2010

CUBIC CORPORATION ANNUAL REPORT
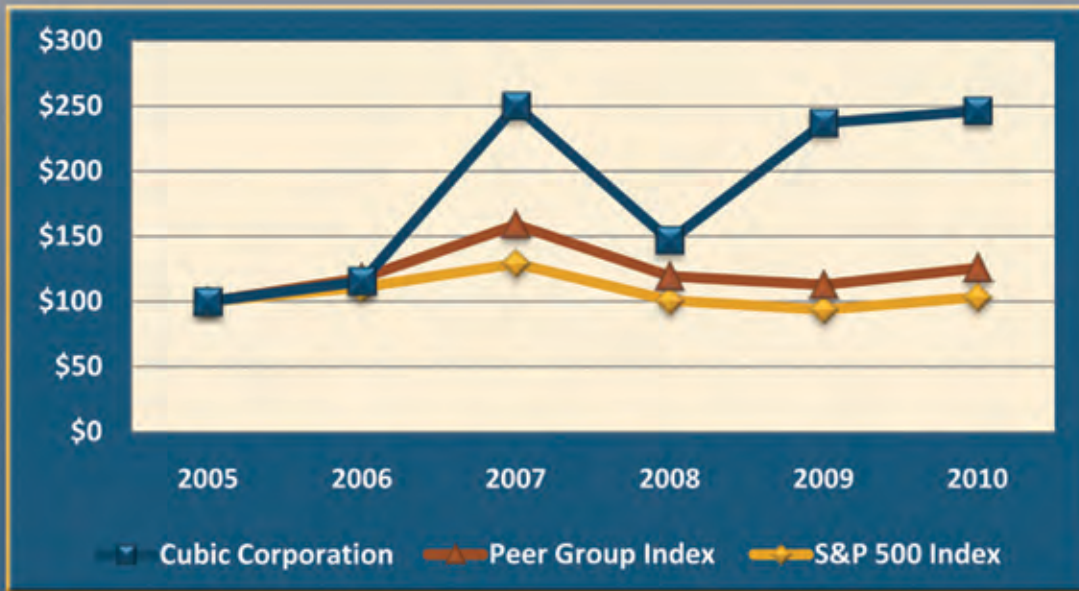
.CUBIC

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

			Fiscal Year Ending			
	2005	2006	2007	2008	2009	2010
Cubic Corporation	$100.00	$115.33	$250.07	$146.78	$237.03	**$246.23**
S&P 500 Index	$100.00	$110.79	$129.00	$100.65	$93.70	**$103.22**
Peer Group Index	$100.00	$117.85	$158.82	$119.29	$112.70	**$125.49**

The chart assumes that $100 was invested on October 1, 2005 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.

	Years Ended September 30,				
	2010	**2009**	**2008**	**2007**	**2006**
Results of Operations:					
Sales	$ 1,194,189	$ 1,016,657	$ 881,135	$ 889,870	$ 821,386
Cost of sales	941,994	805,516	709,481	727,540	687,213
Selling, general and administrative expenses	120,848	111,828	98,613	94,107	96,325
Interest expense	1,755	2,031	2,745	3,403	5,112
Income taxes	35,285	29,554	20,385	23,662	12,196
Net income	70,636	55,686	36,854	41,586	24,133
Average number of shares outstanding	26,735	26,731	26,725	26,720	26,720
Per Share Data:					
Net income	$ 2.64	$ 2.08	$ 1.38	$ 1.56	$ 0.90
Cash dividends	0.18	0.18	0.18	0.18	0.18
Year-End Data:					
Shareholders' equity	$ 488,322	$ 420,845	$ 388,852	$ 382,771	$ 323,226
Equity per share	18.27	15.74	14.55	14.33	12.10
Total assets	856,089	756,315	641,252	592,565	548,071
Long-term debt	15,949	20,570	25,700	32,699	38,159

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

MARKET AND DIVIDEND INFORMATION

	Sales Price of Common Shares					**Dividends per Share**	
	Fiscal 2010		**Fiscal 2009**			**Fiscal 2010**	**Fiscal 2009**
Quarter	**High**	**Low**	**High**	**Low**			
First	$38.95	$33.77	$28.91	$18.85		-	-
Second	42.01	32.42	31.43	22.50		$0.09	$0.09
Third	39.52	33.66	40.05	25.10		-	-
Fourth	41.80	35.99	41.40	33.73		$0.09	$0.09

Dear Fellow Shareholders,

Our performance in fiscal year 2010 was the best in our 59 years of operation. I am proud to report that sales increased 17 percent to $1.194 billion, net income rose by 27 percent to $70.6 million or $2.64 per share, and total backlog at the end of the year reached a new record high of nearly $2.5 billion.

This year's record financial performance and operational achievements are providing a strong foundation for sustaining Cubic's long-term growth. During the year, we won key long-term contracts that expanded our presence in Europe, Australia and allied nations in the Middle East, and we continued to hone program execution, and expand the scope of our services. We also made key acquisitions which complement our businesses in new and adjacent markets.

Transportation Systems Segment

Cubic Transportation Systems is the leading provider of automated revenue collection systems and services for public transit authorities worldwide. Our business is built on system wins and we have the world's largest installed base of equipment in the automated revenue collection sector. Because of this advantage, we offer a compelling value proposition for total solutions, including new systems, upgrades, and managed services.

Market and Strategy

We believe the automated revenue collection market will remain attractive well into the future. This is based on an estimated $10 billion in potential domestic and international opportunities over the next 10 years. We are pursuing these opportunities in several key markets including Germany, India, Australasia, and Europe. In the following paragraphs, I mention a few examples that demonstrate how we are implementing a total solutions strategy to achieve this goal.

Key Contract Awards

The long-term relationships we have with our customers are essential to our success in a global marketplace. Transport for London's (TfL) Oyster Card® system, the most widely recognized transit brand in the world, is a prime example. Our support for TfL began in 1978. Under the new Future Ticketing Agreement with TfL, we are providing a full range of managed services and systems support. Our performance in London continues to enhance our standing as a full service solutions provider and gives us strong credentials to win new contracts.

Our credentials earned in London led to a major contract win in Australia. This year we won a competition for a new $341 million 14-year contract, including 10 years of managed services, for the new Electronic Ticketing System for Greater Sydney and the State of New South Wales. This contract validates our business strategy to grow the scope and scale of our managed services. It also positions us to capture future opportunities in Australia, and the Australasia region.

Sales

2005	2006	2007	2008	2009	2010
$804	$821	$890	$881	$1,017	$1,194

(in millions)

Earnings per Share

2005	2006	2007	2008	2009	2010
$0.44	$0.90	$1.56	$1.38	$2.08	$2.64

Services are and will continue to be a significant part of our transportation business. Transit authorities are looking for ways to optimize their operations and we offer a compelling value proposition. This is based on our specialized technical knowledge of complex electronic fare collection systems gained from more than 40 years in the business and our new business model for customer service centers.

Earlier in the year, we began to deliver service to multiple customers from our Concord, California facility, which we acquired in 2009. This is the first step to utilize our key customer service centers as hubs of patron call support. By optimizing our services, we will efficiently and consistently deploy responsive services for all customers supported by our centers. We believe this will be an advantage for us as the technical complexity of operating electronic fare collection systems continues to grow.
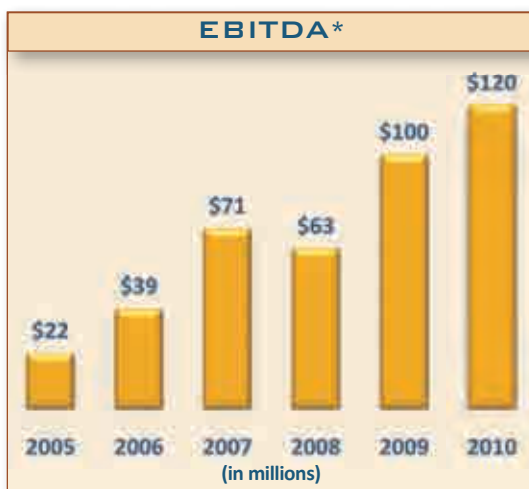
Defense Systems Segment

Cubic Defense Systems is a leading provider of live and virtual training systems that help keep U.S. and allied forces ready for their defense and security missions. With systems fielded in more than 35 nations, we utilize our international presence for all of our product lines. These include a broad portfolio of air and ground training systems, communications products and our recently acquired asset tracking solutions business, and expansion into the next generation of cross-domain computer technologies.

Market and Strategy

Our core business is training. It is fundamental to every mission carried out by the U.S. and allied forces. The latest training priorities set by the U.S. armed forces have been shaped by the wars in Iraq and Afghanistan, collaboration between the services, and technology advances. Cubic is looking ahead to design, innovate and manufacture immersive and instrumented training systems and products that align with these priorities. A key part of our strategy is to field applied innovations that are responsive to how and where soldiers and aircrews need to train.

International expansion remains a key priority for us. We will continue to leverage our international footprint to expand sales of existing products, enter adjacent markets, and to leverage acquisitions. Key markets outside North America include Europe, Middle East, North Africa, Australia, and Asia Pacific. Our ground combat training product line's broad portfolio and our strong leadership position in air combat training systems position us to capture new opportunities in these key geographical markets.

We are focused on program execution and continuous improvement of our overall operation. These efforts are producing results across the business from day-to-day operations to contract awards and financial performance.

OPERATING INCOME

2005	2006	2007	2008	2009	2010
$13	$31	$62	$53	$85	$106

(in millions)

EBITDA*

2005	2006	2007	2008	2009	2010
$22	$39	$71	$63	$100	$120

(in millions)

* Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-GAAP performance measure management uses that excludes income taxes, capital structure related expenses, non-operating income and expenses and depreciation and amortization. We calculate it by adding back depreciation and amortization to operating income. This is a measure commonly used by analysts to assess business performance.

Key Contract Awards

This year each of our main product lines earned new contract awards that bolster our competitive position in the U.S. and international markets, and prove our ability to deliver innovative solutions.

Our virtual training systems product line won several new contracts this year, reflecting a continuing trend towards greater emphasis on small unit tactics at the squad and platoon level. We won our largest export contract ever for the Engagement Skills Trainer (2000); received our first order for CombatREDI™, a new immersive trainer we introduced last year; and received contract awards for our Bradley Fighting Vehicle simulator and virtual training simulator for the Javelin missile. We believe our broad portfolio of virtual training systems will be an advantage because virtual skills training is expected to become integrated with other training domains.

Entering adjacent markets is a key strategy for growth. This year our air combat training systems business made a major entry into the United States Air Force test and evaluation market. We are part of a winning team that will provide the Common Range Integrated Instrumentation System (CRIIS) for U.S. military test ranges.

Our business with the U.S. Army expanded this year. We won a competitive contract to equip their tactical vehicles with our latest Multiple Integrated Laser Engagement Simulation system, which is our latest modular system designed for today's tech savvy soldiers. On the international front, we won our first contract in Italy for a combat training center.

Mission Support Services Segment

Mission Support Services has firmly established a reputation as the "go to" provider of mission support services for the U.S. and allied nations. We have earned these credentials by consistently providing high value and cost-effective support services to our many customers. The span of services we provide ranges from training and highly realistic exercises to operations support, leadership development and technical support. Our wide range of highly specialized support services multiplies our ability to transfer our skill sets to new markets and new customers. We believe it is a key differentiator that reinforces our ability to adapt to a changing market place.

Market and Strategy

The pace of change in our markets is accelerating. We are continuing to develop, implement, and refine a strategy to deal with the aggregate effects of major market change agents such as the war on terror, Force Transformation, Training Transformation, and most recently, the U.S. Government's emphasis on small business set aside contracts. The government services market as a whole is adjusting to a "new normal." By adapting to these many changes, we have retained flexibility in our ability to seek new work, both as a prime and a subcontractor. We selectively team with other companies where it offers us a direct advantage over our competition and improves our chance of success.

Because we consistently perform to high standards, we maintain an enviable win rate on recompete contracts. These contracts are critically important. They reinforce our leadership position and provide strong credentials needed to gain new work.

Key Contract Awards

This year we won a new prime contract to provide technical support for the Joint Multinational Simulation Center (JMSC) in Grafenwohr, Germany, and at five other European sites. It is our largest Mission Support Services contract in Europe. The JMSC contract is a primary example of how we extend our business to new customers and markets based on past performance.

Our 19-year track record of performing similar work at the Korean Battle Simulation Center played a key role in this win. The new contract is significant in many ways. The JMSC contract will be the single largest expansion of our technology support services. It is also part of the largest training command outside the continental United States, and is the hub of U.S. Army simulation training in Europe. Technical support is a growing ingredient in many service contracts, and the JMSC contract bolsters our credentials to earn more of this type of work.

In addition, the JMSC supports the U.S. Africa Command in Stuttgart, Germany, where Cubic is under contract to help the command professionalize African security forces. This year we expanded upon that win. As part of a team, we won an indefinite delivery/indefinite quantity contract to support the Africa Peacekeeping Program (AFRICAP). This latest contract will further broaden our role as a key global provider of mission support services to the U.S. Department of State in certain African nations.

Research and Development

We increased independent research and development spending in 2010 primarily related to new technologies for ground combat training systems, combat identification, and data link technologies in our defense systems business, and developed mobile ticketing technologies in our transportation business. Next year we expect to continue an emphasis on research and development to support organic growth.

Acquisitions

We are selectively pursuing acquisitions in the national security and cyber domains as these areas are expected to provide substantial growth opportunities for the company. In the last half of the year, we acquired Impeva Labs, and formed a new subsidiary called Cubic Global Tracking Solutions (CGTS). CGTS is a provider of global asset management, tracking, monitoring and security solutions for military and commercial customers. We believe our solution gives us a unique technological advantage in an underserved market.

Cyber is a significant new domain of warfare. This year we strengthened our credentials in this critically important area. We acquired Safe Harbor Holdings, a cyber security and information assurance company, and formed a new subsidiary called Cubic Cyber Solutions (CSSI), which provides specialized security and networking infrastructure, system certification and accreditation, and enterprise-level network architecture and engineering services.

After the close of the fiscal year, we announced that we have entered into an agreement to acquire Abraxas Corporation, a Herndon, Virginia-based company. Abraxas provides risk mitigation and subject matter, and operational expertise for national security, law enforcement, and homeland security clients. Abraxas is expected to broaden our customer base for training, cyber, and other core skills for the corporation.
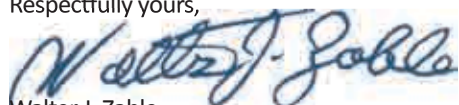
Remembering a Longtime Colleague

We had an unexpected change in Cubic's Board of Directors in October when we were saddened by the death of Director, Raymond deKozan, former Senior Vice President, who recently retired after 50 years of service at Cubic. A memorial to Ray, recognizing his many contributions to Cubic, is included in the back section of this report. Ray was instrumental in helping Cubic build our fare collection business, and was a trusted and longtime colleague. I will miss his valuable insights and contributions.

Looking Ahead

I am confident and excited about our future. We have a strong financial standing, market leading positions in our core businesses, and we are set to expand in adjacent markets through applied innovations and key acquisitions made this year. I believe this gives us the right ingredients to succeed in strong and weak economic environments.

I wish to thank my team for their commitment and effort in making 2010 another successful year, and I express appreciation for the support of our customers, suppliers, shareholders, and directors.

Respectfully yours,

Walter J. Zable
CEO and Chairman of the Board
December 18, 2010

FISCAL YEAR 2010 SALES

- $806 million

2010 YEAR END BACKLOG

- $1.373 billion

EMPLOYEES

- 6,100 in 30 states and 21 nations

PRINCIPAL LINES OF BUSINESS

- Mission Support Services
- Defense Systems
- Asset Tracking
- Cyber Security

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.........55%
- Defense Systems 45%

CUSTOMER LOCATION

- U.S. 75%
- International.............................25%

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 and mission rehearsal systems

- Optical communication solutions

- Data links for manned and unmanned platforms

- Air test instrumentation subsystems

- Maritime security

- Cyber security

- Global asset tracking solutions

KEY INNOVATIONS

- Integration of live, virtual and constructive training domains

- Wireless laser-based tactical engagement simulation systems for soldiers and vehicles

- 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 highly specialized support services for the U.S. and allied nations. Located at more than 130 locations in 21 countries, our skilled and dedicated employees help professional military units and other customers prepare for combat and national security missions.

We provide a combination of support services to all echelons of the U.S. Armed Services, U.S. DoD joint community, other federal, state and local government agencies, and to our allies. These services include: planning and operational support for theater-level exercises, large and small unit exercises worldwide; highly realistic real-world mission rehearsals; computer-based simulations for training and analysis; mobilization and demobilization of deploying forces; range support and operations; logistics and maintenance training and operations; professional military education and training; leader development and training; force modernization for North Atlantic Treaty Organization entrants and other allied countries; open source intelligence collection and analysis; information technology and cyber security; engineering and related technical support.

Every day we strive to uphold our reputation for consistently exceeding customer expectations. Our commitment to professional excellence is a key reason why Cubic is a trusted provider of mission support services worldwide.

Our new contract for the Joint Multinational Simulation Center in Grafenwohr, Germany is the single largest expansion of our technology support services and our largest contract in Europe.

At the U.S. Army Quartermaster Center and School in Fort Lee, VA, Cubic provides a wide range of logistic support services including, field, classroom, computer, and hands-on training.

KEY ACCOMPLISHMENTS

- **Awarded a 5-year contract with a potential value up to $35 million to provide technology support to the Joint Multinational Simulation Center (JMSC), a part of the Joint Multinational Training Command (JMTC).** It will also be our first to focus solely on the design and implementation of the network, IT, and other technical solutions necessary to plan, execute, and support simulations-based exercises.

- **Providing comprehensive mission rehearsal exercise support for the Joint Readiness Training Center (JRTC) under a 10-year prime contract awarded by the U.S. Army in 2007.** From logistics to incorporation of lessons learned from combat, we provide support services needed by the JRTC to host realistic and advanced training for brigade combat teams scheduled for deployment.

- **Selected as part of a team to provide training and education support for U.S. Army Human Resources Programs.** Cubic is a member of 1 of 12 contractor teams eligible to compete for a maximum value of $1.27 billion under the 5-year Human Resources Solutions Studies and Analysis Support (HRSS II) contract. Cubic will be responsible for education, experimentation and training, modeling, and simulation.

- **Won a 5-year, indefinite delivery/indefinite quantity contract as a member of one of four contractor teams which are each eligible to compete for up to $375 million in military training and strategic advisor services for the Africa Peacekeeping Program (AFRICAP).** With this latest contract win, Cubic holds three separate contracts related to U.S. efforts to enhance regional security in Africa.

- **Expanded maritime security support in Latin America.** Under a new prime contract from the Secretariat of the Inter-American Committee Against Terrorism of the Organization of American States (OAS), Cubic will provide port security assessments and training for six ports in Colombia, Mexico, and Peru.

- **Selected to support maintenance training systems for the Navy's New E-2D Advanced Hawkeye.** As part of a team, we will provide logistics, operations, and maintenance support on the U.S. Navy's new E-2D Advanced Hawkeye Integrated Training System for Maintenance (HITS-M), an aircraft simulator for maintenance training.

- **Received a follow-on predeployment training contract for active-duty Navy personnel and Army reservists at the McCrady Training Center.** Under this 2-year contract, Cubic personnel will process and prepare them with the basic skills necessary to be integrated more quickly into joint/army units.

Expanding Technology Support Services and Our Presence in Europe

Cubic is expanding the scope of its technology support services. For the first time, we will be providing services to the Joint Multinational Simulation Center (JMSC). The JMSC is the hub of computer assisted training in Europe. It is also a part of the Joint Multinational Training Command (JMTC), the largest training command outside the continental United States. This contract will be the single largest expansion of our technology support services and our largest contract in Europe.

Our simulation and network services are urgently needed to support battle simulations and battle command systems at the JMSC located at Grafenwohr, Germany, and at five other European sites. With Cubic's technology support at the JMSC, the JMTC has the flexibility to assign more of its armed forces for real world operations.

In today's contemporary operational environment, U.S. and coalition forces need to quickly prepare for a diverse set of operations. The immediacy, availability, consistency, adaptability, and distributed learning capabilities of computer assisted training are among the reasons why this type of training is becoming more important for troop readiness.

The JMSC selected Cubic over other technology service providers because of our credentials. For the past 19 consecutive years, we have supported the world's largest constructive battle simulation exercises. They are hosted annually by the Korea Battle Simulation Center (KBSC). Our highly qualified personnel consistently provide outstanding performance and cost-effective training at the center and for our customers worldwide.

Cubic is now providing training support under three separate contracts to help African nations professionalize their own uniformed armies.

Now U.S. Army, Joint Service, NATO, and allied units and leaders will rely on us at the JMSC, in addition to the KBSC, to provide an effective training and exercising environment. Our software engineers, network engineers, systems administrators, database managers/developers, and information assurance personnel will support mission training, and command and control systems employment and integration. This will involve many different types of operations conducted in a simulated theater of operations. Units to be supported will range in size from Battalion through Joint Task Force.

The new technology services contact strengthens our presence in Europe. It builds on the training support services and systems Cubic already provides in Germany and in more than 10 other nations in the region. For example at the JMTC, we have fielded our Engagement Skills Trainer (EST) 2000. Soldiers rely on it to sharpen their marksmanship skills in a virtual environment. Commanders at the JMTC incorporate lessons learned from combat and fold them into EST 2000 training scenarios. This keeps training current for U.S. soldiers and allies in the region.

Significantly, the JMSC also supports the Africa Command (AFRICOM), with headquarters at Stuttgart, Germany. Cubic began supporting AFRICOM when it was first established in 2007. Equal in stature and priority to the DoD's six other geographical commands, AFRICOM has a unique mission. Its principal focus is conflict prevention rather than defensive intervention.

Expanding Support for African Nations' Security Forces

Earlier this year, we were selected as part of a contractor team that received an indefinite delivery/indefinite quantity contract for the Africa Peacekeeping Program (AFRICAP). It establishes AFRICAP as the primary support services contract used by the U.S. Department of State's Bureau of African Affairs. Cubic was selected for its industry recognized credentials in military training and strategic advisor services.

With this latest contract win, we are providing training support under three contracts to help enhance regional security in Africa. In 2009, we received a prime contract to provide joint training and exercise support to the United States Africa Command (AFRICOM). Under another contract with AFRICOM, we provide media analysis support to the Combined Joint Task Force - Horn of Africa.

Supporting On-going Need for Mission Rehearsal Exercises at the Joint Readiness Training Center (JRTC)

Mission rehearsal exercises are a top priority within the U.S. Army Combat Training Center (CTC) program. The armed forces rely on these exercises to prepare them for missions worldwide. The program includes four combat training centers, and Cubic is the only contractor supporting three of the U.S. Army's four CTCs. We support the Battle Command Training Program based at Fort Leavenworth, Kansas; the National Training Center at Fort Irwin, California; and the Joint Readiness Training Center at Fort Polk, Louisiana.

At the CTCs, we provide a wide range of support services. We help military leaders plan, coordinate, and execute realistic and stressful joint and combined arms collective training for soldiers, leaders, staffs, and units according to U.S. Army and joint doctrine.

Since 2003, the focus of our support at the Joint Readiness Training Center (JRTC) has been and continues to be live mission rehearsal exercises. This type of training is critical because it most closely replicates actual combat, and has been proven to save lives.

For many soldiers, the JRTC is their last stop before deployment to Afghanistan. At the JRTC, Cubic supports nearly every facet of mission rehearsal exercises. These exercises include situational training, live force, and force-on-force exercises, which often include units from the U.S. Air Force, Navy and Marine Corps, and military units from allied nations.

Based on strong knowledge of military missions, we replicate every detail of actual combat throughout JRTC's 200,000-acre training area. The mission rehearsal exercises we support employ highly relevant battle scenarios. This includes the rapid integration of lessons learned from combat. We replicate the operational environment by exposing soldiers to the threats, sights, sounds, battlefield effects, adversaries, and situations found in Afghanistan. Our support also includes expanded role play, technical help with MILES combat training instrumentation, video, and cultural role players who are foreign language speakers, for added realism.

At the Joint Readiness Training Center, Cubic supports nearly every facet of mission rehearsal exercises that prepare troops for their mission in Afghanistan.

Cubic is the world's leading provider of realistic air and ground combat training systems for the U.S. and allied nations. Infantry troops, aircrews, and security forces all draw upon the realism gained from using our training systems to help them effectively perform their mission. Cubic improves the readiness of military forces engaged in protecting the national security of the U.S. and its allies.

Our principal lines of business include instrumented air and ground combat training systems, virtual individual and unit skills trainers, laser 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, fixed structures, weapons, dismounted troops, and now watercraft.

In addition, Cubic is a provider of global asset tracking solutions for military and commercial customers. Our systems use multiple modes of communication to efficiently status and monitor the location of intermodal cargo shipments anywhere in the world 24/7.

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.

Cubic's CombatREDI training system features the latest immersive technologies, including highly realistic graphics and 360-degree training scenarios.

Cubic is fielding the latest advancements in wireless laser-based engagement simulations systems for soldiers and vehicles.

Key Accomplishments

- **Awarded an indefinite delivery/indefinite quantity contract valued up to $100 million over 5 years by the U.S. Army to provide training systems for tactical vehicles.** Advanced wireless devices and user-friendly features make our systems simple to install and operate.

- **Part of a team awarded a 5-year, $50 million contract by the Italian Ministry of Defense.** Cubic and its team partner will design, deliver, and install instrumented combat training systems with live and constructive capabilities at multiple locations.

- **Received a total of $300 million in orders placed to date since 2003 under the 10-year indefinite delivery/ indefinite quantity P5 Air Combat Training Systems contract and multiple foreign military sales.** The P5 system is now operational at approximately 15 U.S. bases and is ultimately planned for a total of 30.

- **Part of the winning team chosen by the U.S. Air Force to provide the Common Range Integrated Instrumentation System (CRIIS) for U.S. military test ranges.** If all options are exercised, Cubic's participation in the CRIIS program will have a total potential value of approximately $90 million over 7 years.

- **Awarded a $30 million prime contract by the U.S. Army to export our small arms virtual training systems to the Saudi Arabian National Guard.** This is our single largest export order ever for our EST 2000 virtual skills trainer.

- **Received $13 million in contracts to build turret crew stations for the Bradley Fighting Vehicle Simulator over a 4-year period, and a $13 million contract to provide basic skills and field tactical engagement equipment for the Javelin missile.** These contracts demonstrate our ability to provide a broad range of virtual training systems in support of the U.S. Army.

- **Selected to supply its miniature Common Data Link (CDL) as a key component for the prototype of a new unmanned airship.** Cubic's air data terminal will transfer surveillance imagery from the Stratospheric airship's radar system to ground terminals for U.S. homeland security threat detection and weather/environmental monitoring.

TACTICAL ENGAGEMENT SIMULATIONS SYSTEMS

Cubic is combining decades of its Multiple Integrated Laser Engagement Simulation (MILES) system experience with fresh ideas to improve training for national infantry forces. Our cutting edge improvements run the gamut. From installation and setup, to high fidelity weapons simulations and reduced life cycle support costs, we are fielding leading edge technologies that address both army and soldier preferences.

TACTICAL VEHICLE SYSTEMS

The U.S. Army's need for ease of use and efficiency shaped the design of our latest tactical vehicle system. Our vehicle system was chosen over the competition for its intuitive consumer features like touch screens, graphics, and Wi-Fi communications. These user friendly features appeal to today's smart-phone and tech savvy soldiers. It also simplifies system setup. With our equipment, soldiers spend more time on training. The Army will field our evolutionary systems-of-systems approach to replace legacy MILES equipment used in the army's force-on-force and force-on-target training exercises.

We offer a comprehensive range of MILES systems. They use infrared lasers to replicate the exchange and effects of weapons fire with small, lightweight components. Our lasers replicate the trajectory and ballistics of actual bullets with a high degree of precision, while our detectors record the effects. We equip soldiers, weapons, vehicles, buildings, fixed structures, and now watercraft for high fidelity training. Our live tactical engagement simulation systems are in use by more than 25 nations.

Cubic's virtual training systems provide cost-effective training for small infantry units, which play a critical role in U.S. and allied operations worldwide.

VIRTUAL TRAINING SYSTEMS

Small infantry units play a dominant role in the contemporary operational environment. In the heat of the battle, they need to quickly determine if and when to take decisive action. The success of their operations depends on sound decision making and tactical accuracy. Cubic's scenario-based small arms simulators provide the realistic training soldiers need to acquire and sustain these essential skills. From individual basic marksmanship skills to collective training, we offer a range of deployable virtual reality simulation and training systems.

IMMERSIVE TRAINING

Making our training systems more realistic, relevant, and interoperable is a top priority for us. Late last year, we introduced our first immersive training system. This year we are providing CombatREDI™ to the Florida National Guard. Our system is a stepping stone toward the virtual training environment of the future. It features a helmet mounted display, game quality graphics, and sound effects. Looking into the display, trainees quickly enter a 360-degree "virtual reality" where they face adaptive adversaries, and move through a virtual world, including buildings, as if it were real. In addition, CombatREDI works with our vehicle trainer Warrior Skills Trainer. When networked together the systems enable dismounted and vehicle crews to engage in a shared virtual environment.

EST 2000

This year we expanded our international presence. We won our largest export contract ever for our Engagement Skills Trainer (EST) 2000. Under a contract with the U.S. Army, we are exporting a customized version of EST to the Saudi Arabian National Guard. Including the new order, our systems will soon be in a total of 10 nations.

Recognizing a need to modernize its small arms training, the Saudi Arabian National Guard selected Cubic's EST 2000 virtual skills trainer. They chose it for its versatility. EST is an indoor, multipurpose, multilane, small arms training simulator. It is also deployable. That means Guardsman can receive consistent training year-round from any one of the systems to be deployed across the Eastern, Central and Western Provinces. They will also be able to select English or Arabic at system startup. With our high resolution, lifelike animated graphics, Guardsman will train for a variety of tactical tasks requiring accuracy and judgmental use of force.

Ground Combat Training Systems

Cubic's leadership in ground combat training systems expanded this year with the receipt of a contract awarded by the Italian Army for an advanced instrumented combat training center. It is our first major program in Italy. Cubic will provide and integrate fully instrumented man-worn and vehicle MILES system kits to enhance the training of Italian forces in realistic operational settings.

This program will provide the Italian Army the most advanced instrumented combat training center in Europe. It includes live and constructive simulation capabilities at five different sites, and urban warfare training instrumentation.

Air Combat Training Systems

Cubic is known worldwide as the leading provider of air combat training systems. We are the prime contractor on the single most significant contract ever awarded for air combat training. As a result, P5 Combat Training Systems are and will be the predominant training system for U.S. and allied crews well into the 21st Century. We have reinforced our leadership in this area under a direct contract with Lockheed Martin. Ultimately, we will deliver training systems for every F-35 Joint Strike Fighter in the U.S. and allied fleet.

Cubic is expanding significantly into the air test and evaluation instrumentation market.

This year we entered the air test and evaluation market. We are playing a key role on a team developing the Common Range Integrated Instrumentation System (CRIIS) for U.S. military test ranges. The CRIIS program fulfills a critical Department of Defense (DoD) requirement to provide time, space, and position information (TSPI) and system test data to support weapon system testing for a variety of platforms, including advanced aircraft, ships, helicopters, unmanned aerial vehicles, ground vehicles and dismounted soldiers. As a team partner, Cubic will be responsible for portions of the design, development, packaging and integration for the airborne, ground vehicle, and shipboard subsystems.

FISCAL YEAR 2010 SALES

- $386 million

2010 YEAR END BACKLOG

- $1.112 billion

EMPLOYEES

1,400

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 back-office 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 40 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 applications for public transit ticketing
- Third-party media fare payment applications
- 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

SALES MIX

TYPE OF WORK

Systems	54%
Services and Spares	46%

London/PRESTIGE/Oyster Card
In excess of $1.3 B since 1998

Sweden
$45 M since 2005

Modena, Italy
$4 M since 2004

San Francisco Bay Area
$271 M since 1999

Los Angeles Region
$238 M since 2002

Washington D.C./Baltimore/Virginia Region
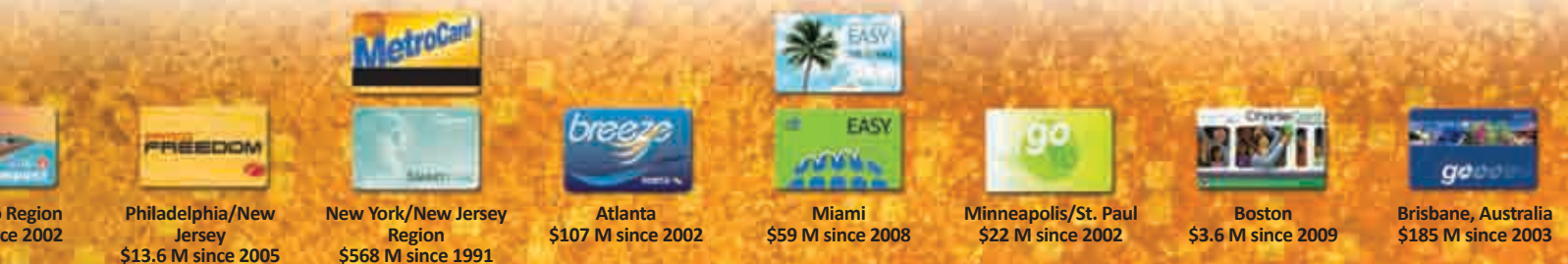$209 M since 2000

Chicago
$114 M since 1993

San Diego
$33 M sin

SERVICE AND SPARES MARKETS

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

- Atlanta, Georgia
- 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
- Ventura, California
- Washington, D.C.
- Brisbane, Australia
- London, U.K.
- Sydney, Australia
- Vancouver, B.C.

Cubic is integrating handheld devices with mobile applications to optimize field service response time and data management.

| Region ce 2002 | Philadelphia/New Jersey $13.6 M since 2005 | New York/New Jersey Region $568 M since 1991 | Atlanta $107 M since 2002 | Miami $59 M since 2008 | Minneapolis/St. Paul $22 M since 2002 | Boston $3.6 M since 2009 | Brisbane, Australia $185 M since 2003 |

Cubic is the world's leading provider of automated fare collection systems and services for public transit. Our rich heritage in this business began in the 1970's. Since then we have provided automated fare collection solutions to more than 90 transit authorities worldwide.

Cubic is the only full service provider in the industry. We design, develop, manufacture, supply, install, innovate, and support fare collection equipment and back-office 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, totaling more than $4 billion in installed systems. Our innovative fare collection solutions incorporate advanced technologies that are changing how and where passengers pay for their fares.

Cubic provides complete end-to-end services for multiple transit authorities in the San Francisco Bay Area, which is the largest regional fare collection system in the U.S.

Key Accomplishments

■ **Awarded a $341 million contract by the Public Transport Ticketing Corporation to provide Greater Sydney's Electronic Ticketing System.** Cubic will design, develop, and implement a new automated fare collection system for ferries, rail and buses, and provide managed services for 10 years.

■ **Expanded services for London's public transit system.** This year we transitioned from the PRESTIGE contract to the Future Ticketing Agreement. As the prime contractor, we will provide revenue services, ticketing information, gates, and electronics for transport ticketing and fare collection within the entire system until 2013.

■ **Awarded a $15 million follow-on contract by the South Florida Regional Transportation Authority to extend the Easy Card system.** Cubic will design, deliver, and provide services for the new Easy Card ticketing and revenue management system for regional travel in South Florida.

■ **Awarded a $10 million contract by New York City Transit to provide advance-pay fare machines for New York City buses.** On Select Bus Service routes, patrons can now use their MetroCard^{SM} to pay fares before the bus arrives. This expedites bus service and enables increased ridership. Under a contract option, additional machines may be installed on an additional route.

■ **Awarded a $10 million services contract by Washington Metropolitan Area Transit Authority to operate their SmarTrip® Regional Customer Service Center.** Cubic will provide a wide range of customer services under this 3-year contract, which includes options for 2 more years.

■ **Delivered mobile ticketing applications in Germany.** Earlier this year we expanded mobile ticketing services for the Transport Association of Karlsruhe and Rhein-Main Verkehrsverbund. Now tech savvy passengers in these regions can use their Apple iPhone to purchase single tickets, day tickets, and group day tickets.

■ **Supported the Metropolitan Transportation Commission in launching the Clipper Card^{SM} for use in the San Francisco Bay Area.** Cubic's Concord-based customer service team is now in charge of distributing the new smart card and providing comprehensive services to Bay Area transit agencies. Our team also helped to create the Clipper website, and now maintains it.

> *This year, Cubic expanded its longtime support for the Washington Metropolitan Area Transit Authority (WMATA) and is now managing and operating their SmarTrip® Regional Customer Service Center with support from our Concord, CA customer support center.*

NEW SYSTEMS

Sydney, Australia

This year we won a major contract for the new Electronic Ticketing System for Greater Sydney. This contract, in combination with our ongoing contract in Brisbane, significantly expands our presence in Australia. Now we will be equipping and providing services for automated fare collection systems in two of Australia's largest urban centers.

Ultimately, the new system will make transit more convenient across the Greater Sydney transport network. The system will be rolled out to Newcastle and the Hunter Region, as well as the Wollongong and the Illawarra, and the Blue Mountains.

Across the network, the system will simplify the payment of fares. Commuters will be able to use smart cards to "tag on" and "tag off" from validators or readers for multimodal travel between government ferries, government or private buses, and trains. The price of a journey will be automatically deducted from a smart card account when the patron "tags off" at the end of a journey.

For added convenience, commuters will be able to load value onto their transit cards online, or sign up for automatic deductions from a linked bank account or credit card. They will also be able to load cash onto their cards at retail outlets, and at machines primarily at train, ferry, and other public transport locations.

After the electronic ticketing system is installed, Cubic will operate the system for 10 years. Our services will include everything from customer website development and operation to a contact center for handling service calls 24/7. We will also support revenue management for the multiple public transport operators and agencies associated with the system, manage retail outlet services, and provide repairs and maintenance, and spares inventory.

This year, Cubic won a 14-year contract to provide systems and services for the new Electronic Ticketing System for Sydney and New South Wales.

The Public Transport Ticketing Corporation (PTTC) wanted a proven system based on best-of-breed technologies, and that is a key reason why they chose to rely on Cubic. We have successfully modernized automated fare collection systems involving multiple modes of transportation used by hundreds of millions of passengers in major cities worldwide. These cities include London, New York, Los Angeles, Atlanta, Chicago, Washington, D.C., San Francisco, and Brisbane.

South Florida

Transit agencies in South Florida are turning to Cubic to help them provide a regional public transit system. Last year we helped Miami-Dade take the first step. We designed, delivered and installed a new automated fare collection system for Miami-Dade Transit—all within 15 months of contract award. It was the first smart card system in the State of Florida. Branded as EASY Card, Miami Dade's system is now fully operational across all bus and rail services.

This year we are helping the South Florida Regional Transportation Authority (SFRTA). It is the tri-county public transit authority serving Broward, Miami-Dade, and Palm Beach counties, which is the fifth largest urban area in the nation. Ultimately we will help SFRTA, in cooperation with the three counties, to provide a unified multimodal public transit system for the region.

Under the new contract, we will provide SFRTA with a new smart card ticketing and revenue management system that is interoperable with Miami-Dade's system. We will extend Miami-Dade Transit's EASY Card for regional travel on Tri-Rail Commuter Rail, which links Palm Beach and Broward Counties with Miami-Dade County. This commuter service will be the first of three potential transit operators to join the South Florida regional system.

Tri-Rail's transactions will be handled by the Nextfare back-office system we provided for the Miami-Dade Transit system. Our Nextfare system is designed for use by multiple agencies. It integrates a business management system and passenger devices for smart card issuing, processing, and validating. Importantly, Nextfare keeps all proprietary information separate and secure, giving public transit agencies associated with the SFRTA a way to share resources and reduce costs.

Once Tri-Rail's EASY Card becomes available, both Miami Dade Transit and Tri-Rail's cards will have the ability to access each other's transit system. This interoperability will create the first multiagency regional system that is compliant with the American Public Transportation Association's Contactless Fare Media Standard. It has been adopted in public transport as the national standard.

In South Florida, Cubic is providing the first multiagency regional system that is compliant with the American Public Transportation Association's Contactless Fare Media Standard.

Services

London

Cubic's ongoing support for London's Oyster® Card system entered a new phase this year when Transport for London (TfL) transferred its ticketing operations to Cubic. The new contract is known as the Future Ticketing Agreement (FTA). It runs until 2013. Under this contract, we are providing a wide range of services that simplify the delivery of Oyster and other ticketing services. Our span of support now includes revenue services, ticketing information, gates, and electronics for transport ticketing and fare collection within the entire system.

Our enduring commitment to the success of London's Oyster card system officially began in 1998. Under the original contract, Cubic was one of two principal partners in the TranSys Consortium. We developed, installed, managed, and maintained London's automated fare collection system for Transport for London (TfL). Under the FTA, TfL and Cubic will once again work together to continue the success of Oyster, including investigating the future potential for Oyster to be extended in new ways that will further improve the convenience of public transit.

Since its 2003 debut, the system has become highly successful and massive. Oyster has revolutionized travel in London and has become one of the world's leading smart card brands. Nearly 30 million cards have been issued and there are now more than 7 million of them in regular use. This includes intermodal travel on the underground, ferries, buses, Overground trains, and all commuter National Rail services in Greater London. In addition, we integrated ITSO, the U.K.'s smart card open standard, into the Oyster Card system, which will support interoperability between London's transport systems and other major cities in the country.

> *This year Cubic expanded the scope of services we provide for London's Oyster card ticketing system.*

Providing reliable, affordable, and accessible service for the Oyster system is a demanding job. Millions of people depend on the system every day. Demands on the system are expected to peak when London hosts the 2012 Olympic and Paralympic Games.

Recognizing TfL's growing need for services, we moved the entire back-office system to Cubic's new state-of-the-art data centers. The smooth transition was a direct result of early planning and our extensive knowledge of the Oyster system gained over many years. The new infrastructure improvements will benefit all travelers in London because it will support existing and emerging technologies that will make travel easier.

Washington, D.C.

When the Washington Metropolitan Area Transit Authority (WMATA) in Washington, D.C. decided to outsource customer service for their smart card-based fare collection system, they chose Cubic. We designed and integrated WMATA's smart card system more than 10 years ago. Since then, we have been helping them to upgrade and expand their system.

Based on intimate knowledge of WMATA's fare collection system, we are now managing and operating their SmarTrip Regional Customer Service Center. Locally, we deliver and operate a smart card fulfillment center for SmarTrip card orders. We also deliver and support a merchant retail network where customers can buy and reload value on their SmarTrip cards.

We are also providing patron call center support for WMATA. For the first time, we are co-locating two U.S. patron call centers at our full service facility in Concord, CA. It supports WMATA and transit agencies in the San Francisco Bay Area. The services we remotely provide for WMATA are ideally suited for centralized support. This includes responding to phone calls or emails from patrons who need to register their smart card, receive account information, and retrieve lost passwords for online ordering. Our facility has the capacity to provide patron services for other transit agencies seeking to outsource their customer support.

Our center is staffed with customer support personnel who have experience in public transit ticketing and operations. By centralizing our services, we employ best practices learned from supporting multiple transit properties. This benefits all customers supported by our center.

New Fare Collection Technology

Advance Pay Fare Machines

On three New York City Transit (NYCT) Select Bus Service routes, MetroCard[SM] patrons can now pay fares before the bus arrives. Cubic installed new, weatherized versions of the MetroCard Express Machines to help speed boarding.

Our machines include user-friendly menus and screens, as well as a wireless network that connects to a central facility. Passengers insert their MetroCards into the devices and receive a receipt to show to an inspector on request. Cubic designed and delivered the MetroCard system to New York City Transit 17 years ago, and it remains one of the top-performing fare collection systems in the world.

Bar code readers

Many technologies are changing the way tech savvy transit patrons pay for their fares, and bar codes is one of them. We recently deployed bar code technology for Train Operating Company Chiltern Railways. Our technology will help reduce queues at ticket office windows for multiple railway stations serving London. With bar code technology, passengers can either prepurchase their travel ticket online, or by mobile phone service.

Passengers who buy their tickets in advance can bypass station ticket offices completely and head straight to the platform. This streamlines traffic in ticket halls and frees up staff for other duties. Our bar code technology works either by means of a mobile phone or paper print out.

Open payment

Third-party issued media, including bank cards, are another way our fare collection systems integrate multiple types of fare media. Our fare collection infrastructure will allow for the acceptance and account-based processing of bank or other third party issued cards and will comply with applicable standards, including banking, contactless cards, communications, and transit industry standards that are specific to geographical regions. Our focus is ensuring that open payments provide the same speed, security, and reliability of card-based fare collection.

Enabling mobile payment and bank card acceptance at the point of fare payment enhances convenience and service to transit patrons. This year we provided the first iPhone ticketing application for passengers in Rhein-Main and Karlsruhe regions of Germany. Now they can buy mobile tickets with their iPhones and check train schedules for the next departing train or where the nearest mode of public transport is departing. Cubic is currently developing the back-office system for Rhein-Main-Verkehrsverbund's contactless smartcard electronic ticketing, and will provide operational services after delivery. This contract was awarded to us in 2009 by Rhein Main Services, on behalf of the Transit Authority Rhein-Main-Verkehrsverbund.

Our fare collection systems accept multiple forms of media and payment methods, including contactless payment by bank cards, mobile devices, and bar codes.

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Listing

- New York Stock Exchange (NYSE)

Symbol

- CUB

Shareholders of Record at September 30, 2010

- 862

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American Stock Transfer and Trust Company
Brooklyn, New York

The American Stock Transfer and Trust Company may be contacted through its toll free number, web site or e-mail:

- Shareholder services (800) 937-5449

- www.amstock.com

- info@amstock.com

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- Ernst & Young LLP

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Web Site: www.cubic.com
Click on "Investor Info" for

- Corporate governance information

- Company ethics policies

- Contact information

- Annual reports

- Committee Charters

Investor Line: (858) 505-2222
E-mail: investor.relations@cubic.com

Annual Meeting

The 2011 Annual Meeting will be held in the main conference room at Cubic's headquarters.

Location

Cubic Corporation
9333 Balboa Avenue
San Diego, California 92123

Date and Time

- February 22, 2011

- 11:30 a.m. Pacific Standard Time

Shareholders of record on December 28, 2010 are being sent the required Notice & Access letter for the Annual Meeting. Cubic will furnish its 2010 Annual Report to shareholders and its annual SEC Form 10-K (excluding exhibits) without charge to shareholders upon their written request by mail or e-mail.

Reports

Cubic will furnish its 2010 Annual Report to shareholders, its annual SEC Form 10-K (excluding exhibits), and ethics policies without charge to shareholders upon their written request by mail or e-mail.

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Peer Group Constituents - See Stock Performance Graph on the inside front cover.

The defense, homeland security and space index named SPADE is made up of the following companies as of September 30, 2010:

- AAR
- AeroVironment
- Alliant Techsystems
- American Science & Engineering
- Applied Signal
- Ball Aerospace
- Boeing Co
- CACI International
- Ceradyne
- Cogent
- Computer Sciences
- Comtech Telecom
- Cubic Corporation
- Digital Globe
- Ducommun
- Elbit Systems
- EMS Technologies
- Esterline Technologies

- FLIR Systems
- Force Protection
- Gencorp/Aerojet
- General Dynamics
- GeoEye
- Goodrich
- Harris
- Herley Industries
- Honeywell International
- Integral Systems
- ITT Industries
- L1 Identity Solutions
- L-3 Communications
- Ladish
- Lockheed Martin
- Mantech International
- Mercury Computer System
- MOOG

- NCI
- Northrop Grumman
- Orbital Sciences
- Oshkosh Truck
- OSI Systems
- Precision Castparts
- Raytheon
- Rockwell Collins
- SAIC
- SRA International
- TASER International
- Teledyne Technologies
- Textron
- Triumph Group
- URS Corporation
- United Technologies
- Viasat Inc
- VSE Corporation

Trademarks

- CharlieCard™ is a trademark of Massachusetts Bay Transportation Authority

- ClipperCard℠ is a service mark of the Metropolitan Transportation Commission

- CombatRedi™ is a trademark of Cubic Defense Applications, Inc.

- FREEDOM™ is a trademark of the Port Authority Transportation Corporation

- ICADS™ is a trademark of Cubic Defense Applications, Inc.

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- Cecelia Linayao
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  Cubic Defense Applications

CUBIC REMEMBERS RAYMOND L. deKOZAN

Director Raymond L. deKozan, a former Cubic Senior Vice President, who recently retired after 50 years of service, passed away on October 15, 2010. Ray was instrumental in helping Cubic build our fare collection business, and was a trusted and longtime colleague.

With a keen intellect and a natural instinct for assessing and interacting with people, he became an extremely effective leader and tactician. Mr. deKozan was a highly respected member of the international transit community and was often referred to as the father of modern automatic fare collection.

His charismatic leadership of Cubic Transportation Systems spanned four decades. Under his watchful eye, the company grew from one small contract for Illinois Central Gulf Railroad to a worldwide leader in the industry with annual sales of nearly $400 million. Today, as a result of Ray's long-term vision for Cubic, we have clients on four continents, and showcase projects worldwide, including New York's MetroCard℠ system and the Oyster® smart card system operating on London's Underground and bus networks.

Along the way, Mr. deKozan moved office and home to whatever project needed his personal attention. These included two tours in London, as well as New York City and Hong Kong.

In 1991, following a well publicized contract pursuit for the New York program, he was named Headliner of the Year by the San Diego Press Club. After his last stint in London, Mr. deKozan returned to San Diego and was appointed a corporate senior vice president, with oversight responsibility for the transportation company. He also oversaw the company's research and development for the defense and transportation security markets.

Upon retirement in January of this year, Mr. deKozan remained a consultant to the company and advised on long-term strategy and potential acquisitions. Fittingly, on his last business trip for Cubic in June of this year, he visited his father's homeland in Armenia to review a company that Cubic had recently purchased.

Ray is mourned by his family and friends all over the world, as well as employees of Cubic Transportation Systems whom he led much of his adult life.

He was ferociously loyal to his employees who remember him as much for his disarming wit and charm, as well as his keen mind for details, and an encyclopedic recall of facts and figures.

As a tribute for their love and affection for Mr. deKozan, the Cubic Transportation Systems world headquarters on Kearny Mesa Road in San Diego will be dedicated in his honor.

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