

February 7, 2014

FLIR Systems Announces Fourth Quarter and Full Year 2013 Financial Results

Record Annual Cash Flow From Operations; Announces 11% Increase in Dividend

WILSONVILLE, OR -- (Marketwired) -- 02/07/14 -- FLIR Systems, Inc. (NASDAQ: FLIR) today announced financial results for the fourth quarter ended December 31, 2013. Revenue was \$400.3 million, up 4% compared to fourth quarter 2012 revenue of \$386.4 million. Operating income in the fourth quarter was \$37.8 million, compared to \$100.1 million in the fourth quarter of 2012, and was impacted by \$31 million in pretax charges related to previously announced restructuring initiatives and the settlement of executive retirement benefits. Fourth quarter 2013 net income was \$28.7 million, or \$0.20 per diluted share, compared with net income of \$77.3 million, or \$0.52 per diluted share in the fourth quarter a year ago. The net after tax impact of the restructuring and retirement benefits charges in the fourth quarter was approximately \$21 million, or \$0.15 per diluted share.

Cash provided by operations in the fourth quarter was \$105.2 million, a decrease of 7% compared to the fourth quarter of 2012. During the quarter, FLIR repurchased one million shares of its common stock at an average price of \$28.95 per share.

Revenue from FLIR's Commercial Systems division increased 15% from the fourth quarter of 2012, to \$244.6 million. Within the Commercial Systems division, revenue from the Thermal Vision and Measurement segment was \$208.5 million, an increase of 16% from the fourth quarter results last year. The Raymarine segment contributed \$36.1 million of revenue during the fourth quarter, up 10% from the prior year.

Revenue from FLIR's Government Systems division decreased 10% from the fourth quarter of 2012, to \$155.7 million. Within the Government Systems division, revenue from the Surveillance segment was \$124.7 million, a decrease of 9% from the fourth quarter of 2012. Revenue from the Detection segment was \$13.2 million, an increase of 3% compared to the fourth quarter of 2012, and the Integrated Systems segment contributed \$17.9 million of revenue during the fourth quarter, compared with revenue of \$24.4 million in the prior year.

For the full year, revenue was \$1,496.4 million, up 6% compared to \$1,405.4 million for the year ended December 31, 2012. Operating income for 2013 was \$240.7 million compared to \$303.3 million in 2012. Net income for 2013 was \$177 million, or \$1.22 per diluted share, compared with 2012 net income of \$222.4 million, or \$1.45 per diluted share. Cash provided by operations reached a record high \$355 million during the year, growing 24% over 2012.

FLIR's backlog of firm orders for delivery within the next twelve months was approximately \$490 million as of December 31, 2013, a decrease of \$33 million during the quarter. Backlog in the Government Systems division was \$294 million, decreasing \$41 million during the quarter. Backlog in the Commercial Systems division was \$196 million, up \$8 million during the quarter.

"The new products and core technologies we've recently introduced coupled with the organizational changes we launched in the fourth quarter of 2013 paves the way for FLIR's entrance into several new high volume markets," said Andy Teich, President and CEO of FLIR. "Our financial results were impacted by slowed activity from domestic defense customers and our planned spending and restructuring charges; however, we recorded a record level of cash flow in 2013. Our recent realigning of our operations will create a streamlined organizational structure that focuses on our customers, leverages our vertical integration, employs our CDMQ model for government markets, and furthers our ability to deliver on our goal of 'infrared everywhere.'"

Revenue and Earnings Outlook for 2014

FLIR also announced today that it currently expects revenue in 2014 to be in the range of \$1.45 billion to \$1.55 billion and net earnings excluding restructuring charges associated with the business realignment to be in the range of \$1.40 to \$1.50 per diluted share.

Dividend Increase and Declaration

FLIR's Board of Directors has approved a quarterly cash dividend of \$0.10 per share on FLIR common stock, an increase of 11% over the previous paid quarterly dividend of \$0.09 per share. The Board of Directors has declared the dividend payable March 7, 2014, to shareholders of record as of close of business on February 19, 2014.

Conference Call

FLIR has scheduled a conference call at 11:00 a.m. ET (8:00 a.m. PT) today to discuss its results for the quarter and the year. A simultaneous webcast of the conference call may be accessed online from a link in the Events & Presentations section of

www.FLIR.com/investor. A replay will be available after 2:00 p.m. ET (11:00 a.m. PT) at this same Internet address. Summary fourth quarter and historical financial data can be accessed online soon after the release of the fourth quarter results from the Financial Info Database link at 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 systems and components are used for a wide variety of thermal imaging, situational awareness, and security applications, including airborne and ground-based surveillance, condition monitoring, navigation, recreation, research and development, manufacturing process control, search and rescue, drug interdiction, transportation safety, border and maritime patrol, environmental monitoring, and chemical, biological, radiological, nuclear, and explosives (CBRNE) threat detection. For more information, visit FLIR'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 2014" 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 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.

(Tables Below)

FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Revenue	\$ 400,319	\$ 386,385	\$ 1,496,372	\$ 1,405,358
Cost of goods sold	210,228	181,010	759,362	670,174
Gross profit	190,091	205,375	737,010	735,184
Operating expenses:				
Research and development	38,425	33,704	147,696	137,354
Selling, general and administrative	88,033	70,482	322,739	292,500
Restructuring expenses	25,832	1,113	25,832	2,000
Total operating expenses	152,290	105,299	496,267	431,854
Earnings from operations	37,801	100,076	240,743	303,330
Interest expense	3,731	2,729	14,091	11,659
Interest income	(337)	(509)	(1,058)	(1,582)
Other (income) expense, net	(741)	151	(1,276)	1,341
Earnings from continuing operations before income taxes	35,148	97,705	228,986	291,912
Income tax provision	6,413	19,528	51,971	66,556
Earnings from continuing operations	28,735	78,177	177,015	225,356
Loss from discontinued operations, net of tax	-	(916)	-	(2,958)
Net earnings	\$ 28,735	\$ 77,261	\$ 177,015	\$ 222,398

Basic earnings per share:				
Earnings from continuing operations	\$ 0.20	\$ 0.53	\$ 1.24	\$ 1.49
Discontinued operations	-	(0.01)	-	(0.02)
Basic earnings per share	<u>\$ 0.20</u>	<u>\$ 0.52</u>	<u>\$ 1.24</u>	<u>\$ 1.47</u>
Diluted earnings per share:				
Earnings from continuing operations	\$ 0.20	\$ 0.52	\$ 1.22	\$ 1.47
Discontinued operations	-	(0.01)	-	(0.02)
Diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 0.52</u>	<u>\$ 1.22</u>	<u>\$ 1.45</u>
Weighted average shares outstanding:				
Basic	<u>141,250</u>	<u>148,103</u>	<u>142,446</u>	<u>151,634</u>
Diluted	<u>143,441</u>	<u>149,419</u>	<u>144,595</u>	<u>153,595</u>

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

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 542,476	\$ 321,739
Accounts receivable, net	286,573	335,163
Inventories	344,719	379,080
Prepaid expenses and other current assets	97,574	98,304
Deferred income taxes, net	35,456	30,960
Total current assets	<u>1,306,798</u>	<u>1,165,246</u>
Property and equipment, net	234,041	211,615
Deferred income taxes, net	20,663	32,223
Goodwill	575,701	564,306
Intangible assets, net	154,195	175,823
Other assets	51,808	41,442
	<u>\$ 2,343,206</u>	<u>\$ 2,190,655</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 85,730	\$ 94,156
Deferred revenue	28,844	29,465
Accrued payroll and related liabilities	62,069	41,506
Accrued expenses	39,316	32,772
Other current liabilities	44,893	31,725
Accrued income taxes	663	11,943
Current portion long-term debt	15,000	-
Total current liabilities	<u>276,515</u>	<u>241,567</u>
Long-term debt	372,528	248,319
Deferred income taxes	12,101	19,071
Accrued income taxes	19,996	22,812
Pension and other long-term liabilities	48,686	58,985
Commitments and contingencies		
Shareholders' equity	<u>1,613,380</u>	<u>1,599,901</u>
	<u>\$ 2,343,206</u>	<u>\$ 2,190,655</u>

FLIR SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Cash flows from operating activities:				
Net earnings	\$ 28,735	\$ 77,261	\$ 177,015	\$ 222,398
Income items not affecting cash:				
Depreciation and amortization	17,818	14,857	62,796	59,715
Deferred income taxes	(950)	(9,819)	(988)	(9,220)
Stock-based compensation arrangements	7,150	6,252	27,823	26,250
Other non-cash items	3,080	3,953	4,564	2,088
Changes in operating assets and liabilities, net of acquisitions	49,341	20,370	83,755	(15,686)
Cash provided by operating activities	105,174	112,874	354,965	285,545
Cash flows from investing activities:				
Additions to property and equipment, net	(15,065)	(18,901)	(52,061)	(58,089)
Business acquisitions, net of cash acquired	-	(105,909)	(20,073)	(105,909)
Other investments	-	(2)	-	(3,002)
Cash used by investing activities	(15,065)	(124,812)	(72,134)	(167,000)
Cash flows from financing activities:				
Proceeds from long term debt	-	-	150,000	-
Repayments of long term debt	(3,750)	-	(11,250)	-
Repurchase of common stock	(29,028)	(85,185)	(162,078)	(214,195)
Dividends paid	(12,709)	(10,428)	(51,404)	(42,450)
Proceeds from shares issued pursuant to stock-based compensation plans	2,698	4,080	8,650	11,198
Excess tax benefit of stock options exercised	141	53	1,069	1,284
Other financing activities	172	(28)	(1,100)	(166)
Cash provided (used) by financing activities	(42,476)	(91,508)	(66,113)	(244,329)
Effect of exchange rate changes on cash	2,644	696	4,019	6,677
Net increase (decrease) in cash and cash equivalents	50,277	(102,750)	220,737	(119,107)
Cash and cash equivalents, beginning of period	492,199	424,489	321,739	440,846
Cash and cash equivalents, end of period	\$ 542,476	\$ 321,739	\$ 542,476	\$ 321,739

FLIR SYSTEMS, INC.

REVENUE AND EARNINGS FROM OPERATIONS BY SEGMENT

(In thousands)(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
REVENUE - EXTERNAL CUSTOMERS				
Thermal Vision and Measurement	\$ 208,486	\$ 180,097	\$ 727,938	\$ 628,019
Raymarine	36,113	32,740	163,200	158,183
Surveillance	124,665	136,351	456,490	486,355
Detection	13,175	12,844	53,191	63,312
Integrated Systems	17,880	24,353	95,553	69,489
	\$ 400,319	\$ 386,385	\$ 1,496,372	\$ 1,405,358
EARNINGS (LOSS) FROM OPERATIONS				
Thermal Vision and Measurement	\$ 35,797	\$ 61,629	\$ 161,307	\$ 171,280
Raymarine	(160)	1,230	14,184	11,173

Surveillance	25,199	45,253	126,034	160,219
Detection	(3,449)	289	(184)	1,089
Integrated Systems	(2,019)	3,901	(1,907)	5,168
Other	(17,567)	(12,226)	(58,691)	(45,599)
	<u>\$ 37,801</u>	<u>\$ 100,076</u>	<u>\$ 240,743</u>	<u>303,330</u>

Company Contact:

Shane Harrison
+1 503.498.3547
www.flir.com

Source: FLIR Systems, Inc.

News Provided by Acquire Media