,542	\$ 348,583
Cost of goods sold	183,010	164,596
Gross profit	168,532	183,987
Operating expenses:		
Research and development	36,326	36,684
Selling, general and administrative	81,942	78,173
Restructuring expenses	7,813	-
Total operating expenses	126,081	114,857
Earnings from operations	42,451	69,130
Interest expense	3,708	2,897
Interest income	(264)	(191)
Other income, net	(198)	(764)
Earnings from continuing operations before income taxes	39,205	67,188
Income tax provision	9,311	15,552
Net earnings	<u>\$ 29,894</u>	<u>\$ 51,636</u>
Earnings per share:		
Basic	<u>\$ 0.21</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.21</u>	<u>\$ 0.35</u>
Weighted average shares outstanding:		
Basic	140,932	144,629
Diluted	<u>143,828</u>	<u>146,291</u>

FLIR SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)(Unaudited)

	March 31, 2014	December 31, 2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 584,095	\$ 542,476
Accounts receivable, net	270,165	286,573
Inventories	338,894	344,719
Prepaid expenses and other current assets	98,386	97,574

Deferred income taxes, net	38,660	38,389
Total current assets	1,330,200	1,309,731
Property and equipment, net	232,904	234,041
Deferred income taxes, net	18,079	17,883
Goodwill	574,007	575,701
Intangible assets, net	159,602	154,195
Other assets	52,359	51,808
	<u>\$ 2,367,151</u>	<u>\$ 2,343,359</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 91,965	\$ 85,730
Deferred revenue	23,951	28,844
Accrued payroll and related liabilities	60,370	62,069
Accrued expenses	36,159	39,316
Accrued income taxes	138	663
Other current liabilities	43,578	44,893
Current portion long-term debt	15,000	15,000
Total current liabilities	271,161	276,515
Long-term debt	368,892	372,528
Deferred income taxes	12,339	12,255
Accrued income taxes	20,763	19,996
Other long-term liabilities	49,966	48,685
Commitments and contingencies		
Shareholders' equity	1,644,030	1,613,380
	<u>\$ 2,367,151</u>	<u>\$ 2,343,359</u>

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net earnings	\$ 29,894	\$ 51,636
Income items not affecting cash:		
Depreciation and amortization	16,470	14,871
Deferred income taxes	(235)	44
Stock-based compensation arrangements	8,756	5,696
Other non-cash items	(1,564)	2,374
Changes in operating assets and liabilities, net of acquisitions	6,504	(12,662)
Cash provided by operating activities	<u>59,825</u>	<u>61,959</u>
Cash flows from investing activities:		
Additions to property and equipment, net	(9,590)	(12,648)
Cash used by investing activities	<u>(9,590)</u>	<u>(12,648)</u>
Cash flows from financing activities:		
Repayments of long term debt	(3,750)	-
Repurchase of common stock	(1,766)	(108,361)
Dividends paid	(14,085)	(13,106)
Proceeds from shares issued pursuant to stock-based compensation plans	8,876	1,179
Excess tax benefit of stock options exercised	2,698	234
Other financing activities	252	(22)

Cash used by financing activities	(7,775)	(120,076)
Effect of exchange rate changes on cash	(841)	(4,967)
Net increase (decrease) in cash and cash equivalents	41,619	(75,732)
Cash and cash equivalents, beginning of period	542,476	321,739
Cash and cash equivalents, end of period	<u>\$ 584,095</u>	<u>\$ 246,007</u>

FLIR SYSTEMS, INC.

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
<u>REVENUE - EXTERNAL CUSTOMERS</u>		
Surveillance	\$ 117,201	\$ 117,987
Instruments	84,056	78,550
OEM and Emerging Markets	53,801	50,285
Maritime	52,575	50,462
Security	29,309	29,472
Detection	14,600	21,827
	<u>\$ 351,542</u>	<u>\$ 348,583</u>
<u>EARNINGS (LOSS) FROM OPERATIONS</u>		
Surveillance	\$ 20,361	\$ 33,726
Instruments	20,450	20,024
OEM and Emerging Markets	11,711	14,596
Maritime	8,830	8,107
Security	1,686	4,389
Detection	(1,800)	2,545
Other	(18,787)	(14,257)
	<u>\$ 42,451</u>	<u>\$ 69,130</u>

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