FLIR SYSTEMS INC
Form DEF 14A
March 14, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

FLIR SYSTEMS, INC.

(Name of Registrant as Specified In Its Certificate)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

16505 S.W. 72nd Avenue

Portland, Oregon 97224

(503) 684-3731

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 20, 2005

To the Shareholders of FLIR Systems, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of FLIR Systems, Inc. (the Company) will be held on Wednesday, April 20, 2005, at 2:00 p.m., at the Multnomah Athletic Club, 1849 S.W. Salmon Street, Portland, Oregon 97205 for the following purposes:

1. **Election of Directors.** To elect two Directors, each for a three-year term expiring in 2008;

2. **Approval of Amendment of Articles of Incorporation.** To approve an amendment to the Company s Articles of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 100,000,000 to 200,000,000; and

3. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors of the Company has fixed the close of business on February 28, 2005 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

By Order of the Board,

Earl R. Lewis

Chairman of the Board of Directors, President and Chief Executive Officer

Portland, Oregon

March 11, 2005

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING, PLEASE DATE, SIGN AND COMPLETE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

FLIR SYSTEMS, INC.

16505 S.W. 72nd Avenue

Portland, OR 97224

(503) 684-3731

PROXY STATEMENT

for the

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 20, 2005

INTRODUCTION

General

This Proxy Statement is being furnished to the shareholders of FLIR Systems, Inc., an Oregon corporation (FLIR or the Company), as part of the solicitation of proxies by the Company s Board of Directors (the Board of Directors or the Board) from holders of the outstanding shares of FLIR common stock, par value $0.01 per share (the Common Stock), for use at the Company s Annual Meeting of Shareholders to be held on April 20, 2005, and at any adjournments or postponements thereof (the Annual Meeting). At the Annual Meeting, shareholders will be asked to elect two members of the Board of Directors, approve an amendment of the Company s Articles of Incorporation to increase the number of authorized shares of Common Stock by 100,000,000 and transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. This Proxy Statement, together with the enclosed proxy card, is first being mailed to shareholders of FLIR on or about March 21, 2005.

Solicitation, Voting and Revocability of Proxies

The Board of Directors has fixed the close of business on February 28, 2005 as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to vote at the Annual Meeting, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were approximately 13,500 beneficial holders of the 69,871,309 shares of Common Stock then outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. ***Executed but unmarked proxies will be voted FOR the election of the two nominees for election to the Board of Directors and FOR the approval of the proposed amendment to the Company s Articles of Incorporation.*** The Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy upon such matters as determined by a majority of the Board of Directors.

The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder s proxy. A shareholder may, however, revoke a proxy at any time prior to its exercise by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date, to Corporate Secretary, FLIR Systems, Inc., 16505 S.W. 72nd Avenue, Portland, Oregon 97224, or by attending the Annual Meeting and voting in person. However, a shareholder who attends the Annual Meeting need not revoke a previously executed proxy and vote in person unless such shareholder wishes to do so. All valid, unrevoked proxies will be voted at the Annual Meeting.

ELECTION OF DIRECTORS

At the Annual Meeting two Directors will be elected, each for a three-year term. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as Directors of the persons named below as nominees. The Board of Directors believes that the nominees will stand for election and will serve if elected as Directors. However, if any of the persons nominated by the Board of Directors fails to stand for election or is unable to accept election, the number of Directors constituting the Board of Directors may be reduced prior to the Annual Meeting or the proxies may be voted for the election of such other person as the Board of Directors may recommend.

Under the Company s articles of incorporation and bylaws, the Directors are divided into three classes. The term of office of only one class of Directors expires in each year, and their successors are elected for terms of three years and until their successors are elected and qualified. There is no cumulative voting for election of Directors.

Information as to Nominees and Continuing Directors

The following table sets forth the names of the Board of Directors nominees for election as a Director and those Directors who will continue to serve after the Annual Meeting. Also set forth is certain other information with respect to each such person s age, principal occupation or employment during the past five years, the periods during which he has served as a Director of FLIR, the expiration of his term as a Director and the positions currently held with FLIR.

Nominees:	Age	Director Since	Expiration of Current Term	Expiration of Term for which Nominated	Position Held with FLIR
John C. Hart	71	1987	2005	2008	Director
Angus L. Macdonald	50	2001	2005	2008	Director
Continuing Directors:					
Earl R. Lewis	61	1999	2006		President, Chief Executive Officer and Chairman of the Board of Directors
Ronald L. Turner	58	1993	2006(1)		Director
Steven E. Wynne	52	2000	2006		Director
John D. Carter	59	2003	2007		Director
Michael T. Smith	60	2002	2007		Director

(1) On March 10, 2005, Ronald L. Turner notified the Company that he intends to resign from the Board of Directors of the Company on a date to be determined subsequent to the Company s Annual Meeting of Shareholders on April 20, 2005.

JOHN C. HART. Mr. Hart has served as a Director of the Company since February 1987. His current term on the Board expires at the Company s 2005 Annual Meeting of Shareholders, at which time his election to the Board for a three year term will be voted upon. He served as Chairman of the Board of Directors from 1987 to April 1993. From 1982 until his retirement in 1993, Mr. Hart served as Vice President of Finance, Treasurer, Chief Financial Officer and a member of the Board of Directors of Louisiana-Pacific Corporation. Mr. Hart also served as interim President and Chief Executive Officer of the Company from May through November 2000. Mr. Hart holds a B.B.A. from the University of Oregon. Mr. Hart is also a trustee of the Columbia River Maritime Museum.

ANGUS L. MACDONALD. Mr. Macdonald has served as a Director of the Company since April 2001. His current term on the Board expires at the Company s 2005 Annual Meeting of Shareholders, at which time his election to the Board for a three year term will be voted upon. Mr. Macdonald is President and a founder of Venture Technology Merchants, Inc., an advisory and merchant banking firm to growth companies regarding capital formation, corporate development and strategy. From 1996 to 2000, he was Senior Vice President and headed Special Situations in the health care equities research group at Lehman Brothers, Inc. Prior to joining Lehman Brothers, Mr. Macdonald was a senior securities analyst at Fahnestock, Inc. (now Oppenheimer). He holds a B.A. from the University of Pennsylvania and an MBA from Cranfield University, UK.

EARL R. LEWIS. Mr. Lewis has served as Chairman, President and Chief Executive Officer of the Company since November 1, 2000. He was initially elected to the Board in June 1999 in connection with the acquisition of Spectra Physics AB by Thermo Instrument Systems Inc. Mr. Lewis was formerly President and Chief Executive Officer of Thermo Instrument Systems, Inc. Mr. Lewis is also a Director of SpectRx Inc., Harvard BioScience, Inc., SeaHorse Bioscience, LLC. and a trustee of Dean College. Mr. Lewis holds a B.S. from Clarkson College of Technology and has attended post-graduate programs at the University of Buffalo, Northeastern University and Harvard University.

RONALD L. TURNER. Mr. Turner was elected to the Board of Directors in 1993. Mr. Turner was appointed Chairman, President and Chief Executive Officer of Ceridian Corporation in May 2000, after serving Ceridian Corporation as President and Chief Executive Officer since January 2000, President and Chief Operating Officer since 1998 and Executive Vice President, Operations since 1997. From 1993 to 1997, Mr. Turner served as President and Chief Executive Officer of Computing Devices International, an aerospace company, which was a division of Ceridian Corporation. From 1987 to 1993, Mr. Turner was President and Chief Executive Officer of GEC-Marconi Electronic Systems Corporation, a defense electronics company. Prior to 1987, Mr. Turner worked for Martin Marietta Corporation for 14 years in a variety of executive positions and served in the US Air Force for five years. Mr. Turner holds a B.S in Aerospace Engineering from the University of Tennessee, a M.S. in Engineering from the University of Florida and a M.S. in Management from the Massachusetts Institute of Technology (Sloan Fellow). Mr. Turner serves on the Board of Directors of Ceridian Corporation, The Brink s Company, Imagistics International Inc., and is a member of The Business Roundtable. He is Chairman of the Board of Governors of the Electronics Industries Alliance. Mr. Turner is also a past President and a member of the Board of Governors of the Massachusetts Institute of Technology Society of Sloan Fellows.

STEVEN E. WYNNE. Mr. Wynne was elected to the Board of Directors in November 1999. Since March 1, 2004, Mr. Wynne has been President and Chief Executive Officer of SBI International, Ltd., parent company of sports apparel and footwear company Fila. From April 2001 through March 2002, and from April 2003 through February 2004, Mr. Wynne was a partner in the Portland, Oregon law firm of Ater Wynne LLP, the Company s outside legal counsel. Mr. Wynne served as acting Senior Vice President and General Counsel to the Company from April 2002 through March 2003. Mr. Wynne was formerly Chairman and Chief Executive Officer of eteamz.com, an on-line community serving amateur athletics, from June 2000 until its sale to Active.com in January 2001. From February 1995 to March 2000, Mr. Wynne served as President and Chief Executive Officer of adidas America, Inc. Prior to that time, he was a partner in the law firm of Ater Wynne LLP. Mr. Wynne received an undergraduate degree and a J.D. from Willamette University. Mr. Wynne also serves on the Board of Directors of Planar Systems, Inc.

JOHN D. CARTER. Mr. Carter was elected to the Board of Directors in 2003. Mr. Carter is a principal at Imeson & Carter, a consulting firm focused primarily on strategic planning and problem solving for national and international businesses. From 1982 to 2002, Mr. Carter served in a variety of senior management capacities at Bechtel Group, Inc. including Executive Vice President and Director, as well as President of Bechtel Enterprises, Inc., a wholly owned subsidiary, and other operating groups. Mr. Carter is a member of the Board of Directors of Northwest Natural Gas Company, Cross London Rail Links, Ltd. and London & Continental Railways Ltd. in the UK. He received his B.S. in history from Stanford University and his J.D. degree from Harvard Law School.

MICHAEL T. SMITH. Mr. Smith was elected to the Board of Directors in July 2002. From 1997 until his retirement in May 2001, Mr. Smith was Chairman of the Board and Chief Executive Officer of Hughes

Electronics Corporation. From 1985 until 1997 he served in a variety of capacities for Hughes, including Vice Chairman of Hughes Electronics, Chairman of Hughes Missile Systems and Chairman of Hughes Aircraft Company. Prior to joining Hughes in 1985, Mr. Smith spent nearly 20 years with General Motors in a variety of financial management positions. Mr. Smith is also a Director of Alliant Techsystems, Inc., Ingram Micro Inc. and Teledyne Technologies. Mr. Smith holds a B.A. from Providence College and an MBA from Babson College. He also served as an officer in the US Army. Mr. Smith is also the Vice Chairman of the Board of Trustees of Providence College in Providence, RI.

Recommendation of Board of Directors

The Board of Directors unanimously recommends that shareholders vote FOR the election of its nominees for Director. If a quorum is present, the Company s bylaws provide that Directors are elected by a plurality of the votes cast by the shares entitled to vote. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting, but are not counted and have no effect on the determination of whether a plurality exists with respect to a given nominee.

CORPORATE GOVERNANCE AND RELATED MATTERS

Communications With Directors

Shareholders and other parties interested in communicating directly with the Chairman or with the non-management Directors as a group may do so by writing to the Chairman of the Board, c/o Corporate Secretary, FLIR Systems, Inc., 16505 S.W. 72nd Avenue, Portland, Oregon 97224. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Meetings

During 2004 the Company s Board of Directors held four meetings. Each incumbent Director attended more than 75% of the aggregate of the total number of meetings held by the Board of Directors and the total number of meetings held by all committees of the Board on which he served during the period that he served. Under the Company s Corporate Governance Principles, each Director is expected to commit the time necessary to prepare for and attend all regularly scheduled Board meetings and meetings of committees of the Board on which they serve, as well as the Company s Annual Meeting of Shareholders. All members of the Company s Board of Directors attended the 2004 Annual Meeting of Shareholders, except for Messrs. Turner and Macdonald.

Board of Directors Committees

The Board of Directors has standing Audit, Compensation and Corporate Governance Committees. Each committee operates pursuant to a written charter, which is reviewed annually. The charters may be viewed online at www.flir.com. The performance of each committee is reviewed annually. Each committee may obtain advice and assistance from internal or external legal, accounting and other advisors. The members of the committees, each of whom have been determined to be independent as defined by applicable Securities and Exchange Commission (the SEC) and Nasdaq stock market rules, are identified in the following table. Messrs. Lewis and Wynne are not independent as defined by applicable SEC and Nasdaq stock market rules. Mr. Wynne served as acting Senior Vice President and General Counsel to the Company from April 2002 through March 2003, and thereafter as a consultant on legal matters through February 2004. Mr. Wynne received compensation from the Company for services other than as a member of the Board of Directors in the amounts of $199,164 and $12,500 in 2003 and 2004, respectively. Mr. Lewis serves as the Company s President and Chief Executive Officer.

Name	Audit	Corporate Governance	Compensation
John D. Carter		Chair	
John C. Hart	X	X	
Angus L. Macdonald	X		Chair
Ronald L. Turner		X	X
Michael T. Smith	Chair		X

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company s consolidated financial statements, the Company s systems of internal controls and the independence and performance of its independent auditors. During fiscal year 2004, the Audit Committee held four meetings.

The Compensation Committee reviews executive compensation and makes recommendations to the full Board regarding changes in compensation, and also administers the Company s stock option plans. During fiscal year 2004, the Compensation Committee held five meetings.

The Corporate Governance Committee is responsible for recommending to the Board operating policies that conform to superior levels of corporate governance practice, overseeing the Board s annual self-evaluation, locating qualified candidates to serve on the Board and recommending nominees to stand for election at each Annual Meeting of Shareholders. During fiscal year 2004, the Corporate Governance Committee held one meeting.

Shareholder Nominations

The Corporate Governance Committee will consider recommendations by shareholders of individuals to consider as candidates for election to the Board of Directors. Any such recommendations should be submitted to Corporate Secretary, FLIR Systems, Inc., 16505 S.W. 72nd Avenue, Portland, Oregon 97224. Historically, the Company has not had a formal policy concerning shareholder recommendations to the Corporate Governance Committee (or its predecessors) because it believes that the informal consideration process in place to date has been adequate given that the Company has never received any Director recommendations from shareholders. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received. The Corporate Governance Committee intends to periodically review whether a more formal policy should be adopted.

The Company s bylaws set forth procedures that must be followed by shareholders seeking to make nominations for Directors. In order for a shareholder of the Company to make any nominations, he or she must give written notice to the Secretary not less than 60 days nor more than 90 days prior to the date of any such Annual Meeting; provided, however, that if less than 60 days notice of the Annual Meeting is given to shareholders, such written notice must be delivered not later than the close of business on the 10th day following the day on which notice of the Annual Meeting was mailed or public disclosure of the Annual Meeting date was made. Each notice given by a shareholder with respect to nominations for the election of Directors must set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice; (ii) the principal occupation or employment of each such nominee; and (iii) the number of shares of our stock that are beneficially owned by each such nominee. In addition, the shareholder making such nomination must promptly provide any other information reasonably requested by the Company.

Director Compensation

Under the Company s 1993 Stock Option Plan for Non-Employee Directors, as amended, an option to purchase 24,000 shares of Common Stock is automatically granted to each non-employee Director each year on the day of the Annual Meeting. Further, in addition to the granting of stock options described above and the reimbursement for out-of-pocket and travel expenses incurred in attending Board meetings, non-employee Directors of the Board are paid a $3,000 quarterly retainer, a $2,000 quarterly retainer for the non-employee

Director who serves as Chairman of the Audit Committee, a $1,000 quarterly retainer for non-employee Directors who serve as Chairman of the Compensation and Corporate Governance Committees, an attendance fee of $1,000 for personal attendance ($500 for participation by phone) at each regularly scheduled meeting of the full Board and an attendance fee of $500 for personal attendance ($200 for participation by phone) of each meeting of the Audit, Compensation, and Corporate Governance Committees.

Corporate Governance

FLIR maintains a Corporate Governance page on its website that includes key information about its corporate governance initiatives, including FLIR s Corporate Governance Principles and Code of Ethical Business Conduct, and charters for the committees of the Board of Directors. The Corporate Governance page can be found at www.flir.com within the Investor Relations segment of the website.

FLIR s policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of Nasdaq and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- the Board of Directors has adopted clear corporate governance policies;
- a majority of the Board members are independent of FLIR and its management;
- all members of the Board committees the Audit, Compensation and Corporate Governance Committees are independent;
- the independent members of the Board of Directors meet regularly without the presence of management;
- FLIR has a clear Code of Ethical Business Conduct that is monitored by its general counsel, who acts as the Company s ethics officer, and is annually affirmed by its employees;
- the charters of the Board committees clearly establish their respective roles and responsibilities;
- FLIR has an ethics officer and an internet-based hotline monitored by EthicsPoint that is available to all employees, and FLIR s Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls or auditing matters; and
- FLIR has adopted a Code of Ethics for Senior Financial Officers that applies to its principle executive officer and all members of its finance department, including the Chief Financial Officer, Corporate Controller, Corporate Treasurer, Business Unit Controllers and Site Controllers. You may obtain a copy of the Company s Code of Ethics for Senior Financial Officers by writing to Corporate Secretary, FLIR Systems, Inc., 16505 S.W. 72nd Avenue, Portland, Oregon 97224.

MANAGEMENT

Executive Officers

The executive officers of the Company are as follows:

Name	Age	Position
Earl R. Lewis	61	Chairman of the Board of Directors, President and Chief Executive Officer
Arne Almerfors	59	Executive Vice President and President, Thermography Division
Stephen M. Bailey	57	Senior Vice President, Finance and Chief Financial Officer
James A. Fitzhenry	49	Senior Vice President, Corporate Operations and Law
Denis A. Helm	67	Senior Vice President, Business Development
Daniel L. Manitakos	47	Senior Vice President and General Manager, Boston Operations
Detlev H. Suderow	58	Senior Vice President, Human Resources
William A. Sundermeier	41	Co-President, Imaging Division
Andrew C. Teich	44	Co-President, Imaging Division
Anthony L. Trunzo	41	Senior Vice President, Corporate Strategy and Development

Information concerning the principal occupation of Mr. Lewis is set forth under Election of Directors. Information concerning the principal occupation during the last five years of the executive officers of the Company who are not also Directors of the Company is set forth below.

ARNE ALMERFORS. Mr. Almerfors joined FLIR in December 1997 in connection with FLIR s acquisition of AGEMA Infrared Systems AB, and currently serves as Executive Vice President and President of the Thermography Division. From 1995 to 1997, Mr. Almerfors was President and Chief Executive Officer of AGEMA Infrared Systems AB. He also served as President and Chief Executive Officer of CE Johansson AB, a manufacturer of coordinate measuring devices, from 1989 to 1995. Mr. Almerfors received his B.S., MBA, Masters in Political Science and certification for post-graduate courses in corporate finance and accounting from the University of Stockholm.

STEPHEN M. BAILEY. Mr. Bailey joined FLIR in April 2000 as Senior Vice President, Finance and Chief Financial Officer. Prior to joining FLIR, Mr. Bailey served as Vice President and Chief Financial Officer of Bauce Communications, Inc., President of Pro Golf of Portland, Inc., and Chief Financial Officer and Chief Operating Officer of Desk2Web Technologies, Inc. From 1975 to 1988, Mr. Bailey served in various senior executive positions with AMFAC, Inc., including President of AMFAC Supply Company, Senior Vice President and Controller of AMFAC, Inc. and Senior Vice President and Controller of AMFAC Foods, Inc. A CPA, Mr. Bailey also worked at Touche Ross & Company (which subsequently became Deloitte & Touche) from 1970 to 1975. Mr. Bailey received his B.S. from Oregon State University.

JAMES A. FITZHENRY. Mr. Fitzhenry joined FLIR in 1993 as Director of Administration and Corporate Counsel, and was appointed Senior Vice President, General Counsel and Secretary in 1995. In 2002, he was named Senior Vice President, Corporate Operations and Law. Prior to joining FLIR, Mr. Fitzhenry served in the White House under President George H. W. Bush, worked as legal counsel and legislative director to US Senator Mark O. Hatfield (R-Ore.), was appointed Deputy State Treasurer for the State of Oregon and practiced law in Portland, Oregon. Mr. Fitzhenry received his B.A. from the University of Oregon, his J.D. and MBA degrees from Willamette University and has attended post-graduate programs at Stanford University and the Wharton School of the University of Pennsylvania. Mr. Fitzhenry is also a Director of Warm Springs Ventures, LLC. On November 21, 2002, Mr. Fitzhenry consented to a Securities and Exchange Commission Order pursuant to which he agreed to cease and desist from committing or causing any violations and any future violations of Rule 13b2-2 of the Securities Exchange Act of 1934 (regarding reports to auditors), and agreed to a ban on appearing or practicing before the Securities and Exchange Commission as an attorney for five years. Mr. Fitzhenry neither admitted nor denied the findings contained in the Order.

DENIS A. HELM. Mr. Helm joined FLIR in April 2002 as Senior Vice President, Business Development. Prior to joining FLIR, he was President of Thermo Electron Corporation s Environmental Instruments Division from 2000 to 2002 and Senior Vice President of Thermo Instrument Systems, Inc. from 1994 to 2000. Prior to 1994, Mr. Helm served in a number of capacities at Thermo Environmental Instruments, including Senior Engineer, Vice President and President. Mr. Helm holds a B.S. in Electrical and General Engineering and an M.S. in Electrical Engineering from Stevens Institute of Technology and an MBA from Boston University.

DANIEL L. MANITAKOS. Mr. Manitakos joined FLIR in March 1999 as Vice President, Boston Operations and was appointed Senior Vice President and General Manager, Boston Operations in September 2000. Mr. Manitakos served as Vice President, Operations at Inframetrics, Inc. prior to its acquisition by FLIR in March 1999. Mr. Manitakos served in various engineering and operations capacities since joining Inframetrics in 1989. He received his B.S. in Mechanical Engineering from the University of Massachusetts, an M.S. in Mechanical Engineering from Northeastern University and an MBA from Suffolk University. Mr. Manitakos is also a Registered Professional Engineer in Massachusetts.

DETLEV H. SUDEROW. Mr. Suderow joined FLIR in March 1999. Prior to joining FLIR, he served as Vice President of Human Resources for Inframetrics, Inc. from 1996 to 1999. He was appointed Vice President in July of 1999 and Senior Vice President in September 2001. Mr. Suderow previously held senior human resource management positions at Data General Corporation and Digital Equipment Corporation. He received his B.A. from Brandeis University, a M.Ed. degree in Counseling Psychology from Tufts University and has completed advanced graduate studies in psychology at the University of Zurich in Switzerland.

WILLIAM A. SUNDERMEIER. Mr. Sundermeier joined FLIR in 1994 as Product Marketing Manager for Thermography Products and was appointed Director of Product Marketing for commercial and government products in 1995. In 1999, Mr. Sundermeier was appointed Senior Vice President for Product Strategy, focused on the integration of newly acquired companies. In September 2000, Mr. Sundermeier was appointed Senior Vice President and General Manager, Portland Operations. In April 2004, he was appointed Co-President of the Imaging Division, where he focuses primarily on the operation of the Boston, Portland, Sweden, and Santa Barbara Imaging factories. Prior to joining FLIR, Mr. Sundermeier was a founder of Quality Check Software, Ltd. (QCS) in 1993. From 1985 to 1993, Mr. Sundermeier served as Product Line Manager at Cadre Technologies, Inc. Mr. Sundermeier also served as Software/Hardware Intern Engineer at Tektronix, Inc. from 1980 to 1985. Mr. Sundermeier received his B.S. in Computer Science from Oregon State University and has attended post-graduate programs at the Oregon Graduate Institute and the Wharton School of the University of Pennsylvania. Mr. Sundermeier is also a Director of Max-Viz, Inc.

ANDREW C. TEICH. Mr. Teich joined FLIR in March 1999 as Senior Vice President of Marketing. Mr. Teich was appointed Co-President of the Imaging Division in April of 2004. Prior to that, Mr. Teich had been serving as Senior Vice President, Sales and Marketing since 2000. From 1996, Mr. Teich served as Vice President of Sales and Marketing at Inframetrics, Inc. prior to its acquisition by FLIR in March 1999. From 1984 to 1996, Mr. Teich served in various capacities within the sales organization at Inframetrics, concluding in the role of Vice President of Sales in 1996. He holds a B.S. degree in Marketing from Arizona State University.

ANTHONY L. TRUNZO. Mr. Trunzo joined FLIR in August 2003 as Senior Vice President, Corporate Strategy and Development. From 1996 until joining FLIR, Mr. Trunzo was Managing Director in the Investment Banking Group at Banc of America Securities, LLC. From 1986 to 1996, he held various positions at PNC Bank, NA. Mr. Trunzo holds a B.A. in Economics from the Catholic University of America and an MBA with a concentration in Finance from the University of Pittsburgh.

EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following table provides information concerning the compensation of the Company s Chief Executive Officer and each of the four other most highly compensated executive officers of the Company (the named executive officers) for the fiscal years ending December 31, 2004, 2003 and 2002. All the numbers of shares, options and per share amounts have been adjusted to reflect the two-for-one stock split effected by the Company on February 2, 2005 (the Stock Split) for all periods presented.

	Annual Compensation			Long-Term Compensation	
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Stock Options Granted**	**All Other(1)**
Earl R. Lewis					
Chairman of the Board of Directors,	2004	$ 500,000	$ 915,000	150,000	$ 6,500
	2003	497,308	500,000		6,000
President and Chief Executive Officer	2002	400,000	400,000	400,000	5,500
Arne Almerfors					
Executive Vice President and President,	2004	368,514	200,000	60,000	50,144
	2003	309,125	150,000		41,855
Thermography Division	2002	262,405	120,000	140,000	40,772
Stephen M. Bailey					
Senior Vice President, Finance and	2004	262,115	185,000	60,000	6,500
	2003	247,692	130,000		6,000
Chief Financial Officer	2002	230,000	130,000	106,000	5,500
Andrew C. Teich	2004	251,154	170,000	60,000	6,500
	2003	233,269	140,000		6,000
Co-President, Imaging Division	2002	220,000	135,000	100,000	5,500
William A. Sundermeier	2004	237,115	170,000	60,000	6,500
	2003	223,269	130,000		6,000
Co-President, Imaging Division	2002	210,000	130,000	100,000	5,500

(1) The amounts set forth under All Other Compensation represent amounts contributed on behalf of the named executive officers to retirement plans.

Supplemental Executive Pension Plan

In 2001, the Company adopted a Supplemental Executive Retirement Plan (SERP or the Plan) that provides retirement benefits to certain executive officers in the United States. Under the SERP, separate unfunded retirement accounts are established for each eligible officer and such accounts are credited with an amount equal to 10% of such officer s compensation during each Plan year. The retirement accounts earn interest at the prime interest rate plus 2%. Vesting in the retirement accounts is based upon the age of the officer and increases annually with full vesting provided at the earlier of age 60 or after 10 years of service. Upon normal retirement, the officer is entitled to receive the amount in their respective retirement account in equal annual installments, including principal and interest, over 20 years. The Plan also provides for a minimum retirement benefit that is equal to 25% of the greater of the officer s compensation during that officer s last 12 months of employment or the average of the officer s two highest years of compensation while employed by the Company. The Plan defines normal retirement as termination of employment with the Company at or after age 60. There are early retirement provisions in the Plan established based upon termination of employment at or after age 55 with at least five full years of service. Under these early retirement provisions, the minimum annual retirement benefit is reduced by 6% for each year prior to age 60 in which the termination occurs. At December 31, 2004, the estimated minimum annual benefits for each of the named executive officers, assuming full vesting, is as follows: Mr. Lewis $350,000; Mr. Bailey $126,726; Mr. Teich $194,134; and Mr. Sundermeier $212,757; Mr. Almerfors is not eligible to participate in the Plan.

Stock Options

The following table sets forth information concerning options granted to the named executive officers during the year ended December 31, 2004 under the Company s stock options plans, adjusted for the Stock Split:

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees In 2004	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2) 5%	10%
Earl R. Lewis	150,000	3.7%	$ 19.58	2/23/09	$ 811,439	$ 1,793,068
Arne Almerfors	60,000	1.5%	19.58	2/23/09	324,576	717,227
Stephen M. Bailey	60,000	1.5%	19.58	2/23/09	324,576	717,227
Andrew C. Teich	60,000	1.5%	19.58	2/23/09	324,576	717,227
William A. Sundermeier	60,000	1.5%	19.58	2/23/09	324,576	717,227

(1) These options became exercisable on December 1, 2004.

(2) The amounts shown are hypothetical gains based on the indicated assumed rates of appreciation of the Common Stock compounded annually for a five-year period. Actual gains, if any, on stock option exercises are dependent on the future performance of the Common Stock and overall stock market conditions. There can be no assurance that the Common Stock will appreciate at any particular rate or at all in future years.

Options Exercised in Last Fiscal Year and Fiscal Year End Option Values

The following table sets forth, for each of the named executive officers, the shares acquired upon option exercises during 2004 and the related value realized, and the number and value of unexercised options as of December 31, 2004, adjusted for the Stock Split.

	Options Exercised in Last Fiscal Year		Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options At December 31, 2004(2)	
Name	Number of Shares	Value Realized(1)	Exercisable	Unexercisable	Exercisable	Unexercisable
Earl R. Lewis	519,336	$ 12,373,898	1,296,152		$ 26,837,492	$
Arne Almerfors	100,000	2,760,590	153,334	46,666	2,859,748	1,060,252
Stephen M. Bailey	64,000	1,159,240	480,000		10,142,840	
Andrew C. Teich	315,608	7,132,822	267,000		4,658,800	
William A. Sundermeier	100,000	2,221,513	300,000		5,927,200	

(1) The value realized is based on the difference between the market price at the time of exercise of the options and the applicable exercise price.

(2) The value of unexercised in-the-money options is based on the difference between $31.90, which was the closing price of the Common Stock on December 31, 2004, adjusted for the Stock Split, and the applicable exercise price.

Employment Agreement

The Company entered into an Employment Agreement (the Agreement) with Mr. Lewis on March 2, 2005 pursuant to which Mr. Lewis is employed by the Company as President and Chief Executive Officer. The Agreement is for a term ending January 1, 2007, and provides for a minimum annual base salary of $650,000 for 2005 and $700,000 for 2006 and annual bonus eligibility based on the Company achieving certain levels of net earnings as provided in the Agreement. Pursuant to the Agreement, Mr. Lewis will also be granted stock options at the discretion of the Compensation Committee of the Company s Board of Directors. If Mr. Lewis terminates the Agreement or the Company terminates the Agreement for Cause (as defined in the Agreement), Mr. Lewis would be paid through the date of termination. If the Company terminates the Agreement without Cause, the Company would be required to continue to pay Mr. Lewis an amount equal to his base salary in effect at the time of termination for a period equal to the greater of 18 months or the remaining term of the Agreement plus certain bonus payments. In addition, if the Company terminates the Agreement without Cause, all options granted to Mr. Lewis will immediately vest. In the event that the Agreement terminates as a result of the death of Mr. Lewis, the Company would be required to pay an amount equal to one year s base salary to Mr. Lewis estate or designated beneficiary. The Agreement also provides that Mr. Lewis will be entitled to all benefits made available to other executive officers and provides for the payment of certain housing, relocation, and automobile and travel expenses incurred by Mr. Lewis.

Compensation Committee Report

Under rules established by the SEC, the Company is required to provide certain data and information with respect to the compensation and benefits provided to the Company s Chief Executive Officer and the four other most highly compensated executive officers. In fulfillment of this requirement, the Compensation Committee, at the direction of the Board of Directors, has prepared the following report for inclusion in this Proxy Statement.

Executive Compensation Philosophy. The Compensation Committee of the Board of Directors is composed entirely of non-employee Directors. The Compensation Committee is responsible for setting and administering the policies and programs that govern both annual compensation and stock ownership programs for the executive officers of the Company. The Company s executive compensation policy is based on principles designed to ensure that an appropriate relationship exists between executive pay and corporate performance, while at the same time motivating and retaining executive officers.

Executive Compensation Components. The key components of the Company s compensation program are base salary, an annual incentive award, and equity participation. These components are administered with the goal of providing total compensation that is competitive in the marketplace, rewards successful financial performance and aligns executive officers interests with those of shareholders. The Compensation Committee reviews each component of executive compensation on an annual basis.

Base Salary. Base salaries for executive officers are set at levels believed by the Compensation Committee to be sufficient to attract and retain qualified executive officers. Base pay increases are provided to executive officers based on an evaluation of each executive s performance, as well as the performance of the Company as a whole. In establishing base salaries, the Compensation Committee not only considers the financial performance of the Company, but also the success of the executive officers in developing and executing the Company s strategic plans, developing management employees and exercising leadership. The Compensation Committee believes that executive officer base salaries for 2004 were reasonable as compared to amounts paid by companies of similar size.

Annual Incentive. The Compensation Committee believes that a significant proportion of total cash compensation for executive officers should be subject to attainment of specific Company earnings criteria. This approach creates a direct incentive for executive officers to achieve desired performance goals and places a significant percentage of each executive officer s compensation at risk. Consequently, each year the Compensation Committee establishes potential bonuses for executive officers based on the Company s achievement of certain earnings criteria. The Compensation Committee believes that executive officer annual bonuses for 2004 were reasonable as compared to amounts paid by companies of similar size with similar financial results.

Stock Options. The Compensation Committee believes that equity participation is a key component of its executive compensation program. Stock options are granted to executive officers primarily based on the officer s actual and potential contribution to the Company s growth and profitability and competitive marketplace

practices. Option grants are designed to retain executive officers and motivate them to enhance shareholder value by aligning the financial interests of executive officers with those of shareholders. Stock options also provide an effective incentive for management to create shareholder value over the long term since the full benefit of the compensation package cannot be realized unless an appreciation in the price of the Company s Common Stock occurs over a number of years.

Compensation of Chief Executive Officer. Consistent with the executive compensation policy and components described above, the Compensation Committee determined the salary, bonus and stock options received by Earl R. Lewis, the President and Chief Executive Officer of the Company, for services rendered in 2004. Mr. Lewis received a base salary of $500,000 for 2004. He also received an annual bonus of $915,000 and stock options to purchase 150,000 shares of the Company s Common Stock.

COMPENSATION COMMITTEE

Angus L. Macdonald, Chair

Michael T. Smith

Ronald L. Turner

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2004 with respect to the shares of the Company s Common Stock that may be issued under the Company s existing equity compensation plans, adjusted for the Stock Split.

	A	B	C
Plan Category	**Number of Securities to be Issued upon Exercise of Outstanding Options(1)**	**Weighted Average Exercise Price of Outstanding Options**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)(2)**
Equity Compensation Plans Approved by Shareholders (3)	7,653,808	$ 12.67	11,809,946
Equity Compensation Plans Not Approved by Shareholders (4)			
Total (5)	7,653,808	$ 12.67	11,809,946

(1) Excludes purchase rights accruing under the Company s 1999 Employee Stock Purchase Plan (the Purchase Plan) which has a shareholder approved reserve of 6,000,000 shares, adjusted for the Stock Split. Under the Purchase Plan, each eligible employee may purchase shares of Common Stock at semi-annual intervals at a purchase price per share equal to 85% of the lower of (i) the fair market value of the Common Stock on the enrollment date for the offering period in which that semi-annual purchase date occurs or (ii) the fair market value on the semi-annual purchase date.

(2) Includes shares available for future issuance under the Purchase Plan. As of December 31, 2004, an aggregate of 4,875,126 shares of Common Stock, adjusted for the Stock Split, were available for issuance under the Purchase Plan.

(3) Consists of the Company s 1992 Stock Incentive Plan, 1993 Stock Option Plan for Non-employee Directors, 1999 Employee Stock Purchase Plan and 2002 Stock Incentive Plan.

(4) The Company does not have any equity compensation plans or arrangements that have not been approved by shareholders.

(5) This table does not include information for equity compensation plans assumed by the Company in connection with the acquisition of Indigo Systems Corporation that originally established those plans. As of December 31, 2004, a total of 278,254 shares of the Company s Common Stock, adjusted for the Stock Split, were issuable upon exercise of options assumed under those plans. The weighted average exercise price of those options is $1.78 per share. No additional options may be granted under those plans.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during the fiscal year ended December 31, 2004, were Messrs. Macdonald, Smith and Turner.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the 1934 Act) requires the Company s Directors and officers, and beneficial owners of more than 10% of a registered class of the Company s equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are also required to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on the Company s review of the copies of such reports received by it with respect to fiscal 2004, or written representations from certain reporting persons, the Company believes that no Director, officer or beneficial owner of more than 10% of the outstanding Common Stock of the Company failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act of 1934.

STOCK OWNED BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information known to the Company with respect to the beneficial ownership of the Company s Common Stock as of December 31, 2004 by: (i) each person known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each of the Company s Directors, (iii) each of the Company s named executive officers, and (iv) all Directors and executive officers as a group. Except as otherwise indicated, the Company believes that each of the following shareholders has sole voting and investment power with respect to the shares beneficially owned by such shareholder.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percent Common Stock Outstanding
FMR Corp. (2) 82 Devonshire Street Boston, MA 02109	10,250,672	14.8%
EARNEST Partners, LLC (3) 75 Fourteenth Street, Suite 2300 Atlanta, Georgia 30309	8,265,968	12.0%
T. Rowe Price Associates, Inc. (4) 100 E. Pratt Street Baltimore, MD 21202	4,857,200	7.0%
Earl R. Lewis	1,672,078	2.4%
John D. Carter	32,000	*
John C. Hart	84,000	*
Angus L. Macdonald	76,000	*
Michael T. Smith	50,000	*
Ronald L. Turner	120,000	*
Steven E. Wynne	174,800	*
Arne Almerfors	205,814	*
Stephen M. Bailey	538,354	*
Andrew C. Teich	334,828	*
William A. Sundermeier	307,290	*
Directors and Executive Officers as a group (16 persons)	4,838,104	6.6%

* Less than one percent (1%).

(1) Adjusted for the Stock Split. Applicable percentage of ownership is based on 69,118,166 shares of FLIR Common Stock outstanding as of December 31, 2004. Beneficial ownership is determined in accordance with rules of the SEC, and includes voting power and investment power with respect to shares. Shares issuable upon the exercise of outstanding stock options that are currently exercisable or become exercisable within 60 days from December 31, 2004 are considered outstanding for the purpose of calculating the percentage of Common Stock owned by such person, but not for the purpose of calculating the percentage of Common Stock owned by any other person. No Director or officer had options that will become exercisable within 60 days from December 31, 2004.

(2)

This information as to beneficial ownership is based on a Schedule 13G/A filed by FMR Corp with the Securities and Exchange Commission on February 14, 2005. The Schedule 13G/A states that FMR Corp and its affiliates are the beneficial owners of 10,250,672 shares of Common Stock as to which certain affiliates of FMR Corp have sole dispositive power, including 1,403,800 shares of Common Stock as to which they have sole voting power.

(3) This information as to beneficial ownership is based on a Schedule 13G filed by EARNEST Partners, LLC with the Securities and Exchange Commission on February 9, 2005. The Schedule 13G/A states that EARNEST Partners, LLC are the beneficial owners of a total of 8,265,968 shares of Common Stock as to which they have sole dispositive power, including 4,873,796 shares of Common Stock as to which they have sole voting power and 1,742,572 shares of Common Stock as to which they have shared voting power.

(4) This information as to beneficial ownership is based on a Schedule 13G filed by T. Rowe Price Associates, Inc. with the Securities and Exchange Commission on February 14, 2005. The Schedule 13G states that T. Rowe Price Associates, Inc. are the beneficial owners of 4,857,200 shares of Common Stock as to which they have sole dispositive power, including 1,017,800 shares of Common Stock as to which they have sole voting power.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Steven E. Wynne, a member of the Board of Directors, was a partner in the law firm of Ater Wynne LLP, the Company s outside legal counsel from April 2003 to February 2004.

INFORMATION CONCERNING AUDITORS

Appointment of Independent Auditors

The Audit Committee of the Board of Directors has appointed KPMG LLP to act as independent auditors for the Company for the fiscal year ending December 31, 2005. KMPG LLP served as the Company s independent auditors for the year ended December 31, 2004. A representative of KPMG LLP is expected to be present at the Annual Meeting, will be given the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Audit Committee Report

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company s consolidated financial statements, the Company s systems of internal controls and the independence and performance of its independent auditors. The Audit Committee is comprised of three non-employee Directors, each of whom is an independent Director as defined in Section 10A(m) of the Securities Exchange Act of 1934, and Rule 10A-3 promulgated thereunder and by the listing rules of the Nasdaq stock market. The Audit Committee operates pursuant to a written charter approved by the Board of Directors. The charter is reviewed annually. The Board of Directors has determined that Mr. Smith qualifies as the audit committee financial expert for purposes of regulations of the Securities and Exchange Commission. A copy of the charter is available for review on the Company s web site at www.flir.com.

The Company s management is responsible for the financial reporting process, including the system of internal controls, and for the preparation, presentation and integrity of the consolidated financial statements in accordance with generally accepted accounting principles. The Company s independent auditors are accountable to the Audit Committee and are responsible for performing an independent audit of those consolidated financial statements in accordance with auditing standards generally accepted in the United States. The independent auditors are responsible for expressing an opinion as to the conformity of the Company s consolidated statements with generally accepted accounting principles. The Audit Committee acts in an oversight capacity and its responsibility is to monitor and review these processes. The Audit Committee selects, hires and evaluates the independent auditors. In its oversight role the Audit Committee relies, without independent verification, on management s representation that the Company s consolidated financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and on the report of the Company s independent auditors, KPMG LLP, with respect to the Company s consolidated financial statements.

The Audit Committee held four meetings during 2004. At each of these meetings, the Audit Committee met with senior members of the Company s financial management team, the Company s President and Chief Executive Officer and the Company s independent auditors. The Audit Committee held private sessions at each of these meetings with KPMG LLP, at which discussions of financial management, accounting and internal controls took place. The Audit Committee reviewed with KPMG LLP the overall scope and plans for their audit, the results of the audit examinations, the adequacy of the Company s internal controls and the quality of the Company s financial reporting.

The Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2004 with management and representatives of KPMG LLP, including a discussion of the quality, not simply the acceptability, of the accounting principles used and the reasonableness of significant judgments made by management. The Audit Committee also discussed with representatives of KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (SAS 61), Communication with Audit Committees. SAS 61 requires the Company s independent auditors to provide the Audit Committee with additional information regarding the scope and results of their audit of the Company s consolidated financial statements with respect to:

their responsibility under generally accepted auditing standards, critical accounting policies and estimates,

significant management judgments and accounting estimates,

any significant audit adjustments,

any significant internal controls deficiencies,

any disagreements with management,

any difficulties encountered in performing the audit, and

any misstatements in interim financial reporting.

The Audit Committee discussed with KPMG LLP their independence. KPMG LLP provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, to the effect that, in their professional judgment, KPMG LLP is independent of the Company within the meaning of the federal securities laws. The Audit Committee also discussed with KPMG LLP that the provision of non-audit services was compatible with KPMG LLP maintaining their independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Michael T. Smith, Chair

John C. Hart

Angus L. Macdonald

Fees Paid To KPMG LLP

All services to be provided by KPMG LLP are required to be approved by the Audit Committee, in advance. The audit and audit related services are approved annually. With respect to services for other than audit and audit related services, at least annually, the independent auditor submits to the Audit Committee, for its approval, anticipated engagements for the ensuing year, either at the time that the Audit Committee reviews and approves the annual audit engagement, or at a time specifically scheduled for reviewing such other services. Quarterly, and in conjunction with the Audit Committee s regularly scheduled meetings, the independent auditor presents to the Audit Committee for pre-approval any proposed engagements not previously reviewed and approved. In the event that an audit or non-audit service requires approval prior to the next regularly scheduled meeting of the Audit Committee, the auditor must contact the Chairman of the Audit Committee to obtain such approval. The approval must be reported to the Audit Committee at its next regularly scheduled meeting.

The aggregate fees billed by KPMG LLP for professional services rendered for the fiscal years ending December 31, 2004 and 2003 were as follows:

	Year Ending December 31,	
	2004	**2003**
Audit Fees	$ 1,515,000	$ 712,000
Audit-Related Fees	19,000	18,000
Tax Fees	518,000	431,000
All Other Fees		
Total Fees	$ 2,052,000	$ 1,161,000

Audit Fees. Audit fees includes fees for services rendered for the audit of the annual financial statements included in Form 10-K and review of the quarterly financial statements included in Form 10-Q. In addition, amounts included fees for statutory filings and audits, issuance of consents, comfort letters on registered offerings and assistance with and review of documents filed with the Securities and Exchange Commission.

Audit-Related Fees. Audit-related fees include fees for services rendered for an audit of the employee benefit plan.

Tax Fees. Tax fees include fees principally for tax compliance, and to a lesser extent, tax planning and tax advice.

STOCK PERFORMANCE GRAPH

The information contained in the stock performance graph shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing. Management of the Company cautions that the stock price performance information shown in the graph below is provided as of December 31, 2004, and may not be indicative of current stock price levels or future stock price performance.

The graph depicted below shows a comparison of cumulative total shareholder returns for the Company s Common Stock with the cumulative total return on the Standard & Poor s MidCap 400 Index and the Standard & Poor s 600 Electronic Equipment & Instruments Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

AMONG FLIR SYSTEMS, INC., THE S&P MIDCAP 400 INDEX

AND THE S&P 600 ELECTRONIC EQUIPMENT & INSTRUMENTS INDEX

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* This graph covers a period of five years commencing December 31, 1999 and ending December 31, 2004. The graph assumes that $100 was invested in the Company on December 31, 1999 and in each index, and that all dividends were reinvested. No cash dividends have been declared on shares of the Company s Common Stock.

The stock performance graph was plotted using the following data:

	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Dec 04
FLIR Systems, Inc.	100.00	34.23	233.35	300.31	449.23	785.11
S&P MidCap 400 Index	100.00	117.51	116.80	99.85	135.41	157.73
S&P 600 Electronic Equipment & Instruments Index	100.00	88.81	69.79	51.20	74.55	82.93

APPROVAL OF AMENDMENT OF ARTICLES OF INCORPORATION

Introduction

The Company s Second Restated Articles of Incorporation, as currently in effect (the Articles), provide that the Company s authorized capital stock shall consist of 100,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock, $0.1 par value (the Preferred Stock). On February 22, 2005, the Company s Board of Directors authorized an amendment of the Articles (the Amendment), subject to shareholder approval, to increase the number of shares of Common Stock authorized for issuance under the Articles by 100,000,000 shares to a total of 200,000,000 shares. If the Amendment is adopted, it will become effective upon the filing of the Amendment with the Secretary of State of the State of Oregon. Under the proposed amendment, Article II, Section B of the Corporation s Second Restated Articles of Incorporation, as amended, would be amended in its entirety as follows:

B. The authorized capital stock of the Corporation consists of 200,000,000 shares of common stock par value $0.01 per share (Common Stock) and 10,000,000 shares of preferred stock par value $0.01 per share (Preferred Stock).

The shareholders are being asked to approve the Amendment. The authorized but unissued shares of Common Stock would be available for issuance from time to time for such purposes and for such consideration as the Board of Directors may determine to be appropriate without further action by the shareholders, except for those instances in which applicable law or stock exchange rules require shareholder approval.

Current Use of Shares

As of the Record Date, the Company has approximately 69.9 million shares of Common Stock outstanding and approximately 18.8 million shares reserved for issuance under the Company s employee stock plans, of which, approximately 9.2 million are covered by outstanding options and approximately 9.6 million are available for grant or purchase. Therefore, the Company s total share requirement as of the Record Date was approximately 88.7 million shares (the Share Requirement).

Purpose of the Proposed Amendment

The Board of Directors believes that it is in the Company s best interest to increase the number of authorized shares of Common Stock in order to have additional authorized but unissued shares available for issuance to meet business needs as they arise without the expense and delay of a special meeting of shareholders. If the Amendment is approved, there will be approximately 130.1 million authorized but unissued shares of Common Stock. The Board of Directors believes that the availability of such additional shares of Common Stock will provide the Company with the flexibility to issue Common Stock for proper corporate purposes that may be identified in the future. Such future activities may include, without limitation, effecting a stock split or issuing a stock dividend, making acquisitions through the use of stock, raising equity capital, adopting additional employee stock plans or reserving additional shares for issuance under its existing employee stock plans. Other than as permitted or required under the Company s existing employee stock plans and outstanding options, the Board of Directors has no immediate plans, understandings, agreements or commitments to issue additional shares of Common Stock for any purposes. The Board of Directors believes that the proposed increase in the authorized Common Stock will make a sufficient number of shares available, should the Company decide to use its shares for one or more of such previously mentioned purposes or otherwise. The Company reserves the right to seek a further increase in authorized shares from time to time in the future as considered appropriate by the Board of Directors.

Possible Effects of the Proposed Amendment

If the shareholders approve the proposed Amendment, the Board of Directors may cause the issuance of additional shares of Common Stock without further vote of the shareholders of the Company, except as provided

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under Oregon corporate law or under the rules of any national securities exchange on which shares of Common Stock are then listed. Under the Company s Articles, the Company s shareholders do not have preemptive rights to subscribe to additional securities which may be issued by the Company, which means that current shareholders do not have a prior right to purchase any new issue of capital stock of the Company in order to maintain their proportionate ownership of the Company s Common Stock. In addition, if the Board of Directors elects to issue additional shares of Common Stock, such issuance could have a dilutive effect on the earnings per share, voting power and holdings of current shareholders.

In addition to the corporate purposes discussed above, the proposed Amendment could, under certain circumstances, have an anti-takeover effect, although this is not the intent of the Board of Directors. For example, it may be possible for the Board of Directors to delay or impede a takeover or transfer of control of the Company by causing such additional authorized shares to be issued to holders who might side with the Board in opposing a takeover bid that the Board of Directors determines is not in the best interests of the Company and its shareholders. The Amendment therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempt, the proposed Amendment may limit the opportunity for the Company s shareholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal. The proposed Amendment may have the effect of permitting the Company s current management, including the current Board of Directors, to retain its position, and place it in a better position to resist changes that shareholders may wish to make if they are dissatisfied with the conduct of the Company s business. However, the Board of Directors is not aware of any attempt to take control of the Company and the Board of Directors has not presented this proposal with the intent that it be utilized as a type of anti-takeover device.

The Company adopted a Shareholder Rights Plan in June 1999 (the Rights Plan). The Rights Plan is designed to protect shareholders from proposed takeovers and other abusive takeover tactics, which the Board of Directors believes are not in the best interest of shareholders, by providing shareholders with certain rights to acquire capital stock of the Company or of an acquiring entity upon the occurrence of certain events. A copy of the Rights Plan was filed with the Securities and Exchange Commission on June 11, 1999. Although the Rights Plan provides for the issuance of the Company s Preferred Stock in the event rights become exercisable under the terms of the Rights Plan, the Company may, under certain circumstances, be required to issue a substantial number of shares of Common Stock. A failure to have a sufficient number of shares available could result in a delay or failure of implementation of the Rights Plan. An increase in the authorized number of shares of Common Stock could therefore make a change in control of the Company more difficult by facilitating the operation of the Rights Plan.

Vote Required; Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR approval of the proposed Amendment. If a quorum is present, this proposal will be approved if a majority of the votes cast on the proposal are voted in favor of approval. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting but will not be counted and will have no effect in determining whether the proposal is approved. Proxies solicited by the Board will be voted for approval of the proposed Amendment unless a vote against the proposal or abstention is specifically indicated.

DATE FOR SUBMISSION OF SHAREHOLDER PROPOSALS

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, some shareholder proposals may be eligible for inclusion in the Company s 2006 Proxy Statement. Any such proposal must be received by the Company not later than November 11, 2005. Shareholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law. The submission of a shareholder proposal does not guarantee that it will be included in the Company s Proxy

Statement. Alternatively, under the Company s bylaws, a proposal or nomination that a shareholder does not seek to include in the Company s Proxy Statement pursuant to Rule 14a-8 may be delivered to the Secretary of the Company not less than 60 days nor more than 90 days prior to the date of an Annual Meeting, unless notice or public disclosure of the date of the Annual Meeting occurs less than 60 days prior to the date of such Annual Meeting, in which event, shareholders may deliver such notice not later than the 10th day following the day on which notice of the date of the Annual Meeting was mailed or public disclosure thereof was made. A shareholder s submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to the shareholder s ownership of Common Stock of the Company. Proposals or nominations not meeting these requirements will not be entertained at the Annual Meeting. If the shareholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, the Company may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a shareholder.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors does not know of any other matters to be presented for action by the shareholders at the 2005 Annual Meeting. If, however, any other matters not now known are properly brought before the Annual Meeting, the persons named in the accompanying proxy will vote such proxy in accordance with the determination of a majority of the Board of Directors.

COST OF SOLICITATION

The cost of soliciting proxies will be borne by the Company. In addition to use of the mails, proxies may be solicited personally or by telephone by Directors, officers and employees of the Company, who will not be specially compensated for such activities. Also, W.F. Doring & Co. may solicit proxies at an approximate cost of $2,500 plus reasonable expenses. Such solicitations may be made personally, or by mail, facsimile, telephone, telegraph or messenger. The Company will also request persons, firms and companies holding shares in their names or in the name of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such persons for their reasonable expenses incurred in that connection.

ADDITIONAL INFORMATION

A copy of the Company s Annual Report to Shareholders for the fiscal year ended December 31, 2004 accompanies this Proxy Statement. The Company is required to file an Annual Report on Form 10-K for its fiscal year ended December 31, 2004 with the Securities and Exchange Commission. Shareholders may obtain, free of charge, a copy of the Form 10-K (without exhibits) by writing to Investor Relations, FLIR Systems, Inc., 16505 S.W. 72nd Avenue, Portland, Oregon 97224.

By Order of the Board of Directors

Earl R. Lewis

Chairman of the Board of Directors, President

and Chief Executive Officer

Portland, Oregon

March 11, 2005

Please Mark Here for Address Change or Comments ¨
SEE REVERSE SIDE

	FOR the nominees listed below (except as indicated below)	**WITHHOLD AUTHORITY to vote for all nominees listed below**
n of two directors, each for a three-year term.	¨	¨

n C. Hart and

us L. Macdonald,

r a three-year term expiring in 2008

RD OF DIRECTORS
OUSLY RECOMMENDS A VOTE
H OF THE NOMINEES NAMED

TION: To withhold authority to vote
minee, write that nominee s name in

____

	FOR	**AGAINST**	**A**
2. To approve an amendment to the Company s Articles of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 100,000,000 to 200,000,000.	¨	¨	

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF PROPOSAL 2.

3. In their discretion, the proxies are authorized to vote upon such other ma may properly come before the meeting or any adjournments or postpone thereof.

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD TODAY, USING THE ENCLOSED ENVELOPE.

Please check this box if you plan to attend the Annual Meeting ¨

If you receive more than one Proxy Card, please sign and return all such cards in the accompanying envelope.

____

Typed or Printed name(s)

____

Authorized Signature

____

Title or authority, if applicable

Dated: ______________________________, 2005

Please sign below exactly as your name appears on this Proxy Card. If shares are registered in more than one name, all such persons should sign. A corporation should sign in its full corporate name by a duly authorized officer, stating his/her title. Trustees, guardians, executors and administrators should sign in their official capacity, giving their full title as such. If a partnership, please sign in the partnership name by authorized person(s).

ñ FOLD AND DETACH HERE AND READ THE REVERSE SIDEñ

FLIR SYSTEMS, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned shareholder of FLIR Systems, Inc., an Oregon corporation (the Company), hereby appoints Earl R. Lewis and James A. Fitzhenry, or either of them, with full power of substitution in each, as proxies to cast all votes which the undersigned shareholder is entitled to cast at the Annual Meeting of Shareholders (the Annual Meeting) to be held at 2:00 p.m. on April 20, 2005 at Multnomah Athletic Club, 1849 SW Salmon Street, Portland, Oregon 97205, and any adjournments or postponements thereof upon the following matters.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. **UNLESS DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2, AND IN ACCORDANCE WITH THE RECOMMENDATIONS OF A MAJORITY OF THE BOARD OF DIRECTORS AS TO OTHER MATTERS.** The undersigned hereby acknowledges receipt of the Company s Proxy Statement and hereby revokes any proxy or proxies previously given.

Address Change/Comments (Mark the corresponding box on the reverse side)

é FOLD AND DETACH HERE é

You can now access your FLIR SYSTEMS, INC. account online.

Access your FLIR Systems, Inc. shareholder/stockholder account online via Investor ServiceDirect® (ISD).

Mellon Investor Services LLC, Transfer Agent for FLIR Systems, Inc., now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form
	Establish/change your PIN

Visit us on the web at http://www.melloninvestor.com

For Technical Assistance Call 1-877-978-7778 between 9am-7pm

Monday-Friday Eastern Time