

July 25, 2013

FLIR Systems Announces Second Quarter 2013 Financial Results

Second Quarter Revenue and EPS Increase 15% and 30%, Respectively; Record Quarterly Cash Flow From Operations

PORTLAND, OR -- (Marketwired) -- 07/25/13 -- **FLIR Systems, Inc.** (NASDAQ: FLIR) today announced financial results for the second quarter ended June 30, 2013. Revenue was \$389.3 million, up 15% compared to second quarter 2012 revenue of \$338.3 million. Operating income in the second quarter increased by 16% to \$70.3 million and net income increased 22% to \$50.2 million. Second quarter earnings per diluted share were \$0.35, an increase of 30% compared to the second quarter a year ago. Cash provided by operations in the second quarter was \$134.3 million and represented a quarterly record.

Revenue from the Company's Commercial Systems division increased 17% from the second quarter of 2012, to \$221.8 million. Within the Commercial Systems division, revenue from the Thermal Vision and Measurement segment was \$175 million, an increase of 23% from the second quarter results last year. The Raymarine segment contributed \$46.9 million of revenue during the second quarter, down 1% from the prior year.

Revenue from the Company's Government Systems division increased 13% from the second quarter of 2012, to \$167.5 million. Within the Government Systems division, revenue from the Surveillance segment was \$118.6 million, a decrease of 1% from the second quarter of 2012. Revenue from the Detection segment was \$14.4 million, a decrease of 9% compared to the second quarter of 2012. The Integrated Systems segment contributed \$34.5 million of revenue during the second quarter, an increase of 160% from the prior year as a result of deliveries under the MSC program to U.S. Customs and Border Protection.

The Company's backlog of firm orders for delivery within the next twelve months was approximately \$528 million as of June 30, 2013, an increase of \$23 million during the quarter and \$30 million from a year ago. Backlog in the Government Systems division was \$339 million, increasing \$5 million during the quarter and over the prior year. Backlog in the Commercial Systems division was \$190 million, an increase of \$18 million during the quarter and \$25 million over the prior year.

"We saw solid growth in revenue, operating income, cash flow, and earnings per share in the second quarter, and increased backlog in both divisions," noted Andy Teich, President and CEO of FLIR. "We introduced several new products during the quarter, with more on the horizon. I am very excited about our future given our market presence, product suite, and ability to execute for our customers and our shareholders."

Revenue and Earnings Outlook for 2013

Based on financial results for the first six months of 2013 and the outlook for the remainder of the year, FLIR is reaffirming its outlook for revenue and earnings per share for the full year 2013. Management expects revenue for 2013 to be in the range of \$1.5 billion to \$1.6 billion and net earnings to be in the range of \$1.56 to \$1.66 per diluted share.

Dividend Declaration

FLIR's Board of Directors has declared a quarterly cash dividend of \$0.09 per share on FLIR common stock, payable September 6, 2013, to shareholders of record as of close of business on August 19, 2013.

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. A replay will be available after 11:00 a.m. ET (8:00 a.m. PT) at this same Internet address. Summary second quarter and historical financial data, including segment details, may be accessed online from the *Summary Financial Data* section of 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.

Forward-Looking Statements

The statements in this release by Andy Teich and the statements in the section captioned "Revenue and Earnings Outlook for 2013" 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 ability to develop new products in an efficient and timely manner, 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.

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenue	\$ 389,329	\$ 338,291	\$ 737,912	\$ 686,743
Cost of goods sold	199,288	168,262	363,884	333,988
Gross profit	190,041	170,029	374,028	352,755
Operating expenses:				
Research and development	39,601	37,510	76,285	74,080
Selling, general and administrative	80,168	71,798	158,341	149,658
Total operating expenses	119,769	109,308	234,626	223,738
Earnings from operations	70,272	60,721	139,402	129,017
Interest expense	3,767	2,768	6,664	5,834
Interest income	(274)	(377)	(465)	(805)
Other expense (income), net	175	240	(589)	(984)
Earnings from continuing operations before income taxes	66,604	58,090	133,792	124,972
Income tax provision	16,446	15,685	31,998	33,742
Earnings from continuing operations	50,158	42,405	101,794	91,230
Loss from discontinued operations, net of tax	-	(1,312)	-	(1,998)
Net earnings	<u>\$ 50,158</u>	<u>\$ 41,093</u>	<u>\$ 101,794</u>	<u>\$ 89,232</u>
Basic earnings per share:				
Earnings from continuing operations	\$ 0.35	\$ 0.28	\$ 0.71	\$ 0.59
Discontinued operations	-	(0.01)	-	(0.01)
Basic earnings per share	<u>\$ 0.35</u>	<u>\$ 0.27</u>	<u>\$ 0.71</u>	<u>\$ 0.58</u>
Diluted earnings per share:				
Earnings from continuing operations	\$ 0.35	\$ 0.27	\$ 0.70	\$ 0.58
Discontinued operations	-	(0.01)	-	(0.01)
Diluted earnings per share	<u>\$ 0.35</u>	<u>\$ 0.27</u>	<u>\$ 0.70</u>	<u>\$ 0.57</u>
Weighted average shares outstanding:				
Basic	142,085	153,172	143,350	153,829
Diluted	143,774	155,033	144,981	155,983

FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands)(Unaudited)

	June 30, 2013	December 31, 2012	
<u>ASSETS</u>			As adjusted ⁽¹⁾
Current assets:			
Cash and cash equivalents	\$ 492,433	\$ 321,739	
Accounts receivable, net	278,265	335,163	
Inventories	364,671	381,378	
Prepaid expenses and other current assets	102,530	96,006	
Deferred income taxes, net	30,953	30,960	
Total current assets	1,268,852	1,165,246	
Property and equipment, net	216,855	211,615	
Deferred income taxes, net	31,826	32,223	
Goodwill	558,281	560,784	
Intangible assets, net	162,806	175,888	
Other assets	47,896	41,377	
	\$ 2,286,516	\$ 2,187,133	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 89,797	\$ 94,156	
Deferred revenue	26,715	29,465	
Accrued payroll and related liabilities	49,565	41,506	
Accrued product warranties	13,638	13,169	
Advance payments from customers	15,854	12,150	
Accrued expenses	43,971	32,772	
Other current liabilities	4,403	6,406	
Accrued income taxes	5,914	11,943	
Current portion long-term debt	15,000	-	
Total current liabilities	264,857	241,567	
Long-term debt	379,799	248,319	
Deferred income taxes	15,777	15,549	
Accrued income taxes	22,398	22,812	
Pension and other long-term liabilities	45,676	58,985	
Commitments and contingencies			
Shareholders' equity	1,558,009	1,599,901	
	\$ 2,286,516	\$ 2,187,133	

(1) Amounts have been adjusted for the reclassification of goodwill and intangible assets related to business acquisitions made in December 2012.

FLIR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cash flows from operating activities:				
Net earnings	\$ 50,158	\$ 41,093	\$ 101,794	\$ 89,232
Income items not affecting cash:				
Depreciation and amortization	15,231	14,809	30,102	30,016
Deferred income taxes	(18)	86	26	95

Stock-based compensation arrangements	7,630	7,865	13,327	13,400
Other non-cash items	(2,951)	4,056	(577)	(1,350)
Changes in operating assets and liabilities, net of acquisitions	<u>64,234</u>	<u>9,328</u>	<u>51,571</u>	<u>(5,162)</u>
Cash provided by operating activities	<u>134,284</u>	<u>77,237</u>	<u>196,243</u>	<u>126,231</u>
Cash flows from investing activities:				
Additions to property and equipment, net	(10,643)	(13,494)	(23,291)	(26,429)
Business acquisitions, net of cash acquired	(5,165)	-	(5,165)	-
Other investments	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Cash used by investing activities	<u>(15,808)</u>	<u>(16,494)</u>	<u>(28,456)</u>	<u>(29,429)</u>
Cash flows from financing activities:				
Proceeds from long term debt	150,000	-	150,000	-
Repayments of long term debt	(3,750)	-	(3,750)	-
Repurchase of common stock	(8,469)	(64,812)	(116,830)	(90,201)
Dividends paid	(12,802)	(10,700)	(25,909)	(21,485)
Proceeds from shares issued pursuant to stock-based compensation plans	2,706	4,780	3,885	5,656
Excess tax benefit of stock options exercised	236	214	469	552
Other financing activities	<u>74</u>	<u>(98)</u>	<u>54</u>	<u>(140)</u>
Cash provided (used) by financing activities	<u>127,995</u>	<u>(70,616)</u>	<u>7,919</u>	<u>(105,618)</u>
Effect of exchange rate changes on cash	<u>(45)</u>	<u>(8,522)</u>	<u>(5,012)</u>	<u>(2,259)</u>
Net increase (decrease) in cash and cash equivalents	246,426	(18,395)	170,694	(11,075)
Cash and cash equivalents, beginning of period	<u>246,007</u>	<u>448,166</u>	<u>321,739</u>	<u>440,846</u>
Cash and cash equivalents, end of period	<u>\$ 492,433</u>	<u>\$ 429,771</u>	<u>\$ 492,433</u>	<u>\$ 429,771</u>

Company Contact:

Shane Harrison
+1 503.498.3547
www.flir.com

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