



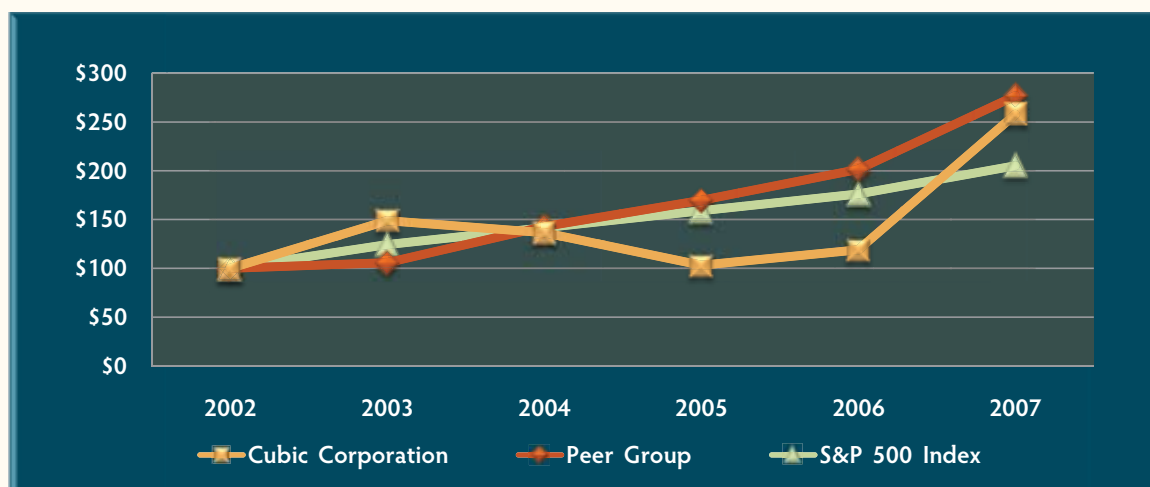
2007 Annual Report

Mission Support Services ■ *Combat Training Systems* ■ *Communications and Electronics* ■ *Automated Fare Collection Systems and Services*



(Amex: CUB) occupies leadership positions in two technology-driven businesses: defense and transportation. Cubic is an innovative supplier of defense products, systems and services to U.S. and allied governments in more than 50 nations. It also is an important intermodal and regional electronic fare systems and services company in more than 40 major markets. Cubic employs more than 6,000 people worldwide.

Stock Performance Graph for Cubic Corporation



Comparison of cumulative total return of Cubic Corporation, its peer group, and a broad market index.

	Fiscal Year Ending					
	9/30/2002	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007
Cubic Corporation	100.00	148.84	136.58	103.14	118.94	257.91
Peer Group	100.00	105.80	142.91	169.75	201.33	276.77
S&P 500 Index	100.00	124.40	141.65	159.01	176.17	205.13

The chart assumes that \$100 was invested on September 30, 2002 in each of Cubic Corporation, the S&P 500 index and the peer group index, and compares the cumulative shareholder return on investment as of September 30th of each of the following 5 years. The return on investment represents the change in the fiscal year-end stock price plus reinvested dividends.

Cubic's peer group is defined as the Space, Defense and Homeland Security (SPADE®) Index. The constituents of this index are listed on page 66.

Financial Highlights and Summary of Consolidated Operations

	Years Ended September 30,				
	2007	2006	2005	2004	2003
	(amounts in thousands, except per share data)				
Results of Operations:					
Sales	\$ 889,870	\$ 821,386	\$ 804,372	\$ 722,012	\$ 634,061
Cost of sales	727,540	687,213	672,541	549,170	493,377
Selling, general and administrative expenses	95,054	97,166	110,644	107,139	87,888
Interest expense	3,403	5,112	5,386	4,658	3,659
Income taxes	23,662	12,196	453	19,394	18,514
Net income	41,586	24,133	11,628	36,911	36,519
Average number of shares outstanding	26,720	26,720	26,720	26,720	26,720
Per Share Data:					
Net income	\$ 1.56	\$ 0.90	\$ 0.44	\$ 1.38	\$ 1.37
Cash dividends	0.18	0.18	0.18	0.16	0.14
Year-End Data:					
Shareholders' equity	\$ 382,771	\$ 323,226	\$ 297,158	\$ 298,767	\$ 255,292
Equity per share	14.33	12.10	11.12	11.18	9.55
Total assets	592,565	548,071	547,280	542,924	460,226
Long-term debt	32,699	38,159	43,776	50,037	47,142

This summary should be read in conjunction with the related consolidated financial statements and accompanying notes.

Market and Dividend Information

Quarter	Sales Price of Common Shares				Dividends per Share	
	Fiscal 2007		Fiscal 2006		Fiscal 2007	Fiscal 2006
	High	Low	High	Low		
First	\$22.82	\$19.06	\$20.56	\$15.63	-	-
Second	22.37	19.99	23.94	20.74	\$0.09	\$0.09
Third	30.14	20.12	24.40	18.27	-	-
Fourth	46.43	27.23	20.74	18.30	\$0.09	\$0.09

Chairman's Letter

Dear Fellow Shareholders,

I am pleased to report that fiscal year 2007 was an all-time record year for Cubic, as sales rose by 8 percent to \$890 million and net income increased 72 percent to \$41.6 million, or \$1.56 per share. We ended the year with over \$2 billion in total backlog. Over the last five- and ten-year periods, Cubic has generated an average annual total return to our shareholders in excess of the S&P 500™ Index. Over the last ten years, the average annual return to shareholders was 13.7% compared to a 9.3% return on the S&P 500™ Index. We are proud of this performance and appreciate the support of our shareholders.

Defense Segment

Cubic's defense business continued its track record of consistent growth during 2007. Our performance on the P5 air combat training system contract has been well received, resulting in more than \$170 million in orders since 2003. Cubic's successful legacy in air combat training, and our half-century tradition of innovation, continues into the 21st century with a \$50-million contract to develop an embedded training system for the F-35 Joint Strike Fighter. Historically, air combat training systems have been deployed for only a portion of the aircraft fleet using wing-borne pods, but under this new contract, for the first time, Cubic's equipment will be installed on every F-35 aircraft. Accordingly, this project should result in significant opportunities over the next decade as U.S. and international customers purchase the F-35 in large numbers.

Importantly, during the year we also won a \$468 million competitive follow-on, ten-year contract to continue as prime contractor for the U.S. Army's Joint Readiness Training Center (JRTC) at Fort Polk, Louisiana where we coordinate realistic pre-deployment combat training exercises. Since 2001, our JRTC business has grown substantially and we are gratified that the customer has recognized the value of Cubic's commitment and expertise with this follow-on contract. These exercises provide critical training to our troops before they deploy to Iraq, Afghanistan or other assignments.

To expand and diversify the mission support business area, Cubic has aggressively pursued logistics-related business for the past two years culminating in the award of a five-year, \$30-million contract with the U.S. Army Quartermaster Center and School. This contract is our first prime competitive award captured in head-to-head competition with established logistics contractors. I view this win as an important credential as we continue to pursue logistics opportunities that offer immediate growth beyond our defense segment's traditional focus on combat training.

The defense segment's international business remains strong and continues to grow as allied military forces adopt sophisticated training systems to enhance their readiness. Over



the past year, Cubic was awarded several high profile contracts in the Asia-Pacific region. Notably, in Australia, under the Joint Combined Training Capability initiative, Cubic demonstrated the full range of its air and ground training capabilities and facilitated joint warfare training between U.S. and Australian forces. Also, the market for combat training centers, MILES tactical engagement systems, and our virtual small arms trainer, the EST-2000, remains strong particularly in the Middle East.

Presently, Cubic is close to developing 'Friend or Foe' equipment for the military. It is unfortunate that mistakes are made in combat, resulting in fatalities of our own troops. However, Cubic's equipment could minimize these incidents.

U.S. forces continue to expand the use of unmanned aerial vehicles in combat and desire high quality video for command and control, reconnaissance, and targeting missions. The communications and electronics business unit is in the midst of several major data link development programs for unmanned aerial vehicle customers. This year the company was awarded a contract to develop a miniature common data link. As we continue to perform on important unmanned aerial vehicle programs like Fire Scout, Watchkeeper, and Shadow, I am hopeful that we can improve profitability in this segment by transitioning these programs to production contracts in 2008.

Transportation Systems Segment

Cubic remains a world leader in automated fare collection systems. Operating income from the transportation segment improved significantly from \$2.8 million in 2006 to \$20.1 million in 2007 with substantial operating cash flow. Strong operating income from European operations and customer settlements contributed to the improvement. We believe that the ongoing trend of outsourcing the operation and maintenance of regional smart card systems, along with upgrades and replacement products, will provide meaningful opportunities in this market.

Cubic's competitive advantage is owed in large part to investment in its Nextfare® Solution Suite that is now installed and supporting eight North American and

Australian transit customers. The ability to use multiple smart card applications opens numerous opportunities for our customers to take advantage of emerging fare payment technologies and services, including the ability to integrate mobile phone payment and bank card payment technologies.


Today, these exciting advances are being realized on the award-winning, Cubic-pioneered, Oyster® smart card system, used by 11 million people in the Greater London area. Cubic is collaborating with the banking community and telecommunications industry to integrate our technology. We have joined with Barclaycard™ to launch the OnePulse card, a travel and payment card which allows users to pay for fares, make small purchases and use a conventional credit card. We anticipate introducing this type of unique technology application into other transit markets where Cubic is the incumbent supplier.

Given the realities of international terrorism and vulnerability of mass transit, security remains an ongoing concern in the U.S. and abroad. To address these concerns, Cubic has teamed with leading U.S. technology providers to integrate security features into our transit infrastructure. These features have attracted the notice of U.S. Homeland Security and several leading transit operators. Opportunities to enhance patron safety and reduce terrorism threats in public transit systems will continue for years to come.

Looking Ahead

We recently appointed a new outside director, Dr. John H. Warner, Jr., to our Board. Dr. Warner brings substantial defense industry experience to our Board based on his distinguished career with Science Applications International Corporation. I welcome Dr. Warner and look forward to his support. Dr. Warner replaces Dr. Richard C. Atkinson, a member of the Board for more than twelve years. I want to thank Dr. Atkinson for his contributions and support during his tenure.

As Chairman, it is particularly gratifying for me to reflect on the company's great progress and achievements over the years. As we look forward, you can expect Cubic to continue its tradition of technological innovation and keen focus on customer requirements as we seek new growth opportunities for our shareholders.



Walter J. Zable
Chairman, President and CEO
Cubic Corporation
December 18, 2007

Cubic Defense

Fiscal Year 2007 Revenues

- \$641 million

2007 Year End Backlog

- \$1.247 billion

Employees

- 4,800 in 25 states and 19 nations

Principal Lines of Business

- Mission Support Services
- Readiness Systems
- Communications and Electronics

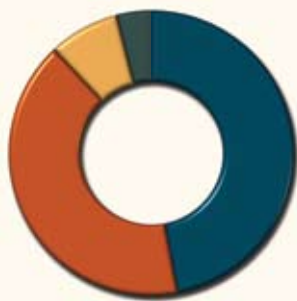
Customers

- U.S. Armed Forces
- Other U.S. agencies and departments
- 46 nations

Key Discriminators

- Breadth of live training capabilities
- Unique position as a full-spectrum provider of training systems and training support services
- Aggressive technology upgrades for training and communication products and systems
- Innovative new products
- Strong reputation in mission support services
- Platform independent
- Common Data Link (CDL) certified

Fiscal Year 2007 Revenue Mix



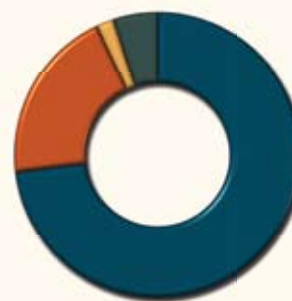
Business Unit

- Mission Support Services.....47%
- Readiness Systems41%
- Communications and Electronics.....8%
- Tactical Systems/Other4%



U.S. and International

- Domestic74%
- International.....26%



Market

- Military Training73%
- Intelligence, Surveillance and Reconnaissance20%
- Operations and Maintenance.....2%
- Force Modernization and Transformation.....5%

Future Growth Opportunities

- Data links for manned and unmanned platforms
- Live, virtual and constructive training
- Joint and multinational training
- International ground combat training centers
- Systems to counter the threat of improvised explosive devices
- Modeling and simulation of the effects of weapons of mass destruction
- Optical communication solutions for friendly force identification on the battlefield
- Logistics, operations, and maintenance services

Key Innovations

- Integration of live, virtual and constructive training domains
- Personal area network for tactical engagement simulation systems
- Integration of satellite communications into combat training systems
- Cost-efficient mission rehearsal exercises for deploying troops
- Simulation of weapons of mass destruction effects in training environments
- Adaptive communication jamming system
- Tactical data links and advanced C4ISR networks
- Tactical application of optical communications technology

Glossary



Live Simulation involves real weapons and equipment. It is the training domain that most closely replicates actual combat.



Virtual Simulation involves simulated weapon systems in a virtual environment, including realistic terrain.



Constructive Simulation training is the use of computer models and game-type simulations.

"The Live-Virtual-Constructive environment combines any of these three approaches to create a common battlefield, on which live units can be represented along with virtual and constructive. These units can interact with one another and conduct a coordinated fight as though they were physically together on the same ground."

—Combined Arms Training Center in Fort Leavenworth, Kansas

Mission Support Services



Key Accomplishments

- **Awarded a contract for \$468 million over a 10-year period to supply comprehensive support services at the Joint Readiness Training Center.** As the incumbent prime contractor, the level of support we provide has now been increased in critical areas directly related to operational requirements.
- **Won its first prime contract for logistics support.** The U.S. Army Quartermaster Center and School awarded Cubic a 5-year contract worth more than \$30 million for logistics training and education support. This contract will serve as an important credential as we continue to pursue logistics support business.
- **Won a 5-year indefinite delivery/indefinite quantity contract as part of a contractor team that is eligible to bid for up to \$9 billion in U.S. Army logistics contracts.** Cubic is one of 11 subcontractors on the team. The U.S. Army's Southern Region Contracting Center-East selected the team as one of 10 small business awardees for the U.S. Army's new Field and Installation Readiness Support Team (FIRST) program.
- **Expanded its current and largest contract with the U.S. Marine Corps to provide advisor training support for the Security Cooperation Education and Training Center.** Under this program, Cubic trains Marines who will serve as military advisors to indigenous security forces in Iraq and Afghanistan.
- **Extended simulation and training support services for the Fort Lewis Battle Command Training Center.** This cost-plus-fixed-fee subcontract has a total potential value of up to \$19.9 million over approximately 5 years. Cubic has supported the center and its predecessor, the Battle Simulation Center since 1995.
- **Selected as part of a team to compete for up to \$50 billion in U.S. Government information technology business over the next 5 to 10 years.** Cubic is one of five core members on a team that was awarded a prime bidding position by the General Services Administration for Alliant—the largest Government Wide Acquisition Contract. The team was among 29 contractor teams awarded prime positions.

Cubic is a leader in providing a wide range of highly specialized support services. We have six operating divisions and more than 100 locations worldwide. We provide technical, training, professional military education, and operational support services and related domain expertise that prepare all echelons of U.S. and allied forces for combat and national security missions.

Our business is focused on service markets for the U.S. Department of Defense Joint Community, all U.S. Armed Services, the Department of Homeland Security, selected allied nations, and other government and nongovernment customers. The services we provide to these organizations include live, virtual and constructive training and exercise development and implementation services; training development, management and support; operations and maintenance; professional military education; information technology and operations; weapons effects; modeling and simulation; logistics support; and force modernization expertise.

Cubic's outstanding reputation for professional excellence and high quality support services is earned by all of its employees. We strive to employ and retain skilled people who are dedicated to their jobs—and that is a key reason why Cubic is a trusted provider of mission-critical services.

Joint Readiness Training

Mission rehearsal exercises are essential to the success of every security and combat operation carried out by U.S. forces.

Every month in multiple locations worldwide, we help military leaders plan, coordinate and execute training exercises that accelerate the readiness of thousands of troops, including the U.S. Air Force, Army, Navy, Marine Corps, National Guard, and military units from allied nations.

At the Joint Readiness Training Center in Fort Polk, Louisiana, Cubic's professional and dedicated workforce assists in executing every facet of the center's highly realistic training events. These intense scenarios are played out in the center's 100,000-acre training area.

Based on strong knowledge of military missions, Cubic accurately replicates nearly every detail of actual combat operations throughout the area.

We devise the settings, characters, scenarios, battlefield effects, and opposing force intelligence situations. In turn, participants are exposed to the uncertain threats of combat during a practice run before their deployment.

Cubic has provided support services to the Joint Readiness Training Center since 2001, as well as to the National Training Center at Fort Irwin, California since 1994.

We have earned a reputation for carrying out realistic training exercises, being dependable, delivering innovative and cost-effective training solutions, and for being responsive to ever-changing training requirements on short notice. These are some of the reasons Cubic was chosen to support the Joint Readiness Training Center for the next 10 years.

The new contract will increase our support levels in four areas: role-play, battlefield effects, tactical engagement systems support, and the Exercise Support Group. This group provides support to rotational training units in the areas of transportation, sustainment supplies, live fire support, and air-delivered resupply.

Logistics Support Services

The U.S. military's readiness to carry out their missions—in peace and war—is dependent upon logistics support. Getting the right goods, services and equipment required by warfighters, when and where they need it, is critical for them to carry out their missions.

Cubic made inroads into the logistics services market this year by winning its first prime logistics support contract. At the U.S. Army Quartermaster Center and School at Fort Lee, Virginia, Cubic provides field, classroom, computer and hands-on training for the Quartermaster School. In the past year, we also won two contracts to provide training

management skills, and the ability to staff and meet support requirements on short notice. The types of support Cubic may provide include delivery of supply items, components and equipment, operation of large logistical support facilities; and other services that will evolve along with the U.S. Army's requirements.

Computer Based Training

Cubic is finding innovative ways to support the U.S. military's objective to migrate from traditional learning models to distance learning, computer based training and games for training. We are adapting commercial-off-the-shelf technology and software that offers a



Cubic is supporting the U.S. Army's readiness to logistically support mobilization and deployment, and to sustain it indefinitely for any security or combat mission.

support to the U.S. Army Transportation School at Fort Eustis, Virginia.

In addition, we were selected as part of a contractor team that received a five-year indefinite delivery/indefinite quantity contract for the Field and Installation Readiness Support Team program.

Cubic was selected to be part of the team for several key reasons. Among them were our high technical competence, exemplary

high-payoff and low-cost solution to enhance learning and levels of performance.

The application of games for training is a relatively new concept that has captured the interest of the U.S. Army. Game-based training draws soldiers into an environment where they get to make decisions that are then played out in a cause-and-effect scenario. To help prepare soldiers for real-world missions, Cubic and its government counterparts have

unveiled a prototype game-based simulation. It is designed to train soldiers in deliberate checkpoint operations—a vital and common mission on today's battlefield.

Cubic has rapidly progressed game-based training to the next level—an automated Instructional Design System. It gives instructional designers a quick assessment, and near-real time retrieval and use of PC-based games for a specific learning application. This concept is currently being tested at the National Simulation Center at Fort Leavenworth, Kansas.

We continue to support the development of prototype vignettes for game-based training. The scenarios we have created with game developers from the National Simulation Center include training for warrior skills, battle drills and personnel recovery.

Emergency Preparedness

Given the increased concern regarding biological and chemical threats, public agencies need to assess and respond quickly to unfolding events. Cubic assists federal, state and local agencies to plan and execute disaster exercises for all levels of first responders—up to and including multinational participants. These live and computer-based exercises help test, hone and synchronize emergency preparedness skills across all levels of government and the private sector.

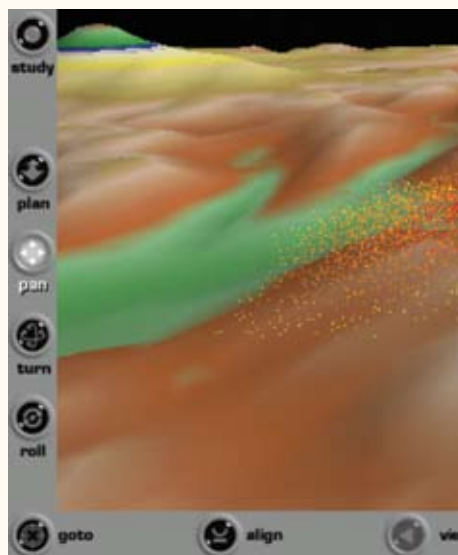
The support we provide is essential to the readiness of first responders. We help them to build a unified capability to prevent, respond to, and recover from any disaster due to natural causes or terrorism. The exercise scenarios are aimed at validating the full range of national, operational and technical policies, and plans and procedures that come into play in response to high consequence events. We continue to expand the scope of this vital work with other government agencies at the state and local levels. In the past year, we won a new contract to provide training and exercise support for up to six years to the New York City Office of Emergency Management.

This year, Cubic supported the U.S. Government's premier counterterrorism exercise. Sponsored by the Department of Homeland Security, the Top Officials 4 was the

fourth and largest exercise in the Top Officials series. Cubic has supported three of the four exercises in the series.

Joining in this effort were the states of Arizona and Oregon, the U.S. territory of Guam, and three international partners: Canada, the United Kingdom and Australia. Cubic facilities in Kingstowne, Virginia were used as the master control cell for the exercise.

In addition to exercise support, we are also highly regarded in the national security community for creating high-fidelity weapons effects models. Weapons of mass destruction experts around the globe use our weapons effects models and simulations to show the weapons effects on potential targets.



Cubic supports the Defense Threat Reduction Agency and other U.S. agencies in developing weapons effects models and simulations.



Readiness Systems





Key Accomplishments

- **Awarded a \$50-million development contract to design and integrate an embedded version of air combat training technology onboard the Joint Strike Fighter.** The airborne instrumentation system will be installed in all F-35 stealth fighters. They are destined to replace multiple types of aircraft in the U.S. and in eight allied nations.
- **Received more than \$170 million in task orders since the award of the P5 Air Combat Training Systems contract in 2003.** Cubic is the prime contractor for this indefinite delivery/indefinite quantity contract. It has the potential to reach \$525 million if all options are exercised over its 10-year life.
- **Received more than \$30 million in multiple contract awards to supply training systems in the Asia-Pacific region.** Cubic is supplying realistic air and ground training systems to Australia, Thailand and Japan. These systems give them the capability to train with the U.S. and allied nations.
- **Awarded a \$25 million order from a Middle Eastern allied nation to supply them with a mobile combat training center.** This contract is Cubic's first direct commercial sale of its ground combat training center capability to U.S. allies in the Persian Gulf region.
- **Awarded \$24 million in contracts for EST 2000 small arms training systems for use by the U.S. Army and Marine Corps.** The advanced version of the EST 2000 system includes virtual urban scenarios and simulated improvised explosive devices, reflecting current threats troops experience in combat.
- **Awarded contracts by the Australian Department of Defense to provide them with a new urban training instrumentation system.** The system was a critical part of the Joint Combined Training Capability demonstrated during the Australia-U.S. Talisman Sabre 2007 exercise.

Cubic is a leader in providing air and ground combat training systems to the U.S. and 35 allied nations. We have fielded more live combat training systems than any other company.

We provide highly realistic combat training systems that enable air and land forces to train together in a live, virtual and constructive environment. Cubic designs, develops and installs training systems for fighter aircraft, armored vehicles and infantry troops. These systems accurately simulate weapons effects and the tactical actions of aircrews and soldiers. At the end of a training exercise, our multimedia software provides the critical information needed for after-action review. Cubic also provides small arms virtual training systems.

We are accelerating the development of integrated training systems. Our adaptable systems enable military aircrews and land forces to interact with each other during realistic combat training exercises held in geographically dispersed locations. This capability enables them to train as a unified force from multiple locations. We are also embedding our training systems within the U.S. military's next generation fighter jet—the F-35 Joint Strike Fighter.

Joint Training

Cubic is on the frontline of emerging military training transformation efforts in the U.S. and Asia-Pacific region. We are making unprecedented strides to facilitate joint training for multiple allied countries.

This year we delivered the groundbreaking architecture that linked geographically dispersed training systems into a single training exercise. The biennial Talisman Sabre 2007 exercise was held in Australia.

This exercise is the first step toward globalizing the U.S. Department of Defense Joint National Training Capability. It aims to mix live, virtual and constructive models and simulations in an integrated network of training sites. The end goal is to provide the most realistic collective joint mission experience possible. This crucial exercise serves as a proof of concept for the future of joint systems used for binational training.

For the Talisman Sabre 2007 exercise, Cubic demonstrated its ability to standup a complex network quickly. We solved difficult software, hardware and integration challenges—all while staying on schedule. Our ability to connect distinct live, virtual and computer-based training systems for better situational awareness, feedback and objective performance measurement is based on experience.

Cubic has a rich heritage in developing air and ground training systems. We have developed and fielded more than 60 systems for the U.S. and allied nations. Fifteen of these systems are or will be located in the Asia-Pacific region.

Most of the live training systems used during the Talisman Sabre 2007 exercise were developed and installed by Cubic. The company's key systems were the Initial Homestation Instrumentation Training System including the MILES laser-engagement system deployed with the U.S. Army, and the Pacific Air Forces air combat maneuvering instrumentation system.

Major Australian systems included the Cubic-developed deployable combat training center with the tactical engagement systems, the urban operations training facility instrumentation, and the newly delivered Royal Australian Air Force air combat maneuvering instrumentation system.

Ground Combat Training

We have established a strong footprint for our training systems in the Asia-Pacific region. Now we are gaining a foothold in the Persian Gulf region to supply our systems to allied nations.

For the first time, we are supplying our Homestation Instrumentation Training System directly to an allied nation in the Persian Gulf region. Scalable and user-friendly, the system can be used wherever troops are located—at home or on deployment.

Cubic's system was chosen because it is a self-contained training package. It can be configured for mobile, deployable or fixed

This contract positions Cubic to supply its full spectrum training solutions. From virtual skills trainers up to full-scale training systems, we have a complete line of training solutions to support U.S. allies in the Persian Gulf region that need to modernize their training equipment.

Virtual Training

Every U.S. soldier needs basic marksman skills. Our engagement skills trainer is an effective and economical means to acquire and develop these essential skills.

Validated by the U.S. Army Infantry School, our EST 2000 teaches marksmanship skills,



In the past year, our footprint in the Asia-Pacific region has grown to a total of 15 air and ground combat training systems supplied for the U.S. Pacific Command and allied nations.

applications for ground units from squad through brigade.

In addition to the system, which includes Cubic's laser-based tactical engagement simulation system, and exercise control and debriefing facilities, we will provide contractor logistics services to operate and maintain the equipment.

squad-level collective defense and judgmental use of force. Beyond the fundamentals, our systems support mission readiness.

In virtual scenarios, soldiers using EST 2000 experience current combat conditions, including simulated improvised explosive devices and virtual urban environments.

Our systems enable soldiers to sustain and sharpen their skills at their homestation or on deployment. Cubic has fielded more than 1,000 EST 2000 systems and over 6,000 simulated weapons to U.S. and allied military installations throughout the world. Our systems are fielded in the continental U.S., Alaska, Hawaii, Korea, Germany, Italy, Jordan, Iraq, Afghanistan, and Kuwait.

Air Combat Training

In 2003, Cubic won an anchor program that will lead air combat training well into the 21st century. Ultimately, the P5 Combat Training System will be deployed to 30 sites in the U.S., Europe and the Pacific.

The P5 system will dramatically improve air combat training missions for the U.S. Air Force, Navy, Marines, Air National Guard and coalition forces.

The system features a common approach for joint, multiservice and coalition training—allowing fighter pilots to train together as a coordinated team in any available airspace.

Cubic's Individual Combat Aircrew Display System is a prime feature of the P5 Combat Training System. It is now the most widely used air combat maneuvering instrumentation debriefing software tool in the world.

With its ability to track up to 100 high activity aircraft, the Individual Combat Aircrew Display System is the display system of choice. It is used for some of the most significant air combat training exercises held in the world. They include the massive Red Flag exercises hosted annually at Nellis Air Force Base, Nevada, and the large Maple Flag exercise in Cold Lake, Alberta, Canada, which includes heavy participation from the North Atlantic Treaty Organization.

Our responsiveness to evolving customer needs is a key reason for the success of this system. When a customer asks for a new capability, we add it into the next version of the software. Now it can be used to display both ground and air elements during combat training exercises.

Embedded Training

Cubic's prime contract for P5 is a landmark contract for the company in several ways. It led to us being selected as a direct supplier to Lockheed Martin for embedded air combat training systems onboard the Joint Strike Fighter. Moreover, we are developing the first embedded air combat training system of its kind aboard the next generation strike fighter.

The combat training subsystem is interoperable with P5 training systems now being produced, so fighter pilots using pod-based or embedded P5 systems will be able to train with Joint Strike Fighter pilots.



After a training exercise, Joint Strike Fighter aircrews will receive feedback from Cubic's Individual Combat Aircrew Display System (ICADS™) software to help them evaluate and improve upon their performance.



Communications & Electronics





Key Accomplishments

- **Awarded additional delivery orders from the U.S. Navy for the Communications Data Link System (CDLS).** Cubic will be delivering two additional systems under its existing 5-year contract with the Navy. CDLS has successfully performed in network-centric missions during Operation Iraqi Freedom. Now it has been installed on a total of nine surface ships and ground-based platforms.
- **Achieved an important step in the development of its miniature common data link system.** Cubic successfully flight tested a prototype of its miniature common data link system onboard the Killer Bee small unmanned aerial vehicle for U.S. Army and Marine Corps applications. As a result, Cubic and its team partner now have the credentials to compete for future production contracts.
- **Developed and will be delivering a small tactical common data link for flight testing onboard the U.S. Army's RQ-7B Shadow® 200 unmanned combat aircraft system.** Successful flight testing will ultimately qualify Cubic to compete for full rate production contracts.
- **Delivered wideband data link hardware for the United Kingdom's Watchkeeper—a new network-enabled unmanned aerial system.** After system integration testing, the next milestone for our data link will be a flight test of our system's air-to-ground data link, which is part of a larger effort to achieve full operational capability for the entire system.
- **Delivered air and ground data link hardware for the Fire Scout Vertical Takeoff and Landing Tactical Unmanned Aerial Vehicle system.** Upon successful completion of a series of qualification and environmental tests, our equipment will be flight tested and deployed onboard the U.S. Navy's premier rotary wing unmanned aerial vehicle.
- **Awarded contracts potentially worth up to a total of \$17 million over 5 years for combat search and rescue avionics.** Awarded by the U.S. military, the contracts validate the investment Cubic has made in its next generation personnel locator system, which was introduced in 2005.

Backed by four decades of experience, Cubic is an innovative supplier of communications and signal intelligence equipment used by U.S. and allied nations. We specialize in the design, development and production of high bandwidth data links, high power amplifiers, signal intelligence/electronic warfare systems, and combat search-and-rescue avionics.

We are focused on providing advanced data link technologies that improve the interoperability of communications between manned and unmanned systems deployed in a network. To that end, we are developing data links that offer a high degree of security and a common design. They are compact and adaptable to fit onboard a variety of military platforms used by the U.S. Navy, Air Force, Army, Marine Corps, Coast Guard, and other key allied forces. Data link equipment built by Cubic operates on aircraft carriers, amphibious assault ships, surveillance aircraft, unmanned aerial vehicles, and ground-based platforms. Our data links send important control signals up to airborne platforms and intelligence data down to ground or ship based command centers.

We strive to integrate our equipment into systems that not only extend the military's technical capability but also interface with legacy systems in use today.

Network Enabled Data Links

The U.S. and allied militaries now operate in a networked battle space. The network is an operational environment where nearly every echelon of command has the need to coordinate, share and integrate intelligence collected by unmanned aircraft. In the networked battle space, our data links provide the essential routing of communications between military assets.

Military commanders rely on our data links to simultaneously transmit and receive near real-time images and data with air, sea or ground platforms. Information transmitted by our data links enables commanders to precisely locate and identify targets in a network centric environment.

We are adapting our equipment to meet a growing number of unique mission and platform requirements while complying with the Department of Defense Common Data Link standards for interoperability.

Tactical Common Data Link

Cubic's data links are playing a key role in the U.S. Army's effort to expand the capability of its RQ-7B Shadow 200 unmanned aerial vehicle. This vehicle has proven to be effective in intelligence, surveillance and reconnaissance missions in Iraq.

Based upon that success, the U.S. Army is upgrading the vehicle's communications payload with smaller but more capable technology.

Cubic is modifying its existing tactical common data link technology to install a reduced size of it onboard the RQ-7B Shadow 200. The reduced-size air data terminal is designed to be installed in the wing pocket of the Shadow and provide secure, high bandwidth streaming video to a ground terminal.

Manned aircraft can also use the Shadow sensor data while staying out of harm's way. The design effort coupled with a successful flight demonstration is a stepping stone for Cubic to compete for upcoming production contracts.

Cubic's tactical common data technology has proven to be adaptable to multiple unmanned aerial systems. So far, variations of Cubic's tactical common data link are being used in several U.S. Government network-enabled communications programs. These include the Navy Communications Data Link System and Fire Scout unmanned aerial vehicle. Cubic is also applying this technology to the United Kingdom's Watchkeeper unmanned aerial vehicle program.

Miniature Common Data Link

For the Air Force Research Lab, Cubic and its team partner have developed and successfully

During flight tests, the miniature unmanned aerial vehicle simultaneously transmitted and received full-motion, high-resolution video from onboard cameras to a ground station below.

Because the miniature common data link is transferable to other manned and unmanned airborne platforms, Cubic and its team partner are positioned to compete for future large-scale production contracts for the U.S. military.

The DirecNet™ consortium, established by Cubic in 2005, now includes 12 major defense contractors and government advisory members. Together they are defining specifications for the next generation of open



Aboard U.S. Navy aircraft carriers and amphibious assault ships, Cubic's data link terminals are part of an information surveillance and reconnaissance network that is vital to global war on terror and marine security missions.

flight tested a miniaturized version of a common data link. It will enable the armed forces to equip their smaller airborne vehicles with a data link that offers greater capability and security than those in use today.

standard, high-bandwidth airborne networks. During the past year, the consortium laid the groundwork for system specifications that will steer a transition from today's stovepiped, point-to-point communications to multipoint connections among all players in a network.

Communications and Signal Intelligence

Cubic's high frequency power amplifiers, transmitters, direction-finding equipment and signal intelligence receivers are designed for multiple applications. The most common are shipboard and land-based communications and intelligence collection.

In the past year, demand for our direction-finding equipment has increased. As part of an ongoing modernization program, the Canadian Coast Guard is replacing older receivers, processors and antenna systems onboard its ships and cutters with new equipment supplied by Cubic. Our equipment was chosen for its bearing accuracy, signal sensitivity and its ability to reliably operate in the harshest environmental conditions.

Ultimately, all of Canada's Coast Guard ships and cutters will be equipped with Cubic's direction-finding systems. The systems will help them identify the direction and location of vessels in distress off Canada's coastlines where the equipment will operate in some of the world's most challenging environmental conditions for maritime search and rescue activity.

In addition to direct sales to foreign governments, including defense agencies, we have long supplied multiple prime contractors with signals intelligence equipment used on transformational military programs. The Navy's Ship's Signals Exploitation Equipment program is a key example. For this program, the receivers we supply become part of an intelligence system which helps shipboard operators rapidly detect, identify and locate signals of interest near to and over the horizon. This is a key capability for U.S. Naval ships engaged in information warfare.

Combat Search and Rescue

Combat search and rescue crews embark on some of the most dangerous and complicated missions. For more than 20 years, U.S. and allied combat search and rescue crews have

equipped their close air support aircraft with Cubic's personnel locator systems. Our systems help them covertly pinpoint the location of, communicate with, and recover downed aircrews and key personnel who are isolated behind enemy lines.

The improved capability of our latest generation personnel locator system is drawing interest from the U.S. military as they modernize their avionics. This year, we received multiple contract awards from the U.S. military for our latest generation personnel locator system. Some of the contract awards include potential indefinite delivery/indefinite quantity task orders for the next five years.



Search and rescue crews have used Cubic's Personnel Locator System onboard their close air support helicopters in every military engagement since 1987.



Cubic Transportation Systems

Fiscal Year 2007 Revenues

- \$237 million

2007 Year End Backlog

- \$787 million

Principal Lines of Business

- Electronic fare collection and management
- Operational services
- Maintenance services

Customers

- 181 active transit agency customers

Key Discriminators

- Uniquely positioned as the only full-service automated fare collection system and services provider in the industry
- Provider of the most comprehensive central computer system in use by transit authorities today
- A leader in supporting industry standards for regional and intermodal systems
- Significant installed base of new and legacy fare collection systems
- More than 35 years of experience designing, integrating, installing and supporting highly reliable automated fare collection systems in major cities

Key Ongoing Automated Fare Collection Projects in Major Transportation Markets



London PRESTIGE/Oyster Card™

Largest smart card fare collection contract ever awarded

Cubic's contract value awarded under the PRESTIGE contract is now in excess of \$1.2 billion since 1998



New York/New Jersey Region

\$483 million in contracts awarded since 1991



Washington D.C./Baltimore/ Virginia Region

\$184 million in contracts awarded since 2000

\$400 million in contracts awarded since 1975



Los Angeles Region

\$140 million in contracts awarded since 2002

\$184 million in contracts awarded since 1987



San Diego Region

\$29 million in contracts awarded since 2002

Key Innovations

- NextFare™—a modular fare collection management system
- Limited Use smart card fare collection applications
- High-speed ticketing device technology compatible with multiple transit smart cards
- Threat detection systems for transit security

Awards

PRESTIGE/Oyster Card

- RFID Implementation Award, 7th RFID Networking Forum (2006)
- Best Private Finance Initiative, Public: Private Finance Awards (2005)
- Best Operational Transport Project
- Grand Prix as the Best Operational Project—all sectors
- Gold Award for Technology Exploitation by Management Today, Britain's leading monthly business magazine (2005)

Los Angeles/TAP Card

- Outstanding Public Transportation System Achievement Award by the American Public Transportation Association (2006)

Industry

- Smart Card Industry Innovation & Advancement of the Year Award by Frost & Sullivan (2006)



San Francisco Bay Area

\$72 million in contracts awarded since 1999



Chicago

\$111 million in contracts awarded since 1993



Brisbane, Australia

\$128 million in contracts awarded since 2003



Minneapolis/St. Paul

\$22 million in contracts awarded since 2002



Atlanta

\$89 million in contracts awarded since 2003



Sweden

\$33 million in contracts awarded since 2005

Transportation Systems



Key Accomplishments

- **Introduced a new smart card that hosts London's Oyster® and Barclaycard® Visa on one card.** The new Barclaycard OnePulse card is unique. It serves three separate functions: as a standard Visa credit /debit card, as an Oyster card, and as a new "wave and pay" Visa card, allowing contactless credit payment for low-value transactions.
- **Completed installation of a base system for Los Angeles County Metro's rail and bus services.** Now Cubic is completing the regional features of this system, including a central back office and clearing functions needed to operate and manage data for Metro's regional participants.
- **Expanded Atlanta's new Breeze contactless smart card fare collection system to include four regional bus operators.** By linking them to the Breeze system, commuters who live and work in or near Atlanta have the convenience of using a single smart card for public transportation.
- **Awarded a contract modification to upgrade Washington Metropolitan Area Transit Authority technology.** Under this contract, Cubic will implement software and technology upgrades to unite Metro rail, park-and-ride and regional bus systems through smart card media and a centralized back-office system.
- **Awarded a contract by Metropolitan Transit Authority New York City Transit to expand its MetroCard® fare payment system.** Cubic provided payment and processing devices to support the MetroCard, extending the fare payment system to hundreds of buses operated by the Westchester County Department of Transportation.
- **Launched a new regional fare collection system in southern New Jersey and Philadelphia.** Cubic designed and installed the system, and is providing support services to run and manage it.

Cubic is the world's leading provider of automated fare collection systems and services for public transit. Cubic has delivered over 400 projects in 40 major markets on five continents, totaling approximately \$3.6 billion in installed systems. Across the industry, Cubic is recognized for incorporating superior technology into its fare collection systems.

We design, develop, supply, install and support complete automated fare collection solutions for public transit authorities. Our automated fare systems collect, process and manage transactions from a network of ticket vending machines, turnstiles, processing terminals, and bus equipment. The support services we provide help transit authorities manage the growing demands placed on regional fare collection systems.

With more than 35 years of experience, Cubic is the most experienced company in the industry dedicated to the advancement of automated fare collection systems.



Los Angeles

The American Public Transit Authority named Los Angeles County Metropolitan Transit Authority's system the 2006 Outstanding Transportation System in the nation. Metro's system is called the Universal Fare System. Cubic is proud to be associated with this award-winning system and its new smart card. Metro's card is branded as Transit Access Pass (TAP).

With ridership and customer satisfaction soaring, Los Angeles County Metropolitan Transit Authority's system is fast becoming a model for regional automated fare collection systems in the U.S. It is the largest regional smart card ticketing and fare collection system on the West Coast.

Cubic's Nextfare™ Central System is the foundation of Metro's regional automated fare collection system. This system is a complete set of software modules. The software modules supply the core smart card transaction processing; financial operations including revenue clearing, settlement and reporting; debit or credit payments; customer service; and database support. Nextfare receives data from and controls an infrastructure, which includes a comprehensive network of ticket vending machines, validators and bus equipment. This infrastructure is used to issue tickets, record and process rides, process debit and credit card transactions, accept cash, and provide other services to the customer.

Metro's Universal Fare System unifies the county's public bus and rail operations on a single TAP smart card. In addition, the system is linked to participating retail merchants for the sale of TAP smart cards. This functionality allows transit users to automatically purchase and reload value onto TAP smart cards at multiple transit sites and more than 800 retail locations.

This year, Cubic completed the first phase of the regional ticketing and fare collection system. The system's infrastructure has been installed at rail and bus stations. The second phase is now under way. It includes roll out to the entire Los Angeles metropolitan region. This includes the back office and clearinghouse functions needed to perform funds settlement

and financial reconciliation, and manage data for regional participants.

Simultaneously Metro is continuing to roll out the TAP card on a progressive basis. The TAP card will ultimately expand across all regional bus agencies. With this system, public transit commuters from surrounding cities and communities will be able to switch from one transit system to another, using one smart card to pay for fares.

Philadelphia/New Jersey

Cubic is modernizing rail travel and parking in southern New Jersey and Philadelphia. We have designed a new smart card-based system that is replacing the magnetic stripe system

Cubic's central computer software called Nextfare is the core of the fare collection system. It receives and processes smart card transactions, enhances customer service, and provides comprehensive reporting and audit capabilities that improve operational efficiency.

Nextfare interfaces with hundreds of devices deployed throughout the fare collection system. Cubic's lineup of equipment for PATCO includes full-service ticket vending machines and gates, equipped for smart cards and paper magnetic tickets. The equipment also includes a revenue processing system, point of sale ticket office terminals, an integrated parking fare collection system, and a central parking management system.



Because Cubic is the most experienced company in the industry, transit agencies rely on us to help them modernize their automated fare collection systems.

we installed approximately 30 years ago. It was Cubic's first automated fare collection installation on the East Coast.

The new system is designed to meet the regional fare collection needs for the Delaware River Port Authority and Port Authority Transit Corporation (PATCO). Transit patrons can use the new Freedom smart card to board PATCO trains and park at station lots. Under the new system, riders can load value onto their smart cards by debit or credit card transactions.

Recognizing the complexity of managing a new system, the Delaware River Port Authority engaged Cubic to manage the entire system for an initial period. It is anticipated that extensions may also be awarded.

The fare collection system gives PATCO the capability to expand its new system and offer unprecedented convenience to its transit patrons. For example, in the future, Freedom card users will be able to travel to New Jersey and New York rail stations served by the Authority of New York and

New Jersey system without having to buy an additional ticket. Cubic's commitment to using the latest industry standards for regional interoperability, called the Universal Transit Farecard Standards, makes this possible. This will be a historic milestone in the pursuit of convenient fare payment for thousands of East Coast passengers.

London

The Mayor of London is placing a high priority on improving and extending the public transit network in Greater London. Cubic has a key part in this long-term improvement plan. As a principal partner in the TranSys Consortium, Cubic was chosen by Transport for London to design and supply London's PRESTIGE integrated ticketing and revenue system. The 17-year contract was awarded in 1998.

Since its launch in 2003, the PRESTIGE system and the Oyster card have proven to be huge successes. The system has been recognized across the industry as the most successful and complex public transit project in the world. A significant percentage of all U.K. transit rides are taken using the PRESTIGE system. More than 12 million Oyster cards are in circulation. Each day more than 9 million passengers use public transit in Greater London.

Introducing Barclaycard OnePulse

Cubic continues to support the future of London's transit network. This past September, we supported the launch of a new card—Barclaycard OnePulse. It offers a unique combination of benefits. Unlike any other transit card in use today, it combines cashless payments and an Oyster Card with a standard Barclaycard credit card. Transport for London, Cubic and its TranSys partner, and Barclays Bank created this innovative smart card.

Barclaycard OnePulse is the only multifunction card of its kind. It allows for one card to be carried in the place of three. The card performs the same functions as an Oyster card and allows contactless payment for low-value retail transactions, including fast food, newspapers, parking facilities, and vending machines.

In addition, Barclaycard OnePulse separately operates as a standard Barclays credit card. These combined functions within the card have been designed to increase utility and convenience for the user. They also simplify

transactions for the retailer. Moreover, it gives transit authorities the most effective means to manage a complex set of fare rules, reduce costs, and increase passenger satisfaction.

This smart card concept sets the stage for the future of regional fare collection systems. It is an optimal solution that helps public transit agencies to achieve a common goal—improve operational efficiency while attracting ridership.

Extending Oyster Capability to Overground and Commuter Rail

Rail is a critical mode of transit in Greater London. Nearly two million rides are taken on the national rail network in London each day.



Cubic designs its equipment and software to streamline ticket issuing, reduce waiting times and shorten queues at the point of sale.

Cubic is helping to make these journeys easier. We are supporting Transport for London in extending Oyster validation equipment to approximately 250 overground and underground rail stations.



At these locations, London underground and the privately owned Train Operating Companies share stations and ticketing systems. The Oyster ticketing systems give London passengers the option of paying for their train fares using a single card—Oyster. In addition, the system allows passengers to move easily between heavy rail, London underground, bus, and other modes of transport.

Making Oyster Ticketing More Accessible

In the past year, we also supported Transport for London in taking important steps to make public transit more accessible. We revamped fare machines which serve customers who ride the London underground.

Now the machines are within easy reach of disabled patrons. Equipped with a simple touch screen display, the machines are simple to operate and maintain. On the inside of the machines, we configured the device software for multiple functions. The machines accept credit, debit or coin payment for Oyster transactions, and offer magnetic ticketing for compatibility with older cards still in use.

Providing Support Services

Supporting the world's most comprehensive transit systems is a demanding job. Cubic is dedicated to effectively managing, monitoring and maintaining London's fare collection equipment, and providing a wide range of technical support services for the entire fare collection system. We provide service for more than 20,000 devices deployed across the massive London underground, rail and bus network, and remote ticketing sites. In addition we support a growing number of retailers that accept the Barclaycard OnePulse.

Our service center handles calls from customers throughout the U.K., including the national rail network. From this center, Cubic's personnel keep its customer's equipment at peak operating condition. Every day, we help ensure that the automated fare collection system, including device-level software, transit gates and ticketing machines, reliably operates for passengers traveling in London and throughout the U.K.

Washington D.C. Area

Cubic continues its more than 32 years of support to the Washington Metropolitan Area Transit Authority. Under a contract modification, Cubic is implementing software and technology upgrades that unite Washington Metropolitan Area rail, park-and-ride, and regional bus systems.

Cubic is migrating the authority's legacy mainframe computer system to one processing platform—the Nextfare central system. It is the hub of Cubic's turnkey fare collection system. Nextfare is an integrated software solution designed to meet all financial collection, clearing and settlement needs of transit operators. Its open architecture allows

New York

The MetroCard system was developed by Cubic for Metropolitan Transit Authority New York City Transit in the early 1990s. We have continued to support, improve and extend the system ever since. It is the nation's largest integrated fare system, allowing a common fare card to be accepted by four participating regional transit operators in the MetroCard network.

Cubic has expanded the fare payment system to all buses operated by the Westchester County Department of Transportation. We have manufactured, tested and installed the system. Now we are providing warranty maintenance services for the automated fare



Cubic is extending the MetroCard to Westchester County, giving Bee-Line bus passengers the benefit of easy transfers on New York City buses and the subway.

flexibility in configuration and scale, allowing multiple operators to have the same back-office solution.

When this project is finished, it will complete the system that links nine regional agencies in Maryland and Virginia. This will enable SmarTrip® cardholders to connect their journeys between agencies without having to purchase separate tickets.

collection system at two Westchester County Department of Transportation bus facilities.

Cubic's technology enables Metropolitan Transit Authority New York City Transit to receive and process revenue data from two bus facilities. All of the accounting, reconciliation and reporting is processed by an existing back-office system previously developed and delivered by Cubic under its original MetroCard contract.

Port Authority Trans-Hudson

The Port Authority Trans-Hudson Corporation (PATH) and the Port Authority of New York and New Jersey have rolled out a new smart card fare collection system. Developed and supplied by Cubic, the new smart card system makes public transit easier for more than 230,000 daily PATH riders.

Cubic designed the system to expedite travel in the New York/New Jersey region. Because the system meets the latest industry standards for interoperability, the PATH system accepts multiple types of cards. These include the magnetic MetroCard and QuickCard, and the new SmartLinkSM contactless smart card. Eventually smart cards will totally replace the magnetic-stripe technology at PATH turnstiles.

With the SmartLink card, fare transactions are more convenient. Transit patrons can purchase single or multiple fares at the new PATH ticketing machines. In addition, patrons can preload value onto their SmartLink cards via credit card.

Another user-friendly feature is autoloan. This enables patrons to have value automatically replenished on their SmartLink card when the balance is low, eliminating the need for change and dollar bills to pay for a fare.

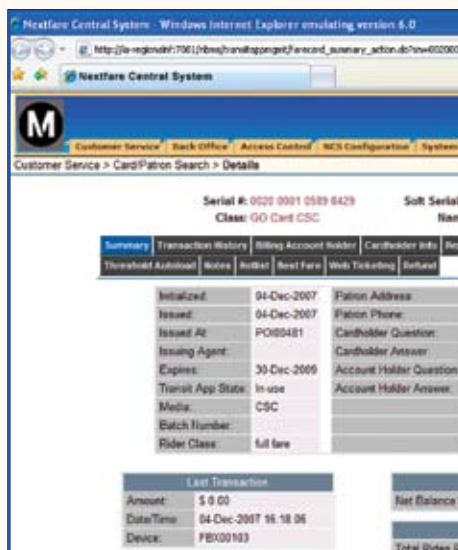
Looking to the future, we configured the PATH system for regional interoperability. This meets the Port Authority's goal to ultimately expand the system and link it to New Jersey Transit, the Metropolitan Transit Authority, the Long Island Rail Road, and Metro North.

Brisbane

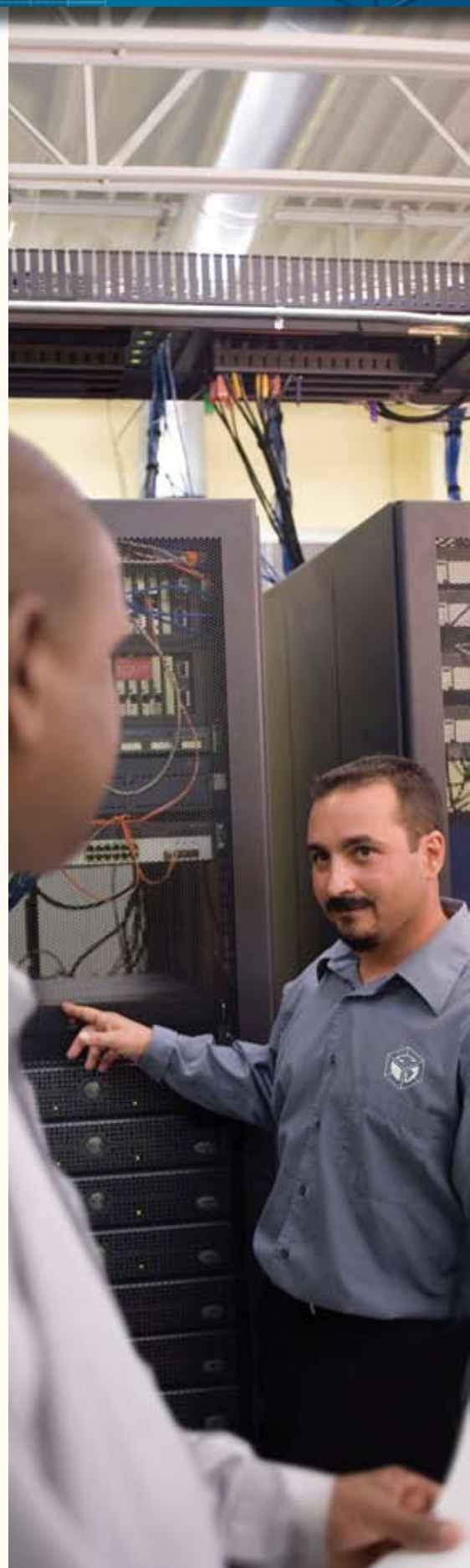
Cubic is providing full-service support for Australia's first multimodal smart card system. Developed by Cubic, the new Brisbane system links urban buses, trains and ferries. Cubic designed the regional fare collection and revenue management system for TransLink, the Brisbane area ticketing authority.

TransLink is relying on Cubic for a full spectrum of support services. Cubic is responsible for all ticketing system operations and maintenance, regional clearing and settlement, card management, card distribution, retail agents and cardholder support services for a minimum of 10 years.

Cubic also is delivering an Internet web site. From the site, patrons can check account balances on their smart cards and add value. With Cubic's autoloan software feature, card users can top-up or add value to their cards at any fare collection device the next time they ride the transport system.



Operational in multiple locations, Cubic's Nextfare central computer system is the most widely deployed and comprehensive back-office system in use by public transit authorities worldwide.





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