

CUBIC CORPORATION



ANNUAL REPORT 2008





CUBIC

NYSE: CUB

Cubic 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 46 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 7,000 people worldwide.

FINANCIAL HIGHLIGHTS AND SUMMARY OF CONSOLIDATED OPERATIONS



	Years Ended September 30,				
	2008	2007	2006	2005	2004
	(amounts in thousands, except per share data)				
Results of Operations:					
Sales	\$ 881,135	\$ 889,870	\$ 821,386	\$ 804,372	\$ 722,012
Cost of sales	709,481	727,540	687,213	672,541	549,170
Selling, general and administrative expenses	99,956	95,054	97,166	110,644	107,139
Interest expense	2,745	3,403	5,112	5,386	4,658
Income taxes	20,385	23,662	12,196	453	19,394
Net income	36,854	41,586	24,133	11,628	36,911
Average number of shares outstanding	26,725	26,720	26,720	26,720	26,720
Per Share Data:					
Net income	\$ 1.38	\$ 1.56	\$ 0.90	\$ 0.44	\$ 1.38
Cash dividends	0.18	0.18	0.18	0.18	0.16
Year-End Data:					
Shareholders' equity	\$ 388,852	\$ 382,771	\$ 323,226	\$ 297,158	\$ 298,767
Equity per share	14.55	14.33	12.10	11.12	11.18
Total assets	641,252	592,565	548,071	547,280	542,924
Long-term debt	25,700	32,699	38,159	43,776	50,037

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 2008		Fiscal 2007		Fiscal 2008	Fiscal 2007
	High	Low	High	Low		
First	\$47.80	\$34.90	\$22.82	\$19.06	-	-
Second	35.99	25.42	22.37	19.99	\$0.09	\$0.09
Third	28.72	20.12	30.14	20.12	-	-
Fourth	29.58	21.43	46.43	27.23	\$0.09	\$0.09

Dear Fellow Shareholders,

Fiscal year 2008 was a year of meaningful change for the company. Given the turbulence in the global economy and the difficult times many businesses are now facing, Cubic has fared better than many companies in terms of maintaining a very strong financial footing. Although we are very disappointed that earnings were down from 2007, it nevertheless equaled our second- best year ever.

During the past year we made key changes to our senior management team. In the transportation segment, we cemented our long-term relationship with our London customer by executing an important new services contract shortly after our fiscal year end. In the defense systems segment, we streamlined our operations in order to be more competitive. While this action impacted our earnings this year, it will put us in a position to produce better results in future years. We also made a key acquisition in our defense services business.

Transportation Systems Segment

We are the world's leading provider of automated fare collection systems. Many of the largest cities in the world rely on systems designed, developed, installed, and supported by Cubic. Our transportation business had a strong year in 2008. Operating income in this segment more than doubled to \$43 million this year—an all-time high reflecting strong sales from our European operations and an improvement in our U.S. and Australian businesses.

After our fiscal year end, Cubic and Transport for London entered into a new three-year support services agreement totaling \$255 million for the automated fare collection system in London. Under the new agreement, which begins in 2010, Cubic will become the prime contractor to provide virtually



all of the ticketing services under the PRESTIGE contract.

We are pleased to extend our commitment to Transport for London, and we see continued growth opportunities as city officials prepare for the 2012 Olympic Games.

With a rich heritage in technological innovation, we have established a large installed base of automatic fare collection systems and enjoy long-standing customer relationships. We are building on this advantage. Cubic is responding to a growing market for a wide range of services needed by transit operators to support their complex regional smart card fare collection systems. Transit operators are turning to Cubic to help them operate and maintain their systems throughout the life of each system. We are currently providing services for over 20 transit operators worldwide. Our largest and most comprehensive services contracts are in London and Brisbane. Today Cubic's growing services and spares business represents more than 45 percent of our total sales from the transportation segment.

In recognition of his skill in managing Cubic's critically important transportation business in the United Kingdom and Europe, Stephen Shewmaker was appointed as president of Cubic Transportation Systems Worldwide. Steve has been a Cubic executive for more than 20 years. He most recently served as managing director for the company's transit operations in the United Kingdom. In his new role, Steve will focus on the long-term growth of the transportation business, particularly in Scandinavia, Australia, Germany, North America, and the United Kingdom.

CHAIRMAN'S LETTER



Defense Segment

During 2008 Cubic continued to play an important role in providing a wide range of systems, products and services to U.S. and allied militaries. We made important changes and investments in technology to assure that our offerings remain current and relevant.

Systems and Products

This year we instituted across-the-board changes in our defense systems and products businesses. We reorganized and revitalized the organization to position ourselves for future growth. To implement these changes I appointed a former Cubic veteran, Brad Feldmann as president. Brad was chief operating officer of our defense business in 1999, and served in a variety of management roles outside Cubic during the last ten years. Since rejoining the company in May, he has begun to reinvigorate the strategic focus of the defense systems and products business. This focus emphasizes improving program execution, enhancing financial performance, accelerating growth, and facilitating innovation and investment in new technologies.

Though we faced a few headwinds this year, we also achieved major milestones on current contracts, made some important investments in technology, and positioned the company to expand into key markets. I mention just a few examples here.

Our air combat training business is one of our most successful lines of business. We have secured our position as the world's leading provider of air combat training systems by developing next-generation technologies and by winning major contracts. This year we received our first foreign military sales order of our P5 air combat training system for Poland's Air Force, and we anticipate more orders from U.S. allies as they upgrade to the next-generation technology. We were also awarded a pivotal contract from Lockheed Martin to design, develop and install air combat training systems on

every F-35 Joint Strike Fighter. This contract marks an exciting opportunity to shape the future of air combat training systems for the U.S and eight allied nations who are participants in the F-35 program.

This year we made significant progress in the next generation of our Multiple Integrated Laser Engagement System, and we provided our first large-scale delivery to the U.S. Army. We are now on track to field systems for customers at six additional locations.

We also invested significantly in new data link technology to improve our chances of winning a contract for the U.S. Army Shadow Unmanned Aerial Vehicle program. Although the award went to a competitor we believe the investment produced design improvements that will help us compete for other data link opportunities. Today we are one of only three Department of Defense certified tactical common data link suppliers, and we view this market as having attractive growth opportunities despite this competitive loss.

Mission Support Services

Underpinning the success of our defense segment is our mission support services business. This business has established a record of consistent performance in the defense services marketplace and remains well positioned for growth in the future. Jim Balentine, President, continues to do an outstanding job in running this extremely important business unit.

We have continued to diversify this business and build upon its footprint in logistics training and education support. Last year we established a presence in this market and won our first prime contract for logistics support awarded by the U.S. Army Quartermaster Center and School. This year we doubled the value of the original contract to a total potential value of \$60 million.

Recently, we reinforced our growing position in the logistics-related marketplace with the acquisition

of Omega Training Group, based in Columbus, Georgia. This addition further augments our hard-earned credentials for professional excellence and high quality support services. It gives us an incumbent position for support contracts at key U.S. Army locations. Several of these locations will be recipients of contracts related to the relocation and consolidation of other U.S. military bases identified by the U.S. Defense Base Closure and Realignment Commission.

In addition to logistics, our other service businesses continued to show strong results. This past year we won important new contracts to provide training and training support to a wide range of customers including the U.S. Marine Corps, the U.S. Joint Forces Command and New York City's office of Emergency Management to name a few. In addition, our mission support services business has a strong record of performance in 10 nations in Eastern Europe and continues to support them in their effort to achieve full integration into the North Atlantic Treaty Organization.

Looking Ahead

This year two new independent directors were appointed to our Board. I am extremely pleased to welcome Edwin A. Guiles and Bruce G. Blakely. Each of them bring important credentials to the board and I look forward to their support in guiding Cubic's future.

Edwin A. Guiles is executive vice president of corporate development with Sempra Energy, a San Diego-based Fortune 500 energy services holding company. Mr. Guiles was appointed to

replace Robert T. Monagan, who retired from the Board this year. I would like to express my deep appreciation to Mr. Monagan for his 22 years of service. Bruce G. Blakely was a partner in the CPA firm of PriceWaterhouseCoopers for 23 years, and he is on the board of the San Diego Foundation, which supports numerous charitable and philanthropic organizations.

In 2008 we moved our company listing from the American Stock Exchange to the New York Stock Exchange (NYSE). We are proud of our accomplishments since becoming a public company in 1959, raising \$1 million in capital in our initial public offering and reporting \$5 million in annual revenues, and progressing to today where we see ourselves on track to achieve \$1 billion in sales in the not-too-distant future. I am quite confident in our ability to serve our markets, grow our businesses and build Cubic's future. We not only have a solid management team in place, but we also have many opportunities to provide our customers with breakthrough technologies and solutions, and the financial resources to do so.

Thank you for your continued interest and support of Cubic.



Walter J. Zable
Chairman, President and CEO
Cubic Corporation
December 18, 2008

MILESTONES



Cubic is a global company that has achieved many significant milestones throughout its history. Key examples are listed below.

- ▶ \$3.7 billion in installed automated fare collection systems worldwide
- ▶ Every year, more than 10 billion rides are taken worldwide using Cubic fare collection systems
- ▶ Delivered more than 140,000 laser engagement simulation systems to the U.S. and allied nations
- ▶ Developed and fielded more than 70 air and ground combat training systems in the U.S. and in 15 allied nations
- ▶ Provides mission-critical support services at approximately 130 locations in 20 nations
- ▶ Since 1959, Cubic's cumulative dividends and stock repurchases have totaled more than \$150 million

Fiscal Year 2008 Revenues

- ▶ \$608 million

2008 Year End Backlog

- ▶ \$1.292 billion

Employees

- ▶ 6,000 in 30 states and 20 nations

Principal Lines of Business

- ▶ Mission Support Services
- ▶ Training Systems
- ▶ Communications

Customers

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

Key Discriminators

- ▶ Unique position as a full-spectrum provider of training systems and training support services
- ▶ Worldwide leader in live training systems
- ▶ Strong reputation in mission support services
- ▶ Innovative new products
- ▶ Platform independent
- ▶ Common Data Link (CDL) certified



Fiscal Year 2008 Sales Mix



U.S. and International

- ▶ Domestic76%
- ▶ International.....24%



Business Unit

- ▶ Mission Support Services55%
- ▶ Training Systems37%
- ▶ Communications & Other8%



Market

- ▶ Military Training.....74%
- ▶ Intelligence, Surveillance and Reconnaissance12%
- ▶ Operations and Maintenance.....7%
- ▶ Force Modernization and Transformation7%

Future Growth Opportunities

- ▶ Logistics, operations, and maintenance support services
- ▶ Live, virtual and constructive training
- ▶ Joint and multinational training
- ▶ Modeling and simulation of the effects of weapons of mass destruction
- ▶ International ground combat training centers and air combat training systems
- ▶ Optical communication solutions for the battlefield
- ▶ Data links for manned and unmanned platforms

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
- ▶ Integration of improvised explosive device simulators into combat training center instrumentation systems
- ▶ Optical communications with low probability of intercept/detect/jamming



Cubic is a leading provider of support services for the U.S. and allied nations. We are the only contractor supporting three of the U.S. Army's four combat training centers. Our reputation for dependability, and high quality operational and maintenance support is a key reason why we have served as a prime contractor at more than 35 military training and support facilities.

We specialize in a broad spectrum of services. These include: planning and operational support for theater and worldwide exercises, computer-based simulation, mobilization and demobilization of deploying forces, range support and operations, logistics and maintenance operations, curriculum and leadership development, force modernization for North Atlantic Treaty Organization entrants, open source data collection, and engineering and technical support. We provide support for all echelons of the U.S. armed services, U.S. DoD joint community, other federal, state and local government agencies, and our allies. Our comprehensive support services help military units prepare for combat and national security missions.

Cubic has earned industry-recognized credentials for exceeding customer expectations. Our skilled and dedicated employees who work from more than 130 locations in 20 countries uphold our reputation for professional excellence and high quality support every day.

KEY ACCOMPLISHMENTS

- ▶ **Awarded a recomplete for the U.S. Marine Corps MAGTF Training Systems Support (MTSS) contract valued at up to \$166 million over 5 years.** This new and expanded follow-on contract allows Cubic to continue to deliver training that is uniquely relevant and meaningful to Marine Corps units worldwide.
- ▶ **Received a contract for up to \$16 million over 3 years to explore solutions for nuclear, biological and chemical training in support of the U.S. Joint Forces Command.** Awarded by the Naval Air Warfare Training Systems Division, this is an important effort within the overall Department of Defense Training Transformation Initiative. It provides the contractual vehicle that may lead to expanded opportunities within the joint testing and training environments.
- ▶ **Expanded training and education support with the U.S. Army Quartermaster Center and School at Fort Lee, Virginia.** This new \$6.1 million task order followed a 5-year, \$30 million contract awarded to Cubic in 2007, and was Cubic's first prime contract awarded for logistics support. This contract has grown from 62 employees to more than 290 since it was awarded, and has a total potential value of approximately \$60 million.
- ▶ **Awarded a new contract with a potential value of \$32 million over 5 years to continue training U.S. Marine Corps advisors who support the training and operations of Iraqi, Afghan and other foreign military forces.** The U.S. Marine Corps awarded Cubic the Security Cooperation, Education, and Training Center (SCETC) support contract.
- ▶ **Extended disaster training and exercise support to New York City's Office of Emergency Management.** Cubic will provide critical training for the city's police, fire, health department, and other city personnel charged with responding to catastrophic events, including man-made or natural disasters. The first training exercise is anticipated to take place in early 2009.
- ▶ **Expanded mobilization and demobilization support to deploying U.S. Army, Joint, and Allied forces under the U.S. Army Continental United States Support Base Services (CSBS) contract at Fort Bliss, Texas.** This 3-year task order contract was competitively awarded to Omega Training Group in September of 2007. Cubic acquired Omega in July of 2008. This CSBS award has grown from 171 employees at inception to more than 430 during its first year of operation, and has a total potential 3-year value of approximately \$65 million.

Responsive Training Support

Cubic has had a long-standing presence as a prime contractor for the U.S. Marine Corps. Our track record of successful performance dates back to 1988 when we first began supporting the Marine Corps operating forces.

This year the Marine Corps recopeted its Marine Air-Ground Task Force (MAGTF) Training Systems Support (MTSS) follow-on contract

Cubic is continuing to provide a wide range of support services that are responsive to the operational and technical needs of the Marine Corps.

and awarded it to Cubic. This award validates our deep commitment to continue to deliver training that is both meaningful and relevant to the Marine Corps.

Under the new contract, Cubic will continue its operational and technical support services. These services include comprehensive integrated live, virtual and constructive simulation training, sustainment training for advanced communications, combined arms staff training, Marine Corps doctrine development, and deployable low-cost virtual training capabilities. This kind of virtual training is urgently needed. It enables tactical units serving on long deployments and positioned near hostile regions to hone their skills.

The new contract expands the scope of our support services. For the first time under this contract, we will provide training support for construction battalions, also known as Seabees. Their mission is to build and repair infrastructure in support of U.S. combat operations and humanitarian efforts worldwide.

Advisor Training

U.S. Marine Corps Advisors serve in highly visible conflicts. Since these advisor teams operate independently of conventional Marine Corps forces, the customized predeployment training they receive from Cubic is critically important.

Once deployed, Marine Corps Advisor Teams are embedded trainers. They not only train hundreds of Iraqi and Afghan security forces in-theater but also stay with them during real-world operations. Preparing forces

capable of carrying out these types of missions is the sole responsibility of the Marine Corps Security Cooperation and Education Training Center (SCETC).

Under a new 5-year follow-on contract awarded to Cubic this year, we will provide training support to SCETC at three U.S. Marine Corps bases.

The focus of training is on U.S. and foreign weapons and related tactics, emergency medical training and tactical combat casualty care, convoy operations, vehicle maintenance, communications, and advisor mentoring skills emphasizing self-sufficiency.



Nuclear, Biological and Chemical Response Training

With an acute awareness of the potential for catastrophic events, emergency response training is becoming a priority for many federal, state and local government agencies. Cubic is a leading international provider of emergency response training. One of our principal customers is the Defense Threat Reduction Agency.

The exercises we plan push government and private sector responders to their limits. We devise a full spectrum of simulated threats and acts that make these exercises realistic. Each exercise tests responders' collective emergency preparedness and collaboration capabilities to prepare for, respond to, and recover from disasters. These efforts have greatly assisted the Department of Homeland Security, state, local and private responders.

This year the Naval Air Warfare Training System Division awarded Cubic a contract to expand upon this vital work. Cubic is now exploring emerging technologies and developing prototype solutions to strengthen the military's training in nuclear, biological and chemical response. The support will include integrating chemical, biological, radiological, nuclear and high-yield explosives weapons effects models and simulations into live, virtual and constructive computer-based simulations used for realistic combat training.



Game-Based Training

Cubic has joined with a premier military game maker to introduce a new concept in tactical-level training called the Small Unit Immersive Training Strategy, or SUITS. Immersive training fills a significant training need today and into the future, given the high deployment and operational tempo of military units.

SUITS represents Cubic's first foray into this type of PC gaming. Cubic tested SUITS with Army National Guard and U.S. Marine Corps units in 2007. Since then, Cubic has worked with Marines in Orlando and with Army units in Georgia and Kansas to further develop its immersive training products and add new scenarios and capabilities.

Logistics Support

Cubic's role in logistics support has grown. It now encompasses logistics, supply, and maintenance training and education; logistics and maintenance support to fielded systems that are used for both operations and training by all U.S. military services; and comprehensive mobilization and demobilization support to deploying forces.

Cubic is building on its reputation for high quality operational support services and is fast becoming a leading provider of logistics and maintenance support services for the U.S. armed forces.

Through contracts such as the U.S. Army Quartermaster Center and School, and the U.S. Army Continental United States Support Base Services, Cubic is fast becoming a leading provider of operation and maintenance support services. Cubic teams provide logistics and maintenance support for training and instrumentation systems for the U.S. Army, Navy, Air Force, and Marine Corps at locations across the globe.

Logistics personnel perform a host of supply and service functions that are directly related to America's success on the battlefield. To help prepare them for this critically important role, we provide basic and advanced instruction and training in supply, maintenance, and other logistics operations to soldiers, noncommissioned officers, warrant officers, and commissioned officers at the U.S.

Army's Quartermaster Center and School. We also support the U.S. Army Transportation School, the U.S. Army Ordnance School, and the Fort Carson division Logistics School located in Colorado.

Cubic provides comprehensive logistics and maintenance support to combat teams training at the Joint Readiness Training Center in Fort Polk, Louisiana. These include all supply, maintenance, transportation, and health services necessary for combat teams undergoing mission rehearsals in preparation for deployment. Additionally, Cubic manages, acquires, warehouses, issues, and maintains government property valued in excess of \$120 million. We provide operator through depot level maintenance for a fleet of almost 700 wheeled vehicles; store, issue, recover, and maintain more than 15,000 sets of tactical laser engagement simulation systems; and support all aspects of property life-cycle management, fleet vehicle maintenance management, property accountability, and purchasing activities.

With the impact of the Global War on Terror, Cubic has stepped up to provide a wide range of mobilization and demobilization support services to U.S. Army installations where we help prepare our nation's military personnel to join the fight. We provide drivers, forklift operators, laborers, and emergency medical technicians who support the day-to-day operations at U.S. military bases.

We also conduct individual and small unit training, including logistics, counter-improvised explosive devices, and convoy operations; and personnel support functions. Our support services extend to administrative functions. We conduct soldier readiness processing; acquire and issue equipment and clothing; operate facilities; support soldier billeting and mail operations; and conduct post-combat surveys.





SYSTEMS & PRODUCTS



Cubic is a worldwide leader in providing realistic air and ground combat training systems. Nearly every American and allied warfighter has trained with our systems.

Our principal lines of business include air and ground combat training systems, small arms virtual skills trainers, laser engagement simulation systems, and display and debriefing systems. Cubic designs, develops and installs training equipment for fighter aircraft, armored vehicles and infantry troops. With our systems, military forces “train as they fight.” Soldiers, marines and aircrews all draw upon the realism gained from using our training systems to help them effectively perform their mission. Ultimately, Cubic improves the readiness of military forces engaged in protecting the national security of the U.S. and its allies.

Cubic is also a supplier of military communication and electronic products used in real-world operations. Our product lines include high bandwidth data links, high power amplifiers and combat search-and-rescue avionics.

KEY ACCOMPLISHMENTS

- ▶ **Received a total of \$200 million in orders placed to date since 2003 for the 10-year indefinite delivery/indefinite quantity P5 Air Combat Training Systems contract, including our first foreign military sale to the Polish Air Force.** Additional foreign military sales are anticipated from allied nations seeking to equip their fighter jets with the latest in training and debriefing systems that enable bilateral training with U.S. forces.
- ▶ **Delivered deployable ground combat training centers to Romania and Slovakia.** For these and other nations in Eastern Europe belonging to NATO, Cubic’s Initial Homestation Instrumentation Training System (I-HITS) fills a critical need for improved combat readiness and advanced training.
- ▶ **Awarded an \$18.7 million order for virtual small arms training systems for the U.S. Army and the National Guard.** The Army National Guard will rely on our Engagement Skills Trainer 2000 to provide them with an economical means to achieve their marksmanship training and readiness goals prior to deployment.
- ▶ **Began to deliver the latest generation of Cubic’s laser engagement system.** The National Training Center at Fort Irwin is the first large-scale deployment under the Multiple Integrated Laser Engagement Individual Weapon System (MILES IWS) contract. Cubic is also under contract to fill orders from multiple U.S. DoD customers.
- ▶ **Completed an important first step toward shipboard integration and testing on board the MQ-8B Fire Scout.** Cubic’s tactical common data link successfully transmitted and received video streaming data during a critical payload test on board the Navy’s premier vertical takeoff and landing tactical unmanned aerial vehicle.
- ▶ **Received a contract to participate as a team partner in Phase 1 of the Common Range Integrated Instrumentation System (CRIIS) program.** Cubic is part of a team that will develop improved capabilities, including a new data link, to generate and distribute precision time space position information from dismounted soldiers and vehicles engaged in complex test and evaluation activities.

Virtual Skills Training Systems

Small arms continue to be one of the most commonly used weapons by U.S. and allied forces. Efficiency, effectiveness and mobility are key reasons why Cubic's virtual skills training system, called Engagement Skills Trainer (EST) 2000, continues to play a leading role in virtual small arms training.

EST 2000 is a multipurpose training system and high value training asset. It is used for marksmanship, team training for small military units of infantry, and judgmental use of force. With our system, soldiers quickly face a virtual scenario where they encounter realistic dangers and are forced to react to mission-specific threats. EST 2000 is easily deployable. Soldiers can use it at their homestation or other military installations.

Our virtual training system meets the highest standards for realism. Because EST 2000 replicates actual small arms fire with high precision, it is the only system of its kind validated by the U.S. Army. That means a soldier can qualify as a marksman, sharpshooter, or an expert using our virtual training system—without shooting actual bullets.

Nearly every U.S. Army basic trainee uses Cubic's EST 2000 for initial weapon qualification.

This year Cubic added a new and important capability to its EST 2000. We eliminated the existing computer and air compressor cables used on EST 2000 weapons and replaced them with a wireless communications system and pressurized canisters. Now the weapons are tetherless, enabling greater freedom of movement for soldiers. These enhancements directly improve the realism of tactical engagements where soldiers are on foot or in a moving vehicle in a simulated environment.

Laser Engagement Training Systems

Cubic is fielding a new and improved version of the U.S. military's laser engagement training system. U.S. Army soldiers at the National Training Center at Fort Irwin, California, will begin training this year with Cubic's new MILES Individual Weapon System, or MILES IWS. Cubic is also under contract to deliver systems to Fort Bliss and Fort Hood in Texas, and to U.S. Air Force, U.S. Navy, and U.S. Department of Energy customers.

Cubic's MILES Individual Weapon System is designed to train soldiers at a tactical level where soldiers learn to engage opposing troops in the field. Although the weapons are real, their bullets and effects are simulated. The lasers replicate the trajectory and lethality of actual bullets with a high degree of precision while our detectors immediately record the effects.

Ground Combat Training Systems

In a combined effort between Cubic's systems and services businesses, we delivered two new combat training centers simultaneously in Romania and Slovakia. Now these emerging democracies are equipped with advanced ground training systems that will help them achieve full integration into the North Atlantic Treaty Organization.

The Initial Homestation Instrumentation Systems or I-HITS provides each of the two nations with a deployable ground combat training system. An entire system fits into

a few transit cases. This system accurately replicates weapons effects, and tracks the

positions and status of troops and vehicles in real time. It also records and replays the exercise events for lessons learned review.

Cubic's systems and support services will have a significant impact on combat readiness in Eastern and Central Europe.

In 2006 we delivered a system similar to I-HITS to the Hungarian Army. For the past eight years, Cubic has supplied force modernization experts to Romania and Slovakia. Currently we are providing computer-based simulation support at military simulation facilities in Romania, Lithuania and Ukraine.



Air Combat Training Systems

Superior training enables fighter pilots to take control of the air during any military conflict. When U.S. and allied fighter pilots take flight for a training mission, they rely on Cubic's air combat training systems to provide them the most accurate simulation possible. Cubic has installed more air combat training systems worldwide than any other company. The total number of systems fielded by Cubic includes approximately 60 systems at multiple locations for the U.S. and 11 allied nations.

Under a landmark contract called P5 Combat Training System awarded to Cubic in 2003, we have developed and are quickly fielding the most advanced combat training system available today. This contract is the single most important modernization program for air combat training systems for the U.S. Air Force, Navy, Marine Corps, and Air National Guard Forces. Because the system is designed for interoperable training across the armed services, it multiplies their ability to engage and defeat the most adaptive adversaries.

Cubic is integrating air and ground combat training ranges belonging to the U.S. and its allies to help them multiply their combat power.

This year marked an important expansion of our P5 contract. Cubic received a foreign military sale of the P5 system to the Polish Air Force. This is the first of several other potential foreign military sales to allied nations. Nearly 30 U.S. military bases in the U.S., Europe and the Pacific have plans to receive the P5 system over the next several years. The system is now operational at 10 of them.

We are shaping the future air combat training systems for the F-35 Joint Strike Fighter. It is the newest fighter jet planned to enter the U.S. and allied fleet. Under a direct contract with Lockheed Martin, Cubic will deliver internal air combat training equipment for installation on every F-35 aircraft.

Joint Air-Ground Training

Joint air-ground training is becoming a priority. Operational lessons learned from Afghanistan prove that successful military operations are conducted jointly. Recognizing a need to further leverage the combined power of its air and ground forces, the United Kingdom chose Cubic to provide them with a joint training capability.

This year Cubic linked two of the nation's combat training systems. Applying our hardware and software expertise, we merged air and ground data from two separate training systems. As a result, we created the capability to produce a single picture of tactical actions and weapons effects used by aircrews and ground troops

during training. Now United Kingdom air and ground forces can practice their joint procedures for close air support, and quickly assess their performance following a mission-readiness exercise.

This integration effort is a stepping-stone to provide additional capability to the United Kingdom. For the next step, Cubic will explore and demonstrate a real-time link between air and ground systems. This advancement will maximize the utility of these training systems so that the United Kingdom can continue to enhance joint training in the future.

Data Links

Having proven their worth in combat operations in Iraq and Afghanistan, unmanned aerial vehicles are highly sought after by U.S. military commanders who prosecute the war on terror. The DoD has plans to advance the utility of unmanned aerial vehicles through the year 2030. Cubic is developing air and ground-based data links that supply the bandwidth needed to quickly relay battlefield data. Warfighters rely on them to decisively defeat threats on the battlefield.

We are in the development phase and low-rate initial production phase on several programs. Cubic's high-speed tactical common data link for the MQ-8B Fire Scout is on track to complete a series of important milestones over the next two years. Our data link recently completed the first payload flight test. This success paves the way for the next set of technical evaluations, including shipboard integration and testing on board an FFG-7 Oliver Hazard Perry-class frigate.

The Communications Data Link System we developed for the U.S. Navy has received accolades for its reliable performance in U.S. military operations. Several of these shipboard systems have been delivered and now operate on board U.S. Naval surface ships. Cubic is preparing final units for delivery.



Fiscal Year 2008 Revenues

- ▶ \$272 million

2008 Year End Backlog

- ▶ \$481 million

Employees

- ▶ 1,200

Principal Lines of Business

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

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 37 years of experience designing, integrating, installing and supporting highly reliable automated fare collection systems in major cities



Key Innovations

- ▶ Nextfare®, a modular fare collection management system
- ▶ Pay-by-mobile-phone technologies for transit ticketing applications
- ▶ OnePulse, the first combined credit and transit card developed in partnership with Barclaycard
- ▶ xPERT™ retail network for smart card ticketing

TRANSPORTATION SYSTEMS



Awards

- ▶ Port Authority Transit Corporation/FREEDOM™ Card**
 - ▶ First runner up, CardTech/SecurTech's Outstanding Smart Card Achievement Award 2008
- ▶ PRESTIGE/Oyster® Card**
 - ▶ Information Technology Excellence, Rail Business Awards 2007
 - ▶ RFID Implementation Award, 7th RFID Networking Forum 2006
 - ▶ Best Private Finance Initiative, Public Private Finance Awards
 - ▶ Best Operational Transport Project 2005
 - ▶ Grand Prix as the Best Operational Project-all sectors 2005
 - ▶ Gold Award for Technology Exploitation by Management Today, Britain's leading monthly business magazine 2005
 - ▶ Modernising Government Award by the New Statesman Magazine 2004
- ▶ Los Angeles County Metropolitan Transportation Authority/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



TRANSPORTATION SYSTEMS



Cubic is the global leader in providing automated fare collection systems and services for public transit. We have delivered more than 400 projects in 40 major markets on five continents, totaling more than \$3.7 billion in installed systems.

We design, develop, supply, install, and support fare collection equipment and central computer systems essential for all modes of public transit. Our software runs the entire fare collection system. This includes ticket vending machines, gates, processing terminals, and bus equipment. The support services we provide help transit authorities to maintain, manage, operate, and support the most complex fare collection systems around the world.

Since 1971, Cubic has earned industry recognized credentials for providing the most innovative fare collection solutions. We are continuing to shape the future of public transit for many of the largest cities in the U.S. and the world.

KEY ACCOMPLISHMENTS

- ▶ **Received \$68 million in contract awards from the Los Angeles County Metropolitan Transportation Authority (Metro).** Continuing our 25 years of service to Metro, Cubic will now install barrier transit gates on selected subway and light rail stations. In addition, we will provide system services including maintenance for this rapidly growing smart-card only system.
- ▶ **Awarded a \$42 million contract from Miami-Dade Transit for a new fare collection system.** Cubic is providing the first contactless technology to be deployed by a transit agency in Florida. The new system will dramatically improve the convenience of travel for Miami's rail and bus patrons.
- ▶ **Continued to expand the Oyster ticketing system across train operating companies (TOC) and the retail network serving Greater London and surrounding areas.** New TOC contracts received in 2008 will further the mayor's overall plan for adoption of the smart card system by over ground and underground rail operators. We also completed the rollout of our new xPERT Oyster-selling terminal to the retailing network of 4,000 newsagents and convenience stores throughout London, further easing congestion in ticket halls for the millions of London transit users.
- ▶ **Awarded an \$11 million contract to upgrade and expand Vancouver's fare collection system.** Cubic will design and install new ticket vending machines at all light rapid train stations on the new Canada line for the South Coast British Columbia Transportation Authority. The new system will support travel between the city center and the Vancouver International Airport to coincide with the 2010 Winter Olympics.
- ▶ **Received a \$19 million contract to refurbish and modernize the bus fare collection system for the San Francisco Municipal Transportation Agency.** Cubic will help its long-time customer extend the life and reliability of its existing system, and save costs by replacing components in the fareboxes. We will also deliver a new central computer system to improve data reporting and retrieval.
- ▶ **Signed the Future Ticketing Agreement with Transport for London (TfL) after our 2008 fiscal year end.** This continues our relationship with TfL which began in the 1970's. As part of this agreement, Cubic will provide the technology to support future innovations, including mobile phone ticketing and bankcard ticketing. Under this contract, Cubic will become the sole prime contractor for Oyster replacing the Transys consortium.

Los Angeles

Cubic continues to support modernization of the largest public transit systems in the U.S. For more than 25 years, we have provided systems and services to the Los Angeles County Metropolitan Transportation Authority (Metro), which has the third largest ridership in the nation.

Currently we are under contract by Metro to deploy its fare collection and revenue management system across the entire Los Angeles region. Last year we began to complete the regional features of the central computer system, which is now operational. The system's infrastructure has been installed for all of Metro's buses and rail services. Ultimately, we will extend the system to many of the regional bus operators. When the rollout is complete, it will be California's largest smart card-only system for public transit. Metro's smart card is branded as Transit Access Pass or TAP.

Our central back-office computer provides the clearing functions needed to operate and manage data for Metro's regional participants.

Metro's system is called the Universal Fare System. It runs on Cubic's Nextfare central computer system. It has the processing power to handle Metro's huge transaction volume, and the capacity to meet additional demands from increased ridership and system enhancements anticipated in the future.

This year, Metro awarded Cubic \$68 million in new contracts for gating systems, upgrades to ticketing systems, maintenance services, and associated civil works. Experience, innovation and dependable customer service are key reasons why the agency continues to rely on Cubic.

Under the new contract, Cubic is taking important steps to help Metro improve security. We are adding barrier gates to prevent fare evasion on all subway lines and key light rail stations. Once the gates are installed, patrons will use smart cards to quickly enter and exit the system. Gating the system also prepares Metro to add more advanced security measures. The goal is to include threat detection features without diminishing the availability and convenience the system currently provides to transit customers.

Miami

Cubic is providing a new automated fare collection system for the largest public transit system in the state of Florida. When Miami-Dade Transit decided to award a

contract to replace their aging system, they chose Cubic. We have provided them with reliable equipment and long-term support since 1983 when Cubic first designed and installed their existing magnetic stripe fare collection system.

Now Cubic will upgrade and equip Miami's bus and rail systems with the first contactless smart card system in the state. Miami has branded it EASY Card. The new system will provide critically needed improvements. It will reduce fare evasion, lower operating costs, allow for regional transit, and provide new benefits for transit patrons.

The core of Miami-Dade's new fare collection system is Cubic's Nextfare Solution Suite. It is the most comprehensive central computer system in operation today. Miami-Dade Transit will be the tenth deployment of Nextfare since its launch in 2005.

We designed Nextfare to enable more efficient transit operations. Small- and large-scale transit authorities rely on our systems to collect, process and manage millions of complex fare transactions every day, and quickly merge them into meaningful reports that help our customers monitor and evaluate travel usage, adjust fare policies and determine efficient allocation of resources. Nextfare delivers valuable marketing information that will help agencies determine where their customers are, and how better to serve them at critical peak periods.

Cubic's automated fare collection technology is highly scalable. It gives Miami-Dade Transit the capability to regionalize its smart card in the future. That means Miami's system can be linked to other public transit systems in the South Florida region, including Tri-Rail in Broward County and Palm Tran in Palm Beach County.

To achieve this objective, the system will comply with the industry standard for regional interoperability. The American Public Transportation Association ratified the Contactless Media Fare Standard in 2007. Since then we have provided the nation's first and only systems that are compliant with the standard. These systems include the Port Authority Trans-Hudson Corporation (PATH) in New York-New Jersey and the Port Authority Transit Corporation (PATCO) in Philadelphia.

For the first time, Miami-Dade Transit patrons will use smart cards. Two types of smart cards will be available: plastic cards, which are ideal for commuters, and limited use paper tickets, which are ideal for occasional riders.





London

Public transit is a top priority in London. Transit officials view London's system as a vital part of its economic viability--now and into the future. We are proud to support London's automated fare collection system called PRESTIGE.

Cubic will continue its long-standing commitment to provide superior service and reliable systems to Transport for London.

Under a new contract, Cubic will become the prime contractor to TfL when the current consortium contract expires in 2010. Under the Future Ticketing Agreement, we will continue to manage, monitor and maintain London's fare collection equipment for the entire Oyster card system. Having issued the 20 millionth Oyster card this year, the system is one of the most successful anywhere in the world and has fast become a London icon.

Expanding to Heathrow Airport

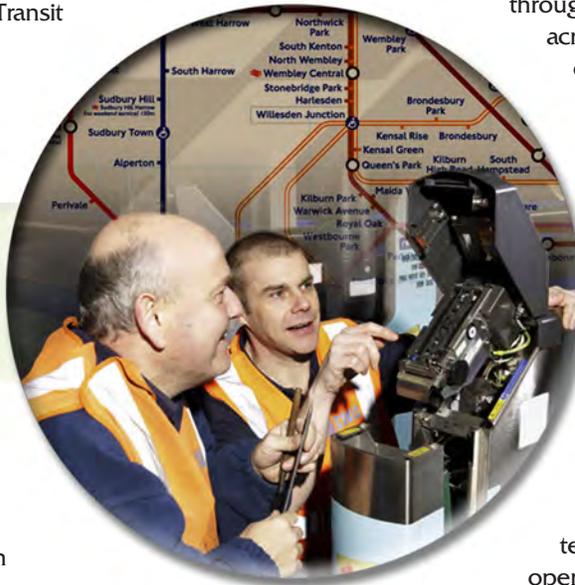
Among our achievements this year was the new and improved ticketing system we delivered for the grand opening of Terminal 5 at Heathrow International Airport. Cubic met significant hardware and software challenges to achieve this milestone.

Until the launch, Heathrow Express train service and the London Underground were two separate ticketing systems. Drawing on our 37 years of experience, we integrated numerous ticket vending devices and gates belonging to the underground and rail systems. Now they operate on a central network.

The upgrades have proven to be so successful that Heathrow Express selected Cubic to improve its ticketing infrastructure at London's Paddington Station to meet the Terminal 5 standard.

Expanding to Train Operating Companies

We are supporting the rollout of Oyster ticketing equipment to train operating companies that serve Greater London and its suburbs. This is a priority endorsed by the city's mayor. Ultimately, London's transit patrons will be able to easily transfer between heavy rail, underground, bus, and other modes of public transit.



To help unify smart card ticketing throughout Greater London and across the U.K., Cubic has developed a new transit card reader. It accepts multiple types of transit cards based on different standards. Our new ticketing technology will accept the widely deployed Oyster card and smart cards in use by rail operators, which are based on the U.K.'s Integrated Transport Smart Card Operation specification. We will deploy our new technology to help key train operating companies comply with the U.K. standard at their stations located in Greater London.

Upgrading Ticket Vendors

Cubic is responsible for another important upgrade. We are supporting a pilot program to increase the number of languages offered by passenger operated machines in London. Soon machines at six stations will include 17 languages, in addition to English. At the same time, we will introduce a new software capability. It will remotely distribute the upgrades to the stations with minimal on-site customer support. Because of this innovation, we anticipate cutting the rollout schedule from months to weeks. Cubic's customer support team will manage the implementation.

Technology Enhancements to Existing Systems

Much of Cubic's strength lies in our long-term relationships with many of our customers. This includes our ability to expand system capacity and features with new technologies that will add value for transit riders. Our customers in the San Francisco Bay Area and Vancouver are recent examples.

In Vancouver where Cubic was awarded a contract this year by the South Coast British Columbia Transportation Authority (TransLink), they are counting on us to deploy their new fare collection system in time for the 2010 Winter Olympic Games. Vancouver's fare collection provider since the 1990s, Cubic delivered the existing fare collection

system that operates on SkyTrain. Now we are upgrading and expanding it to include Skytrain's new Canada line. All 16 of its new stations will be equipped with new ticket vending machines and ticket validating units built and installed by Cubic. When TransLink's new ticket vending machines are deployed, they will provide faster and more secure credit and debit card processing to comply with the Payment Card Industry Data Security Standard.

In San Francisco, Cubic is modernizing the bus fare collection system it delivered to the San Francisco Municipal Railway (Muni) in 1991. We were awarded a \$19 million contract earlier this year. After assessing options for its 17-year-old system, our customer decided to upgrade and modernize what Muni already has, ultimately, a decision that will save significant investment while preserving the agency's goals of on-time performance and an improved customer experience.

Cubic also continues to support the Bay Area Rapid Transit (BART) District, a customer since 1974. This year, Cubic was the overall systems integrator for an innovative, and successful, trial of pay-by-mobile-phone technology commissioned by BART. At Cubic, we will continue to work on mobile phone payment and other technology advances that place us at the forefront of new solutions we can deliver to our customers.

Expanding our Services Base

Today, about one-half of our employee base is providing services to our customers. These facts alone underscore the significance of our service base as a core element of our business. This means that once we put our systems in the ground, we provide the ability to keep them maintained and operational throughout the life of each system.

Our services are being used in public transportation to improve operations, provide better service to transit customers, and help transit providers put technical and operational innovations into practice.

The largest services contract is in London where Cubic has signed the Future Ticketing Agreement (FTA), subsequent to our 2008 fiscal year end. The contract will become effective in August 2010, immediately following the conclusion of the existing Ticketing Services Contract delivered by the TranSys consortium. Under the FTA, Cubic will be the direct prime contractor to TfL to manage, monitor and maintain London's fare collection equipment, and provide a wide range of technical support systems for the entire system. Today, we provide services for more than 20,000 devices across the massive London Underground, rail and bus network, and remote ticketing sites.

Under the FTA, Cubic also will work with TfL to introduce the functionality and infrastructure that will allow our customer to support state-of-the-art ticketing technology; this will encompass smart ticket purchase via near field communications (NFC)-enabled mobile phones and the use of debit and credit cards as the means of transit



Cubic will continue to operate TransLink's automated fare collection system in Brisbane under a 10-year services agreement we received from them in 2003.

access. In this respect, our implementation of the combined Oystercard with Barclaycard (the "OnePulse") is well advanced.

Our most comprehensive services contract is in Brisbane, Australia, where we have created the go card system, an automated intelligent business network for reporting and management operations. Under a 10-year service contract, Cubic is operating and maintaining the entire system for the TransLink Transit Authority's network, including more than 6,200 smart card-enabled devices across 15 private bus operators, public buses and ferries, Queensland Rail and the Airtrain rail link to the international airport.

Cubic is providing a full spectrum of services, including central ticketing system and network operations, marketing support, regional clearing and settlement, card management, card distribution, retail agents management, cardholder support, and asset management.

We are also providing a range of services across other customer properties including Atlanta, Los Angeles, New York-New Jersey region, Philadelphia, Miami, and the San Francisco Bay Area.

TRANSPORTATION SYSTEMS



Automated Fare Collection Systems and Services Provider to 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

\$525 million in contracts awarded since 1991



Washington D.C./Baltimore/Virginia Region

\$186 million in contracts awarded since 2000

\$402 million in contracts awarded since 1975



Los Angeles Region

\$208 million in contracts awarded since 2002



San Diego Region

\$29 million in contracts awarded since 2002



San Francisco Bay Area

\$93 million in contracts awarded since 1999



Minneapolis/St. Paul

\$22 million in contracts awarded since 2002



Chicago

\$111 million in contracts awarded since 1993



Atlanta

\$96 million in contracts awarded since 2002



Brisbane, Australia

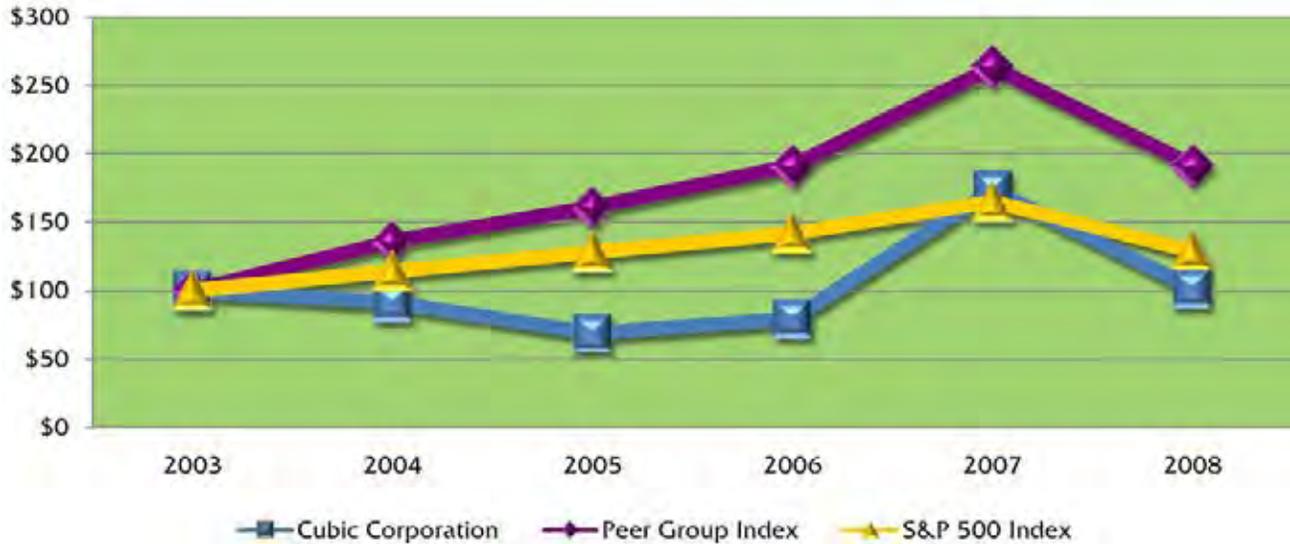
\$145 million in contracts awarded since 2003



Sweden

\$33 million in contracts awarded since 2005

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					
	2003	2004	2005	2006	2007	2008
Cubic Corporation	100.00	91.77	69.30	79.92	173.28	101.71
Peer Group Index	100.00	136.07	160.98	191.32	263.16	191.64
S&P 500 Index	100.00	113.87	127.82	141.62	164.90	128.66

The chart assumes that \$100 was invested on October 1, 2003 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 October 1, 2003 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.



In 2009, Cubic will celebrate its 50th Anniversary as a publicly traded company.



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