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FLIR Systems Announces Second Quarter 2007 Financial Results

Revenue Increases 33%; Operating Income Rises 42%; Increases 2007 Financial Outlook

PORTLAND, OR, Jul 25, 2007 (MARKET WIRE via COMTEX News Network) -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the quarter ended June 30, 2007. Revenue was \$184.3 million, up 33% compared to second quarter 2006 revenue of \$138.6 million. Operating income for the quarter was \$41.2 million, up 42% from \$29.0 million in the second quarter of 2006. Net income for the quarter was \$29.1 million, or \$0.38 per diluted share, compared with net income of \$21.4 million, or \$0.28 per diluted share, in the second quarter a year ago.

Revenue from the Company's Government Systems division increased 45% over the second quarter of 2006, to \$90.0 million, driven by strength across all served markets, including airborne, land, and maritime. Revenue from the Company's Commercial Vision Systems division increased 49% over the second quarter of last year, to \$36.9 million, reflecting growth across all major product lines. Revenue from the Company's Thermography division increased 11% over the second quarter of last year, to \$57.4 million, primarily due to strong demand in both the upper and lower ends of the market.

The backlog of firm orders for delivery within the next twelve months was approximately \$311 million at June 30, 2007, an increase of \$31 million from \$280 million at March 31, 2007. Backlog in the Government System's division was \$245 million, up \$29 million during the quarter, primarily due to orders for stabilized, multi-sensor systems for the U.S. military. Backlog in the Commercial Vision System's division was \$54 million, up \$2 million during the quarter. Backlog in the Thermography division was \$11 million, flat with the prior quarter. The Thermography division operates primarily on a book and ship basis, and thus carries minimal backlog relative to revenue.

Cash used in operations during the quarter was \$4 million, as net income for the quarter was offset by tax payments and increases in accounts receivable and inventory. At June 30, 2007, cash and cash equivalents were \$152 million, down \$1 million from \$153 million at March 31, 2007.

"Overall, the successful start to the year we experienced last quarter continued throughout the second quarter," noted Earl Lewis, President and CEO. "Demand was excellent, particularly in our Government Systems and Commercial Vision Systems divisions, as backlog at the end of the quarter again set a record at \$311 million. Based on the quarter's results, and the expectations for the remainder of the year, we are once again increasing our guidance for the year."

Updated Revenue and Earnings Outlook for 2007

Based on the financial results for the quarter, and the outlook for the remainder of the year, the Company is increasing its revenue and earnings guidance for 2007. The Company currently expects net revenue in fiscal 2007 to be in the range of \$730 million to \$750 million, and net earnings to be in the range of \$1.64 to \$1.70 per diluted share, which includes stock-based compensation expense of approximately \$15.2 million, or \$0.14 per diluted share. This guidance assumes a tax rate for the year of approximately 28%, and an average share count of approximately 80 million diluted shares.

Conference Call

FLIR has scheduled a conference call at 11:00 am EDT today. A simultaneous WebCast will be available from the Investor Relations link at www.FLIR.com. A replay will be available after 1:00 PM EDT at this same internet address. For a telephone replay, dial (800) 642-1687, reservation #4675050 after 2:00 PM EDT.

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.

Forward-Looking Statements

The statements in this release by Earl R. Lewis and the statements in the section captioned "Updated Revenue and Earnings Outlook for 2007" 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 ability to manufacture and deliver the products in the time period required, the impact of competitive products and pricing, the Company's continuing compliance with US export control laws and regulations, the timely receipt of export licenses for international shipments, constraints on supplies of critical components, excess or shortage of production capacity, 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.

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

| | Three Months Ended | | Six Months Ended | |
|--------------------------------------|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | \$ 184,296 | \$ 138,550 | \$ 345,659 | \$ 255,889 |
| Cost of goods sold | 85,150 | 64,639 | 156,691 | 121,130 |
| Gross profit | 99,146 | 73,911 | 188,968 | 134,759 |
| Operating expenses: | | | | |
| Research and development | 17,915 | 15,166 | 35,931 | 30,395 |
| Selling, general and administrative | 40,068 | 29,696 | 75,892 | 56,449 |
| Total operating expenses | 57,983 | 44,862 | 111,823 | 86,844 |
| Earnings from operations | 41,163 | 29,049 | 77,145 | 47,915 |
| Interest expense | 2,564 | 1,953 | 5,304 | 3,877 |
| Other income, net | (1,169) | (2,725) | (3,578) | (3,426) |
| Earnings before income taxes | 39,768 | 29,821 | 75,419 | 47,464 |
| Income tax provision | 10,683 | 8,410 | 20,070 | 13,394 |
| Net earnings | \$ 29,085 | \$ 21,411 | \$ 55,349 | \$ 34,070 |
| Net earnings per share: | | | | |
| Basic | \$ 0.44 | \$ 0.31 | \$ 0.83 | \$ 0.49 |
| Diluted | \$ 0.38 | \$ 0.28 | \$ 0.73 | \$ 0.45 |
| Weighted average shares outstanding: | | | | |
| Basic | 66,742 | 69,109 | 66,394 | 69,136 |
| Diluted | 78,913 | 80,801 | 78,402 | 81,001 |

FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

| | June 30, | December 31, |
|-----------------|----------|--------------|
| | 2007 | 2006 |
| ASSETS | | |
| Current assets: | | |

| | | | | |
|---|----|---------|----|---------|
| Cash and cash equivalents | \$ | 151,624 | \$ | 138,623 |
| Accounts receivable, net | | 173,556 | | 167,502 |
| Inventories, net | | 162,951 | | 135,928 |
| Prepaid expenses and other current assets | | 44,716 | | 29,155 |
| Deferred income taxes, net | | 15,578 | | 15,262 |
| | | ----- | | ----- |
| Total current assets | | 548,425 | | 486,470 |
| Property and equipment, net | | 104,148 | | 92,156 |
| Deferred income taxes, net | | 1,811 | | 3,687 |
| Income taxes receivable | | 1,988 | | -- |
| Goodwill | | 159,710 | | 159,802 |
| Intangible assets, net | | 40,375 | | 40,917 |
| Other assets | | 14,583 | | 15,116 |
| | | ----- | | ----- |
| | \$ | 871,040 | \$ | 798,148 |
| | | ===== | | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | | | |
|---|----|---------|----|---------|
| Notes payable | \$ | 22,000 | \$ | 45,500 |
| Accounts payable | | 47,100 | | 40,608 |
| Deferred revenue | | 17,446 | | 13,709 |
| Accrued payroll and related liabilities | | 28,340 | | 25,831 |
| Accrued product warranties | | 5,408 | | 5,174 |
| Advance payments from customers | | 8,312 | | 10,064 |
| Other current liabilities | | 12,026 | | 12,149 |
| Accrued income taxes | | 501 | | 17,331 |
| Current portion of long-term debt | | 7 | | 7 |
| | | ----- | | ----- |
| Total current liabilities | | 141,140 | | 170,373 |
| Long-term debt | | 207,458 | | 207,024 |
| Deferred tax liability, net | | 4,816 | | 2,392 |
| Accrued income taxes | | 5,778 | | -- |
| Pension and other long-term liabilities | | 20,271 | | 19,607 |
| Commitments and contingencies | | | | |
| Shareholders' equity | | 491,577 | | 398,752 |
| | | ----- | | ----- |
| | \$ | 871,040 | \$ | 798,148 |
| | | ===== | | ===== |

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SOURCE: FLIR Systems, Inc.

<http://www.flir.com>