

Financial Statements

CUBIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

(amounts in thousands, except per share data)

	Six Months Ended March 31,		Three Months Ended March 31,	
	2016	2015	2016	2015
Net sales:				
Products	\$ 280,763	\$ 259,122	\$ 155,794	\$ 130,510
Services	399,074	398,200	210,230	208,324
	<u>679,837</u>	<u>657,322</u>	<u>366,024</u>	<u>338,834</u>
Costs and expenses:				
Products	219,637	194,545	120,445	90,121
Services	314,594	305,337	159,938	156,045
Selling, general and administrative	138,265	100,476	79,774	52,922
Research and development	9,625	6,892	6,143	2,640
Amortization of purchased intangibles	14,954	14,429	8,499	8,494
Restructuring costs	(75)	5,258	311	5,406
	<u>697,000</u>	<u>626,937</u>	<u>375,110</u>	<u>315,628</u>
Operating income (loss)	(17,163)	30,385	(9,086)	23,206
Other income (expense):				
Interest and dividend income	737	903	339	438
Interest expense	(3,917)	(1,933)	(2,579)	(1,062)
Other income (expense) - net	398	(900)	223	16
	<u></u>	<u></u>	<u></u>	<u></u>
Income (loss) before income taxes	(19,945)	28,455	(11,103)	22,598
Income tax expense (benefit)	<u>(24,675)</u>	<u>34,304</u>	<u>(21,247)</u>	<u>33,609</u>
Net income (loss)	4,730	(5,849)	10,144	(11,011)
Less noncontrolling interest in income of VIE	<u>-</u>	<u>23</u>	<u>-</u>	<u>13</u>
Net income (loss) attributable to Cubic	<u>\$ 4,730</u>	<u>\$ (5,872)</u>	<u>\$ 10,144</u>	<u>\$ (11,024)</u>
Net income (loss) per share attributable to Cubic				
Basic	\$ 0.18	\$ (0.22)	\$ 0.38	\$ (0.41)
Diluted	\$ 0.18	\$ (0.22)	\$ 0.38	\$ (0.41)
Dividends per common share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Weighted average shares used in per share calculations:				
Basic	26,968	26,861	26,973	26,862
Diluted	26,986	26,861	26,995	26,862

CUBIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	March 31, 2016	September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 158,808	\$ 218,476
Restricted cash	72,759	69,245
Marketable securities	14,380	30,533
Accounts receivable - net	347,617	358,925
Recoverable income taxes	16,678	753
Inventories - net	78,512	63,700
Deferred income taxes and other current assets	41,744	33,670
Total current assets	<u>730,498</u>	<u>775,302</u>
Long-term contract receivables	46,106	36,809
Long-term capitalized contract costs	69,837	73,017
Property, plant and equipment - net	93,910	74,690
Deferred income taxes	1,555	11,443
Goodwill	409,442	237,899
Purchased intangibles - net	143,833	72,936
Other assets	5,906	18,180
	<u>\$ 1,501,087</u>	<u>\$ 1,300,276</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 240,000	\$ 60,000
Trade accounts payable	62,853	47,170
Customer advances	60,160	77,083
Accrued compensation and other current liabilities	126,799	143,919
Income taxes payable	1,509	4,675
Deferred income taxes	-	13,404
Current portion of long-term debt	498	525
Total current liabilities	<u>491,819</u>	<u>346,776</u>
Long-term debt	200,872	126,180
Other long-term liabilities	67,000	71,032
Shareholders' equity:		
Common stock	28,178	25,560
Retained earnings	819,674	818,642
Accumulated other comprehensive loss	(70,378)	(51,836)
Treasury stock at cost	(36,078)	(36,078)
Total shareholders' equity	<u>741,396</u>	<u>756,288</u>
	<u>\$ 1,501,087</u>	<u>\$ 1,300,276</u>

CUBIC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended March 31,		Three Months Ended March 31,	
	2016	2015	2016	2015
Operating Activities:				
Net income (loss)	\$ 4,730	\$ (5,849)	\$ 10,144	\$ (11,011)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	18,977	20,064	10,029	11,117
Share-based compensation expense	4,088	5,291	1,970	4,238
Changes in operating assets and liabilities, net of effects from acquisitions	(65,490)	41,592	(10,251)	48,473
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(37,695)	61,098	11,892	52,817
Investing Activities:				
Acquisition of businesses, net of cash acquired	(243,483)	(89,460)	(213,765)	(6,037)
Purchases of property, plant and equipment	(21,375)	(2,580)	(11,015)	(1,704)
Purchases of marketable securities	(14,686)	(4,590)	(7,145)	(4,590)
Proceeds from sales or maturities of marketable securities	29,870	1,196	15,694	1,196
Purchases of other assets	-	(2,993)	-	(641)
NET CASH USED IN INVESTING ACTIVITIES	(249,674)	(98,427)	(216,231)	(11,776)
Financing Activities:				
Proceeds from short-term borrowings	253,300	70,000	180,700	10,000
Principal payments on short-term borrowings	(73,300)	(15,000)	(50,700)	(15,000)
Proceeds from long-term borrowings	75,000	-	75,000	-
Principal payments on long-term debt	(254)	(269)	(123)	(131)
Purchase of common stock	(1,658)	(1,723)	-	(141)
Dividends paid	(3,641)	(3,627)	(3,641)	(3,627)
Net change in restricted cash	(3,514)	(101)	(1,102)	(42)
Contingent consideration payments related to acquisitions of businesses	(1,679)	-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	244,254	49,280	200,134	(8,941)
Effect of exchange rates on cash	(16,553)	(19,696)	(8,350)	(11,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,668)	(7,745)	(12,555)	20,841
Cash and cash equivalents at the beginning of the period	218,476	215,849	171,363	187,263
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 158,808	\$ 208,104	\$ 158,808	\$ 208,104
Supplemental disclosure of non-cash investing and financing activities:				
Liability incurred to acquire GATR, net	\$ 7,651	\$ -	\$ 7,651	\$ -
Liability incurred to acquire TeraLogics, net	\$ 4,998	\$ -	\$ -	\$ -
Liability incurred to acquire H4 Global, net	\$ 952	\$ -	\$ -	\$ -
Liability incurred to acquire DTECH, net	\$ -	\$ 8,854	\$ -	\$ -
Liability incurred to acquire internal use software	\$ -	\$ 10,800	\$ -	\$ 10,800