

CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

	Years Ended September 30,		
	2016	2015	2014
Net sales:			
Products	\$ 661,904	\$ 607,226	\$ 583,937
Services	799,761	823,819	814,415
	<u>1,461,665</u>	<u>1,431,045</u>	<u>1,398,352</u>
Costs and expenses:			
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	27,550	22,602
Restructuring costs	1,852	6,272	1,094
	<u>1,454,447</u>	<u>1,355,658</u>	<u>1,305,862</u>
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	<u>(2,301)</u>	<u>(885)</u>	<u>(391)</u>
Income (loss) before income taxes	(7,477)	71,911	89,411
Income tax expense (benefit)	<u>(9,212)</u>	<u>48,997</u>	<u>19,831</u>
Net income	1,735	22,914	69,580
Less noncontrolling interest in income of VIE	<u>—</u>	<u>29</u>	<u>89</u>
Net income attributable to Cubic	<u>\$ 1,735</u>	<u>\$ 22,885</u>	<u>\$ 69,491</u>
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:			
Basic	26,976	26,872	26,787
Diluted	27,040	26,938	26,845

CUBIC CORPORATION

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

	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)
	<u>382,581</u>	<u>358,925</u>
Recoverable income taxes	9,706	753
Inventories	66,362	63,700
Deferred income taxes	—	1,384
Prepaid expenses and other current assets	<u>38,502</u>	<u>32,286</u>
Total current assets	<u>782,922</u>	<u>775,302</u>
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	<u>6,590</u>	<u>18,180</u>
	<u>\$ 1,504,679</u>	<u>\$ 1,300,276</u>

CUBIC CORPORATION

CONSOLIDATED BALANCE SHEETS - continued (amounts in thousands, except per share data)

	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	<u>520,243</u>	<u>346,776</u>
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:		
Authorized--5,000 shares		
Issued and outstanding--none	—	—
Common stock, no par value:		
Authorized--50,000 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	<u>689,896</u>	<u>756,288</u>
Total liabilities and shareholders' equity	<u>\$ 1,504,679</u>	<u>\$ 1,300,276</u>

CUBIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands, except per share data)

	Years Ended September 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:			
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:			
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	—
Principal payments on long-term debt	(494)	(537)	(573)
Deferred financing fees	(3,647)	—	—
Proceeds from issuance of common stock	—	—	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)	—	(2,368)
Purchase of noncontrolling interest	—	(1,029)	—
Net change in restricted cash	(6,403)	(189)	325
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	233,126	73,304	(9,826)
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 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