

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

| | Years Ended September 30, | | |
|---|---------------------------|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Net sales: | | | |
| Products | \$ 681,559 | \$ 661,904 | \$ 607,226 |
| Services | 804,302 | 799,761 | 823,819 |
| | <u>1,485,861</u> | <u>1,461,665</u> | <u>1,431,045</u> |
| Costs and expenses: | | | |
| Products | 473,670 | 473,444 | 451,295 |
| Services | 648,472 | 643,462 | 640,031 |
| Selling, general and administrative expenses | 258,088 | 269,593 | 212,518 |
| Research and development | 52,652 | 31,976 | 17,992 |
| Amortization of purchased intangibles | 32,997 | 34,120 | 27,550 |
| Restructuring costs | 2,468 | 1,852 | 6,272 |
| | <u>1,468,347</u> | <u>1,454,447</u> | <u>1,355,658</u> |
| Operating income | 17,514 | 7,218 | 75,387 |
| Other income (expenses): | | | |
| Interest and dividend income | 994 | 1,476 | 1,809 |
| Interest expense | (15,027) | (11,199) | (4,400) |
| Pension settlement loss | — | (2,671) | — |
| Other income (expense), net | 369 | (2,301) | (885) |
| | <u>3,850</u> | <u>(7,477)</u> | <u>71,911</u> |
| Income (loss) before income taxes | 3,850 | (7,477) | 71,911 |
| Income tax provision (benefit) | 15,059 | (9,212) | 48,997 |
| Net income (loss) | (11,209) | 1,735 | 22,914 |
| Less noncontrolling interest in income of VIE | — | — | 29 |
| Net income (loss) attributable to Cubic | <u>\$ (11,209)</u> | <u>\$ 1,735</u> | <u>\$ 22,885</u> |
| Net income (loss) per share: | | | |
| Basic | \$ (0.41) | \$ 0.06 | \$ 0.85 |
| Diluted | \$ (0.41) | \$ 0.06 | \$ 0.85 |
| Weighted average shares used in per share calculations: | | | |
| Basic | 27,106 | 26,976 | 26,872 |
| Diluted | 27,106 | 27,040 | 26,938 |

CUBIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | <u>September 30,</u> <u>2017</u> | <u>September 30,</u> <u>2016</u> |
|---|-------------------------------------|-------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 60,143 | \$ 197,127 |
| Restricted cash | 8,434 | 75,648 |
| Marketable securities | — | 12,996 |
| Accounts receivable: | | |
| Trade and other receivables | 12,378 | 15,488 |
| Long-term contracts | 416,808 | 367,419 |
| Allowance for doubtful accounts | (436) | (326) |
| | <u>428,750</u> | <u>382,581</u> |
| Recoverable income taxes | 5,360 | 9,706 |
| Inventories | 87,715 | 66,362 |
| Other current assets | 31,141 | 38,231 |
| Total current assets | <u>621,543</u> | <u>782,651</u> |
| Long-term contract receivables | 17,457 | 20,926 |
| Long-term capitalized contract costs | 56,471 | 65,382 |
| Property, plant and equipment, net | 113,686 | 96,316 |
| Deferred income taxes | 2,206 | 2,194 |
| Goodwill | 415,912 | 406,946 |
| Purchased intangibles, net | 98,495 | 123,403 |
| Other assets | 10,515 | 6,590 |
| Total assets | <u>\$ 1,336,285</u> | <u>\$ 1,504,408</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | \$ 55,000 | \$ 240,000 |
| Trade accounts payable | 95,837 | 81,172 |
| Customer advances | 57,477 | 49,481 |
| Accrued compensation | 79,577 | 73,619 |
| Other current liabilities | 78,750 | 74,071 |
| Income taxes payable | 9,838 | 1,450 |
| Current portion of long-term debt | — | 450 |
| Total current liabilities | <u>376,479</u> | <u>520,243</u> |
| Long-term debt | 199,761 | 200,291 |
| Accrued pension liability | 25,375 | 46,865 |
| Deferred compensation | 11,435 | 10,643 |
| Income taxes payable | 7,465 | 11,855 |
| Deferred income taxes | 10,407 | 3,980 |
| Other non-current liabilities | 15,732 | 20,635 |

Commitments and contingencies

Shareholders' equity:

Preferred stock, no par value:

Authorized--5,000 shares

Issued and outstanding--none

Common stock

Authorized--50,000 shares

36,072 issued and 27,127 outstanding at September 30, 2017

35,937 issued and 26,992 outstanding at September 30, 2016

Retained earnings

Accumulated other comprehensive loss

Treasury stock at cost - 8,945 shares

Total shareholders' equity

37,850

32,756

794,485

813,035

(106,626)

(119,817)

(36,078)

(36,078)

689,631

689,896

Total liabilities and shareholders' equity

\$ 1,336,285

\$ 1,504,408

CUBIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Years Ended September 30, | | |
|--|---------------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 |
| Operating Activities: | | | |
| Net income (loss) | \$ (11,209) | \$ 1,735 | \$ 22,914 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 51,099 | 45,478 | 37,662 |
| Share-based compensation expense | 5,269 | 8,762 | 8,325 |
| Change in fair value of contingent consideration | (3,878) | 1,274 | 3,607 |
| Loss on disposal of assets | 405 | — | — |
| Deferred income taxes | 5,540 | (23,988) | 33,816 |
| Net pension cost (benefit) | (1,046) | 1,102 | (3,224) |
| Excess tax benefits from equity incentive plans | (35) | 3 | 33 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | | |
| Accounts receivable | (40,015) | 4,409 | (2,230) |
| Inventories | (18,867) | (62) | (21,669) |
| Prepaid expenses and other current assets | 7,763 | 3,403 | (15,045) |
| Long-term capitalized contract costs | 8,911 | 7,635 | 3,192 |
| Accounts payable and other current liabilities | 10,919 | 19,874 | 25,599 |
| Customer advances | 7,364 | (24,900) | (10,200) |
| Income taxes | 8,240 | (5,519) | 8,847 |
| Other items, net | (5,724) | 5,396 | (1,938) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 24,736 | 44,602 | 89,689 |
| Investing Activities: | | | |
| Acquisition of businesses, net of cash acquired | (16,830) | (243,459) | (92,178) |
| Purchases of marketable securities | (19,121) | (28,470) | (58,855) |
| Proceeds from sales or maturities of marketable securities | 31,868 | 43,456 | 51,173 |
| Purchases of property, plant and equipment | (36,932) | (32,093) | (22,202) |
| Proceeds from sale of assets | 1,233 | — | — |
| Purchase of non-marketable debt and equity securities | (2,700) | — | — |
| Purchases of other assets | — | — | (2,993) |
| NET CASH USED IN INVESTING ACTIVITIES | (42,482) | (260,566) | (125,055) |
| Financing Activities: | | | |
| Proceeds from short-term borrowings | 130,780 | 288,900 | 111,300 |
| Principal payments on short-term borrowings | (315,780) | (108,900) | (51,300) |
| Proceeds from long-term borrowings | — | 75,000 | 25,000 |
| Principal payments on long-term debt | (978) | (494) | (537) |
| Deferred financing fees | — | (3,647) | — |
| Stock issued under employee stock purchase plan | 2,234 | — | — |
| Purchase of common stock | (2,444) | (1,563) | (2,652) |
| Dividends paid | (7,341) | (7,285) | (7,256) |
| Excess tax benefits from equity incentive plans | 35 | (3) | (33) |
| Contingent consideration payments related to acquisitions of businesses | (2,625) | (2,479) | — |
| Purchase of noncontrolling interest | — | — | (1,029) |
| Net change in restricted cash | 66,293 | (6,403) | (189) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (129,826) | 233,126 | 73,304 |
| Effect of exchange rates on cash | 10,588 | (38,511) | (10,950) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (136,984) | (21,349) | 26,988 |
| Cash and cash equivalents at the beginning of the period | 197,127 | 218,476 | 191,488 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | \$ 60,143 | \$ 197,127 | \$ 218,476 |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Liability incurred to acquire Deltenna, net | \$ 1,327 | \$ — | \$ — |
| Liability incurred to acquire Vocality, net | \$ 271 | \$ — | \$ — |
| Liability incurred to acquire GATR, net | \$ — | \$ 6,788 | \$ — |
| Liability incurred to acquire TeraLogics, net | \$ — | \$ 4,998 | \$ — |
| Liability incurred to acquire H4 Global, net | \$ — | \$ 952 | \$ — |
| Liability incurred to acquire DTECH, net | \$ — | \$ — | \$ 11,808 |