

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Net sales:				
Products	\$ 222,744	\$ 157,445	\$ 404,997	\$ 289,188
Services	114,595	121,141	237,601	237,789
	<u>337,339</u>	<u>278,586</u>	<u>642,598</u>	<u>526,977</u>
Costs and expenses:				
Products	167,567	117,093	293,052	208,666
Services	82,212	78,457	174,997	164,674
Selling, general and administrative expenses	66,195	63,773	129,181	125,453
Research and development	13,754	14,202	25,766	26,179
Amortization of purchased intangibles	12,395	6,484	22,960	13,835
Restructuring costs	1,757	256	3,749	1,751
	<u>343,880</u>	<u>280,265</u>	<u>649,705</u>	<u>540,558</u>
Operating loss	(6,541)	(1,679)	(7,107)	(13,581)
Other income (expenses):				
Interest and dividend income	1,413	625	2,647	1,107
Interest expense	(4,531)	(2,911)	(8,563)	(5,585)
Other income (expense), net	(3,602)	2,028	(8,355)	1,950
Loss from continuing operations before income taxes	(13,261)	(1,937)	(21,378)	(16,109)
Income tax (benefit) provision	(3,831)	1,409	(1,334)	(1,328)
Loss from continuing operations	(9,430)	(3,346)	(20,044)	(14,781)
Net income (loss) from discontinued operations	(1,339)	1,335	(1,339)	2,984
Net loss	(10,769)	(2,011)	(21,383)	(11,797)
Less noncontrolling interest in loss of VIE	(1,377)	—	(5,404)	—
Net loss attributable to Cubic	<u>\$ (9,392)</u>	<u>\$ (2,011)</u>	<u>\$ (15,979)</u>	<u>\$ (11,797)</u>
Amounts attributable to Cubic:				
Net loss from continuing operations	\$ (8,053)	\$ (3,346)	\$ (14,640)	\$ (14,781)
Net income (loss) from discontinued operations	(1,339)	1,335	(1,339)	2,984
Net loss attributable to Cubic	<u>\$ (9,392)</u>	<u>\$ (2,011)</u>	<u>\$ (15,979)</u>	<u>\$ (11,797)</u>
Net income (loss) per share:				
Basic				
Continuing operations attributable to Cubic	\$ (0.26)	\$ (0.12)	\$ (0.49)	\$ (0.54)
Discontinued operations	\$ (0.04)	\$ 0.05	\$ (0.04)	\$ 0.11
Basic earnings per share attributable to Cubic	<u>\$ (0.30)</u>	<u>\$ (0.07)</u>	<u>\$ (0.54)</u>	<u>\$ (0.43)</u>
Diluted				
Continuing operations attributable to Cubic	\$ (0.26)	\$ (0.12)	\$ (0.49)	\$ (0.54)
Discontinued operations	\$ (0.04)	\$ 0.05	\$ (0.04)	\$ 0.11
Diluted earnings per share attributable to Cubic	<u>\$ (0.30)</u>	<u>\$ (0.07)</u>	<u>\$ (0.54)</u>	<u>\$ (0.43)</u>
Dividends per common share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Weighted average shares used in per share calculations:				
Basic	31,150	27,223	29,821	27,215
Diluted	31,150	27,223	29,821	27,215

CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>March 31,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,483	\$ 111,834
Cash in consolidated VIE	362	374
Restricted cash	19,064	17,400
Restricted cash in consolidated VIE	9,967	10,000
Accounts receivable:		
Long-term contracts	159,246	393,691
Allowance for doubtful accounts	(1,714)	(1,324)
	<u>157,532</u>	<u>392,367</u>
Contract assets	296,920	—
Recoverable income taxes	5,910	91
Inventories	119,870	84,199
Assets held for sale	12,620	8,177
Other current assets	44,471	43,705
Other current assets in consolidated VIE	43	—
Total current assets	<u>709,242</u>	<u>668,147</u>
Long-term contracts receivables	—	6,134
Long-term contracts financing receivables	41,758	—
Long-term contracts financing receivables in consolidated VIE	68,779	—
Long-term capitalized contract costs	—	84,924
Long-term capitalized contract costs in consolidated VIE	—	1,258
Property, plant and equipment, net	129,367	117,546
Deferred income taxes	4,798	4,713
Goodwill	579,648	333,626
Purchased intangibles, net	184,104	73,533
Other assets	14,290	14,192
Other assets in consolidated VIE	1,114	810
Total assets	<u>\$ 1,733,100</u>	<u>\$ 1,304,883</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 209,000	\$ —
Trade accounts payable	129,686	125,414
Trade accounts payable in consolidated VIE	156	165
Contract liabilities	78,352	—
Customer advances	—	75,941
Accrued compensation and other current liabilities	93,256	118,233
Accrued compensation and other current liabilities in consolidated VIE	204	—
Income taxes payable	2,690	8,586
Current portion of long-term debt	10,714	—
Total current liabilities	<u>524,058</u>	<u>328,339</u>
Long-term debt	189,095	199,793
Long-term debt in consolidated VIE	25,602	9,056
Other long-term liabilities	41,290	43,486
Other long-term liabilities in consolidated VIE	9,866	13
Shareholders' equity:		
Common stock	264,612	45,008
Retained earnings	801,486	801,834
Accumulated other comprehensive loss	(110,156)	(110,643)
Treasury stock at cost	(36,078)	(36,078)
Shareholders' equity related to Cubic	<u>919,864</u>	<u>700,121</u>
Noncontrolling interest in consolidated VIE	23,325	24,075
Total shareholders' equity	<u>943,189</u>	<u>724,196</u>
Total liabilities and shareholders' equity	<u>\$ 1,733,100</u>	<u>\$ 1,304,883</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Operating Activities:				
Net loss	\$ (10,769)	\$ (2,011)	\$ (21,383)	\$ (11,797)
Net (income) loss from discontinued operations	1,339	(1,335)	1,339	(2,984)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	17,587	11,058	33,598	23,491
Share-based compensation expense	3,638	870	6,358	2,497
Change in fair value of contingent consideration	241	154	670	452
Loss on disposal of assets	—	(1,474)	—	(1,474)
Deferred income taxes	(5,825)	(185)	(5,825)	(185)
Changes in operating assets and liabilities, net of effects from acquisitions:	(28,754)	5,417	(98,467)	(9,021)
NET CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	(22,543)	12,494	(83,710)	979
NET CASH PROVIDED BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	—	21,556	—	6,133
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(22,543)	34,050	(83,710)	7,112
Investing Activities:				
Acquisition of businesses, net of cash acquired	(148,704)	(4,884)	(395,854)	(9,534)
Purchases of property, plant and equipment	(10,132)	(5,468)	(22,177)	(11,786)
Proceeds from sale of assets	—	2,400	—	2,400
Purchase of non-marketable debt and equity securities	—	(579)	—	(1,250)
NET CASH USED IN INVESTING ACTIVITIES	(158,836)	(8,531)	(418,031)	(20,170)
Financing Activities:				
Proceeds from short-term borrowings	242,500	37,120	614,500	119,120
Principal payments on short-term borrowings	(98,000)	(48,120)	(405,500)	(97,120)
Proceeds from long-term borrowings in consolidated VIE	9,700	—	15,498	—
Proceeds from stock issued under employee stock purchase plan	783	798	783	798
Purchase of common stock	—	(68)	(3,419)	(2,324)
Dividends paid	(4,205)	(3,676)	(4,205)	(3,676)
Contingent consideration payments related to acquisitions of businesses	(385)	—	(820)	(656)
Proceeds from equity offering, net	—	—	215,832	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	150,393	(13,946)	432,669	16,142
Effect of exchange rates on cash	(622)	(1,209)	1,340	(532)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,608)	10,364	(67,732)	2,552
Cash and cash equivalents at the beginning of the period	103,484	60,765	139,608	68,577
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 71,876	\$ 71,129	\$ 71,876	\$ 71,129
Supplemental disclosure of non-cash investing and financing activities:				
Receivable recognized in connection with the acquisition of Trafficware, net	\$ —	\$ —	\$ 1,588	\$ —
Receivable recognized in connection with the acquisition of GRIDSMART, net	\$ 442	\$ —	\$ 442	\$ —
Receivable recognized in connection with the acquisition of Nuvotronics, net	\$ 166	\$ —	\$ 166	\$ —
Liability incurred to acquire Nuvotronics, net	\$ 4,900	\$ —	\$ 4,900	\$ —