

CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

	Years Ended September 30,		
	2015	2014	2013
Net sales:			
Products	\$ 607,226	\$ 583,937	\$ 562,310
Services	823,819	814,415	799,097
	<u>1,431,045</u>	<u>1,398,352</u>	<u>1,361,407</u>
Costs and expenses:			
Products	451,295	424,682	425,793
Services	640,031	657,853	629,520
Selling, general and administrative expenses	212,518	181,672	165,230
Research and development	17,992	17,959	24,445
Amortization of purchased intangibles	27,550	22,602	16,680
Restructuring costs	6,272	1,094	8,139
Impairment of goodwill	-	-	50,865
	<u>1,355,658</u>	<u>1,305,862</u>	<u>1,320,672</u>
Operating income	75,387	92,490	40,735
Other income (expenses):			
Interest and dividend income	1,809	1,396	1,576
Interest expense	(4,400)	(4,084)	(3,427)
Other income (expense), net	<u>(885)</u>	<u>(391)</u>	<u>887</u>
Income before income taxes	71,911	89,411	39,771
Income taxes	<u>48,997</u>	<u>19,831</u>	<u>14,502</u>
Net income	22,914	69,580	25,269
Less noncontrolling interest in income of VIE	<u>29</u>	<u>89</u>	<u>183</u>
Net income attributable to Cubic	<u>\$ 22,885</u>	<u>\$ 69,491</u>	<u>\$ 25,086</u>
Net Income per share attributable to Cubic:			
Basic	\$ 0.85	\$ 2.59	\$ 0.94
Diluted	0.85	2.59	0.94
Weighted Average shares used in per share calculations:			
Basic	26,872	26,787	26,736
Diluted	26,938	26,845	26,760

CUBIC CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,476	\$ 191,488
Restricted cash	69,245	69,056
Marketable securities	30,533	25,557
Accounts receivable:		
Trade and other receivables	12,812	30,593
Long-term contracts	346,292	364,075
Allowance for doubtful accounts	(179)	(489)
	<u>358,925</u>	<u>394,179</u>
Recoverable income taxes	753	16,055
Inventories	63,700	38,775
Deferred income taxes	1,384	10,324
Prepaid expenses and other current assets	<u>32,286</u>	<u>19,953</u>
Total current assets	<u>775,302</u>	<u>765,387</u>
Long-term contract receivables	36,809	15,870
Long-term capitalized contract costs	73,017	76,209
Property, plant and equipment, net	74,690	64,149
Deferred income taxes	11,443	17,849
Goodwill	237,899	184,141
Purchased intangibles, net	72,936	63,618
Miscellaneous other assets	<u>18,180</u>	<u>7,383</u>
Total assets	<u>\$ 1,300,276</u>	<u>\$ 1,194,606</u>

CUBIC CORPORATION

CONSOLIDATED BALANCE SHEETS—continued

(in thousands)

	September 30,	
	2015	2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 60,000	\$ -
Trade accounts payable	47,170	31,344
Customer advances	77,083	91,690
Accrued compensation	51,065	48,812
Other current liabilities	92,854	84,555
Income taxes payable	4,675	12,737
Deferred income taxes	13,404	474
Current maturities of long-term debt	525	563
Total current liabilities	<u>346,776</u>	<u>270,175</u>
Long-term debt	126,180	101,827
Accrued pension liability	26,025	17,219
Deferred compensation	9,913	9,501
Income taxes payable	8,519	6,324
Deferred income taxes	1,971	1,152
Other non-current liabilities	24,604	5,907
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized--5,000 shares		
Issued and outstanding--none	-	-
Common stock, no par value:		
Authorized--50,000 shares		
35,828 issued and 26,883 outstanding at September 30, 2015;		
35,734 issued and 26,789 outstanding at September 30, 2014;	25,560	20,669
Retained earnings	818,642	803,059
Accumulated other comprehensive loss	(51,836)	(5,372)
Treasury stock at cost - 8,945 shares	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>756,288</u>	<u>782,278</u>
Noncontrolling interest in variable interest entity	-	223
Total shareholders' equity	<u>756,288</u>	<u>782,501</u>
Total liabilities and shareholders' equity	<u>\$ 1,300,276</u>	<u>\$ 1,194,606</u>

CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended September 30,		
	2015	2014	2013
Operating Activities:			
Net income	\$ 22,914	\$ 69,580	\$ 25,269
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	37,662	30,440	25,359
Stock-based compensation expense	8,325	5,625	3,251
Change in fair value of contingent consideration	3,607	-	-
Inventory write-down	-	598	2,760
Impairment of goodwill	-	-	50,865
Deferred income taxes	33,816	2,684	(7,508)
Excess tax benefits from equity incentive plans	33	(310)	-
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(2,230)	(4,300)	(18,991)
Inventories	(21,669)	20,590	(19,890)
Prepaid expenses and other current assets	(18,269)	(8,114)	3,867
Long-term capitalized contract costs	3,192	(7,246)	(42,088)
Accounts payable and other current liabilities	25,599	6,505	(25,637)
Customer advances	(10,200)	7,304	8,990
Income taxes	8,847	(9,768)	(19,114)
Other items, net	(1,938)	1,222	(409)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	89,689	114,810	(13,276)
Investing Activities:			
Acquisition of businesses, net of cash acquired	(92,178)	(83,456)	(63,691)
Purchases of marketable securities	(58,855)	(25,557)	(4,050)
Proceeds from sales or maturities of marketable securities	51,173	4,050	-
Purchases of property, plant and equipment	(22,202)	(16,620)	(9,052)
Purchases of other assets	(2,993)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(125,055)	(121,583)	(76,793)
Financing Activities:			
Proceeds from short-term borrowings	111,300	38,000	70,000
Principal payments on short-term borrowings	(51,300)	(38,000)	(70,000)
Proceeds from long-term borrowings	25,000	-	100,000
Principal payments on long-term borrowings	(537)	(573)	(8,543)
Proceeds from issuance of common stock	-	113	-
Purchase of common stock	(2,652)	(1,204)	-
Excess tax benefits from equity incentive plans	(33)	310	-
Contingent consideration payments related to acquisitions of businesses	-	(2,368)	(7,842)
Purchase of noncontrolling interest	(1,029)	-	-
Net change in restricted cash	(189)	325	(158)
Dividends paid to shareholders	(7,256)	(6,429)	(6,417)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	73,304	(9,826)	77,040
Effect of exchange rates on cash	(10,950)	4,195	4,654
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,988	(12,404)	(8,375)
Cash and cash equivalents at the beginning of the year	191,488	203,892	212,267
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 218,476	\$ 191,488	\$ 203,892
Supplemental disclosure of non-cash investing and financing activities:			
Liability incurred to acquire DTECH, net	\$ 11,808	\$ -	\$ -
Liability incurred to acquire Intific, net	\$ -	\$ 1,173	\$ -
Liability incurred to acquire NEK, net	\$ -	\$ -	\$ 4,490