CONSOLIDATED STATEMENTS OF INCOME

Net sales: Products \$ 661,904 \$ 607,226 \$ 583,937 Services 799,761 \$23,819 \$ 814,415 Services 799,761 \$23,819 \$ 814,415 Products 473,444 \$451,205 \$ 424,682 Services 643,462 640,031 678,83 Selling, general and administrative expenses 269,593 212,518 818,167 Research and development 31,976 17,952 210,20 Restructuring costs 31,976 17,952 22,60 Restructuring costs 1,852 6,272 1,00 Operating income 7,218 75,387 92,490 Other income (expenses): Interest and dividend income 1,476 1,809 1,96 Interest expense (11,199) (4,000 (4,004) Pension settlement loss (2,671) — — Other income (expense), net (2,301) 885 (391) Income (loss) before income taxes (7,477) 71,911 89,411 <tr< th=""><th></th><th></th><th colspan="4">Years Ended September 30,</th><th></th></tr<>			Years Ended September 30,				
Products Services \$ 661,904 799,761 823,819 814,415 \$ 823,819 81,414,15 Services 1,461,665 1,313,045 1,398,352 1,398,352 Costs and expenses: Products 473,444 451,295 424,682 424,682 Services 643,462 640,031 657,853 181,672 Research and development 31,976 17,992 17,995 119,959 Amortization of purchased intangibles 34,120 27,500 27,500 22,602 22,602 Restructuring costs 1,852 6,277 1,994 1,905 Restructuring costs 1,254,447 1,355,638 1,305,862 1,305,862 Operating income 7,218 75,387 92,490 92,490 Other income (expenses): Interest and dividend income 1,476 1,809 1,396 1,396 Interest expense (11,199) (4,400) (4,084) 1,966 Pension settlement loss (2,671) (4,094) (4,084) 1,996 Income (loss) before income taxes (7,477) (7,191) (8,85) (3,91) 89,411 Income (loss) before income taxes (7,477) (7,191) (8,94) 69,580 Less noncontrolling interest in income of VIE (9,212) (4,989) (4,989) (4,989) 9,89							2014
Services 799,761 823,819 814,15 Costs and expenses: 1,461,665 1,431,045 1,398,352 Products 473,444 451,295 424,682 Services 643,462 640,031 657,853 Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,992 17,992 Amortization of purchased intangibles 34,120 27,530 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): 1,476 1,899 1,305,862 Interest and dividend income 1,476 1,899 1,396 Interest expenses (11,199) (4,400) (4,084) Pension settlement loss (2,671) - - Other income (expense), net (7,477) 71,911 89,411 Income (loss) before income taxes (7,477) 71,911 89,580 Less noncontrolling interest in income of	Net sales:	<u></u>					
Costs and expenses: 1,461,665 1,431,045 1,398,352 Products 473,444 451,295 424,682 Services 643,462 640,031 657,853 Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,992 17,959 Amortization of purchased intangibles 3,4120 27,550 22,602 Amortization gosts 1,852 6,272 1,094 Restructuring costs 7,218 75,387 92,490 Operating income 7,218 75,387 92,490 Other income (expenses): 1 1,476 1,809 1,396 Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199 (4,400) (4,084) Pension settlement loss (2,671) 7 - Other income (expense), net (2,301) (885) 391 Income (loss) before income taxes 7,477 71,911 89,411 Income (axexpense (benefit)<	Products	\$	661,904	\$	607,226	\$	583,937
Costs and expenses: 473,444 451,295 424,682 Products 473,444 451,295 424,682 Services 643,462 640,031 657,853 Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,992 17,959 Amortization of purchased intangibles 34,120 27,500 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income per share attributable to Cubic: \$ 1,735 \$ 2,945	Services		799,761		823,819		814,415
Products 473,444 451,295 424,682 Services 643,462 640,031 657,853 Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,995 17,959 Amortization of purchased intangibles 34,120 27,550 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 </td <td></td> <td></td> <td>1,461,665</td> <td></td> <td>1,431,045</td> <td></td> <td>1,398,352</td>			1,461,665		1,431,045		1,398,352
Services 643,462 640,031 657,853 Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,952 17,959 Amortization of purchased intangibles 34,120 27,550 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income (loss) before income taxes (7,477) 71,911 89,411 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE	Costs and expenses:						
Selling, general and administrative expenses 269,593 212,518 181,672 Research and development 31,976 17,992 17,992 Amortization of purchased intangibles 34,120 27,550 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): 3,218 75,387 92,490 Other income (expenses): 1,476 1,809 1,396 Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,004) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income per share attributable to Cubic: — 29 89 Basic	Products		473,444		451,295		424,682
Research and development Amortization of purchased intangibles 31,976 17,992 27,550 22,602 2,6	Services		643,462		640,031		657,853
Amortization of purchased intangibles 34,120 27,550 22,602 Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): 7,218 75,387 92,490 Other income (expenses): 3,476 1,809 1,396 Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income per share attributable to Cubic: 8 1,735 22,885 69,491 Net income per share attributable to Cubic: 8 0,06 0,85 2,59	Selling, general and administrative expenses		269,593		212,518		181,672
Restructuring costs 1,852 6,272 1,094 Operating income 7,218 75,387 92,490 Other income (expenses): 7,218 75,387 92,490 Other income (expenses): 8 75,387 92,490 Interest and dividend income income (expense): 1,476 1,809 1,396 Interest and dividend income income income taxes 1,476 1,809 1,396 Interest and dividend income income income taxes 1,476 1,809 1,396 Interest and dividend income income income taxes 1,476 1,809 1,396 Interest and dividend income inc	Research and development		31,976		17,992		17,959
Operating income 1,454,447 1,355,658 1,305,862 Operating income 7,218 75,387 92,490 Other income (expenses): \$\$\$\$\$\$\$\$Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic: \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0,06 0.85 \$ 2.59 Diluted 0,06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Amortization of purchased intangibles		34,120		27,550		22,602
Operating income 7,218 75,387 92,490 Other income (expenses):	Restructuring costs		1,852		6,272		1,094
Other income (expenses): Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic: \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787		_	1,454,447		1,355,658		1,305,862
Interest and dividend income 1,476 1,809 1,396 Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic: \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 0.85 \$ 2.59 Diluted 0.06 0.85 \$ 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Operating income		7,218		75,387		92,490
Interest expense (11,199) (4,400) (4,084) Pension settlement loss (2,671) — — Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 0.85 \$ 2.59 Basic \$ 0.06 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Other income (expenses):						
Pension settlement loss Other income (expense), net (2,671) (2,301) — 9.911 Image: Net income (expense), net — — — 7.911 89.411 89.411 — — — 19.831 Income (loss) before income taxes 1.735 21.735 22.914 69.580 Net income 1.735 22.914 69.580 Net income \$ 1,735 22.885 \$ 69.491 Net income per share attributable to Cubic: \$ 1,735 22.885 \$ 69.491 Net income per share attributable to Cubic: \$ 0.06 0.85 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Interest and dividend income		1,476		1,809		1,396
Other income (expense), net (2,301) (885) (391) Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 0.85 \$ 2.59 Diluted 0.06 0.85 \$ 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Interest expense		(11,199)		(4,400)		(4,084)
Income (loss) before income taxes (7,477) 71,911 89,411 Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Pension settlement loss		(2,671)		_		_
Income tax expense (benefit) (9,212) 48,997 19,831 Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Other income (expense), net		(2,301)		(885)		(391)
Net income 1,735 22,914 69,580 Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 \$ 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Income (loss) before income taxes		(7,477)		71,911		89,411
Less noncontrolling interest in income of VIE — 29 89 Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 \$ 0.85 \$ 2.59 Basic \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: \$ 26,976 26,872 26,787	Income tax expense (benefit)		(9,212)		48,997		19,831
Net income attributable to Cubic \$ 1,735 \$ 22,885 \$ 69,491 Net income per share attributable to Cubic: \$ 0.06 \$ 0.85 \$ 2.59 Basic \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Net income		1,735		22,914		69,580
Net income per share attributable to Cubic: Basic \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787	Less noncontrolling interest in income of VIE				29		89
Basic \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: Basic 26,976 26,872 26,787	Net income attributable to Cubic	\$	1,735	\$	22,885	\$	69,491
Basic \$ 0.06 \$ 0.85 \$ 2.59 Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: Basic 26,976 26,872 26,787	Net income per share attributable to Cubic:						
Diluted 0.06 0.85 2.59 Weighted average shares used in per share calculations: 26,976 26,872 26,787		\$	0.06	\$	0.85	\$	2.59
Basic 26,976 26,872 26,787		,		•		T	
	Weighted average shares used in per share calculations:						
Diluted 27,040 26,938 26,845	Basic		26,976		26,872		26,787
	Diluted		27,040		26,938		26,845

CONSOLIDATED BALANCE SHEETS

	 September 30,			
	2016		2015	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 197,127	\$	218,476	
Restricted cash	75,648		69,245	
Marketable securities	12,996		30,533	
Accounts receivable:				
Trade and other receivables	15,488		12,812	
Long-term contracts	367,419		346,292	
Allowance for doubtful accounts	 (326)		(179)	
	382,581		358,925	
Recoverable income taxes	9,706		753	
Inventories	66,362		63,700	
Deferred income taxes	_		1,384	
Prepaid expenses and other current assets	38,502		32,286	
Total current assets	 782,922		775,302	
Long-term contract receivables	20,926		36,809	
Long-term capitalized contract costs	65,382		73,017	
Property, plant and equipment, net	96,316		74,690	
Deferred income taxes	2,194		11,443	
Goodwill	406,946		237,899	
Purchased intangibles, net	123,403		72,936	
Other assets	6,590		18,180	
	\$ 1,504,679	\$	1,300,276	

CONSOLIDATED BALANCE SHEETS - continued

	September 30,			
	2016		2015	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	\$ 240,000	\$	60,000	
Trade accounts payable	81,172		47,170	
Customer advances	49,481		77,083	
Accrued compensation	73,619		51,065	
Other current liabilities	74,071		92,854	
Income taxes payable	1,450		4,675	
Deferred income taxes			13,404	
Current maturities of long-term debt	450		525	
Total current liabilities	520,243		346,776	
Long-term debt	200,562		126,180	
Accrued pension liability	46,865		26,025	
Deferred compensation	10,643		9,913	
Income taxes payable	11,855		8,519	
Deferred income taxes	3,980		1,971	
Other non-current liabilities	20,635		24,604	
Commitments and contingencies				
Shareholders' equity:				
Preferred stock, no par value:				
Authorized5,000 shares				
Issued and outstandingnone			_	
Common stock, no par value:				
Authorized50,000 shares				
35,937 issued and 26,992 outstanding at September 30, 2016				
35,828 issued and 26,883 outstanding at September 30, 2015	32,756		25,560	
Retained earnings	813,035		818,642	
Accumulated other comprehensive loss	(119,817)		(51,836)	
Treasury stock at cost - 8,945 shares	(36,078)		(36,078)	
Total shareholders' equity	689,896		756,288	
Total liabilities and shareholders' equity	\$ 1,504,679	\$	1,300,276	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year	rs Ended Septembe	oer 30,	
	2016	2015	2014	
Operating Activities:				
Net income	\$ 1,735	\$ 22,914	\$ 69,580	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	45,478	37,662	30,440	
Share-based compensation expense	8,762	8,325	5,625	
Change in fair value of contingent consideration	1,274	3,607		
Inventory write-down			598	
Deferred income taxes	(23,988)	33,816	2,684	
Net pension cost (benefit)	1,102	(3,224)	(1,626)	
Excess tax benefits from equity incentive plans	3	33	(310)	
Changes in operating assets and liabilities, net of effects from acquisitions:	4 400	(2.220)	(4.200)	
Accounts receivable	4,409	(2,230)	(4,300)	
Inventories	(62)	(21,669)	20,590	
Prepaid expenses and other current assets	3,403	(15,045)	(6,488)	
Long-term capitalized contract costs	7,635	3,192	(7,246)	
Accounts payable and other current liabilities	19,874	25,599	6,505	
Customer advances	(24,900)	(10,200)	7,304	
Income taxes	(5,519)	8,847	(9,768)	
Other items, net	5,396	(1,938)	1,222	
NET CASH PROVIDED BY OPERATING ACTIVITIES	44,602	89,689	114,810	
Investing Activities:	(2.12.150)	(02.170)	(02.456)	
Acquisition of businesses, net of cash acquired	(243,459)	(92,178)	(83,456)	
Purchases of marketable securities	(28,470)	(58,855)	(25,557)	
Proceeds from sales or maturities of marketable securities	43,456	51,173	4,050	
Purchases of property, plant and equipment	(32,093)	(22,202)	(16,620)	
Purchases of other assets		(2,993)		
NET CASH USED IN INVESTING ACTIVITIES	(260,566)	(125,055)	(121,583)	
Financing Activities:				
Proceeds from short-term borrowings	288,900	111,300	38,000	
Principal payments on short-term borrowings	(108,900)	(51,300)	(38,000)	
Proceeds from long-term borrowings	75,000	25,000	(38,000)	
Principal payments on long-term debt	(494)	(537)	(573)	
Deferred financing fees	(3,647)	(331)	(373)	
Proceeds from issuance of common stock	(3,047)	_	113	
Purchase of common stock	(1,563)	(2,652)	(1,204)	
Dividends paid	(7,285)	(7,256)	(6,429)	
Excess tax benefits from equity incentive plans	(3)	(33)	310	
Contingent consideration payments related to acquisitions of businesses	(2,479)	(33)	(2,368)	
Purchase of noncontrolling interest	(2,479)	(1,029)	(2,308)	
Net change in restricted cash	(6,403)	(1,029)	325	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	233,126	73,304	(9,826)	
NET CASITERO VIDED BY (USED IN) FINANCING ACTIVITIES	233,120		(9,820)	
Effect of exchange rates on cash	(38,511)	(10,950)	4,195	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,349)	26,988	(12,404)	
Cash and cash equivalents at the beginning of the period	218,476	191,488	203,892	
cash and eash equivalents at the beginning of the period	210,170	151,100	203,072	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 197,127	\$ 218,476	\$ 191,488	
Supplemental disclosure of non-cash investing and financing activities:				
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	\$ —	
Liability incurred to acquire Intific, net	\$ —	\$	\$ 1,173	
	Ψ	+*	7 1,175	