

October 24, 2013

## FLIR Systems Announces Third Quarter 2013 Financial Results

### Revenue and EPS Consistent With Preliminary Results; Third Quarter Revenue Increases 8%

WILSONVILLE, OR -- (Marketwired) -- 10/24/13 -- **FLIR Systems, Inc.** (NASDAQ: FLIR) today announced financial results for the third quarter ended September 30, 2013. Revenue was \$358.1 million, up 8% compared to third quarter 2012 revenue of \$332.2 million. Operating income in the third quarter decreased by 14% to \$63.5 million and net income decreased 17% to \$46.5 million. Third quarter earnings per diluted share were \$0.32, compared to \$0.37 during the third quarter a year ago. Cash provided by operations in the third quarter was \$52.5 million, compared to \$46.4 million in the third quarter of 2012.

Revenue from FLIR's Commercial Systems division increased 17% from the third quarter of 2012, to \$212.9 million. Within the Commercial Systems division, revenue from the Thermal Vision and Measurement segment was \$177.1 million, an increase of 18% from the third quarter results last year, due to the addition of the Lorex and Traficon businesses. The Raymarine segment contributed \$35.8 million of revenue during the third quarter, up 13% from the prior year, driven by successful new product introductions.

Revenue from FLIR's Government Systems division decreased 4% from the third quarter of 2012, to \$145.2 million. Within the Government Systems division, revenue from the Surveillance segment was \$103 million, a decrease of 11% from the third quarter of 2012, impacted negatively by weak book-and-ship order flow from the U.S. Government. Revenue from the Detection segment was \$13.1 million, a decrease of 15% compared to the third quarter of 2012 as the business continues its strategy to reduce contract R&D activity. The Integrated Systems segment contributed \$29.2 million of revenue during the third quarter, an increase of 48% from the prior year, due to deliveries under the MSC contract during the third quarter of 2013.

The Company's backlog of firm orders for delivery within the next twelve months was approximately \$523 million as of September 30, 2013, a decrease of \$5 million during the quarter and \$42 million from a year ago. Backlog in the Government Systems division was \$334 million, decreasing \$5 million during the quarter and \$58 million from the prior year. Backlog in the Commercial Systems division was \$189 million, a decrease of \$1 million during the quarter but an increase of \$16 million over the prior year.

"Results for the third quarter were disappointing; however, with the exception of our OEM cores business, our Commercial Systems business grew mid-single digits with each of the major geographic regions showing growth for the first time in two years. We were also pleased with the performance of our recently acquired businesses, which delivered good growth and profitability for the quarter," noted Andy Teich, President and CEO of FLIR. "The weakness in order flow from U.S. Government-funded customers affected our book-and-ship business in the third quarter and, more importantly, the outlook for the fourth quarter. In addition to our strategic realignment plan, we have initiated changes to our cost structure to better operate under the assumption of a challenging domestic government procurement environment. We expect to see significant productivity and profitability gains from these actions in 2014 and beyond."

#### **Revenue and Earnings Outlook for 2013**

Based on financial results for the first nine months of 2013 and the outlook for the remainder of the year, FLIR now expects 2013 revenue to be in the range of \$1.45 billion to \$1.5 billion and net income, excluding restructuring charges associated with business realignment and cost reduction initiatives as well as executive retirement charges, to be in the range of \$1.38 to \$1.43 per diluted share. These estimates compare with management's prior outlook of revenue of \$1.5 billion to \$1.6 billion and net income 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 December 6, 2013, to shareholders of record as of close of business on November 18, 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 *Events & Presentations* section at [www.FLIR.com/investor](http://www.FLIR.com/investor). 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 can be accessed online soon after the release of the third quarter results from the *Financial Info Database* link at [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. FLIR'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 FLIR's web site at [www.FLIR.com](http://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		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue	\$ 358,141	\$ 332,230	\$ 1,096,053	\$ 1,018,973
Cost of goods sold	185,251	158,877	549,134	492,865
Gross profit	172,890	173,353	546,919	526,108
Operating expenses:				
Research and development	32,986	29,593	109,271	103,674
Selling, general and administrative	76,365	69,523	234,706	219,181
Total operating expenses	109,351	99,116	343,977	322,855
Earnings from operations	63,539	74,237	202,942	203,253
Interest expense	3,696	3,096	10,361	8,930
Interest income	(256)	(268)	(721)	(1,073)
Other expense (income), net	53	2,175	(536)	1,190
Earnings from continuing operations before income taxes	60,046	69,234	193,838	194,206
Income tax provision	13,560	13,285	45,558	47,027
Earnings from continuing operations	46,486	55,949	148,280	147,179
Loss from discontinued operations, net of tax	-	(44)	-	(2,042)
Net earnings	\$ 46,486	\$ 55,905	\$ 148,280	\$ 145,137
Basic earnings per share:				
Earnings from continuing operations	\$ 0.33	\$ 0.37	\$ 1.04	\$ 0.96
Discontinued operations	-	(0.00)	-	(0.01)
Basic earnings per share	\$ 0.33	\$ 0.37	\$ 1.04	\$ 0.95
Diluted earnings per share:				

Earnings from continuing operations	\$	0.32	\$	0.37	\$	1.02	\$	0.95
Discontinued operations		-		(0.00)		-		(0.01)
Diluted earnings per share	\$	<u>0.32</u>	\$	<u>0.37</u>	\$	<u>1.02</u>	\$	<u>0.94</u>
Weighted average shares outstanding:								
Basic		<u>141,863</u>		<u>150,878</u>		<u>142,849</u>		<u>152,820</u>
Diluted		<u>144,231</u>		<u>152,327</u>		<u>144,831</u>		<u>154,758</u>

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

	September 30, 2013	December 31, 2012
<u>ASSETS</u>		As Adjusted <sup>(1)</sup>
Current assets:		
Cash and cash equivalents	\$ 492,199	\$ 321,739
Accounts receivable, net	281,611	335,163
Inventories	376,033	381,378
Prepaid expenses and other current assets	98,001	96,006
Deferred income taxes, net	31,659	30,960
Total current assets	<u>1,279,503</u>	<u>1,165,246</u>
Property and equipment, net	229,844	211,615
Deferred income taxes, net	32,235	32,223
Goodwill	567,611	562,586
Intangible assets, net	157,489	175,823
Other assets	59,194	41,442
	<u>\$ 2,325,876</u>	<u>\$ 2,188,935</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 93,861	\$ 94,156
Deferred revenue	30,308	29,465
Accrued payroll and related liabilities	39,139	41,506
Accrued expenses	41,977	32,772
Other current liabilities	31,528	31,725
Accrued income taxes	-	11,943
Current portion long-term debt	15,000	-
Total current liabilities	<u>251,813</u>	<u>241,567</u>
Long-term debt	376,163	248,319
Deferred income taxes	18,828	17,351
Accrued income taxes	22,410	22,812
Pension and other long-term liabilities	50,151	58,985
Commitments and contingencies		
Shareholders' equity	<u>1,606,511</u>	<u>1,599,901</u>
	<u>\$ 2,325,876</u>	<u>\$ 2,188,935</u>

(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 September 30,	Nine Months Ended September 30,
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	<u>2013</u>	<u>2012</u> As Adjusted <sup>(1)</sup>	<u>2013</u>	<u>2012</u> As Adjusted <sup>(1)</sup>
<b>Cash flows from operating activities:</b>				
Net earnings	\$ 46,486	\$ 55,905	\$ 148,280	\$ 145,137
Income items not affecting cash:				
Depreciation and amortization	14,876	14,843	44,978	44,859
Deferred income taxes	(64)	504	(38)	599
Stock-based compensation arrangements	7,347	6,598	20,673	19,997
Other non-cash items	2,061	507	1,485	(1,864)
Changes in operating assets and liabilities, net of acquisitions	(18,178)	(31,917)	34,413	(36,057)
Cash provided by operating activities	<u>52,528</u>	<u>46,440</u>	<u>249,791</u>	<u>172,671</u>
<b>Cash flows from investing activities:</b>				
Additions to property and equipment, net	(13,706)	(12,759)	(36,997)	(39,188)
Business acquisitions, net of cash acquired	(14,908)	-	(20,073)	-
Other investments	-	-	-	(3,000)
Cash used by investing activities	<u>(28,614)</u>	<u>(12,759)</u>	<u>(57,070)</u>	<u>(42,188)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from long term debt	-	-	150,000	-
Repayments of long term debt	(3,750)	-	(7,500)	-
Repurchase of common stock	(16,219)	(38,809)	(133,049)	(129,010)
Dividends paid	(12,786)	(10,537)	(38,695)	(32,020)
Proceeds from shares issued pursuant to stock- based compensation plans	2,067	1,462	5,953	7,117
Excess tax benefit of stock options exercised	459	679	928	1,231
Other financing activities	(306)	2	(1,273)	(139)
Cash provided (used) by financing activities	<u>(30,535)</u>	<u>(47,203)</u>	<u>(23,636)</u>	<u>(152,821)</u>
Effect of exchange rate changes on cash	<u>6,387</u>	<u>8,240</u>	<u>1,375</u>	<u>5,981</u>
Net increase (decrease) in cash and cash equivalents	(234)	(5,282)	170,460	(16,357)
Cash and cash equivalents, beginning of period	492,433	429,771	321,739	440,846
Cash and cash equivalents, end of period	<u>\$ 492,199</u>	<u>\$ 424,489</u>	<u>\$ 492,199</u>	<u>\$ 424,489</u>

(1) Amounts have been adjusted to conform to the presentation as of September 30, 2013.

**FLIR SYSTEMS, INC.**

**REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT**

(In thousands)(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>REVENUE - EXTERNAL CUSTOMERS</u></b>				
Thermal Vision and Measurement	\$ 177,101	\$ 149,540	\$ 519,452	\$ 447,922
Raymarine	35,800	31,659	127,087	125,443
Surveillance	102,966	115,915	331,824	350,005
Detection	13,103	15,401	40,016	50,467
Integrated Systems	29,171	19,715	77,674	45,136
	<u>\$ 358,141</u>	<u>\$ 332,230</u>	<u>\$ 1,096,053</u>	<u>\$ 1,018,973</u>

EARNINGS (LOSS) FROM OPERATIONS

Thermal Vision and Measurement	\$ 43,744	\$ 42,916	\$ 125,509	\$ 109,651
Raymarine	2,050	374	14,345	9,944
Surveillance	30,535	39,243	100,835	114,965
Detection	1,354	1,131	3,265	801
Integrated Systems	(97)	1,333	112	1,267
Other	(14,047)	(10,760)	(41,124)	(33,375)
	<u>\$ 63,539</u>	<u>\$ 74,237</u>	<u>\$ 202,942</u>	<u>\$ 203,253</u>

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