

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net sales:				
Products	\$ 255,900	\$ 179,761	\$ 660,897	\$ 468,949
Services	126,779	116,451	364,380	354,240
	<u>382,679</u>	<u>296,212</u>	<u>1,025,277</u>	<u>823,189</u>
Costs and expenses:				
Products	190,434	125,536	491,856	334,202
Services	77,224	80,401	243,851	245,075
Selling, general and administrative expenses	82,167	58,267	211,348	183,720
Research and development	12,470	13,934	38,236	40,113
Amortization of purchased intangibles	9,717	6,153	32,677	19,988
Gain on sale of fixed assets	(32,563)	—	(32,563)	—
Restructuring costs	8,505	1,631	12,254	3,382
	<u>347,954</u>	<u>285,922</u>	<u>997,659</u>	<u>826,480</u>
Operating income (loss)	34,725	10,290	27,618	(3,291)
Other income (expenses):				
Interest and dividend income	1,696	765	4,343	1,872
Interest expense	(6,132)	(2,567)	(14,695)	(8,152)
Other income (expense), net	(8,714)	(3,831)	(17,069)	(1,881)
Income (loss) from continuing operations before income taxes	21,575	4,657	197	(11,452)
Income tax (benefit) provision	1,029	5,627	(305)	4,299
Income (loss) from continuing operations	20,546	(970)	502	(15,751)
Net income (loss) from discontinued operations	(202)	5,380	(1,541)	8,364
Net income (loss)	<u>20,344</u>	<u>4,410</u>	<u>(1,039)</u>	<u>(7,387)</u>
Less noncontrolling interest in loss of VIE	(3,566)	(1,881)	(8,970)	(1,881)
Net income (loss) attributable to Cubic	<u>\$ 23,910</u>	<u>\$ 6,291</u>	<u>\$ 7,931</u>	<u>\$ (5,506)</u>
Amounts attributable to Cubic:				
Net income (loss) from continuing operations	\$ 24,112	\$ 911	\$ 9,472	\$ (13,870)
Net income (loss) from discontinued operations	(202)	5,380	(1,541)	8,364
Net income (loss) attributable to Cubic	<u>\$ 23,910</u>	<u>\$ 6,291</u>	<u>\$ 7,931</u>	<u>\$ (5,506)</u>
Net income (loss) per share:				
Basic				
Continuing operations attributable to Cubic	\$ 0.77	\$ 0.03	\$ 0.31	\$ (0.51)
Discontinued operations	\$ (0.01)	\$ 0.20	\$ (0.05)	\$ 0.31
Basic earnings per share attributable to Cubic	<u>\$ 0.77</u>	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ (0.20)</u>
Diluted				
Continuing operations attributable to Cubic	\$ 0.77	\$ 0.03	\$ 0.31	\$ (0.51)
Discontinued operations	\$ (0.01)	\$ 0.20	\$ (0.05)	\$ 0.31
Diluted earnings per share attributable to Cubic	<u>\$ 0.77</u>	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ (0.20)</u>
Dividends per common share	\$ —	\$ —	\$ 0.14	\$ 0.14
Weighted average shares used in per share calculations:				
Basic	31,160	27,232	30,267	27,221
Diluted	31,249	27,374	30,332	27,221

CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 30, 2019	September 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 62,522	\$ 111,834
Cash in consolidated VIE	359	374
Restricted cash	17,062	17,400
Restricted cash in consolidated VIE	9,967	10,000
Accounts receivable:		
Long-term contracts	180,594	393,691
Allowance for doubtful accounts	(1,745)	(1,324)
	<u>178,849</u>	<u>392,367</u>
Contract assets	275,422	—
Recoverable income taxes	8,701	91
Inventories	124,297	84,199
Assets held for sale	—	8,177
Other current assets	40,615	43,705
Other current assets in consolidated VIE	53	—
Total current assets	<u>717,847</u>	<u>668,147</u>
Long-term contracts receivables	—	6,134
Long-term contracts financing receivables	38,885	—
Long-term contracts financing receivables in consolidated VIE	90,233	—
Long-term capitalized contract costs	—	84,924
Long-term capitalized contract costs in consolidated VIE	—	1,258
Property, plant and equipment, net	137,004	117,546
Deferred income taxes	5,102	4,713
Goodwill	578,945	333,626
Purchased intangibles, net	175,207	73,533
Other assets	70,396	14,192
Other assets in consolidated VIE	1,266	810
Total assets	<u>\$ 1,814,885</u>	<u>\$ 1,304,883</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ 231,000	\$ —
Trade accounts payable	154,291	125,414
Trade accounts payable in consolidated VIE	88	165
Contract liabilities	62,266	—
Customer advances	—	75,941
Accrued compensation and other current liabilities	92,327	118,233
Accrued compensation and other current liabilities in consolidated VIE	183	—
Income taxes payable	1,292	8,586
Current portion of long-term debt	10,713	—
Total current liabilities	<u>552,160</u>	<u>328,339</u>
Long-term debt	189,103	199,793
Long-term debt in consolidated VIE	45,991	9,056
Other long-term liabilities	45,152	43,486
Other long-term liabilities in consolidated VIE	16,897	13
Shareholders' equity:		
Common stock	268,965	45,008
Retained earnings	825,396	801,834
Accumulated other comprehensive loss	(112,470)	(110,643)
Treasury stock at cost	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>945,813</u>	<u>700,121</u>
Noncontrolling interest in consolidated VIE	19,769	24,075
Total shareholders' equity	<u>965,582</u>	<u>724,196</u>
Total liabilities and shareholders' equity	<u>\$ 1,814,885</u>	<u>\$ 1,304,883</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Operating Activities:</b>				
Net income (loss)	\$ 20,344	\$ 4,410	\$ (1,039)	\$ (7,387)
Net (income) loss from discontinued operations	202	(5,380)	1,541	(8,364)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	15,351	10,642	48,949	34,133
Share-based compensation expense	4,402	2,603	10,760	5,100
Change in fair value of contingent consideration	1,163	(6)	1,833	446
Gain on sale of property, plant and equipment	(32,563)	—	(32,563)	—
Gain on sale of investment in real estate	—	—	—	(1,474)
Deferred income taxes	(948)	(10,013)	(6,773)	(10,198)
Changes in operating assets and liabilities, net of effects from acquisitions	(6,897)	(35,026)	(105,364)	(44,047)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>1,054</b>	<b>(32,770)</b>	<b>(82,656)</b>	<b>(31,791)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>8,364</b>	<b>—</b>	<b>14,497</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>1,054</b>	<b>(24,406)</b>	<b>(82,656)</b>	<b>(17,294)</b>
<b>Investing Activities:</b>				
Acquisition of businesses, net of cash acquired	—	—	(395,854)	(9,534)
Proceeds from sale of property, plant and equipment	44,891	—	44,891	—
Purchases of property, plant and equipment	(13,114)	(9,334)	(35,291)	(21,120)
Proceeds from sale of investment in real estate	—	—	—	2,400
Purchase of non-marketable debt and equity securities	(52,997)	(222)	(52,997)	(1,472)
<b>NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>(21,220)</b>	<b>(9,556)</b>	<b>(439,251)</b>	<b>(29,726)</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>133,795</b>	<b>—</b>	<b>133,795</b>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(21,220)</b>	<b>124,239</b>	<b>(439,251)</b>	<b>104,069</b>
<b>Financing Activities:</b>				
Proceeds from short-term borrowings	168,000	79,700	782,500	198,820
Principal payments on short-term borrowings	(146,000)	(156,700)	(551,500)	(253,820)
Proceeds from long-term borrowings in consolidated VIE	19,841	28,378	35,816	28,378
Deferred financing fees	(1,854)	—	(1,854)	—
Deferred financing fees in consolidated VIE	(213)	(2,180)	(690)	(2,180)
Proceeds from stock issued under employee stock purchase plan	—	(88)	783	710
Purchase of common stock	—	(31)	(3,419)	(2,355)
Dividends paid	—	—	(4,205)	(3,676)
Contingent consideration payments related to acquisitions of businesses	—	—	(820)	(656)
Proceeds from equity offering, net	—	—	215,832	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>39,774</b>	<b>(50,921)</b>	<b>472,443</b>	<b>(34,779)</b>
Effect of exchange rates on cash	(1,574)	342	(234)	(190)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,034</b>	<b>49,254</b>	<b>(49,698)</b>	<b>51,806</b>
Cash and cash equivalents at the beginning of the period	71,876	71,129	139,608	68,577
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>\$ 89,910</b>	<b>\$ 120,383</b>	<b>\$ 89,910</b>	<b>\$ 120,383</b>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>				
Receivable recognized in connection with the acquisition of Trafficware, net	\$ —	\$ —	\$ 1,588	\$ —
Receivable recognized in connection with the acquisition of GRIDSMART, net	\$ —	\$ —	\$ 442	\$ —
Liability recognized in connection with the acquisition of Nuvotronics, net	\$ —	\$ —	\$ 5,300	\$ —