

Financial Statements

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

	Six Months Ended March 31,		Three Months Ended March 31,	
	2018	2017	2018	2017
Net sales:				
Products	\$ 289,188	\$ 298,928	\$ 157,445	\$ 154,168
Services	237,789	193,482	121,141	93,872
	<u>526,977</u>	<u>492,410</u>	<u>278,586</u>	<u>248,040</u>
Costs and expenses:				
Products	208,666	214,015	117,093	109,403
Services	164,674	137,435	78,457	69,591
Selling, general and administrative expenses	125,453	113,832	63,773	54,644
Research and development	26,179	21,878	14,202	12,858
Amortization of purchased intangibles	13,835	15,691	6,484	7,265
Restructuring costs	1,751	1,266	256	363
	<u>540,558</u>	<u>504,117</u>	<u>280,265</u>	<u>254,124</u>
Operating loss	(13,581)	(11,707)	(1,679)	(6,084)
Other income (expenses):				
Interest and dividend income	1,107	440	625	214
Interest expense	(5,585)	(7,845)	(2,911)	(4,305)
Other income (expense), net	<u>1,950</u>	<u>(948)</u>	<u>2,028</u>	<u>(399)</u>
Loss from continuing operations before income taxes	(16,109)	(20,060)	(1,937)	(10,574)
Income tax provision (benefit)	<u>(1,328)</u>	<u>(62,947)</u>	<u>1,409</u>	<u>(52,445)</u>
Net income (loss) from continuing operations	(14,781)	42,887	(3,346)	41,871
Net income (loss) from discontinued operations	2,984	(45,294)	1,335	(41,410)
Net income (loss)	<u>\$ (11,797)</u>	<u>\$ (2,407)</u>	<u>\$ (2,011)</u>	<u>\$ 461</u>
Net income (loss) per share:				
Basic				
Continuing operations	\$ (0.54)	\$ 1.58	\$ (0.12)	\$ 1.54
Discontinued operations	\$ 0.11	\$ (1.67)	\$ 0.05	\$ (1.53)
Basic earnings per share	\$ (0.43)	\$ (0.09)	\$ (0.07)	\$ 0.02
Diluted				
Continuing operations	\$ (0.54)	\$ 1.58	\$ (0.12)	\$ 1.54
Discontinued operations	\$ 0.11	\$ (1.67)	\$ 0.05	\$ (1.53)
Diluted earnings per share	\$ (0.43)	\$ (0.09)	\$ (0.07)	\$ 0.02
Dividends per common share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Weighted average shares used in per share calculations:				
Basic	27,215	27,095	27,223	27,103
Diluted				
Continuing operations	27,215	27,132	27,223	27,159
Discontinued operations	27,298	27,095	27,326	27,103
Diluted earnings per share	27,215	27,095	27,223	27,159

CUBIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>March 31,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56,419	\$ 60,143
Restricted cash	14,710	8,434
Accounts receivable:		
Long-term contracts	294,168	354,476
Allowance for doubtful accounts	(863)	(436)
	<u>293,305</u>	<u>354,040</u>
Recoverable income taxes	2,013	5,360
Inventories	105,747	87,715
Other current assets	40,683	29,951
Current assets of discontinued operations	<u>175,978</u>	<u>75,900</u>
Total current assets	<u>688,855</u>	<u>621,543</u>
Long-term contract receivables	16,568	17,457
Long-term capitalized contract costs	61,574	56,471
Property, plant and equipment, net	116,135	113,220
Deferred income taxes	8,238	7,385
Goodwill	330,538	321,562
Purchased intangibles, net	82,157	89,858
Other assets	8,910	10,515
Noncurrent assets of discontinued operations	—	98,274
Total assets	<u>\$ 1,312,975</u>	<u>\$ 1,336,285</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 77,000	\$ 55,000
Trade accounts payable	82,565	88,521
Customer advances	70,731	56,132
Accrued compensation and other current liabilities	93,212	130,126
Income taxes payable	3,752	9,838
Current liabilities of discontinued operations	<u>44,810</u>	<u>36,862</u>
Total current liabilities	<u>372,070</u>	<u>376,479</u>
Long-term debt	199,777	199,761
Other long-term liabilities	61,553	70,414
Noncurrent liabilities of discontinued operations	—	—
Shareholders' equity:		
Common stock	40,079	37,850
Retained earnings	779,012	794,485
Accumulated other comprehensive loss	(103,438)	(106,626)
Treasury stock at cost	<u>(36,078)</u>	<u>(36,078)</u>
Total shareholders' equity	<u>679,575</u>	<u>689,631</u>
Total liabilities and shareholders' equity	<u>\$ 1,312,975</u>	<u>\$ 1,336,285</u>

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended March 31,		Three Months Ended March 31,	
	2018	2017	2018	2017
Operating Activities:				
Net income (loss)	\$ (11,797)	\$ (2,407)	\$ (2,011)	\$ 461
Net income (loss) from discontinued operations	(2,984)	45,294	(1,335)	41,410
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	23,491	24,036	11,058	11,611
Share-based compensation expense	2,497	3,191	870	1,015
Change in fair value of contingent consideration	452	(2,194)	154	(880)
(Gain) loss on disposal of assets	(1,474)	405	(1,474)	—
Deferred income taxes	(185)	—	(185)	—
Changes in operating assets and liabilities, net of effects from acquisitions:	(9,021)	(63,667)	5,417	(50,660)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	979	4,658	12,494	2,957
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	6,133	6,340	21,556	943
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,112	10,998	34,050	3,900
Investing Activities:				
Acquisition of businesses, net of cash acquired	(9,534)	(12,924)	(4,884)	—
Purchases of property, plant and equipment	(11,786)	(15,169)	(5,468)	(8,495)
Purchases of marketable securities	—	(18,755)	—	(12,509)
Proceeds from sales or maturities of marketable securities	—	12,503	—	6,257
Purchase of non-marketable debt and equity securities	(1,250)	—	(579)	—
Proceeds from the sale of fixed assets	2,400	—	2,400	—
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(20,170)	(34,345)	(8,531)	(14,747)
NET CASH PROVIDED BY INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	—	1,233	—	—
NET CASH USED IN INVESTING ACTIVITIES	(20,170)	(33,112)	(8,531)	(14,747)
Financing Activities:				
Proceeds from short-term borrowings	119,120	69,280	37,120	32,480
Principal payments on short-term borrowings	(97,120)	(59,280)	(48,120)	(24,280)
Principal payments on long-term debt	—	(216)	—	(109)
Stock issued under employee stock purchase plan	798	—	798	—
Purchase of common stock	(2,324)	(2,334)	(68)	—
Dividends paid	(3,676)	(3,659)	(3,676)	(3,659)
Contingent consideration payments related to acquisitions of businesses	(656)	(1,988)	—	—
Net change in restricted cash	(5,741)	(1,513)	(2,498)	2,713
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	10,401	290	(16,444)	7,145
Effect of exchange rates on cash	(1,067)	(7,486)	(1,651)	5,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,724)	(29,310)	7,424	1,478
Cash and cash equivalents at the beginning of the period	60,143	197,127	48,995	166,339
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 56,419	\$ 167,817	\$ 56,419	\$ 167,817
Supplemental disclosure of non-cash investing and financing activities:				
Liability incurred to acquire Vocality, net	\$ —	\$ 1,035	\$ —	\$ —

**CUBIC CORPORATION
BACKLOG**

	March 31, 2018	September 30, 2017
	(in millions)	
<u>Total backlog</u>		
Cubic Transportation Systems	\$ 2,962.1	\$ 2,043.9
Cubic Global Defense Systems	378.6	420.3
Cubic Mission Solutions	69.0	72.3
Total	<u>\$ 3,409.7</u>	<u>\$ 2,536.5</u>

Backlog:

Total backlog increased by \$873.2 million from September 30, 2017 to March 31, 2018 driven by Cubic Transportation Systems. 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 \$31.8 million compared to September 30, 2017.