

CUBIC CORPORATION 2009 ANNUAL REPORT

1959 to 2009 ●●● 50 Years of Growth



Stock Performance Graph for Cubic Corporation



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

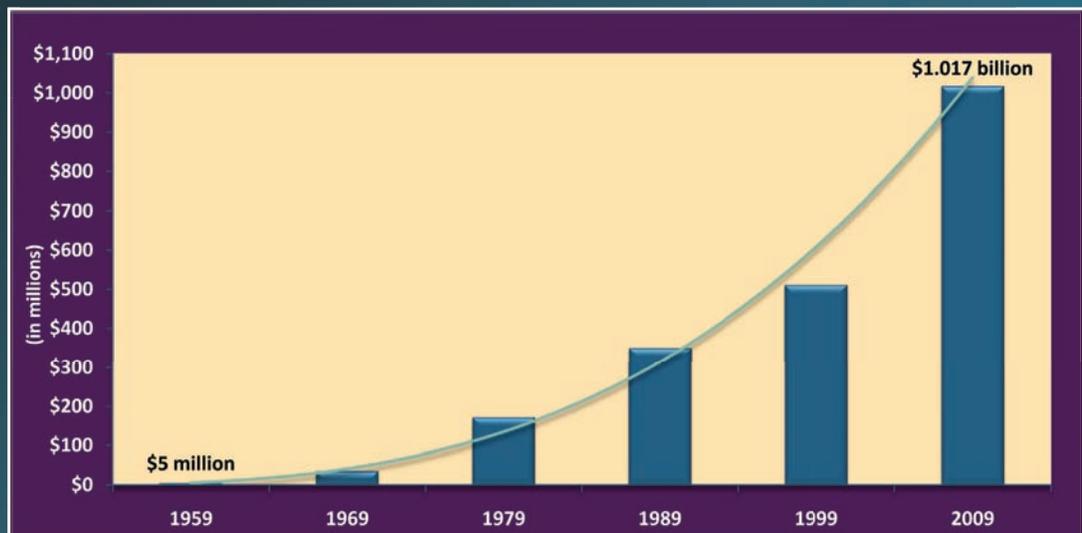
	Fiscal Year Ending					
	2004	2005	2006	2007	2008	2009
Cubic Corporation	100.00	75.51	87.09	188.83	110.83	178.98
S&P 500 Index	100.00	112.25	124.37	144.82	112.99	105.18
Peer Group Index	100.00	119.66	143.17	196.07	142.86	135.69

The chart assumes that \$100 was invested on October 1, 2004 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 67.

50 YEARS OF GROWTH



Cubic's sales grew at an 11 percent CAGR from 1959 to 2009

FINANCIAL HIGHLIGHTS AND SUMMARY OF CONSOLIDATED OPERATIONS

	Years Ended September 30,				
	2009	2008	2007	2006	2005
	(amounts in thousands, except per share data)				
Results of Operations:					
Sales	\$ 1,016,657	\$ 881,135	\$ 889,870	\$ 821,386	\$ 804,372
Cost of sales	805,516	709,481	727,540	687,213	672,541
Selling, general and administrative expenses	111,828	98,613	94,107	96,325	110,109
Interest expense	2,031	2,745	3,403	5,112	5,386
Income taxes	29,554	20,385	23,662	12,196	453
Net income	55,686	36,854	41,586	24,133	11,628
Average number of shares outstanding	26,731	26,725	26,720	26,720	26,720
Per Share Data:					
Net income	\$ 2.08	\$ 1.38	\$ 1.56	\$ 0.90	\$ 0.44
Cash dividends	0.18	0.18	0.18	0.18	0.18
Year-End Data:					
Shareholders' equity	\$ 420,845	\$ 388,852	\$ 382,771	\$ 323,226	\$ 297,158
Equity per share	15.74	14.55	14.33	12.10	11.12
Total assets	756,315	641,252	592,565	548,071	547,280
Long-term debt	20,570	25,700	32,699	38,159	43,776

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 2009		Fiscal 2008		Fiscal 2009	Fiscal 2008
	High	Low	High	Low		
First	\$28.91	\$18.85	\$47.80	\$34.90	-	-
Second	31.43	22.50	35.99	25.42	\$0.09	\$0.09
Third	40.05	25.10	28.72	20.12	-	-
Fourth	41.40	33.73	29.58	21.43	\$0.09	\$0.09



DEAR SHAREHOLDERS,



Our financial condition is the strongest in our history.

I am pleased to report that fiscal year 2009 was our best year in the company's history. Sales increased 15 percent to \$1.017 billion, exceeding \$1 billion for the first time. Net income rose by 51 percent to \$55.7 million or \$2.08 per share, and total backlog at the end of the year exceeded \$2 billion, setting a new record.

Several key achievements contributed to our strong performance. In this past year, our transportation and defense businesses increased their global footprint by winning new contracts with new customers, and delivered superior performance on existing contracts. We also made an acquisition in the transportation segment that will help us expand our support services to transit operators in the U.S.

TRANSPORTATION SYSTEMS SEGMENT

Our transportation business is building upon its position as the global leader in automated fare collection. We believe our transportation business is on track to double its sales in the next 5 – 7 years, reflecting an estimated \$10 billion in potential domestic and international opportunities over the next 10 years. Significant ingredients for this growth include penetration into the German market, important trials in India, and our recent acquisition of a fully equipped customer service operation in Concord, CA where we will expand our business to transit operators in the San Francisco Bay Area.

Greater London has been and continues to be a vital market for us. In August of 2010 we will transition from the current PRESTIGE contract, awarded in 1998, to the Future Ticketing Agreement. Under the new contract, we will provide a broader range of services to maintain and run the most sophisticated automated fare collection system in the world. Our contract with Transport for London sets the foundation for us to achieve growth in services and provide infrastructure improvements for future ticketing innovations, such as ticketing by mobile phones and bank cards. These innovations are an extension of London's comprehensive public transit plan. We are proud of the city's Oyster™ card system, which will help make travel more convenient for millions of spectators at the 2012 Olympic Games.

We see a strategic shift in the market due to the steady integration of complex software applications into regional automated fare collection systems. As a result, many transit authorities are outsourcing services. This will continue to be an important market for us. Currently we provide services to transit authorities in more than 15 geographical regions worldwide, and it is a key element in our business strategy.

MISSION SUPPORT SERVICES SEGMENT

Mission Support Services is recognized in the industry as a high value contributor of training support and education for U.S. Department of Defense (DoD) agencies. Maintaining an outstanding record of past performance will continue to be one of its key strengths. Our professional workforce consistently provides responsive and high quality support to our customers, and continues to improve performance through innovation, cost consciousness, solid management, and anticipation of future requirements. This commitment enables us to sustain an enviable win rate on re-compete contracts.

Winning competitive awards is critically important to our services business, particularly when our principal contracts are re-competed. This year for the sixth consecutive time, we were awarded the Korean Battle Simulation Center support contract by the U.S. Forces Korea. We have provided support services for the center since 1991 when it was first established.

The U.S. Army Joint Readiness Training Center in Fort Polk, LA is another example where our reputation for excellence has led to new opportunities. In 2009, we were awarded a contract by the U.S. Army to provide advisor services training at Fort Polk, which reflects the U.S. military strategy to transfer responsibility for the security of Iraq and Afghanistan to their in-country forces. Fort Polk will be the new home for this type of training and we are well positioned to win more of this work. Advisor training is in addition to the mission rehearsal exercises and training support we have been providing at Fort Polk since 1987.

We are pursuing new opportunities within or adjacent to our core competencies. For the first time, we won contracts awarded by the Organization of American States. These contracts provide opportunities for us



to expand our competencies into seaport security assessments, maritime security training, and compliance with international seaport regulations. Federal regulators and the international port and shipping community are seeking maritime security contractor support to help them comply with stringent regulations that could have a dramatic impact on the global shipping industry.

We also won a new contract for the newest combatant command in the DoD. The U.S. Africa Command carries the same stature as the six other combatant commands but is uniquely focused on conflict prevention. We are helping this command to professionalize African security forces so that African nations can ultimately provide their own national security.

In the past few years we have been diversifying our services to include logistics. Last year's acquisition of Omega Training Group accelerated this effort and positioned us at key bases which should be the biggest recipients of consolidation from the DoD's Base Realignment and Closure activities. This will be an advantage because we will be at the locations where decisions influencing the future of training will be made.

DEFENSE SYSTEMS SEGMENT

With our restructured defense systems business we have seen immediate financial results, improved program execution and have a more focused, agile organization.

Cubic Defense Systems is the world's leading provider of air and ground combat training systems. We have the largest installed base of live air and ground combat training systems worldwide. That gives us the advantage of scale. Our global customer base provides us with opportunities for follow-on business, including system enhancements and upgrades needed by military and security forces to prevail in their mission to provide security for the U.S. and our allies.

This year we extended our global footprint. We won contracts for ground combat training systems, virtual skills trainers, and air combat training systems from nations in the Middle East, Europe, and Southeast and Central Asia. We anticipate opportunities to provide our P5 air combat training systems and ground combat training systems to U.S. allies in Europe.

We are stepping up the focus and pace of innovation to reinforce and extend our leadership position. This past year we instituted an innovation challenge, inspiring fresh ideas from our engineers. As a result, we have successfully enhanced the capabilities of our MILES laser-based combat instrumentation.

On another product development effort, we launched a new immersive virtual reality trainer called CombatRedi™. It provides economical and realistic 3D virtual scenarios to help small combat units receive intensive training. Reinforcing a thrust for new opportunities in adjacent markets, we have adapted our air combat training pods for use in the test and evaluation market. For the first time, this equipment is being used for flight testing Joint Direct Attack Munition Guidance kits. Our organization is focused on creating high value innovations for our customers.

INTO THE FUTURE

In a year when the economy weakened from the continuing downturn, we closed our 50th year as a publicly traded company with our best year ever. I would like to thank and congratulate my team who worked diligently to make 2009 a milestone year for Cubic and its shareholders. In particular, I want to express my appreciation to Raymond L. deKozan, Senior Group Vice President. After 49 years of service to the company and valued contributions to our success, he has announced his retirement effective in January 2010. On behalf of Cubic's Board of Directors and all of the employees at Cubic, I wish Ray the very best in his retirement.

I am optimistic about Cubic's future and I am confident that the company has the resources to fulfill its aspirations for growth. Thank you for your continued support of Cubic.

Respectfully yours,



Walter J. Zable

CEO and Chairman of the Board

December 18, 2009

This is an exciting time for Cubic to capture opportunities. We have a solid management team in place, and the company has ample financial capacity to make meaningful acquisitions, which we are diligently pursuing. In terms of our organic growth, we plan to invest more in research and development. We intend to expand our core businesses and also build new footprints in security and the cyber threat domain.





DEFENSE

Cubic is a leading provider of training systems, services and products to U.S. and allied forces in more than 50 nations.



DEFENSE

FISCAL YEAR 2009 SALES

- \$710 million

2009 YEAR END BACKLOG

- \$1.4 billion

EMPLOYEES

- 6,000 in 30 states and 20 nations

PRINCIPAL LINES OF BUSINESS

- Mission Support Services
- Defense Systems

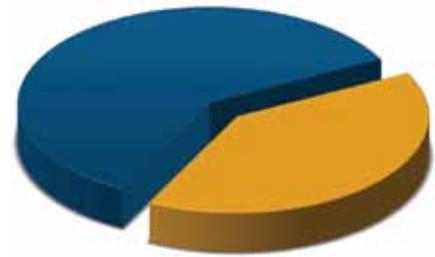
CUSTOMERS

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

KEY DISCRIMINATORS

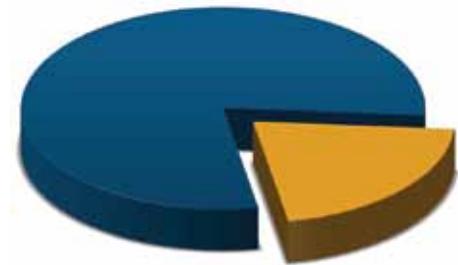
- Unique position as a full-spectrum provider of training systems and training support services
- Worldwide leader in live training systems
- Strong reputation in mission support services
- Innovative new products
- Platform independent
- Common Data Link (CDL) certified

SALES MIX



SEGMENT

- Mission Support Services... 60%
- Defense Systems 40%



CUSTOMER LOCATION

- U.S. 79%
- International..... 21%

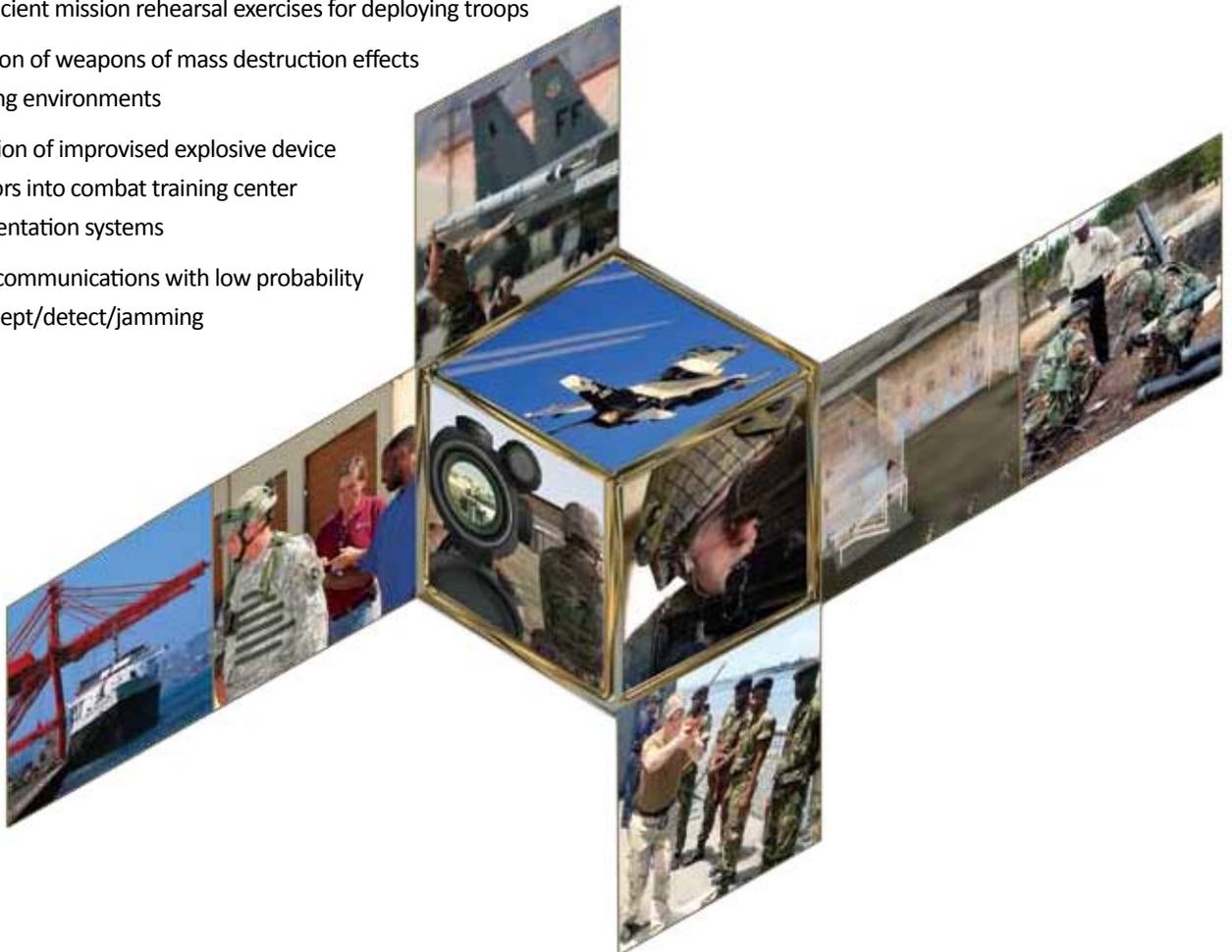


FUTURE GROWTH OPPORTUNITIES

- 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 systems and air combat training systems
- Immersive training systems
- Optical communication solutions for the battlefield
- Data links for manned and unmanned platforms
- Test and evaluation of products and systems designed for military use
- Maritime security
- Cyber security

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 helping the U.S. Africa Command to provide training support that strengthens the security capacity of African militaries.

MISSION SUPPORT SERVICES

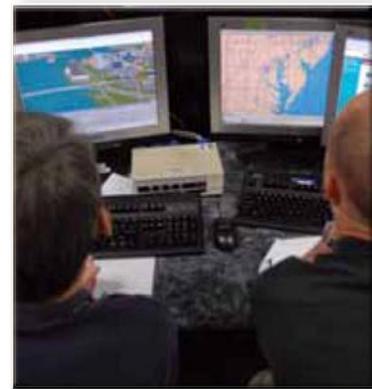
Cubic is a leading provider of highly specialized support services for the U.S. and allied nations. We provide a combination of our support services for all echelons of the U.S. armed services, U.S. DoD joint community, other federal, state and local government agencies, and our allies.

Our comprehensive support services help professional military units prepare for combat and national security missions. These services include: planning and operational support for theater and worldwide exercises, computer-based simulations, highly realistic mission rehearsals, mobilization and demobilization of deploying forces, range support and operations, logistics and maintenance operations, professional military education, leader development, force modernization for North Atlantic Treaty Organization entrants, open source data collection, and engineering and technical support.

Outstanding past performance is a key reason why Cubic is a trusted provider of support services. Having served as prime contractor at more than 35 training facilities, we have earned a reputation for consistently exceeding customer expectations. Cubic's skilled and dedicated employees are a key reason why customers in more than 130 locations in 20 countries rely on us for mission critical support.

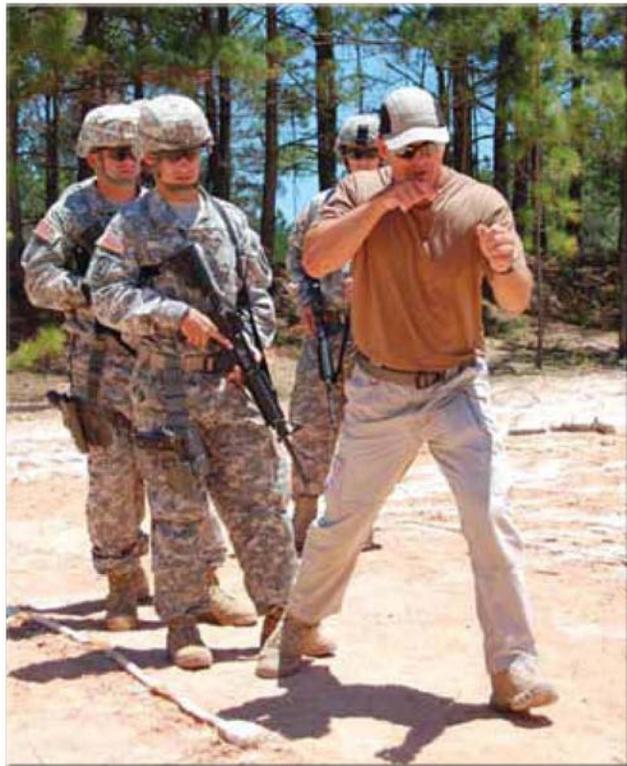
KEY ACCOMPLISHMENTS

- **Awarded a new prime contract valued up to \$70 million over 5 years by the U.S. Army to develop and conduct battle simulation training exercises for the United States Forces Korea (USFK).** Cubic has won the Korea Battle Simulation Center support contract for the USFK six consecutive times over the last 18 years.
- **Received a \$44 million sole source award to provide comprehensive support to the U.S. Army for training of Foreign Security Transition Teams.** This program is an add-on task order to Cubic's Joint Readiness Training Center mission support contract that further expands the scope of support services we have provided for the U.S. Army at Fort Polk, LA since 1987.
- **Awarded a new competitive prime contract valued up to \$30 million over 5 years to provide joint training and exercise services to the newly established U.S. Africa Command, located in Stuttgart, Germany.** This contract award further broadens Cubic's role as a key global provider of mission support services to operational, combatant and component U.S. military commanders.
- **Awarded several new prime contracts by the Organization of American States (OAS).** Cubic will provide maritime port security assessments, training support, and counterterrorism and crisis action exercises to Caribbean and Latin American countries.
- **Selected to support improvised explosive device training as part of winning contractor team.** Cubic is part of a team that recently received a 1-year task order from the Mission and Installation Contracting Command at Fort Eustis, VA to support training at 16 U.S. Army installations in the continental United States.
- **Won a new prime contract with Air Force Research Labs.** Cubic will support all-hazards emergency management, counter-proliferation technologies, and Air Force human effectiveness.
- **Won a new prime contract awarded by the U.S. Army Program Manager Mortars.** Cubic will provide training and related services in support of fielding new mortar systems to U.S. Army combat units.



SUPPORT SERVICES

EXPANDING SERVICES AT FORT POLK, LA AND THE JOINT READINESS TRAINING CENTER



Beginning early in 2009, Fort Polk and the Joint Readiness Training Center, supported by Cubic, gained the additional mission to train and prepare U.S. Army Foreign Security Transition Teams for deployment.

The mission of U.S. foreign military transition teams is a high priority. Improving the proficiency of indigenous forces is their primary mission, and much of the ongoing efforts in Iraq and Afghanistan depend on transition teams' readiness to carry it out. Before they deploy, military transition teams from all of the U.S. armed services receive essential training from Cubic. They rely on us to help them gain the skills they need to live with, train and advise Iraqi and Afghan military units.

Last year the U.S. Marine Corps Security Cooperation, Education, and Training Center awarded Cubic a contract to train Marine advisors. This year the U.S. Army accelerated this type of training. Under a new contract awarded by the U.S. Army, Cubic is now providing training for foreign military transition teams at key military installations in the U.S., including the Joint Readiness Training Center at Fort Polk, LA. Considered to be a premier national training asset, Fort Polk is the new headquarters for U.S. Army transition team training.

Cubic's new contract for advisor training expands the scope of and leverages the services that we have been providing to the Joint Readiness Training Center since 1987. Since 2001, the focus of our training support has been and continues to be highly realistic live training and mission rehearsal exercises for light infantry and special operations forces. Now Cubic is playing a central role in supporting two of the most critical training requirements needed by U.S. forces to carry out their missions in Iraq and Afghanistan.

SUPPORTING NEW CUSTOMERS

The DoD structured the new U.S. Africa Command to be equal in stature and priority to its six other geographical combatant commands. However its primary focus is conflict prevention, not defensive intervention. The U.S. Africa Command, also known as AFRICOM, is mandated to play a supportive role in helping African nations achieve their own security. We began supporting this new command when it was first established in 2007. Our media analysis and effects assessments provided the local perspective they needed to build partnerships with other African nations, international partners and U.S. agencies. Now that AFRICOM has been formally activated, their need for support services has changed.

Acknowledging the vital importance of security, AFRICOM selected Cubic to help them professionalize African militaries. We are providing subject matter experts who are highly experienced in bridging training gaps and building camaraderie among uniformed armies from different cultures. A key part of the training includes the development and execution of training exercises. This preparation will reinforce the capabilities needed by African militaries to provide security and stability for their own nations.

ENTERING NEW MARKETS

Taking steps to safeguard ports against maritime security threats is a complex undertaking. Our portfolio of maritime expertise spans the gamut of relevant disciplines necessary for a truly effective maritime security program. Port operations, law enforcement, U.S. government and international maritime laws and regulations, and military services related to maritime security, are all part of our expertise.



We serve to reinforce cooperation among all maritime industry stakeholders. That is a key reason why the Inter-American Committee Against Terrorism of the Organization of American States chose Cubic as its prime contractor.

Under the new contract, Cubic will conduct seaport security assessments and maritime security training to enhance the safety of passengers and the efficient throughput of cargo at key ports in the Caribbean. These ports experience high levels of commercial and civilian activity vital to the economic health of these island nations. Cubic's effort will strengthen the capabilities of port authorities, law enforcement and customs personnel in counterterrorism and crisis management, ultimately resulting in a safer environment for commerce, passengers and crews.

EXTENDING LONG-TERM SUPPORT SERVICES

Cubic has earned an 18-year track record of performance at the Korea Battle Simulation Center. Since its inception in 1991, we have served as the prime contractor for the center. This year the U.S. Forces Korea recompeted its support contract and, once again, chose Cubic for the sixth consecutive competitive award. This win is a direct result of our customer's long-term satisfaction with Cubic and our sustained commitment to the program.

On behalf of the Korea Battle Simulation Center, Cubic provides critically important training to the U.S. and Republic of Korea forces, as well as other Pacific-based U.S and allied forces. Demand for our support services is ongoing because it is essential to the U.S. Republic of Korea Alliance. Our support helps them uphold their enduring commitment to maintain stability in the region. Ultimately our support services help improve the combined and joint coordination procedures, plans and systems necessary for U.S. and Republic of Korea forces to prevent aggression against South Korea, and defend it if deterrence fails.

The battle simulation exercises we develop and conduct result in highly realistic and cost-effective training. Based on our strong knowledge of military operations, we fully exploit the learning potential of each exercise scenario for all participants. While most exercises take place in a highly digitized battlefield, a limited number of live training participants, such as soldiers and aircrews in the field, may be integrated. Every facet of each exercise is planned and executed by Cubic. Computer-generated, constructive and virtual environments are distributed across multiple training sites; training events may also include full spectrum training exercises for land, sea and air engagements.



At the Korea Battle Simulation Center, Cubic plans and executes every facet of the world's largest constructive battle simulation exercises.





In 2009 Cubic delivered 15,000 sets of its Individual Weapons Systems to Ft. Irwin, CA, a premier training site for U.S. soldiers.

DEFENSE SYSTEMS

Cubic is the world's leading provider of realistic air and ground combat training systems for the U.S. and allied nations. Soldiers, marines, aircrews, and security forces all draw upon the realism gained from using our training systems to help them effectively perform their mission.

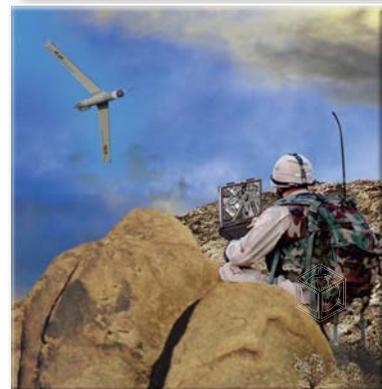
Our principal lines of business include instrumented air and ground combat training systems, virtual individual and unit skills trainers, laser and geometric pairing based engagement simulation systems, security and safety management systems, and display and debriefing systems. Cubic designs, develops, installs and supports a broad range of training equipment for fighter aircraft, combat vehicles and dismounted troops.

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.

At military bases worldwide, Cubic improves the readiness of military forces engaged in protecting the national security of the U.S. and its allies.

KEY ACCOMPLISHMENTS

- **Received a total of \$260 million in orders placed to date since 2003 under the 10-year indefinite delivery/indefinite quantity P5 Air Combat Training Systems contract, including foreign military sales.** P5 is currently operational at 13 military bases across the U.S. Ultimately a total of 30 bases in the U.S., Europe and the Pacific are anticipated to receive the system.
- **Awarded a \$70 million follow-on contract for Multiple Integrated Laser Engagement System (MILES) Personal Area Network.** Starting in 2009, Cubic began delivering multiple lots of its wireless manworn technology and vehicle systems to a government customer in Asia-Pacific.
- **Awarded more than \$27 million in contracts by allies in the Middle East.** Under a new contract, we are supplying a ground combat training system to the Kingdom of Jordan. Under an extension to our logistics contract for Saudi Arabia, we are continuing to operate and maintain air combat training systems we installed for the Royal Saudi Air Force.
- **Received more than \$21 million in multiple contract awards to supply EST 2000 small arms training systems.** Cubic will supply its virtual training systems to the U.S. Army and governments of two new international customers, including Lebanon and Kyrgyzstan.
- **Received \$20 million in orders from the U.S. Army for MILES Individual Weapon Systems.** Approximately five U.S. Army bases are scheduled to receive our manworn tactical laser engagement systems.
- **Received a \$19 million increase in our indefinite delivery/indefinite quantity contract for Joint STARS data link components and technical support for the U.S. Army.** Our air and ground data link equipment has proven its worth as a valuable asset on the battlefield by rapidly delivering secure intelligence to commanders in the field.
- **Awarded more than \$16 million in Mini-Common Data Link (CDL) contracts.** Funding sources cover development and production of next generation common data link technologies for intelligence, surveillance, and reconnaissance (ISR), remote video terminal, and advanced development applications for Air Force Research Laboratory and U.S. Marine Corps operational requirements.



TRAINING SYSTEMS AND COMMUNICATIONS

INNOVATIVE DEVELOPMENT FOR AIR COMBAT TRAINING SYSTEMS



Nearly every U.S. and allied fighter pilot in the world relies on Cubic's air combat training systems for their readiness.

Four decades of innovations in air combat maneuver training systems give Cubic unmatched credentials as a leader in this area. We are making strides in expanding the scope and scale of our leadership.

In 2003, we were awarded a 10-year indefinite delivery/indefinite quantity contract to provide the next generation air combat training system for the U.S. Air Force, Navy, Marine Corps, and Air National Guard forces. As the largest contract of its kind ever awarded, it cements Cubic's leadership position for the foreseeable future. Ultimately a total of 30 bases in the U.S., Europe and Pacific all plan to field the P5 system; it is now operational at 13 of them.

As P5 unfolds as the predominant live training system in use by U.S. aircrews, it is being sought by allied nations. For them, maintaining compatibility to train and carry out joint missions with U.S. forces is critically important for their national security. Our initial foreign military sales were first made to Poland and most recently to Singapore and Egypt. In the future, we anticipate orders from other allied nations as they plan to bolster the readiness of their air forces.

Some of the most important measures of air combat readiness are revealed by Cubic's after action review system. As a part of the P5 system, our Individual Combat Aircrew Display System, also known as ICADS™, replays the training exercise. Aircrews use the system to learn how to improve their combat effectiveness and quickly defeat adversaries. Because it is a high value training asset, ICADS is now the most widely deployed debriefing tool in use by aircrews worldwide. This year we joined with the U.S. Air Force to launch an international users group for ICADS software. The user group helps us to identify and provide valuable upgrades and enhancements to the software in response to the needs of U.S. and allied forces.

Our prime contract for P5 led to us being awarded a direct contract with Lockheed Martin. For this contract, we are advancing P5 technology for the F-35 Joint Strike Fighter—the most advanced stealth fighter jet in the fleet. Ultimately we will deliver internal air combat training equipment for installation onboard every F-35 aircraft acquired by the U.S. and allied nations.

In a completely new application, Cubic is taking its airborne instrumentation pods from the training range to the testing and evaluation environment. For the first time, Cubic is furnishing its pods for use in flight testing Joint Direct Attack Munition guidance kits. These kits are used to convert unguided free-fall bombs into precision guided "smart" weapons that minimize collateral damage. Our equipment will measure the accuracy of the fighter jet performing the test. Initially, the system will be used by the Republic of Korea and the Royal Saudi Air Force.

INTERNATIONAL EXPANSION OF GROUND COMBAT TRAINING SYSTEMS

MOBILE TRAINING SYSTEMS

Cubic is expanding its international footprint in the Middle East. We are exporting our ground combat training systems needed by U.S. allies in the region. The systems will help them to improve national security training for their own military forces. This year, in a competitive award, the Kingdom of Jordan selected Cubic to provide our mobile combat training system. It was chosen over other systems because it is easy to deploy and operate in any terrain with high reliability. The 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. After system delivery, we will provide operation and maintenance for the system as part of the overall contract.

In another important contract award, Saudi Arabia extended our logistics contract which further reinforces our presence in the region. Under the contract, Cubic will continue to operate and maintain the air combat training systems we have already provided in support of F-15 fighter pilot training at four Royal Saudi Air Force bases.

TACTICAL LASER ENGAGEMENT SIMULATION SYSTEMS

Having been a training partner and supplier of combat training systems to seven nations in Asia-Pacific, we are continuing to help U.S. allies in the region equip their forces with training technology. This year, we are providing our latest MILES system, Personal Area Network, to a key U.S. ally in the region. This training system will help them to improve the combat effectiveness of their armed forces.

Cubic's Personal Area Network is our first system to feature wireless communications for the manworn system. This improvement provides an ergonomic payload for soldiers; it doesn't use cables and attaches to standard issue combat uniforms. Like our other laser simulations, it uses infrared lasers. The lasers accurately replicate exchange and effects of weapons fire among ground troops and their vehicles with small, lightweight components.

Cubic has led the advancement of laser based training technology since the 1990's when we fielded our first system with the U.S. Army. We remain vigilant in finding innovative ways to help improve the full spectrum of training. Our engineers are exploring new technologies that maximize the effectiveness of training systems from exercise planning and system setup to after action review, including integration of live, virtual and constructive training. Easing the burden of training is a key focus of ours and we have recently introduced some very leading edge technologies, including the Personal Area Network that makes better use of precious training time and makes our equipment much more user friendly.

VIRTUAL TRAINING SYSTEMS

Troops rely heavily on the precision of weapon simulations used in virtual training. Cubic's EST 2000 virtual skills trainer is the only system of its kind validated, verified and accredited by the U.S. Army Infantry School. That means a soldier can qualify as a marksman, sharpshooter, or an expert using our virtual skills training systems. Cubic's accreditation gives soldiers confidence in the accuracy and realism of the training they receive from our systems. We have fielded more than 1,100 EST 2000 systems and 9,200 weapons simulations at military installations in the continental United States and for eight other nations.

The future development of our virtual systems resides with immersive training. Small combat units need this type of training to help them prevail in irregular conflicts taking place in Iraq and Afghanistan. In response to this need, we are melding live and virtual technologies into a highly realistic and full sensory training environment where soldiers maneuver and engage adversaries in a 360 degree virtual reality. Our newest portable training system, CombatRedi™, quickly immerses soldiers in the sights, sounds and high risk situations relevant to their mission.



Cubic's air and ground combat training systems help joint warfighters to sharpen their close air combat skills.



TRANSPORTATION SYSTEMS



Cubic Transportation Systems is the leading provider of automated fare collection systems and services worldwide.

TRANSPORTATION SYSTEMS

FISCAL YEAR 2009 SALES

- \$303 million

2009 YEAR END BACKLOG

- \$772 million

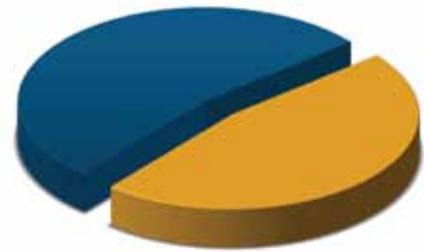
EMPLOYEES

1,300

PRINCIPAL LINES OF BUSINESS

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

SALES MIX



TYPE OF WORK

■ Systems.....	53
■ Services and Spares.....	47

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
- Leader in supporting industry standards for regional and intermodal systems
- Significant installed base of new and legacy fare collection systems
- More than 38 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 public transit ticketing applications
- OnePulse, the first combined credit and transit card developed in partnership with Barclaycard
- xPERT™ retail network for smart card ticketing
- Tri-Reader®, an all-in-one reader that accepts bank cards, prepaid cards and smart card-enabled mobile phones
- Bank card ticketing solutions



SERVICE AND SPARES MARKETS

Cubic provides a wide range of support services to transit agencies in more than 15 geographical markets worldwide:

- Atlanta, Georgia
- Baltimore, Maryland
- Boston, Massachusetts
- Chicago, Illinois
- Las Vegas, Nevada
- Los Angeles, California
- Miami, Florida
- Minneapolis, Minnesota
- New York/New Jersey
- Philadelphia/New Jersey
- San Diego, California
- San Francisco, California
- Seattle, Washington
- Ventura, California
- Washington D.C.

- Brisbane, Australia
- London, U.K.
- Sydney, Australia
- Vancouver , B.C.





Cubic designed New York/New Jersey's SmartLink® system to accept multiple types of transit cards, including the magnetic MetroCard and QuickCard, and the SmartLink contactless smart card.

TRANSPORTATION SYSTEMS

Cubic is the world's leading provider of automated fare collection systems and services for public transit. We have provided automated fare collection solutions to more than 90 transit authorities worldwide since 1971.

Cubic is the only full service provider in the industry. We design, develop, manufacture, supply, install, and support fare collection equipment and central computer systems essential for all modes of public transit. The services we provide to transit authorities help them to maintain, manage, operate, and support the most complex fare collection systems around the world. Cubic has delivered more than 400 projects in 40 major markets on five continents, totalling more than \$4 billion in installed systems.

Our innovative fare collection solutions are continuing to shape the future of public transit for many of the largest cities in the U.S. and the world.

KEY ACCOMPLISHMENTS

- **Awarded a \$20 million contract by San Francisco Municipal Railway.** Cubic will install new equipment and software to fully integrate nine of San Francisco Municipal Railway's subway stations into the regional TransLink® smart card network, making it easier to take transit in the Bay Area.
- **Completed a ticketing system for South Coast British Columbia Transportation Authority's new Canada Line 15 weeks ahead of schedule.** Cubic integrated its ticket vending machines, ticket validating machines and central computer system, branded as Nextfare, to help ensure the line's 16 stations are ready for use by local patrons and thousands of international spectators who will visit Vancouver for the 2010 Winter Olympics.
- **Designed, delivered and installed a new automated fare collection system for Miami-Dade transit.** Cubic quickly fielded the system 15 months after contract award. Miami-Dade's new EASY card system is now operational across 22 Metrorail stations and in nearly 900 buses. It is the first contactless smart card system in the state of Florida.
- **Continued to expand the Oyster ticketing system at overground rail stations for Train Operating Companies (TOC) serving Greater London.** Ultimately, Cubic will equip all Network Rail stations across the London rail network with our transit card readers, which accept both the Oyster® card and the Integrated Transport Smartcard Organization standard. This will result in a simpler, faster and more attractive ticketing system for commuters.
- **Expanded our services to transit agencies in San Francisco, Boston, Las Vegas, and Ventura.** Cubic acquired the Concord, CA operations center and licenses on select software from the U.S. subsidiary of Australia-based Vix ERG Pty Ltd. to extend our services to transit agencies in these cities.
- **Expanded presence in Australia.** Cubic acquired the maintenance contract for automated fare collection equipment we provided for RailCorp's CityRail network in Sydney, Australia in 1992. This contract reinforces our presence in Australia where we are providing comprehensive operations and maintenance services to TransLink for South East Queensland's go card system, designed, developed and installed by Cubic.
- **Awarded a contract for Germany's first electronic ticketing system.** Under the new contract awarded by Rhein Main Services, on behalf of the Transit Authority Rhein-Main-Verkehrsverbund, Cubic will develop both the initial stage and central core of Germany's electronic ticketing system, and will support it for 3 years.



TRANSPORTATION SYSTEMS

SYSTEM EXPANSION AND UPGRADES

Cubic is helping many transit agencies to expand, upgrade and keep their automated fare collection systems running smoothly. Our industry knowledge gained from installing and supporting automated fare collection systems since 1971, and our responsiveness to evolving customer needs are key reasons why

transit authorities choose to rely on Cubic. In the past year, we helped major cities worldwide to modernize their systems.

LONDON

Rail is a vitally important mode of public transit in Greater London. Nearly 65 percent of all rail journeys taken in the U.K. start or finish in London. In the past year, we modernized ticketing equipment and supporting back-office systems for Greater London Network Rail stations. Soon all eight mainline rail companies will accept the Oyster card. These upgrades play an important part of the city's comprehensive transport plan which anticipates increased demand for rail service over the next 20 years.

Waterloo Railway Station

At Waterloo, the U.K.'s largest railway station, we demonstrated our ability to quickly field a large scale gating project. In parallel with major infrastructure works, we solved numerous installation and logistical challenges, and supplied, installed and linked 165 transit gates into a back-office computer system. Our ability to manage the project helped Network Rail to keep the concourse operational during its massive overhaul with minimal disruption to transit patrons. Network Rail owns and operates Britain's rail infrastructure.

Network Rail and Waterloo's train operating company, Stagecoach South West Trains, selected Cubic for this high profile project. The new gates we provided significantly improved the flow of peak hour traffic into and out of the railway station, which spans nearly 25 acres and includes

20 platforms. We equipped the gates with our Tri-Reader technology so that both Oyster and Integrated Transport Smartcard Organization cards are now accepted. This improvement makes transfers between platforms quicker and easier.

London Blackfriars

Blackfriars is another station undergoing significant redevelopment by Network Rail and Cubic's equipment is a key part of it. We worked closely with the customer and construction contractors to meet a demanding schedule. On short notice, we responded quickly to install our ticketing gates and ensured they were ready for operational use by overground rail passengers. The new ticket hall is in the early stages of redevelopment, including the underground station. When completed, it will be the first station in London to span the River Thames with entrances on both sides. This improvement, including the new ticketing gates, will help ensure that public transit is accessible and convenient for spectators at the 2012 Olympic Games.



Cubic is extending Oyster to every national rail station in London. This will be a milestone achievement toward unifying public transit throughout Greater London.



Further reinforcing its commitment to convenient travel throughout London, the Mayor of London is planning for Oyster to become operational on the riverboat service. The Oyster rollout will also be extended to South East London. Cubic will help train company Southeastern bring Oyster readers into service at Forest Hill, Sydenham, Blackheath, Lewisham and Woolrich Arsenal rail stations, making them compatible with Oyster card and the Integrated Transport Smartcard Organization standard.

The roll out of Oyster to all Network Rail stations is a critically important step towards fully integrated travel throughout Greater London. It will be the first time passengers will be able to seamlessly transfer between the underground and overground rail services.

SAN FRANCISCO

Cubic is helping the San Francisco Municipal Railway (Muni) modernize its fare collection system. Installed over 30 years ago, Muni's existing fare gates and fare machines are in urgent need of replacement. Cubic will replace the aging equipment with new TransLink-only gates and ticket vending machines for long-time customer Muni, which is partially funding the project with federal stimulus money.

Cubic is planning an aggressive delivery schedule. We aim to quickly install the equipment and software necessary to fully integrate Muni's stations into the regional TransLink smart card network. TransLink is a regional transit fare system which helps integrate public transit in the Bay Area. It is managed by the Metropolitan Transportation Commission, which is supported by Cubic's Concord, CA operations center.

When deployed for Muni, TransLink will enable riders to use one convenient card to ride the many public transportation systems throughout the Bay Area. We will equip Muni's nine Metro stations with a total of 98 new fare gates, including extra-wide aisle gates that are compliant with the Americans With Disabilities Act, and up to 40 new TransLink-only ticket vendors.

The new ticket vendors offer Muni riders more choices than the old machines. For added convenience, the vendors accept cash, coins and credit cards. In addition, riders will be able to select either a limited use recyclable TransLink paper card or a regular plastic TransLink card.

Muni is the 7th largest public transit system in the U.S. by ridership, and is one of the oldest public transit agencies in the U.S. Cubic installed Muni's existing bus fare collection equipment in 1991. We have had a presence in the San Francisco Bay Area for many years, including a long-term relationship with the Bay Area Rapid Transit District since 1974. Cubic delivered their latest fare collection system, which began accepting the TransLink card in August 2009. Cubic is also delivering a new TransLink-capable back-office system and upgrading the ticketing system on Muni's buses.



Cubic is equipping MUNI's Metro stations to fully integrate into TransLink, the regional fare transit system in the San Francisco Bay Area.

TRANSPORTATION SYSTEMS

NEWLY DEPLOYED AUTOMATED FARE COLLECTION SYSTEMS

The San Diego Association of Governments, North County Transit District and Metropolitan Transit System officially launched the regional Compass Card. Cubic delivered the smart card technology for use by San Diego bus, trolley and rail passengers. Eventually the Compass Card will replace traditional paper passes for 90,000 riders throughout the region. San Diego joins other major cities around the world that use our comprehensive fare collection systems, including Washington D.C., London, Los Angeles, Atlanta, Miami, and Brisbane, Australia.

Miami-Dade riders now use the EASY Card system to pay for all transit fares including parking, rail and bus services across the city. Cubic equipped Miami-Dade's 22 Metrorail stations and nearly 900 buses. The EASY Card runs on our NextFare system. It collects, processes and manages millions of complex fare transactions every day, and merges them into meaningful reports that help transit authorities monitor and evaluate travel usage, adjust fare policies and determine how to improve services. It is the most comprehensive central computer system in use today.

SERVICES

Cubic is expanding its role as a services provider. Because of the technical complexities of operating regional smart card-based automated fare collection systems, transit authorities are turning to third

parties to supply operational and maintenance services that would otherwise be performed by the transit authority. Our heritage in the fare collection industry enables us to provide our customers with comprehensive services.

From our newly acquired Concord Operations Center and licenses on select software, we are providing smart card distribution and call center operations for transit agencies in Boston, Ventura and Las Vegas. These transit agencies are new customers to Cubic.

In Boston, Cubic assumed responsibility for marketing Massachusetts Bay Transportation Authority's CharlieCard™ customer service program and the associated retail sales operations. The operations team joined Cubic and continues to provide both responsive and comprehensive services to transit patrons in Boston. Our Boston team primarily provides call center support and card fulfillment, and manages retail sales terminals. They ship transit tickets and cards, process orders through the Web, and field calls in support of nearly 2 million CharlieCards now in circulation.

In San Francisco, we are building on the services we provide to Bay Area Rapid Transit and Muni to now include the Metropolitan Transportation Commission. It oversees the regional TransLink program and serves as coordinating agency for transportation in the San Francisco Bay area.



The scope and scale of services Cubic provides to transit authorities in the U.S. and abroad is growing.



We provide a wide range of services for the Metropolitan Transportation Commission. These include equipment maintenance, field services, workshop repairs, inventory control systems, help desk support, central system hosting, and system performance monitoring and optimization.

Cubic also operates a full service customer support center for them. Our service representatives manage all account requests for participating agencies in the San Francisco Bay area, card distribution and reload network management, as well as financial transaction processing, funds management and distribution across agencies for credit and debit card acceptance, and comprehensive daily management reports. These services are essential for the Metropolitan Transportation Commission to operate, maintain and improve the efficiency of its expanding regional fare collection system. When completed, the regional TransLink system serving the San Francisco Bay area will be the largest regional system in the U.S.

In Australia, Cubic acquired the maintenance contract for automated fare collection equipment installed on RailCorp's CityRail network in Sydney. The CityRail maintenance contract further expands Cubic's presence in Australia. In South East Queensland, the Brisbane area, Cubic designed, built and now operates the smart card fare collection and revenue management system branded as the go card. The Queensland government awarded the contract to Cubic in 2003, including 10 years of services.

The Queensland transit authority, Translink, now relies on Cubic for a full spectrum of services, including central ticketing system and network operations, marketing support, and regional clearing and settlement. Other essential services we provide to them include card management, card distribution, retail agent management, cardholder services, and asset management services.

In August 2010, we will immediately transition from our current PRESTIGE contract with Transport for London (TfL) to the Future Ticketing Agreement, which was signed last year. Under the new contract, we will provide a new and significantly wider range of technical services needed to fully support the Oyster system. The new services will include back-office ticketing system and network operations, marketing support, clearing and settlement, card management, card distribution, and asset management. For the new contract, we will continue to manage, monitor and maintain London's fare collection equipment, and provide retail agent management and cardholder support from our service center.

Our service center in London handles calls from anywhere in the massive Oyster network, and from customers throughout the U.K., including the national rail network and a growing number of retailers that accept the Barclay OnePulse. Given the scope of our new contract and the expansion of Oyster to all Network Rail stations in Greater London, we are preparing our service center to meet TfL's growing need for services.



Cubic provides the services needed to manage and distribute Oyster cards to retailers.



TRANSPORTATION SYSTEMS

AUTOMATED FARE COLLECTION SYSTEMS AND SERVICES PROVIDER TO MAJOR TRANSPORTATION MARKETS



San Francisco Bay Area
\$232 M since 1999



New York/New Jersey Region
\$555 M since 1991



Los Angeles Region
\$210 M since 2002



Atlanta
\$105 M since 2002



**Washington D.C./Baltimore/
Virginia Region**
\$201 M since 2000



Minneapolis/St. Paul
\$22 M since 2002



**London/PRESTIGE/
Oyster Card**
In excess of \$1.2 B
since 1998



Chicago
\$112 M since 1993



Sweden
\$33 M since 2005



San Diego Region
\$31 M since 2002



Miami
\$42 M since 2008



Modena, Italy
\$4 M since 2004



Philadelphia/New Jersey
\$12.6 M since 2005



Boston
New Customer since 2009



Brisbane, Australia
\$157 M since 2003



Program Performance

Innovations

Long-Term Relationships

Growth

BUILDING ON OUR GLOBAL FOOTPRINT





9333 Balboa Avenue
San Diego, CA 92123
P.O. Box 85587
San Diego, CA 92186-5587

800-854-2876
858-277-6780
858-505-1535 fax

www.cubic.com

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