

October 25, 2012

## FLIR Systems Announces Third Quarter 2012 Financial Results

### Backlog Reaches Highest Level in Three Years; Announces Agreement to Acquire Lorex Technology

PORTLAND, OR -- (Marketwire) -- 10/25/12 -- *FLIR Systems, Inc.* (NASDAQ: FLIR) today announced financial results for the third quarter ended September 30, 2012. Revenue was \$332.2 million, down 11% compared to third quarter 2011 revenue of \$371.3 million. Operating income in the third quarter was \$74.2 million, compared to \$85.4 million in the third quarter of 2011. Third quarter 2012 net income was \$55.9 million, or \$0.37 per diluted share, compared with net income of \$64.7 million, or \$0.40 per diluted share in the third quarter a year ago. Cash provided by operations in the third quarter was \$46.4 million. During the quarter, the Company repurchased 1.9 million shares of its common stock at an average price of \$19.96 per share.

Revenue from the Company's Commercial Systems division decreased 8% from the third quarter of 2011, to \$181.2 million. Within the Commercial Systems division, revenue from the Thermal Vision and Measurement segment was \$149.5 million, a decrease of 7% from the third quarter results last year. The Raymarine segment contributed \$31.7 million of revenue during the third quarter, down 11% from the prior year.

Revenue from the Company's Government Systems division decreased 14% from the third quarter of 2011, to \$151.0 million. Within the Government Systems division, revenue from the Surveillance segment was \$115.9 million, a decrease of 17% from the third quarter of 2011. Revenue from the Detection segment was \$15.4 million, a decrease of 27% compared to the third quarter of 2011, and the Integrated Systems segment contributed \$19.7 million of revenue during the third quarter, an increase of 42% from the prior year.

The Company's backlog of firm orders for delivery within the next twelve months was approximately \$565 million as of September 30, 2012, an increase of \$67 million during the quarter. Backlog in the Government Systems division was \$392 million, increasing \$58 million during the quarter. Backlog in the Commercial Systems division was \$173 million, up \$9 million during the quarter.

#### *Acquisition of Lorex Technology*

FLIR today also announced that it has entered into an agreement pursuant to which it has agreed to acquire Lorex Technology Inc., a leading provider of consumer oriented and professional grade video surveillance systems, for CAD\$1.30 per share, or a total cash purchase price of CAD\$59 million. Lorex, based in Markham, Ontario, is a pioneer in home security video surveillance systems that can be installed by the user as well as a provider of video surveillance products to security system integrators. Lorex provides homes and businesses bundled video surveillance systems and equipment that includes connected visible light video cameras, illuminated infrared cameras, digital video recorders, video monitors, baby monitors, and wearable action sports cameras. The company sells its solutions through retailers such as Costco, BJ's Wholesale, Amazon.com, and [BestBuy.com](http://BestBuy.com), as well as through distributors of large-scale security solutions. The acquisition is expected to close by the end of 2012.

"Our third quarter results were as planned. In addition, we were encouraged by the order flow during the quarter and the corresponding increase in our ending backlog," noted Earl Lewis, President and CEO of FLIR. "We were pleased to see both divisions increase margins over last quarter despite headwinds in many of our markets. Additionally, the anticipated acquisition of Lorex is highly complementary to our long-term commercial strategy and is expected to be accretive to 2013 net earnings."

#### *Revenue and Earnings Outlook for 2012*

Based on financial results for the first nine months of 2012 and the outlook for the remainder of the year, FLIR has modified its outlook for revenue and earnings per share for the full year 2012. Management currently expects revenue for 2012 to be in the range of \$1.40 billion to \$1.45 billion and net earnings to be in the range of \$1.42 to \$1.47 per diluted share. This compares to the prior outlook of \$1.4 billion to \$1.5 billion in revenue and \$1.40 to \$1.50 in earnings per diluted share for the full year 2012.

#### *Dividend Declaration*

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.07 per share on FLIR common stock, payable December 7, 2012, to shareholders of record as of close of business on November 19, 2012.

#### *Conference Call*

FLIR has scheduled a conference call at 8:00 a.m. ET (5:00 a.m. PT) today to discuss its results for the quarter. A simultaneous webcast of the conference call may be accessed online from the Upcoming Events link at the Investor Relations page of [www.FLIR.com](http://www.FLIR.com). A replay will be available after 11:00 a.m. ET (8:00 a.m. PT) at this same Internet address. Summary

third quarter and historical financial data, including segment details, may be accessed online from the Summary Financial Data section of [www.FLIR.com/investor](http://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. The Company's advanced thermal imaging and threat detection systems are used for a wide variety of imaging, thermography, and security applications, including airborne and ground-based surveillance, condition monitoring, research and development, manufacturing process control, search and rescue, drug interdiction, navigation, transportation safety, border and maritime patrol, environmental monitoring, and chemical, biological, radiological, nuclear, and explosives (CBRNE) detection. Visit the Company's web site at [www.FLIR.com](http://www.FLIR.com).

*Forward-Looking Statements*

The statements in this release by Earl Lewis and the statements in the section captioned "Revenue and Earnings Outlook for 2012" 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 the Company'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 the Company's products, product mix, the timing of customer orders and deliveries, the impact of competitive products and pricing, the Company'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 the Company to act as a federal contractor, the amount and availability of appropriated government procurement funds and other risks discussed from time to time in the Company'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 the Company 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.

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenue	\$ 332,230	\$ 371,327	\$ 1,018,973	\$ 1,138,850
Cost of goods sold	158,877	169,430	492,865	535,030
Gross profit	173,353	201,897	526,108	603,820

Operating expenses:

Research and development	29,593	35,188	103,674	112,257
Selling, general and administrative	69,523	81,300	219,181	288,036
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Total operating expenses	99,116	116,488	322,855	400,293
Earnings from operations	74,237	85,409	203,253	203,527
Interest expense	3,096	1,526	8,930	2,311
Interest income	(268)	(155)	(1,073)	(505)
Other expense (income), net	2,175	66	1,190	(1,206)
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Earnings from continuing operations before income taxes	69,234	83,972	194,206	202,927
Income tax provision	13,285	19,582	47,027	57,109
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Earnings from continuing operations	55,949	64,390	147,179	145,818
(Loss) earnings from discontinued				

operations, net of tax	(44)	329	(2,042)	(475)
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Net earnings	\$ 55,905	\$ 64,719	\$ 145,137	\$ 145,343
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Basic earnings per

share:

Earnings from

continuing operations	\$ 0.37	\$ 0.41	\$ 0.96	\$ 0.92
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Discontinued

operations	(0.00)	0.00	(0.01)	(0.00)
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Basic earnings per

share	\$ 0.37	\$ 0.41	\$ 0.95	\$ 0.91
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Diluted earnings per

share:

Earnings from

continuing operations	\$ 0.37	\$ 0.40	\$ 0.95	\$ 0.90
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Discontinued

operations	(0.00)	0.00	(0.01)	(0.00)
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Diluted earnings per

share	\$ 0.37	\$ 0.40	\$ 0.94	\$ 0.90
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Weighted average shares

outstanding:

Basic	150,878	158,665	152,820	159,225
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Diluted	152,327	160,798	154,758	161,811
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FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

	September 30,	December 31,
	2012	2011
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 424,489	\$ 440,846
Accounts receivable, net	283,669	325,370
Inventories	360,767	336,051
Prepaid expenses and other current assets	130,244	104,285
Deferred income taxes, net	27,013	27,443
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Total current assets	1,226,182	1,233,995
Property and equipment, net	200,850	186,269
Deferred income taxes, net	31,832	31,644
Goodwill	502,401	498,343
Intangible assets, net	145,511	164,440
Other assets	39,238	32,338
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	\$ 2,146,014	\$ 2,147,029
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$	77,693	\$	84,190
Deferred revenue		19,741		24,046
Accrued payroll and related liabilities		39,717		49,475
Accrued product warranties		13,094		13,370
Advance payments from customers		13,681		13,219
Accrued expenses		33,249		41,183
Other current liabilities		4,162		3,886
Accrued income taxes		-		2,161
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Total current liabilities		201,337		231,530
Long-term debt		248,205		247,861
Deferred income taxes		17,358		17,237
Accrued income taxes		17,052		17,537
Pension and other long-term liabilities		59,639		53,835
Commitments and contingencies				
Shareholders' equity		1,602,423		1,579,029
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	\$	2,146,014	\$	2,147,029
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FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Cash flows from operating activities:				
Net earnings	\$ 55,905	\$ 64,719	\$ 145,137	\$ 145,343
Income items not affecting cash:				
Depreciation and amortization	14,843	17,577	44,859	61,208
Deferred income taxes	504	(580)	599	(1,904)
Stock-based compensation arrangements	6,598	5,437	19,997	19,313
Other non-cash items	(4,982)	3,373	(6,332)	3,007
Changes in operating assets and liabilities, net of acquisitions	(26,428)	(44,622)	(31,589)	(99,272)
Cash provided by operating activities	46,440	45,904	172,671	127,695
Cash flows from investing activities:				
Additions to property and equipment, net	(12,759)	(12,366)	(39,188)	(31,096)
Business acquisitions, net of				

cash acquired	-	(24,831)	-	(27,182)
Other investments	-	-	(3,000)	-
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Cash used by investing				
activities	(12,759)	(37,197)	(42,188)	(58,278)
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Cash flows from financing				
activities:				
Proceeds from long term debt,				
net	-	247,708	-	247,708
Repurchase of common stock	(38,809)	(100,583)	(129,010)	(124,384)
Dividends paid	(10,537)	(9,518)	(32,021)	(28,686)
Proceeds from shares issued				
pursuant to stock-based				
compensation plans	1,462	804	7,117	15,085
Excess tax benefit of stock				
options exercised	679	2,142	1,231	4,468
Other financing activities	2	(290)	(138)	(317)
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Cash (used) provided by				
financing activities	(47,203)	140,263	(152,821)	113,874
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Effect of exchange rate changes				
on cash	8,240	(10,093)	5,981	(1,929)
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Net (decrease) increase in cash				
and cash equivalents	(5,282)	138,877	(16,357)	181,362
Cash and cash equivalents,				



beginning of period	429,771	235,622	440,846	193,137
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Cash and cash equivalents, end of period	\$ 424,489	\$ 374,499	\$ 424,489	\$ 374,499
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[www.flir.com](http://www.flir.com)

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