July 26, 2012

FLIR Systems Announces Second Quarter 2012 Financial Results

PORTLAND, OR -- (Marketwire) -- 07/26/12 -- *FLIR Systems, Inc.* (NASDAQ: FLIR) today announced financial results for the second quarter ended June 30, 2012. Revenue was $338.3 million, down 14% compared to second quarter 2011 revenue of $391.6 million. Operating income in the second quarter was $60.7 million, compared to $41.8 million in the second quarter of 2011, and was negatively impacted by restructuring costs of approximately $6.8 million before tax. Second quarter 2012 net income was $41.1 million, or $0.27 per diluted share, compared with net income of $29.3 million, or $0.18 per diluted share in the second quarter a year ago. Excluding the net after tax impact of the restructuring costs referred to above, second quarter 2012 net income was $46.1 million, or $0.30 per diluted share. Cash provided by operations in the second quarter was $77.2 million. During the quarter, the Company repurchased 3 million shares of its common stock at an average price of $21.60 per share.

Revenue from the Company's Commercial Systems division decreased 12% from the second quarter of 2011, to $189.8 million. Within the Commercial Systems division, revenue from the Thermal Vision and Measurement segment was $142.6 million, a decrease of 13% from the second quarter results last year. The Raymarine segment contributed $47.2 million of revenue during the second quarter, down 6% from the prior year.

Revenue from the Company's Government Systems division decreased 16% from the second quarter of 2011, to $148.5 million. Within the Government Systems division, revenue from the Surveillance segment was $119.5 million, a decrease of 16% from the second quarter of 2011. Revenue from the Detection segment was $15.7 million, a decrease of 9% compared to the second quarter of 2011, and the Integrated Systems segment contributed $13.3 million of revenue during the second quarter, a decrease of 26% from the prior year.

The Company's backlog of firm orders for delivery within the next twelve months was approximately $498 million as of June 30, 2012, an increase of $41 million during the quarter. Backlog in the Government Systems division was $334 million, increasing $22 million during the quarter. Backlog in the Commercial Systems division was $164 million, up $19 million during the quarter.

"This second quarter proved difficult for our company," noted Earl Lewis, President and CEO of FLIR. "Macroeconomic conditions impacted many of our largest markets, but we continued to manage our business in response to these challenges. Both divisions had meaningful increases in backlog during the quarter, and we further streamlined our operations. While the first half of 2012 underperformed our expectations, we anticipate an improved second half and a return to earnings growth in the fourth quarter."

Revenue and Earnings Outlook for 2012
As announced previously, based on financial results for the first half of 2012 and the outlook for the remainder of the year, FLIR has modified its outlook for revenue and earnings per share for the full year 2012. Management currently expects revenue for 2012 to be in the range of $1.4 billion to $1.5 billion and net earnings to be in the range of $1.40 to $1.50 per diluted share. This compares to the prior outlook of $1.55 billion to $1.65 billion in revenue and $1.60 to $1.70 in earnings per diluted share for the full year 2012.

Dividend Declaration
FLIR's Board of Directors has declared a quarterly cash dividend of $0.07 per share on FLIR common stock, payable September 7, 2012, to shareholders of record as of close of business on August 20, 2012.

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. For a telephone replay, dial (877) 660-6853 after 11:00 a.m. ET and reference Account #407 and Conference ID #397563. 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 Earl Lewis and the statements in the section captioned "Revenue and Earnings Outlook for 2012" 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 impact of competitive products and pricing, the Company'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 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, 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 June 30,		Six Months Ended June 30,	
	2012	2011(1)	2012	2011(1)
Revenue	$ 338,291	$ 391,555	$ 686,743	$ 767,524
Cost of goods sold	168,262	186,144	333,988	365,601
Gross profit	170,029	205,411	352,755	401,923
Operating expenses:				
Research and				

development	37,510	39,481	74,080	77,070
Selling, general and administrative	71,798	124,127	149,658	206,735
Total operating expenses	109,308	163,608	223,738	283,805
Earnings from operations	60,721	41,803	129,017	118,118
Interest expense	2,768	435	5,834	786
Interest income	(377)	(86)	(805)	(350)
Other expense (income), net	240	(2,124)	(984)	(1,272)
Earnings from continuing operations before income taxes	58,090	43,578	124,972	118,954
Income tax provision	15,685	13,755	33,742	37,528
Earnings from continuing operations	42,405	29,823	91,230	81,426
Loss from discontinued operations, net of tax	(1,312)	(514)	(1,998)	(802)

Net earnings	$ 41,093	$ 29,309	$ 89,232	$ 80,624
Basic earnings per share:				
Earnings from continuing operations	$ 0.28	$ 0.19	$ 0.59	$ 0.51
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.01)
Basic earnings per share	$ 0.27	$ 0.18	$ 0.58	$ 0.51
Diluted earnings per share:				
Earnings from continuing operations	$ 0.27	$ 0.18	$ 0.58	$ 0.50
Discontinued operations	(0.01)	(0.00)	(0.01)	(0.00)
Diluted earnings per share	$ 0.27	$ 0.18	$ 0.57	$ 0.50
Weighted average shares outstanding:				
Basic	153,172	159,796	153,829	159,599
Diluted	155,033	162,550	155,983	162,427

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(1) Amounts have been adjusted for the reclassification of certain discontinued operations to continued operations.

FLIR SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 429,771	$ 440,846
Accounts receivable, net	268,550	325,370
Inventories	350,791	336,051
Prepaid expenses and other current assets	124,794	104,285
Deferred income taxes, net	27,023	27,443
Total current assets	1,200,929	1,233,995
Property and equipment, net	193,594	186,269
Deferred income taxes, net	31,857	31,644
Goodwill	497,728	498,343
Intangible assets, net	152,274	164,440
Other assets	38,424	32,338

	$ 2,114,806	$ 2,147,029
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 79,611	$ 84,190
Deferred revenue	23,446	24,046
Accrued payroll and related liabilities	44,794	49,475
Accrued product warranties	13,232	13,370
Advance payments from customers	10,425	13,219
Accrued expenses	32,862	41,183
Other current liabilities	4,057	3,886
Accrued income taxes	-	2,161
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Total current liabilities	208,427	231,530
Long-term debt	248,090	247,861
Deferred income taxes	17,294	17,237
Accrued income taxes	18,138	17,537
Pension and other long-term liabilities	58,082	53,835
Commitments and contingencies		
Shareholders' equity	1,564,775	1,579,029
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	$ 2,114,806	$ 2,147,029
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FLIR SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cash flows from operating activities:				
Net earnings	$ 41,093	$ 29,309	$ 89,232	$ 80,624
Income items not affecting cash:				
Depreciation and amortization	14,809	23,738	30,016	43,631
Deferred income taxes	86	(1,259)	95	(1,324)
Stock-based compensation arrangements	7,865	7,588	13,400	13,876
Other non-cash items	4,056	(3,793)	(1,350)	(629)
Changes in operating assets and liabilities, net of acquisitions	9,328	(36,178)	(5,162)	(54,387)
Cash provided by operating activities	77,237	19,405	126,231	81,791

Cash flows from investing activities:				
Additions to property and equipment, net	(13,494)	(14,464)	(26,429)	(18,730)
Business acquisitions, net of cash acquired	-	(2,351)	-	(2,351)
Other investments	(3,000)	-	(3,000)	-
Cash used by investing activities	(16,494)	(16,815)	(29,429)	(21,081)
Cash flows from financing activities:				
Repurchase of common stock	(64,812)	(17,026)	(90,201)	(23,801)
Dividends paid	(10,700)	(9,598)	(21,485)	(19,168)
Proceeds from shares issued pursuant to stock-based compensation plans	4,780	7,248	5,656	14,281
Excess tax benefit of stock options exercised	214	734	552	2,326
Other financing activities	(98)	(3)	(140)	(27)
Cash used by financing activities	(70,616)	(18,645)	(105,618)	(26,389)

Effect of exchange rate changes on cash	(8,522)	1,448	(2,259)	8,164
Net (decrease) increase in cash and cash equivalents	(18,395)	(14,607)	(11,075)	42,485
Cash and cash equivalents, beginning of period	448,166	250,229	440,846	193,137
Cash and cash equivalents, end of period	$ 429,771	$ 235,622	$ 429,771	$ 235,622

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