CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (amounts in thousands, except per share data)

		nths Ended
	2018	1ber 31, 2017
Net sales:		
Products	\$ 182,253	\$ 131,743
Services	123,006	116,648
	305,259	248,391
Costs and expenses:		
Products	125,485	91,573
Services	92,785	86,217
Selling, general and administrative expenses	62,986	61,680
Research and development	12,012	11,977
Amortization of purchased intangibles	10,565	7,351
Restructuring costs	1,992	1,495
	305,825	260,293
	(5.60)	(11.000
Operating loss	(566)	(11,902
Other income (expenses):		
Interest and dividend income	1,234	482
Interest expense	(4,032)	(2,674
Other income (expense), net	(4,753)	(78
Loss from continuing operations before income taxes	(8,117)	(14,172
ncome tax (benefit) provision	2,497	(2,737
Loss from continuing operations	(10,614)	(11,435
Net income from discontinued operations	<u> </u>	1,649
Net loss	(10,614)	(9,786
Less noncontrolling interest in loss of VIE	(4,027)	_
	ф. (6.50 5)	Φ (0.70)
Net loss attributable to Cubic	\$ (6,587)	\$ (9,786
Amounts attributable to Cubic:		
Net loss from continuing operations	\$ (6,587)	\$ (11,435
Net income from discontinued operations		1,649
Net loss attributable to Cubic	\$ (6,587)	\$ (9,786
Net income (loss) per share:		
Basic		
Continuing operations attributable to Cubic	\$ (0.23)	\$ (0.42
Discontinued operations	\$ (0.23)	\$ 0.06
Basic earnings per share attributable to Cubic	\$ (0.23)	\$ (0.36
Diluted		
Continuing operations attributable to Cubic	\$ (0.23)	\$ (0.42
Discontinued operations	\$ —	\$ 0.06
Diluted earnings per share attributable to Cubic	\$ (0.23)	\$ (0.36
Weighted average shares used in per share calculations:		
Basic	28,492	27,207
Diluted	28,492	27,207

CUBIC CORPORATION

CONSOLIDATED BALANCE SHEETS (in thousands)

Current assets Cash and cash equivalents Sash in consolidated VIE Cash in consolidated VIE C		December 31, 2018		September 30, 2018	
Cash and cash equivalents \$75,174 \$11,834 Cash in consolidated VIE 421 374 Restricted cash in consolidated VIE 10,000 10,000 Accounts receivable: 11,000 10,000 Accounts receivable: 119,943 39,591 (1,552) (1,332) (1,332) (1,352) (1,332) (3,367) Contract assets 320,277 — — Recoverable income taxes 1,321 91 91 Inventories 9,201 84,199 48,197 84,197 91 Other current assets 8,177 91 91 Other current assets 8,177 8,177 91 Total current assets 684,675 668,147 Cong-term contracts francing receivables 4 92 43,195 Long-term contracts francing receivables in consolidated VIE 52,996 — Long-term contracts francing receivables in consolidated VIE 4,936 — Long-term capitalized contract costs in consolidated VIE 4,936 — Long-term dem contracts francing receiva	ASSETS				
Cash in consolidated VIE 421 374 Restricted cash in consolidated VIE 17,800 10,000 Accounts receivable: 119,943 393,691 Long-term contracts 119,943 393,691 Allowance for doubtful accounts 118,291 392,367 Contract assets 320,277 — Recoverable income taxes 1,321 91 Inventories 92,201 84,199 Assets held for sale 8,177 8,177 Other current assets 40,924 43,705 Total current assets 40,924 43,705 Total current assets 40,924 43,705 Total current assets 40,924 43,705 Long-term contracts receivables 4,936 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term capitalized contract costs 4,936 — Long-term capitalized contract costs in consolidated VIE 5,929 — Long-term capitalized contract costs in consolidated VIE 9,02 1,254 Poperred in	Current assets:				
Restricted cash in consolidated VIE 17,809 17,400 Restricted cash in consolidated VIE 10,000 10,000 Accounts receivable: 119,943 393,691 Allowance for doubtful accounts (1,652) (1,324) Allowance for doubtful accounts 118,201 392,367 Contract assets 320,277 — Recoverable income taxes 1,321 9 Inventories 92,201 84,199 Assets held for sale 8,177 8,177 Other current assets 40,924 43,705 Total current assets 684,675 668,147 Long-term contracts receivables 4 92 Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term capitalized contract costs — 4,824 Long-term capitalized contract costs in consolidated VIE — 8,224 Deferred income taxes 4,687 4,131 Goodwill 48,329 333,260	Cash and cash equivalents	\$	75,174	\$	111,834
Accounts receivable: 10,000 Accounts receivable: 119,943 393,691 Allowance for doubtful accounts (1,652) (1,522) 392,367 Contract assets 320,277 — Recoverable income taxes 1,321 91 Inventories 92,201 84,199 Assets held for sale 8,177 8,175 Other current assets 40,924 43,705 Total current assets 684,675 668,147 Long-term contracts receivables 4,936 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term capitalized contract costs 4,924 — Long-term capitalized contract costs in consolidated VIE 52,996 — Popertry, plant and equipment, net 125,528 17,548 Popertry plant and equipment, net 132,53 33,53 Other assets 13,871 14,192	Cash in consolidated VIE		421		374
Courtact section of the time of	Restricted cash		17,889		17,400
Course receivable: Long-term contracts	Restricted cash in consolidated VIE		10,000		10,000
Allowance for doubtful accounts (1,652) (1,324) 392,367 118,291 392,367 118,291 392,367 118,291 392,367 128,291 392,367 128,291 392,367 128,291 392,367 128,291 392,367 392,367 392,367 392,367 392,361 392,367 392,36	Accounts receivable:		,		ŕ
Allowance for doubtful accounts (1,652) (1,324) 392,367 118,291 392,367 118,291 392,367 118,291 392,367 128,291 392,367 128,291 392,367 128,291 392,367 128,291 392,367 392,367 392,367 392,367 392,361 392,367 392,36	Long-term contracts		119,943		393,691
Contract assets 320,277 — Recoverable income taxes 1,321 91 Inventories 92,201 84,199 Assets held for sale 8,177 8,177 Other current assets 40,924 43,705 Total current assets 684,675 668,147 Long-term contracts receivables — 6,134 Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs — 1,258 Property, plant and equipment, net 115,298 117,546 Deferred income taxes 4,48,329 333,626 Purchased intangibles, net 137,201 73,533 Other assets in consolidated VIE 962 810 Total careast in consolidated VIE 962 810 <td></td> <td></td> <td></td> <td></td> <td></td>					
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Other current assets 40,924 43,705 Total current assets 684,675 668,147 Long-term contracts receivables — 6,134 Long-term contracts financing receivables 44,936 — Long-term contracts financing receivables in consolidated VIE 52,996 — Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs in consolidated VIE — 1,258 Property, plant and equipment, net 125,298 117,546 Deferred income taxes 4,687 4,713 Goodwill 484,329 333,626 Purchased intangibles, net 13,271 73,533 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$130,483 Total carrent liabilities \$64,500 \$- Short-term borrowings \$64,500 \$- Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 - Accrued compensation and other current liabilities 82,323 118,233					
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Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs in consolidated VIE — 1,258 Property, plant and equipment, net 125,298 117,546 Deferred income taxes 4,687 4,713 Goodwill 484,329 333,626 Purchased intangibles, net 13,711 13,721 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 ELIABILITIES AND SHAREHOLDERS' EQUITY Solutions Solutions Current liabilities \$64,500 \$- Short-term borrowings \$64,500 \$- Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 \$- Customer advances \$2,521 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt <td></td> <td></td> <td>11 036</td> <td></td> <td>0,134</td>			11 036		0,134
Long-term capitalized contract costs — 84,924 Long-term capitalized contract costs in consolidated VIE — 1,258 Property, plant and equipment, net 125,298 117,546 Deferred income taxes 4,687 4,713 Goodwill 484,329 333,626 Purchased intangibles, net 137,201 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY ** ** Current liabilities: ** ** Short-term borrowings \$64,500 \$* ** Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 ** Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 5,794 8,586 Total current liabilities 332,606 328,339 Long-term debt					_
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Property, plant and equipment, net 125,298 117,546 Deferred income taxes 4,687 4,713 Goodwill 484,329 333,626 Purchased intangibles, net 137,201 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$64,500 \$ Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 Customer advances 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in c			_		
Deferred income taxes 4,687 4,713 Goodwill 484,329 333,626 Purchased intangibles, net 137,201 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$64,500 \$— Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 15,357 9,056 Other long-term liabilities in consolidated VIE 15,357 9,056 Other long-term liabilities in consolidated VIE 6,146 13 Shareholde			125 200		
Goodwill 484,329 333,626 Purchased intangibles, net 137,201 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: *** *** Short-term borrowings \$64,500 *** *** Trade accounts payable 109,094 125,414 ** </td <td></td> <td></td> <td></td> <td></td> <td></td>					
Purchased intangibles, net 137,201 73,533 Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$64,500 \$- Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 - Customer advances - 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities in consolidated VIE 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock					
Other assets 13,871 14,192 Other assets in consolidated VIE 962 810 Total assets \$1,548,955 \$1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$64,500 \$— Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities in consolidated VIE 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock 260,141 45,008 Retained earnings 80,834 80,					
Other assets in consolidated VIE 962 810 Total assets \$ 1,548,955 \$ 1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$ 64,500 \$ - Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 - Customer advances - 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities in consolidated VIE 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock 260,141 45,008 Retained earnings 815,083 801,834					
Total assets \$ 1,548,955 \$ 1,304,883 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Short-term borrowings \$ 64,500 \$ — Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities in consolidated VIE 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: \$ 64,500 \$ — Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock 260,141 45,008 Retained earnings 815,083 801,834		Φ 1		Ф 1	
Current liabilities: \$ 64,500 \$ — Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834	Total assets	\$ 1	,548,955	\$	1,304,883
Current liabilities: \$ 64,500 \$ — Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
Short-term borrowings \$ 64,500 \$ — Trade accounts payable 109,094 125,414 Trade accounts payable in consolidated VIE 205 165 Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
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Contract liability 69,713 — Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
Customer advances — 75,941 Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					165
Accrued compensation and other current liabilities 82,323 118,233 Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834			69,713		_
Income taxes payable 6,771 8,586 Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
Total current liabilities 332,606 328,339 Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834	*				
Long-term debt 199,801 199,793 Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834	Total current liabilities		332,606		328,339
Long-term debt in consolidated VIE 15,357 9,056 Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834					
Other long-term liabilities 43,838 43,486 Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock 260,141 45,008 Retained earnings 815,083 801,834	Long-term debt		199,801		199,793
Other long-term liabilities in consolidated VIE 6,146 13 Shareholders' equity: Common stock 260,141 45,008 Retained earnings 815,083 801,834	Long-term debt in consolidated VIE		15,357		9,056
Shareholders' equity: 260,141 45,008 Retained earnings 815,083 801,834	Other long-term liabilities		43,838		43,486
Common stock 260,141 45,008 Retained earnings 815,083 801,834	Other long-term liabilities in consolidated VIE		6,146		13
Common stock 260,141 45,008 Retained earnings 815,083 801,834					
Common stock 260,141 45,008 Retained earnings 815,083 801,834	Shareholders' equity:				
Retained earnings 815,083 801,834			260,141		45,008
	Accumulated other comprehensive loss		(112,642)		(110,643)

Treasury stock at cost	(36,078)	(36,078)
Shareholders' equity related to Cubic	926,504	700,121
Noncontrolling interest in consolidated VIE	24,703	24,075
Total shareholders' equity	951,207	724,196
Total liabilities and shareholders' equity	\$ 1,548,955	\$ 1,304,883

CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Three Months Ended December 31,			
	_	2018		2017
Operating Activities:				
Net loss	\$	(10,614)	\$	(9,786)
Net income from discontinued operations				(1,649)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		16,011		12,433
Share-based compensation expense		2,720		1,627
Change in fair value of contingent consideration		429		298
Changes in operating assets and liabilities, net of effects from acquisitions:		(69,713)		(14,437)
NET CASH USED IN CONTINUING OPERATING ACTIVITIES		(61,167)		(11,514)
NET CASH USED IN OPERATING ACTIVITIES FROM DISCONTINUED				
OPERATIONS		<u> </u>		(15,424)
NET CASH USED IN OPERATING ACTIVITIES		(61,167)		(26,938)
Investing Activities:				
Acquisition of businesses, net of cash acquired		(247,150)		(4,650)
Purchases of property, plant and equipment		(12,045)		(6,318)
Purchase of non-marketable debt and equity securities		<u> </u>		(671)
NET CASH USED IN INVESTING ACTIVITIES		(259,195)		(11,639)
Financing Activities:				
Proceeds from short-term borrowings		372,000		82,000
Principal payments on short-term borrowings		(307,500)		(49,000)
Proceeds from long-term borrowings in consolidated VIE		5,798		
Purchase of common stock		(3,419)		(2,256)
Contingent consideration payments related to acquisitions of businesses		(435)		(656)
Proceeds from equity offering, net		215,832		
NET CASH PROVIDED BY FINANCING ACTIVITIES		282,276		30,088
Effect of exchange rates on cash		1,962		677
NET DECREASE IN CASH AND CASH EQUIVALENTS		(36,124)		(7,812)
Cash and cash equivalents at the beginning of the period	_	139,608		68,577
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$	103,484	\$	60,765
Supplemental disclosure of non-cash investing and financing activities: Receivable recognized in connection with the acquisition of Trafficware, net	\$	1,588	\$	_