

A LETTER FROM OUR CEO



Brad Feldmann
President and
Chief Executive Officer

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS AND EMPLOYEES,

At Cubic, we serve the transportation and defense markets, where our solutions are used on a daily basis to improve efficiency and increase situational understanding in some of the most important and complex systems of major cities, battlefields and training environments. For our transportation customers, this means Cubic solutions are being utilized to reduce public transportation congestion and simplify the daily lives of the commuting public. And for our military customers, Cubic is helping drive improved mission effectiveness and operational readiness.

Our three businesses are united by a common mission: to provide our global customers with integrated, cutting-edge technologies that improve efficiency, facilitate better information sharing and increase situational understanding so they can make better decisions.

Our mission leverages common technologies. We provide instrumentation to understand and map the environment, communications to transmit this understanding, and cloud, or on premise, computing solutions to process this understanding. We also develop complex rules, algorithms and simulations, along with data visualization, so our customers can apply this understanding and insights to take action effectively and efficiently.

As each of our businesses served this mission in 2017, we made some great strides as an organization. We are now beginning to reap the benefits of the investments and drive for innovation that have been at the core of the extensive strategic initiatives

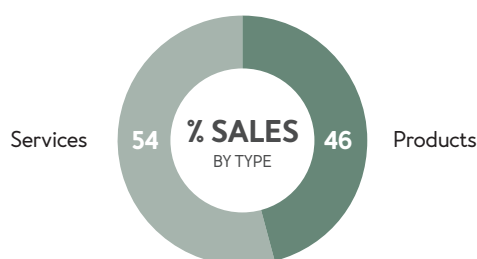
we undertook during the past three years—and we are very pleased to be rewarding the faith our shareholders placed in Cubic to deliver on its long-term strategy.

2017 OVERVIEW

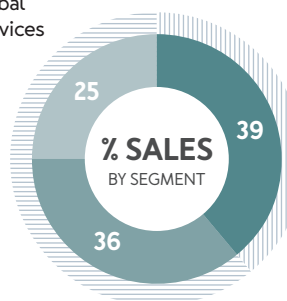
2017 was an outstanding year for Cubic's core strategic initiative – **Winning the Customer**. We finished fiscal year 2017 (FY17) with record annual and quarterly sales of \$1.486 billion and \$445.6 million respectively. With a total backlog of \$3.103 billion as of September 30, 2017, and the recent awards from the New York Metropolitan Transportation Authority (MTA), the Massachusetts Bay Transportation Authority (MBTA) and the Joint Readiness Training Center (JRTC) in Fort Polk, Louisiana, we now have the highest backlog in the company's history.

We have made great strides to improve our infrastructure by consolidating our data systems using common processes through our Global Enterprise Management (GEM) implementation. As a result, we are strongly positioned to achieve the growth and profitability targets in our Goal 2020, specifically to reach \$2.0B+ in revenue by FY20 with 10%+ adjusted EBITDA margins in the markets we serve in transportation and defense command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) and defense training. I am very proud to serve with our incredible team to achieve these great results.

2017 WAS AN OUTSTANDING YEAR FOR CUBIC'S CORE STRATEGIC INITIATIVE – WINNING THE CUSTOMER.



Cubic Global Defense Services



Cubic Transportation Systems

Cubic Global Defense Systems

61% Defense

39% Transportation

SUCCESS IN INNOVATION

We take pride in our ability to drive innovation cycles faster than our competition. We have consistently broken into new markets or increased our market share by developing new technologies to solve our customers' most pressing needs. As such, we increased our research & development (R&D) investment in 2017 so we could accelerate innovation across our businesses. Melanie Hagerty, a veteran engineering leader in the company, was recently appointed Vice President of Innovation and charged with further accelerating our new technology initiatives.



TRANSPORTATION

2017 TRANSPORTATION INNOVATIONS

- › Developing common, state-of-the-art products and solutions that ensure our customers are getting superior solutions at the best value while reducing the risk of delivery and service.
- › Using machine learning algorithms to provide the best bus arrival predictions for our NextBus 2.0 customers.
- › Advancing payment systems by developing One Account and advanced mobile solutions.



DEFENSE C4ISR

2017 DEFENSE CS4ISR INNOVATIONS

- › Developing Halo communications system to support the Department of Defense's Joint Aerial Network.
- › Leading the best expeditionary cloud-based computing and communications capabilities in the world based on our recent C4ISR acquisitions.



DEFENSE TRAINING

2017 DEFENSE TRAINING INNOVATIONS

- › Developing NextTraining™, our technology-driven, performance-based solution suite that will deliver training outcomes effectively and efficiently.
- › Moving training data and feedback to the cloud and combining it with live-virtual-constructive technologies to support high-fidelity, lower cost distributed training solutions.



**OUR EXPEDITIONARY
COMMUNICATIONS
SPECIALISTS WERE AMONG
THE FIRST TO ARRIVE IN
STORM-RAVAGED AREAS.**

CORPORATE SOCIAL RESPONSIBILITY

Cubic provides resources and support to several organizations in need. Recently, after hurricanes Harvey, Irma and Maria devastated Houston, the Virgin Islands and Puerto Rico, our GATR team deployed its satellite antennas and personnel to support disaster recovery operations.

Our expeditionary communications specialists were among the first to arrive in storm-ravaged areas and set up communications infrastructure to enable rescue and recovery operations using GATR's suite of solutions. With local communication lines down, our antenna systems provided internet and cell connectivity for clinics and hospitals and made it possible for civilians to notify others about their safety. We are very proud and thankful to have been able to connect people to their loved ones after these natural disasters.

Our leadership team had the privilege to serve Habitat for Humanity again this year. Throughout the year, our employees have also volunteered their time with organizations such as Big Brothers Big Sisters, the American Heart Association, Susan G. Komen and various science, technology, engineering and math (STEM) organizations.



WE WILL ACHIEVE OUR WINNING PROPOSITION BY IMPLEMENTING FIVE KEY PRIORITIES: WINNING THE CUSTOMER, BUILDING NEXTCITY GLOBALLY, GROWING C4ISR GLOBALLY, BUILDING NEXTTRAINING GLOBALLY AND LIVING ONE CUBIC.

CUBIC'S WINNING PROPOSITION AND FIVE KEY PRIORITIES

During our strategic planning cycle this year, our team refined our winning proposition and we are achieving success with its implementation. The Cubic Winning Proposition describes how we provide greater value for our customers, while delivering superior returns for our shareholders and enhanced career opportunities for our talented employees:

Our global customers benefit from market-leading, innovative, mission-critical solutions that reduce transportation congestion and increase military readiness and effectiveness.

We provide our customers with greater value by serving as a trusted partner, maximizing reusability and reliability, minimizing size, weight, power and cost (SWAP-C) and

executing customer-aligned technology roadmaps. We provide superior returns to our shareholders by leveraging our market leadership positions, providing value-based business models, leveraging the scale and efficiencies afforded by One Cubic and driving continuous improvement.

We will achieve our winning proposition by implementing five key priorities: **Winning the Customer, Building NextCity™ Globally, Growing C4ISR Globally, Building NextTraining Globally and Living One Cubic.** The priorities have been clearly communicated across all of Cubic and translated into goals cascaded to each employee across the organization.

Winning the Customer is at the core of everything we do and innovation is critical to the growth of the company. Our competitive edge and thought leadership has greatly increased and our strong customer relationships continue

to generate contract awards. The critical components of **Winning the Customer** are to drive expanded market leadership, increased customer focus and empathy, early delivery, and accelerated innovation.

In transportation, we are implementing our NextCity vision for the future of transportation. In **Building NextCity Globally**, we will continue to lead transportation payment and information solutions in major cities worldwide to help our customers increase efficiency and reduce congestion and continue to grow our portfolio beyond fare collection to include modes such as ride sharing, bike sharing, tolling and parking, whilst also further supporting our customers' operations with solutions such as analytics, real-time information and traffic management.

Leveraging our One Account solution, we have repositioned ourselves from being the leading provider of mass transit fare collection systems to being a leading provider of integrated payment and information systems across all modes of transportation. We are putting distance between us and the competition by increasing our product reusability, reducing risk and cost to our customers, innovating faster, using our superior global footprint to our advantage, and by having a competitive cost structure. With the New York and Boston contract wins, our fare collection market position is the best in its history.

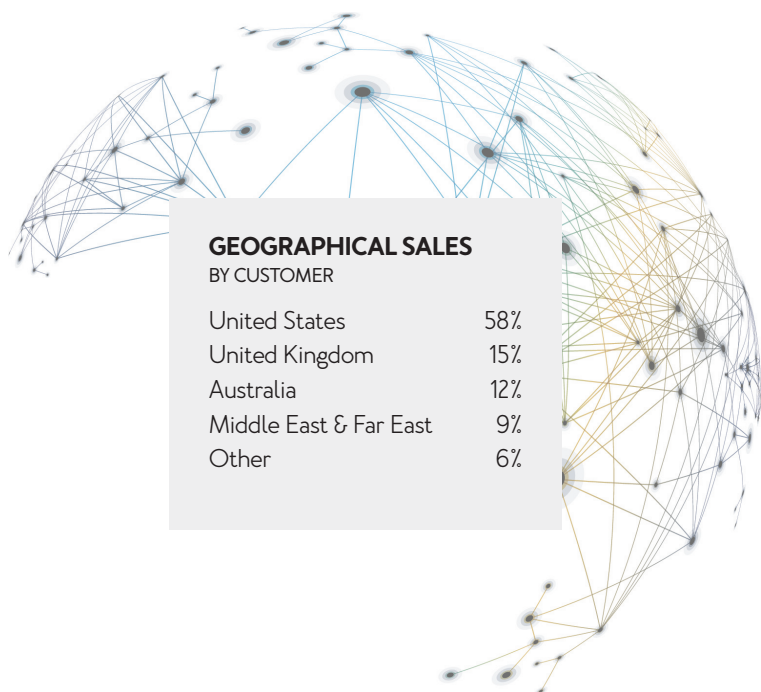
In C4ISR, our recent DTECH, GATR, TeraLogics and Vocality acquisitions support our strategic efforts to build and expand our secure and expeditionary communications business. In **Building C4ISR Globally**, we formalized the structure of our Cubic Mission Solutions business unit which combines and integrates our C4ISR and secure communications operations. We are already providing superb technology-leading mission solutions at optimal SWaP-C and are combining these capabilities to deliver new, innovative customer solutions that meet pressing customer needs like our Transportable Tactical Command Communications (T2C2) program for the U.S. Army. We plan to grow our communications-on-the-move, aerial layered networks, and cloud transformation solutions to solve our global customers' most challenging problems.

In defense training, we have developed our vision for NextTraining. We will assist our customers in defining future training requirements while leveraging market conditions to generate competitive differentiation and cost synergies. In **Building NextTraining Globally**, we will provide superior value, cost effective all-domain readiness solutions built on an integrated, adaptable architecture. We acquired Deltenna, a customized long-term evolution (LTE) solutions provider, to help us move our training solutions to the cloud.



With our investment in combining training and gaming technologies, we will provide performance-based customer training designed to exacting operational readiness standards and at lower cost. We will lead the integration of highly valued, cutting-edge live, virtual, constructive – gaming (LVC-G) technical solutions, like the British Army's Micro-SCOPIC Synthetic Wrap program, to accelerate training proficiency for our customers.

Lastly, our overall strategy is supported by our **Living One Cubic** initiatives to share resources across the company. The core objective is to enhance our talent management, absolute customer focus, innovation, collaboration and cost-effective enterprise systems while maintaining impeccable ethics across all our businesses.



CUBIC TRANSPORTATION SYSTEMS

FY17 SALES
\$578.6 M

FY17 BACKLOG
\$2.04 B

EMPLOYEES
2,500+



This year we took further steps forward in our enterprise transformation and completed important milestones in our transformation, including the completion of the most critical phase of our enterprise resource planning (ERP) system implementation which has now reached 80 percent. We continue to streamline our manufacturing and procurement by reducing our supply chain and consolidating our manufacturing processes into one organization with fewer locations while also rationalizing our real estate portfolio.

Taken together, these actions have saved more than \$15 million per annum to date. We expect to achieve our supply chain and selling, general and administrative expenses (SG&A) savings targets as we get our ERP implementation completed across the enterprise.

CAPITAL ALLOCATION

Capital allocation decisions are being made in a highly disciplined manner as we take a strategic, analytical approach to distributing discretionary funding in R&D and SG&A. Our capital allocation priorities remain unchanged – we continuously evaluate and execute on the best alternatives to drive long-term shareholder value including dividend payout, debt pay down, investment in organic growth and acquisitions.

We have paid cash dividends to our shareholders since 1971 and we believe a stable, long-term dividend combined with investment in growth is important for Cubic shareholders.

We will continue to fund organic growth and we expect our addressable markets will provide attractive growth potential.

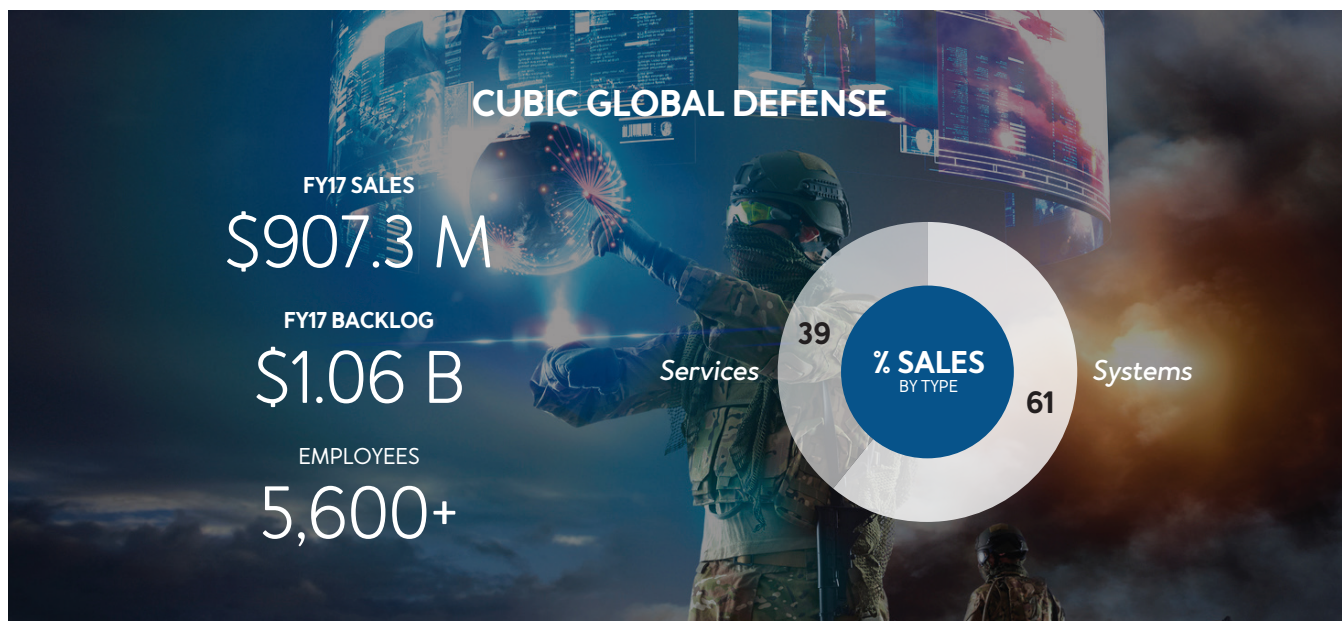
Additionally, we will continue to make acquisitions tied to our strategic priorities in NextCity, C4ISR and NextTraining. Our acquisition activity will remain focused on opportunities that align with our overall strategy and while clearing our financial hurdle rates. As part of our strategic planning process and focus on achieving the highest shareholder returns, we routinely conduct portfolio reviews to ensure that we are best positioned to consistently grow sales, improve profitability and deliver attractive returns on capital.

FOCUS ON TALENT MANAGEMENT

We have greatly improved our talent management and employee engagement. We now routinely conduct talent reviews to develop and provide rotational assignments for our team. As we share a common mission, technologies, and processes, there is an even greater opportunity to share and develop talent. Dr. Darryl Albertson, our Chief Human Resources and Diversity Officer, is leading our team to deploy, develop and improve the diversity of our staff. We measure the engagement of our team on a quarterly basis so that we can continue to take the appropriate actions to improve our “all-in” culture. Cubic’s success is dependent on our great people and their engagement.

2018 OUTLOOK

We remain confident that our investments will yield accelerating growth and expanding margins for Cubic in fiscal year 2018 (FY18) and the coming years. We anticipate solid organic growth throughout FY18 with the New York MTA and Massachusetts MBTA awards, further expansion in the fare collection market with our One Account technology advantage and with the transition of the Army’s T2C2 program to full rate production.



Beyond FY18, we believe our organic growth will continue to accelerate. In transportation, we are very well positioned for the upcoming fare collection opportunities in Brisbane and San Francisco. Additionally, there are a number of state-of-good repair opportunities across our existing transportation customer set.

In defense C4ISR, GATR has the potential to replace the army satellite ground terminals for other networks. There is also an insatiable appetite for the processing and dissemination of full motion video (FMV) that we are equipped to address with TeraLogics' Unified Video® products. In defense training, we continue to provide Air Combat Maneuvering Instrumentation (ACMI) capability for the expanding Joint Strike Fighter program and are working on the next generation live, virtual, constructive ACMI solution. Finally, our transition to NextTraining and performance-based training opens up the market to apply technology solutions to help our customers drive multi-domain operational readiness to address the ever-increasing threats to our national security.

I would like to welcome our new Chief Financial Officer, Anshooman Aga, to Cubic. He has been with us for six months and with his energy, focus and fresh perspective he has already made very significant contributions to the enterprise. At the same time, I again want to express many thanks to Jay Thomas, who is completing a stellar career at Cubic, having been a counselor and confidant to three CEOs. Without his contributions over a 37-year career, Cubic would not have achieved the level of prominence it enjoys today.

I also would like to extend my sincerest appreciation to Cubic's Board of Directors for their shared vision, counsel and support.

In particular, I would like to thank Walt C. Zable for his long and valuable service to Cubic as an employee for 53 years and a Board member for 42 years. On the Board, he served 37 years as Vice Chair and 5 years as Chair, following the passing of our Founder, Walter J. Zable. Walt provided guidance during the transition and valuable advice as new members have joined our Board. As a significant shareholder, Walt promises to maintain an active interest in the company.

In closing, to our customers, thanks for your continued trust and the opportunity to provide mission-critical solutions. To our partners, thanks for helping us keep Winning the Customer. To our 8,700 employees working in 24 nations, I thank you for your hard work and dedication to Living One Cubic and cultivating our innovative spirit that is essential to Cubic's growth and prosperity. To our shareholders, we thank you for your continued support and we pledge our total commitment to making Cubic a rewarding investment.

Bradley H. Feldmann
President and CEO
December 21, 2017