

Financial Statements

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

	Three Months Ended December 31,	
	2017	2016
Net sales:		
Products	\$ 131,743	\$ 144,760
Services	208,941	189,917
	<u>340,684</u>	<u>334,677</u>
Costs and expenses:		
Products	91,573	104,612
Services	169,337	151,142
Selling, general and administrative expenses	65,347	63,758
Research and development	11,977	9,020
Amortization of purchased intangibles	7,959	9,355
Restructuring costs	1,495	891
	<u>347,688</u>	<u>338,778</u>
Operating loss	(7,004)	(4,101)
Other income (expenses):		
Interest and dividend income	485	247
Interest expense	(2,674)	(3,540)
Other income (expense), net	<u>(76)</u>	<u>(547)</u>
Loss before income taxes	(9,269)	(7,941)
Income tax provision (benefit)	<u>517</u>	<u>(5,073)</u>
Net loss	<u>\$ (9,786)</u>	<u>\$ (2,868)</u>
Net loss per share:		
Basic	\$ (0.36)	\$ (0.11)
Diluted	\$ (0.36)	\$ (0.11)
Weighted average shares used in per share calculations:		
Basic	27,207	27,086
Diluted	27,207	27,086

CUBIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,995	\$ 60,143
Restricted cash	11,770	8,434
Accounts receivable:		
Trade and other receivables	12,182	12,378
Long-term contracts	390,916	416,808
Allowance for doubtful accounts	(429)	(436)
	<u>402,669</u>	<u>428,750</u>
Recoverable income taxes	2,156	5,360
Inventories	101,395	87,715
Other current assets	<u>39,137</u>	<u>31,141</u>
Total current assets	<u>606,122</u>	<u>621,543</u>
Long-term contract receivables	17,328	17,457
Long-term capitalized contract costs	54,491	56,471
Property, plant and equipment, net	114,714	113,686
Deferred income taxes	4,647	2,206
Goodwill	416,284	415,912
Purchased intangibles, net	90,713	98,495
Other assets	<u>12,766</u>	<u>10,515</u>
Total assets	<u>\$ 1,317,065</u>	<u>\$ 1,336,285</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 88,000	\$ 55,000
Trade accounts payable	104,707	95,837
Customer advances	54,446	57,477
Accrued compensation and other current liabilities	111,979	158,327
Income taxes payable	<u>8,942</u>	<u>9,838</u>
Total current liabilities	<u>368,074</u>	<u>376,479</u>
Long-term debt	199,769	199,761
Other long-term liabilities	70,099	70,414
Shareholders' equity:		
Common stock	36,789	37,850
Retained earnings	784,699	794,485
Accumulated other comprehensive loss	(106,287)	(106,626)
Treasury stock at cost	<u>(36,078)</u>	<u>(36,078)</u>
Total shareholders' equity	<u>679,123</u>	<u>689,631</u>
Total liabilities and shareholders' equity	<u>\$ 1,317,065</u>	<u>\$ 1,336,285</u>

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended December 31,	
	2017	2016
Operating Activities:		
Net loss	\$ (9,786)	\$ (2,868)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	13,109	13,444
Share-based compensation expense	1,581	2,314
Change in fair value of contingent consideration	298	(1,314)
Changes in operating assets and liabilities, net of effects from acquisitions:	(32,140)	(4,478)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(26,938)	7,098
Investing Activities:		
Acquisition of businesses, net of cash acquired	(4,650)	(12,924)
Purchases of property, plant and equipment	(6,318)	(6,674)
Purchases of marketable securities	—	(6,246)
Proceeds from sales or maturities of marketable securities	—	6,246
Purchase of non-marketable debt and equity securities	(671)	—
Sale of other assets	—	1,233
NET CASH USED IN INVESTING ACTIVITIES	(11,639)	(18,365)
Financing Activities:		
Proceeds from short-term borrowings	82,000	36,800
Principal payments on short-term borrowings	(49,000)	(35,000)
Principal payments on long-term debt	—	(107)
Purchase of common stock	(2,256)	(2,334)
Contingent consideration payments related to acquisitions of businesses	(656)	(1,988)
Net change in restricted cash	(3,243)	(4,226)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	26,845	(6,855)
Effect of exchange rates on cash	584	(12,666)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,148)	(30,788)
Cash and cash equivalents at the beginning of the period	60,143	197,127
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 48,995	\$ 166,339
Supplemental disclosure of non-cash investing and financing activities:		
Liability incurred to acquire Vocality, net	\$ —	\$ 1,093

**CUBIC CORPORATION
BACKLOG**

	December 31, 2017	September 30, 2017
	(in millions)	
Total backlog		
Transportation Systems	\$ 2,581.9	\$ 2,043.9
Cubic Global Defense Systems	394.9	420.3
Cubic Mission Solutions	59.0	72.3
Cubic Global Defense Services	601.0	567.1
Total	<u>\$ 3,636.8</u>	<u>\$ 3,103.6</u>
Funded backlog		
Transportation Systems	\$ 2,581.9	\$ 2,043.9
Cubic Global Defense Systems	394.9	420.3
Cubic Mission Solutions	59.0	72.3
Cubic Global Defense Services	116.4	119.6
Total	<u>\$ 3,152.2</u>	<u>\$ 2,656.1</u>

Backlog:

Total backlog increased by \$533.2 million from September 30, 2017 to December 31, 2017 primarily due to the October 2017 award of the New York New Fare Payment System contract to CTS. This contract award added \$554 million to backlog during the quarter. Changes in exchange rates between the prevailing currency in our foreign operations and the U.S. dollar as of the end of the quarter increased backlog by \$5.1 million compared to September 30, 2017.