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FLIR Systems Announces Record Third Quarter Financial Results; Increases Earnings Guidance for 2002; Company Authorized to Repurchase up to 1.5 Million Shares

Net Earnings Increase 73% on 36% Increase in Revenue; Cash From Operations Reaches \$23 Million

PORTLAND, Ore., Oct 17, 2002 (BUSINESS WIRE) -- FLIR Systems, Inc. (Nasdaq:FLIR) announced today that net earnings for the third quarter ended September 30, 2002 increased 73% to a third quarter record \$10.7 million, or \$0.60 per diluted share. This compares to net earnings for the third quarter of 2001 of \$6.2 million, or \$0.38 per diluted share. Revenue increased 36% to a third quarter record \$64.5 million from \$47.5 million for the same period last year.

For the nine months, 2002 net earnings increased 84% to \$28.9 million, or \$1.62 per diluted share, from \$15.7 million, or \$1.01 per diluted share, for the nine months of 2001. Revenue for the nine month period increased 25% to \$186.2 million from \$149.4 million for the same period last year.

The increase in revenue for the third quarter of 2002 reflected higher sales of FLIR's imaging products, particularly its airborne and ground-based imaging systems, which increased 48% over the same period last year, and an increase in sales of the Company's thermography products, which increased 19% over the same period last year. Gross margins were 53% compared to 55% for the same period last year. Earnings from operations increased 44% to \$12.8 million, or 20% of revenue, for the 2002 third quarter compared to \$8.9 million, or 19% of revenue, for the third quarter of 2001.

"In addition to excellent revenue and earnings growth from both our Imaging and Thermography Divisions for the third quarter, we also achieved a 20 percent operating margin and generated a record \$23 million in cash from operations, underscoring the strength of our balance sheet. This puts us in an excellent position as we enter the fourth quarter and 2003," said FLIR President and CEO Earl R. Lewis.

Announces Authorization to Repurchase Shares The Company also announced that the Board of Directors has approved the repurchase of up to 1.5 million shares of FLIR common stock from time to time in open market or private transactions at the sole discretion of management. "In the interests of building value for our shareholders, we believe that it makes sense for the Company to have the flexibility to repurchase shares whenever we see an opportunity to do so on favorable terms," Lewis said.

Increases Earnings Guidance for 2002 The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

Lewis concluded, "Based on FLIR's performance during the first nine months of the year and our strong backlog, we are increasing our earnings guidance for 2002 to approximately \$2.30 per diluted share. We expect revenue for the year to be approximately \$260 million." In its first quarter earnings press release dated April 24, 2002, the Company provided earnings guidance for 2002 in the range of \$2.20 to \$2.25 per diluted share and revenue guidance in the range of \$250 to \$260 million.

Forward-Looking Statements

The statements in this release by Earl R. Lewis are forward-looking statements that 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 applicable export regulations, the impact of competitive products and pricing, constraints on supplies of critical components, excess or shortage of production capacity, actual purchases under agreements, the availability and amount of government contracts and other risks discussed from time to time in the Company's Securities and Exchange Commission filings and reports, including the Company's Annual Report on Form 10-K for the year ended December 31, 2001. 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

Conference Call

FLIR has scheduled a conference call at 11:00 AM EDT (8:00 AM PDT) today. A simultaneous Web Cast of the conference call may be accessed online at <http://www.companyboardroom.com/company.asp?client=cb&ticker=flir> or from the Investor Relations page at <http://www.FLIR.com>. A replay will be available approximately one hour after the Web Cast at these same Internet addresses. For a telephone replay, dial 800/633-8284, reservation #20679609 beginning after 1:00 PM EDT (10:00 AM PDT).

About FLIR Systems

FLIR Systems, Inc. is a world leader in the design, manufacture and marketing of thermal imaging and stabilized camera systems for a wide variety of thermography and imaging applications including condition monitoring, research and development, manufacturing process control, airborne observation and broadcast, search and rescue, drug interdiction, surveillance and reconnaissance, navigation safety, border and maritime patrol, environmental monitoring and ground-based security. Visit the company's web site at www.FLIR.com.

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share amounts) (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--------------------------------------|--------------------|----------|-------------------|-----------|
| | September 30, | | June 30, | |
| | 2002 | 2001 | 2002 | 2001 |
| Revenue | \$64,455 | \$47,499 | \$186,147 | \$149,366 |
| Cost of goods sold | 30,632 | 21,537 | 88,208 | 67,418 |
| Gross profit | 33,823 | 25,962 | 97,939 | 81,948 |
| Operating expenses: | | | | |
| Research and development | 6,211 | 6,053 | 19,759 | 18,793 |
| Selling, general and administrative | 14,794 | 11,005 | 43,374 | 37,857 |
| Total operating expenses | 21,005 | 17,058 | 63,133 | 56,650 |
| Earnings from operations | 12,818 | 8,904 | 34,806 | 25,298 |
| Interest expense | 390 | 2,846 | 1,533 | 8,304 |
| Other income, net | (101) | (180) | (697) | (418) |
| Earnings before income taxes | 12,529 | 6,238 | 33,970 | 17,412 |
| Income tax provision | 1,879 | 65 | 5,096 | 1,741 |
| Net earnings | \$10,650 | \$ 6,173 | \$ 28,874 | \$ 15,671 |
| Net earnings per share: | | | | |
| Basic | \$ 0.63 | \$ 0.41 | \$ 1.72 | \$ 1.06 |
| Diluted | \$ 0.60 | \$ 0.38 | \$ 1.62 | \$ 1.01 |
| Weighted Average shares outstanding: | | | | |
| Basic | 16,875 | 15,130 | 16,774 | 14,802 |
| Diluted | 17,757 | 16,223 | 17,794 | 15,587 |

FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (In thousands, except par value)

September 30, December 31,

2002 2001

(Unaudited) ASSETS

Current assets:

Cash and cash equivalents \$ 27,720 \$ 15,514

Accounts receivable, net 52,613 57,965

Inventories 49,533 46,560

Prepaid expenses and other current assets 15,083 11,548

Deferred income taxes 8,834 8,834

Total current assets 153,783 140,421 Property and equipment, net 12,879 10,806 Deferred income taxes, net 15,087 15,087 Intangible assets, net 16,676 16,811 Other assets 2,962 1,913

\$ 201,387 \$ 185,038

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable \$ -- \$ 23,370

Accounts payable 18,929 18,428

Deferred revenue 5,314 5,314

Accrued payroll and other liabilities 27,091 22,538

Accrued income taxes 3,165 747

Current portion of capital lease obligations 3 584

Total current liabilities 54,502 70,981

Pension and other long-term liabilities 6,432 9,209

Commitments and contingencies

Shareholders' equity:

Preferred stock, \$0.01 par value, 10,000

shares authorized; no shares issued at

September 30, 2002, and December 31, 2001 -- --

Common stock, \$0.01 par value, 30,000

shares authorized, 16,887 and 16,555 shares

issued at September 30, 2002, and December

31, 2001, respectively 169 165

Additional paid-in capital 200,709 194,338

Accumulated deficit (55,990) (84,864)

Accumulated other comprehensive loss (4,435) (4,791)

Total shareholders' equity 140,453 104,848

\$ 201,387 \$ 185,038 *T

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