

Innovation Full Service Program Execution
Experience Quality & Reliability Experience
Full Service Customer Focus Innovation
Program Execution Customer Focus



2004 Annual Report

Building on Core Strengths and Values

Cubic Corporation

Founded in 1951, Cubic is adhering to its plan for long-term growth through its two core business units. Positioned in markets with high demand, these unique yet technically related businesses provide high-technology systems, products and mission-essential services to national, regional and local government customers in the global defense and transportation markets.

Cubic Defense Applications

A leading training solutions, communications and mission support services provider to US, and international defense and security forces

More than 4,400 employees in 115 locations worldwide

Cubic Transportation Systems

The global leader in automatic fare collection systems

More than 1,300 employees in 34 locations worldwide

Financial Highlights and Summary of Consolidated Operations

	Years Ended September 30,				
	2004	2003	2002	2001	2000
	(amounts in thousands, except per share data)				
Results of Operations:					
Sales	\$ 722,012	\$ 634,061	\$ 559,604	\$ 501,679	\$ 531,516
Cost of sales	549,170	493,377	426,012	385,569	449,913
Selling, general and administrative expenses	107,139	87,888	85,459	76,052	76,016
Interest expense	4,658	3,659	3,538	3,601	3,729
Income taxes (benefit)	19,394	18,514	11,484	10,266	(433)
Net income	36,911	36,519	29,437	20,842	674
Average number of shares outstanding	26,720	26,720	26,720	26,720	26,720
Per Share Data:					
Net income	\$ 1.38	\$ 1.37	\$ 1.10	\$ 0.78	\$ 0.03
Cash dividends	0.16	0.14	0.13	0.13	0.13
Year-End Data:					
Shareholders' equity	\$ 298,767	\$ 255,292	\$ 213,163	\$ 190,895	\$ 176,023
Equity per share	11.18	9.55	7.98	7.14	6.59
Total assets	542,924	460,226	374,459	341,347	322,350
Long-term debt	50,037	47,142	48,571	50,000	50,000

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

Per share amounts have been adjusted retroactively to reflect a 3-for-1 stock split which occurred in April 2002.

Market and Dividend Information

Quarter:	<u>Sales Price of Common Shares</u>				<u>Dividends per Share</u>	
	2004		2003		2004	2003
	High	Low	High	Low		
First	\$30.10	\$22.17	\$19.30	\$13.73	-	-
Second	27.01	21.13	22.72	14.27	\$.07	\$.07
Third	28.39	20.52	23.05	16.54	-	-
Fourth	25.31	19.26	30.50	22.41	\$.09	\$.07



Dear Shareholders,

For the third consecutive year, Cubic reported record sales, operating income and earnings. In fiscal year 2004, we increased sales 14 percent, grew operating income 12 percent and finished the year with \$1.5 billion in backlog. This year's growth in sales came from our defense segment, with both the defense and transportation segments showing much higher operating income. We are proud of our financial performance in 2004 and especially the last four years. Looking into 2005 and beyond, our goal is to continue this trend and deliver attractive returns in both business segments.

Cubic has worked hard since its founding 53 years ago to create its competitive edge by advancing technology into applications that meet the needs of our government customers. In the 1970's we pioneered the development of air-to-air combat training. From this initial application, we evolved this into a business with a full spectrum of combat training solutions, including live, virtual and constructive. Today our defense segment is developing laser-based optical electronics to thwart the occurrence of friendly-fire, all too often a consequence of intense combat situations. We believe this could be a significant new area of potential business.

The defense segment is also advancing technology to provide high-speed and efficient tactical data links used on unmanned air vehicles, aboard ships and other military platforms. Cubic's technology is expected to play an important role in the United Kingdom's Watchkeeper program. This program is significant because it is anticipated to last over 20 years and should be an important stepping-stone to other opportunities for us in the US and abroad in this fast growing segment of military communications.

I made a recent trip to London. It was extremely gratifying to reflect upon the accomplishments Cubic has achieved by pioneering and progressively advancing the fare collection system in London from 1979 to the recent roll-out of the PRESTIGE system. Today we employ over 500 people in the United Kingdom, supporting all major transit customers in the greater London market. We are putting plans together to broaden the use of the new Oyster™ Contactless Smart Card throughout the United Kingdom in the next several years. During this trip, I also visited with existing and potential customers in Europe where we are working to expand our market presence.

Over the years, Cubic has been successful in making acquisitions in markets experiencing transformation. This year, we acquired the operations of Traf-Park, based in Montreal, Canada. The Traf-Park acquisition provides an interesting opportunity to further extend



Transportation's capability to the parking market. It's a market adjunct to our core fare collection business and one that is on the brink of new growth resulting from the advancement of intermodal fare collection systems. Transit agencies worldwide are seeking to expand the utility of contactless smart cards into on-street and off-street parking applications. While we see this as having a very minor impact in terms of sales initially, our goal is to expand this business by offering integrated parking solutions to all our mass transit customers.

"For the third consecutive year, Cubic reported record sales, operating income and earnings. We are proud of our financial performance in 2004 and especially the last four years."

This year, we were particularly proud to have provided a significant level of mission support services at the US Joint Readiness Training Center in support of Operation Iraqi Freedom. We also won new programs, which reflect growing demand for our expertise in simulating the effects of weapons of mass destruction, and training and exercise support for first responders. Cubic anticipates continued growth in this sector as the US government prepares military and civilian organizations to address and mitigate the consequences of weapons of mass destruction.

We recently appointed two new outside Directors who are highly accomplished executives in technology, finance and accounting, which will enhance the strength of our Board. Mr. Robert D. Weaver is the Chief Executive Officer of Crown Bolt, and brings more than 31 years of experience with Deloitte & Touche, where he was a senior partner. Dr. Robert S. Sullivan is the founding dean of the Rady School of Management, University of California, San Diego (UCSD), and is a leader in global business education and the application of technology to learning. I welcome both gentleman and look forward to their support and guidance.

The stage is set for Cubic to achieve continued growth during the coming year in both segments. The spirit of innovation that brought us to where we are today will serve the company well into the future, delivering value to all of our stakeholders, as we have during the past five decades.



Walter J. Zable
Chairman, President and Chief Executive Officer
December 16, 2004





Cubic Defense Applications

Building on a heritage of experience, innovation, program execution and customer focus, Cubic has demonstrated significant progress toward its vision of being the most respected, highest performing, mid-tier US defense contractor.



Cubic is advancing military transformation through live, virtual and constructive training systems, communication products, and mission support services to the US Department of Defense, federal agencies and other nations.

<p>TRAINING SYSTEMS</p>	<p><i>Under a 10-year contract, Cubic is providing the next generation air combat training system—P5 CTS—to the Navy, Marine Corps, Air Force and international customers.</i></p>		
<ul style="list-style-type: none"> • Air Combat Training Systems • Ground Combat Training Systems • Tactical Engagement Simulation • Virtual Trainer Systems • Optical Communication and Identification Systems 		<p><i>The company is a world leader in high-fidelity land combat training systems which enable troops to “train as they fight.”</i></p>	
<p>COMMUNICATIONS & ELECTRONICS</p>			<p><i>Cubic’s data links provide the high-speed, spectrally efficient communications required between warfighters.</i></p>
<ul style="list-style-type: none"> • Data Links • Receivers • Amplifiers • Avionics / Search and Rescue 			
<p>MISSION SUPPORT</p>			<p><i>Cubic is preeminent in providing leadership training and development for US forces.</i></p>
<ul style="list-style-type: none"> • Operations Support • Training and Education • Worldwide Technical Services • Information Operations • Threat Technologies • Analysis & Learning Technologies 		<p><i>Cubic is a global leader in the integration of live, virtual and constructive training at primary combat training centers in the US and at key locations worldwide.</i></p>	



Supporting the Warfighter's Mission



"Full Spectrum" Provider

Cubic offers a broad spectrum of products, systems and mission support services, and is not dependent on any one customer or platform.

In 2004, Cubic Defense Applications posted significant revenue and operating profit growth for the fourth consecutive year while further aligning its business units with national defense priorities. This year's success in part resulted from the 2002–2003 reorganization of Cubic's defense business, which streamlined reporting relationships and augmented the ability of business units to grow organically. Looking forward, Cubic's growth strategy is to diversify and expand the business base in high priority defense markets, increase scale through internal growth, partnerships and acquisitions, and continue outstanding performance on existing contracts.

Strengthening Our Competitive Position

The Company has increased focus on customer, operational and strategic priorities by closely aligning company resources with market needs. For example, Cubic's training systems business unit independently developed a mobile combat training system that enables joint forces to train wherever they are deployed—a key advantage in sustaining force readiness. These technologies were leveraged to address international opportunities and enabled Cubic to win a contract in Hungary for the first combined range instrumentation and simulation system in Eastern Europe. In addition, through the acquisition of ECC International in late 2003, Cubic strengthened its market position in the linkage of live, virtual and constructive exercises for seamless, distributed joint training. Cubic also supports joint operations as a prime mission support contractor at major combat training centers in the United States and for key allies.

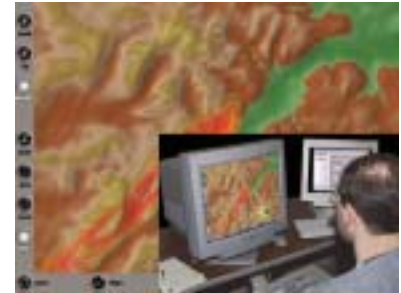
Supporting the Global War on Terror

The global war on terror continues to shape the direction of our technology and services. In response to the critical need for real-time situational awareness, Cubic is producing high performance data links for shipboard, airborne and infantry forces that connect and transmit

mission critical information among military units. This technology delivers intelligence data to commanders at data rates more than 200 times faster than normal home internet connectivity. Cubic is also providing technical support to the Defense Threat Reduction Agency (DTRA) in its mission to mitigate the threat from weapons of mass destruction.

Expansion of Task Order Contracts

A major defense market trend is the growing customer reliance on multiyear indefinite delivery/indefinite quantity (IDIQ) contracts—essentially broad task-order contracts designed to speed the procurement process. Cubic is currently performing on more than 25 IDIQ contracts as part of the Company’s portfolio of nearly 300 contracts and 40 international programs.



Addressing New Threats

Under multiple contracts, Cubic provides simulation and modeling support to the Defense Threat Reduction Agency, in addition to accident/incident and consequence management exercises.

Training Systems

Cubic develops and produces training systems that allow military and security forces to train as they fight. The company’s portfolio includes systems for air, ground, and joint military and security forces. These systems include sophisticated multimedia products for “after action review” that enable training participants to improve combat performance through lessons learned.

Leading Developer of Combat Training Centers Worldwide

Cubic leads the global market for instrumented ground combat training centers (CTC). Cubic has eight active CTC programs in the US, United Kingdom (UK), Canada, Australia, Korea and new programs in Hungary, the Far East and Middle East. This year, Cubic strengthened its position as a leading training contractor in

Mobile Training

The global war on terror has increased the need for US and allied forces to train wherever they are deployed. Cubic’s mobile combat training center provides all the functionality of an instrumented combat training center in a mobile package. It can be deployed for any force-on-force exercise, including ground, air, joint and combined arms missions.



Mobile Package



Mobile Instrumented Combat Training Center



After Action Review



the UK by winning an important urban warfare training contract called the Low Level Urban Skills Trainer (LLUST) program. As part of the LLUST program, Cubic will integrate and deliver a highly sophisticated tracking system that simulates urban combat with great precision and allows participants to measure the lethality of shooting through walls and buildings.

“Good training is the making of an army and the Area Weapons Effect Simulator (AWES) is transforming our soldiers’ approach to their tactical conduct. Working with main contractor, Cubic Defense Applications, we have been able to provide the British Army with a training facility we believe is second to none.”

*Many thanks,
Brigadier Alan Macklin
Joint Battlefield Trainers, Simulations and Synthetic Environments IPT Leader
UK Ministry of Defence
April 2004*

Anticipating Needs and Meeting Customer Expectations

Cubic has delivered a joint mobile training capability in Alaska that links Army forces at Ft. Richardson with United States Air Force (USAF) assets at Eielson Air Force Base. In Alaska, Cubic’s range systems allow aircrews and ground troops to engage in joint live training, and search and rescue training operations. This mobile training system has direct applicability to National Guard, Reserve forces and homeland security training needs.

In 2004, Cubic received a \$33.5 million award from the US Army to deploy its Engagement Skills Trainer 2000 (EST 2000). This system is used for training basic rifle marksmanship skills and is an integral element of the training curriculum for all new soldiers. Units deployed in Iraq and Afghanistan also use the system to sustain marksmanship skills. EST 2000 is adaptable to weapons used by US allies and has substantial international sales potential.

Building on extensive experience designing virtual trainers for the Army and Marine Corps, Cubic won a \$6.2 million subcontract to develop and produce a driver trainer and a turret simulator for the Marine Corps’ new amphibious Expeditionary Fighting Vehicle.



Major Program

Cubic is supplying its engagement skills trainer, EST 2000, to the US Army. The EST 2000 program is funded until 2009.

Since the 1970's, most US military pilots have trained at one of Cubic's worldwide Air Combat Maneuver Instrumentation (ACMI) ranges. Through the 10-year, \$525 million United States Air Force/ Navy P5 Combat Training System IDIQ contract, Cubic is developing advanced embedded technologies to support current and emerging air combat training requirements at 27 sites worldwide.

Under another new 10-year contract, Cubic will provide full turnkey air combat training support services and equipment for the USAF performing single-service, joint and combined forces missions in the Pacific at forward bases in Korea and Japan. This follow-on contract, worth a potential value of \$54 million, capitalizes on Cubic's incumbent position and creates a base from which to support other customers in the Asia Pacific region.

Leveraging Core Technologies

Known for its laser-based engagement simulation systems, including the highly successful MILES 2000, Cubic has steadily expanded its technology base into optical communications. In 2004, Cubic was awarded a Dynamic Optical Tags (DOTS) research and development program by the Defense Advanced Research Projects Agency (DARPA). Under this program, sponsored by the US Special Operations Command, Cubic is advancing optical communication technology from training into tactical operations. Another extension of that technology is Cubic's Optical Combat Identification System (O-CIDS). This new system is under development to protect aircraft, ground platforms and dismounted soldiers from friendly fire. O-CIDS will be compatible with vehicles, aircraft and weapons used by the US and allied forces.

Communications & Electronics

Cubic's communication products facilitate the timely and secure transfer of mission critical information among platforms in the air, on the ground and at sea. The communications and electronics business unit is positioned in three markets: command, control, communications, computers, intelligence and reconnaissance (C4ISR); military and civil communications; and search and rescue avionics.



Next Generation Air Combat Training

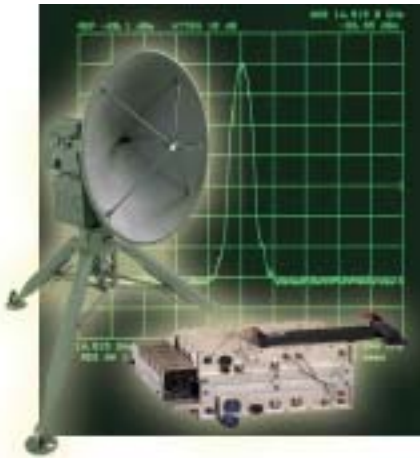
Cubic is developing advanced embedded technologies for the P5 Combat Training System program, which has attracted interest from US allies seeking to upgrade their training systems.



Advancing Optical Communications

Cubic is developing a new tagging, tracking and location capability as part of the DOTS research and development program. Potential applications include identification of assets in tactical and logistic operations.





Defense Priorities

Customer sponsored and industry partner initiatives have increased Cubic's visibility with key customers and have led to increased demand for the TCDL product line.



UK Watchkeeper Program

Watchkeeper marks the first application of Cubic's TCDL to UAVs.

Entering New Markets

Cubic has gained a distinct competitive edge in the data links market. This year, the company's Tactical Common Data Link (TCDL) made significant inroads as a result of important interoperability testing and high profile wins in the Unmanned Air Vehicle (UAV) market. During flight tests sponsored by industry partners and government agencies, Cubic's TCDL demonstrated its flexibility and reliability by working with electronically steered antenna arrays, transmissions of rocket telemetry data, and real-time video streaming for balloon-borne radar and UAV counterterrorism applications.

Through internal and customer-funded development, Cubic adapted its TCDL for the Navy's Communications Data Link (CDL) System, awarded in 2003 with production systems added in 2004. Under this 5-year contract with a total potential value of \$93 million, Cubic is designing a wideband data link that transmits signals and imagery intelligence data to aircraft carriers and other surface ships. This technology is adaptable to future classes of ships such as the US Navy Next Generation Destroyer (DDX). The tactical version of the system is suitable for airborne and ground-based platforms.

In an important win, Cubic was selected in partnership with the Thales team as the preferred supplier for tactical data links on the UK's Watchkeeper UAV program—one of the largest in the world. Cubic's technology will link ground control stations and remote video terminals, providing UK ground commanders with timely intelligence, surveillance and reconnaissance data.

Combining Technologies for New Applications

Cubic is combining its common data link technology with its CDR-4000 digital receiver to develop advanced signal intelligence packages for the Department of Defense (DoD). These technologies have growth potential for intelligence, defense and homeland security applications.

The Company's portfolio of power amplifiers, receivers and direction-finding products continues to attract numerous orders. In a

highly competitive procurement, Cubic received a contract this year to develop its first high-frequency power amplifier for use with a software-defined radio aboard a US Navy submarine. Power amplifiers are expected to constitute a growing market given the wide range of radio communications, air traffic control and electronic warfare requirements in the US and export markets.

Addressing key operational needs of the military, Cubic is combining its receivers, signal processors and amplifiers to form electronic warfare systems for electronic surveillance, as well as development of systems that counter threats from improvised explosive devices.

"The small size and weight of the Cubic TCDL was crucial in allowing the integration of the radio with multiple pointing phased array antennas located on the ground, and on fixed and rotary wing platforms."

*Ted Stanford
US Army, Aviation Applied Technology Directorate
Operational Manager for the Advanced Concept Technology Demonstration
June 22, 2004*

Mission Support

Cubic provides mission-critical training, exercise, operations and maintenance support services; modeling and simulation of weapons of mass destruction; and leadership development and professional education services to government and nongovernment customers. Cubic focuses on service markets for all US Armed Services, the joint community, US allies and the Department of Homeland Security.

Leading by Achieving Our Customer's Mission First

Cubic's mission support business commands a leadership position in the live, virtual and constructive training and exercise, education development, and operations support market segments. Outstanding performance and high customer satisfaction across the business unit led to winning a significant number of new contracts in fiscal year 2004, including repeat business from its customer base:



Supporting the Warfighter

Cubic's objective is to improve and sustain the readiness of US and allied forces to meet their full scope of demanding mission requirements.

- USJFCOM Joint Warfighting Center (JWFC)
- US Army National Simulation Center (NSC)
- US Army Combined Arms Center (CAC)
- Defense Threat Reduction Agency (DTRA)
- Department of Homeland Security (DHS)
- National Security Agency (NSA)
- Korean Battle Simulation Center (KBSC)
- US Marine Corps MAGTF Training Systems Support (MTSS)
- US Navy Antisubmarine Warfare (ASW) Command
- Battle Command Training Program (BCTP)
- National Training Center (NTC)
- Joint Readiness Training Center (JRTC)
- US Army Corps Battle Simulation Centers



Mission Rehearsal Exercises

Cubic's support services at the Joint Readiness Training Center and National Training Center experienced a high growth rate this year in response to demand for mission rehearsal exercises related to ongoing military operations in the Middle East.

Cubic has extensive experience in providing critical mission support services, including operational mission rehearsals, to US Army, Marine Corps and other services worldwide. Since demand for realistic mission training far exceeds the capacity of existing Combat Training Center (CTC) facilities, Cubic developed a concept and capability for a "turnkey" exportable CTC that facilitates high quality training at home stations or other locations anywhere in the world. Cubic's exportable CTC capability, which leverages the combined capabilities of our training systems and mission support business units, strikes an especially responsive chord with Reserve and National Guard forces and the active units charged with training those forces.

Similarly, joining the capabilities of Cubic's mission support business unit with its Simulation Systems Division, Cubic won a \$4 million contract from the US Army to establish and support a simulation training center in the Ukraine. These activities validate progress toward combining the Company's core strengths across business units and operating divisions. The Ukraine award reflects a continuation of Cubic's success in leading force modernization initiatives in seven eastern European countries and the former Soviet Union. In 2004, Cubic won new contracts from the Republic of Georgia and Lithuania, plus additional task orders from five ongoing contracts in the region.

"The Korean Battle Simulation Center (KBSC) team did a terrific job getting set for and executing the Reception, Staging, Onward Movement and Integration (RSOI) 04 exercise."

*Many thanks,
Major General George Higgins
C/J 3 for Combined Forces Command (CFC) / United States Forces Korea
30 March 2004*

Leading Role in DoD's Joint Transformation Initiatives

Beginning with development of joint vision concepts in 1997, Cubic has supported the US DoD's joint experimentation efforts since inception. This year, Cubic joined a 22-company team that received

a 4-year, \$478 million IDIQ Joint Experimentation Program (JEXP) contract from the Joint Forces Command (JFCOM)—the organization principally responsible for transforming US warfighting forces into a Joint Fighting Force. Cubic also contributes directly to training transformation in an expanding role to help develop and implement a Joint National Training Capability (JNTC) under the Company's JFCOM Joint Warfighting Center (JWFC) program. Through JEXP, JWFC and other joint programs, Cubic will continue to support concept development, transformation and experimentation activities for commands and agencies in the defense community.

Training and Education is Vital to a Strong Army

This year, Cubic won a new contract valued at \$95 million to continue providing technical support to the National Simulation Center over the next 5 years. Additionally, over a 10-year period, Cubic will receive approximately \$80 million to provide training services to the US Army through a new contract to support the Battle Command Training Program (BCTP). Earlier this year, the Combined Arms Center (CAC) awarded Cubic an important contract to provide 360 degree assessment and leadership coaching to Army leaders at multiple combat training centers and other locations worldwide. The CAC also awarded Cubic a new contract to support the Command and General Staff College in development and implementation of distance learning technologies and techniques, including web-based training, computer-based training, and other interactive multimedia training and professional military education applications.

Growing in High Priority Markets

Cubic's expertise in the effects of weapons of mass destruction (WMD), consequence management, training and exercises, weapons effects software development, and simulation and modeling of WMD are in high demand. This year Cubic displaced a long-term incumbent competitor and won a multiyear \$43 million contract from the Defense Threat Reduction Agency (DTRA) to plan, develop and execute national and worldwide exercises related to chemical, biological, radiological, nuclear and high-yield explosives (CBRNE) events. This contract was in addition to last year's \$1.26 billion, 5-year IDIQ contract that DTRA awarded to Cubic and four competitors. Through Cubic's new IDIQ contract, it won important new programs, including tasking to implement and support DTRA's new Battle Laboratory in Cubic's Kingstowne, Virginia facility; provide support to the Defense Nuclear Warfare School in Albuquerque; and to represent DTRA at JFCOM for Transformation, Joint Concept Development and Experimentation.



Excellent Reputation

Cubic has built a strong position in training services through several important contracts at Fort Leavenworth, Kansas—home to the Army's Combined Arms Center, the National Simulation Center and Battle Command Training Program.



Key Business Opportunity

Cubic anticipates continued growth in its Threat Technologies Division as the US and its allies continue to prepare military and civilian organizations around the world to address and mitigate the consequences of potential CBRNE attacks.



Cubic Transportation Systems

Cubic is the leading global systems and service provider of intermodal, regional fare collection systems. Cubic delivers complete end-to-end solutions that help make public transportation services safe, reliable and easy to use. Cubic's vision is to create fully integrated, smart, regional ticketing systems with extended capability beyond fare collection.



Building on a 30-year reputation for customer focus, full service, experience, quality, reliability and innovation, Cubic is leading the progression of technology in automated fare collection systems and services.

<p>INTEGRATED FARE COLLECTION SYSTEMS</p>	<p><i>Through 2015, under the PRESTIGE contract, Cubic is providing and maintaining fare collection systems in London—the hub of the largest and most complex transport system in the world.</i></p>		
<ul style="list-style-type: none"> • Fare Payment • Access Control • Revenue Control • Card Distribution / Vending • Data Communications • Information Management • Systems Integration 			
<p>CUSTOMER SERVICES</p>			<p><i>Over three quarters of transit operators in the US rely upon Cubic's equipment, products and services.</i></p>
<ul style="list-style-type: none"> • 24 / 7 Call Center • System Maintenance • Extended Warranty Programs • Communications Network Management 			
<p>CARD & COMMERCIAL SERVICES</p>			
<ul style="list-style-type: none"> • Central System Hosting & Operations • Financial Clearing & Settlement • Card Fulfillment • Card Distribution • Card Marketing 		<p><i>Cubic is making public transit more convenient by linking smart card fare collection systems to third party products and services.</i></p>	



Advancing Automated Fare Collection



Full-Service Provider
Cubic is the leading global systems and service provider of intermodal, regional fare collection systems.

Cubic Transportation Systems, a full-service provider of fare collection systems and services, views the scope of its transportation business well beyond the boundaries of traditional fare collection. This expanded viewpoint has opened the opportunity for Cubic to pursue all aspects of this billion dollar market.

Strengthening Our Position

During 2004, the Company further strengthened its position as the global leader in end-to-end automated fare collection systems with several strategic contract awards and achievement of milestones on key programs.

Enabling regional interoperability in the Bay Area, Cubic received a \$7 million contract from the San Francisco Bay Area Rapid Transit District (BART) to provide technology that will link BART to the regional mass transit smart card ticketing plan. Since the original contract award in 1999, Cubic has delivered a total of \$64 million in products and services to BART. By incorporating open standards and a modular architecture into its solutions, Cubic provides a system that ensures regional interoperability with all ticketing technologies that can be deployed in the BART system now or in the future, including the existing BART ticket or a regional smart card. Of notable mention, BART was named the number one large transit system in North America by the American Public Transportation Association (APTA) and received the “Outstanding Achievement” award for demonstrated achievement in efficiency and effectiveness.

“By working closely with Cubic, we have dramatically increased the availability of the fare collection system, and provided a world-class service to the Bay Area and its patrons.”

Gary LaBonte,
BART Executive Manager
May 12, 2004

Recognizing the need to improve customer service and reduce fare evasion, the Metropolitan Atlanta Rapid Transit Authority (MARTA) awarded Cubic a \$72.5 million contract for the design, build and delivery of a new smart card-only multimodal fare collection and revenue management system. MARTA's new multi-application system will make it fast, easy, and convenient for daily commuters and occasional public transit users and tourists alike, to travel seamlessly throughout Atlanta using one common smart card to pay for rail, bus, L-van (paratransit) fares, and park-and-ride fees. In the future, the card potentially could be used for event ticketing, retail purchases, security access and more. This fare collection modernization contract, including options, could reach \$104 million.

In addition to these key contracts, Cubic reinforced its market position with the opening of its China headquarters in Beijing this year. Cubic has successfully installed systems and equipment in Guangzhou, Shanghai, the Hong Kong Mass Transit Railway (MTR), the Singapore MTR, Bangkok's Skytrain and the Kuala Lumpur Light Rail Transit. The establishment of a new subsidiary in China formalizes the Company's commitment to the manufacture and supply of automatic fare collection systems and equipment to railway operators in the world's fastest developing market.

Delivering on Commitments

Throughout 2004, the Company achieved key program milestones in the delivery of many new systems worldwide. In the United Kingdom (UK), Cubic completed the first installation of its next-generation, advanced electronic fare system on the popular Glasgow-Edinburgh route of ScotRail Railways Ltd., the rail operator that provides nearly 95 percent of passenger train services in Scotland.



Convenient Options

Cubic is providing MARTA's regional fare collection system, "Breeze." The new system gives commuters the option to prepay rides through credit-debit payment, Internet-based ticketing, Autoload (the ability to automatically load value onto a smart card) and subsidized transit benefits.



Award Winning System

BART cited its improved customer satisfaction ratings resulting from new Cubic fare gates and ticket vending machines, as well as other major upgrades in the agency's renovation program as key factors in being chosen the number one large transit system in North America.



Intermodal, Regional Fare Systems
Cubic is piloting bus and rail ticketing systems in San Diego and Los Angeles, making a regional fare system possible.



Long-Term Operations & Maintenance
Upon final delivery of South East Queensland's first multimodal smart card ticketing system, Cubic will provide operations, maintenance and other services for 10 years followed by a 5-year option.

In the United States, Cubic began roll out of three new regional smart card systems using its platform-based equipment and back-office central system. After successfully completing a pilot, operators in Minneapolis/St. Paul started revenue service of the nation's first "smart" regional ticketing system for light rail, bus, and bus rapid transit. This contract, as a result of successful operation, is expected to grow significantly. San Diego and Los Angeles will follow similar deployment schedules. Both programs completed final design reviews and began their pilots for both bus and rail. The conceptual design was completed for the greater Los Angeles regional central computer system, which will facilitate regional interoperability of the Los Angeles Metro with the neighboring municipal operators in one integrated system. Since 2002, Cubic has received \$100 million in contract awards from the Los Angeles Metro and \$26 million from the San Diego Metropolitan Transit Development Board and the North County Transit District. With the delivery of Cubic's open systems to both the Los Angeles and San Diego regions, the goal for an integrated Southern California system is possible.

Modernizing fare collection in Brisbane, Australia, Cubic is completing the final design of a regional multimodal smart card ticketing system that will link most urban rail, bus and ferry services in South East Queensland (SEQ). Cubic was awarded this \$95 million contract in 2003. The pilot system will begin revenue service in mid 2005 and project completion is planned for 2006. Cubic is also responsible for the development and exploitation of third party revenue opportunities based on the SEQ transit smart card.

Earning Long-Term Business

Continuing nearly 30 years of service to the Washington Metropolitan Area Transit Authority (WMATA), Cubic completed the extension of its SmarTrip® fare collection system to link rail, Metro parking lots and buses. This expansion is part of a larger initiative where Cubic is deploying an extensive network of back-office systems software and equipment that will integrate multiple transit services

across 17 public transportation agencies in the District of Columbia, the State of Maryland and parts of Virginia. Washington’s regional smart card initiative has resulted in \$135 million in contracts being awarded to Cubic since 1997. Due to the successful rollout of the SmarTrip®, sales have increased over 70 percent from last year. There are now more than 650,000 SmarTrip® cards in circulation.



One Card—Multiple Transit Options

Cubic’s smart card system is installed on approximately 1,600 WMATA buses, linking the Metrobus system to the Metrorail and parking lots with the same smart card—SmarTrip®.

As Transport for London’s (TfL) automated fare collection system provider since 1979, Cubic has supported the advancement of this city’s transportation system. In 1998, Cubic and Electronic Data Systems (EDS) Corporation, under a joint venture called TranSys, were awarded the PRESTIGE contract for the London Transport fare collection system, which includes the design, build, operations and maintenance of the system. Cubic provides and maintains the entire system while EDS supplies operating services. This contract is worth an estimated \$1.75 billion over a 17-year period, making it the largest automated fare collection contract ever awarded. In 2003, TfL launched the new Oyster™ Card ticketing system. The system allows public transport users to prepay for tickets either online or at tube stations, major rail ticket offices, or London Travel Information Centres and seamlessly ride on the London Underground, the city’s buses, and the trains serving London—using a single smart card. With over 2 million cards already issued, the Oyster™ card system is delivering faster passage through gates and onto buses, reducing queues at ticket offices, and helping to reduce fare evasion in a travel system that serves nearly six million users per day. In 2004, TfL was honored with the “Modernizing Government” award for its PRESTIGE public transport automated fare collection system and the Oyster™ card. This award recognizes the project that contributed the most innovative information and communications technology to improve government efficiency and modernize services. Cubic will be supporting TfL in expanding and enhancing PRESTIGE/Oyster™ over the next 11 years on an exclusive basis. Many Train Operating



World Class Performance

Transport for London was honored with the “Modernizing Government” award for its PRESTIGE public transport automated fare collection system and Oyster™ card, supplied by Cubic.



Company (TOC) stations are currently PRESTIGE compatible, and of particular near term significance is the extension of PRESTIGE to additional TOC stations. This will be a significant step in achieving Cubic's goal of providing a truly national system throughout the UK.

Multimodal Fare System

With Cubic's integrated fare collection system, transit passengers in London can ride the city's underground, buses and trains using one smart card—the Oyster™ card.



Meeting the Evolving Needs of Customers

Cubic has established a strong global customer base with over 400 fare collection projects, producing substantial recurring revenue streams. Cubic continues to support these customers with further regional integration, system expansion, technical enhancements, and an array of services to maximize system availability. Cubic's international transit customer base includes:

- Atlanta
- Australia
- Canada
- Chicago
- China
- France
- Germany
- Hong Kong
- Houston
- Italy
- United Kingdom
- Los Angeles
- Mexico
- Minneapolis / St. Paul
- New York / New Jersey
- Puerto Rico
- San Diego
- San Francisco
- Scandinavia
- Singapore
- South Florida
- Thailand
- Washington, DC / Baltimore / Virginia

Throughout the New York–New Jersey region, Cubic's open-system technology is building the foundation for an integrated regional public transportation system. This year marked the 100th

anniversary of the New York City transit system. Since its introduction in 1993, the Cubic-designed MetroCardSM system, used daily by millions of transit patrons on the city's subway and bus systems, has increased ridership to record levels and revolutionized fare payment through fare discounts and seamless integration between transportation modes. As New York City's systems and service provider, Cubic continues to support the successful MetroCardSM system to ensure system availability. Other significant accomplishments in the region included the successful roll out of the JFK International AirTrainTM light rail fare collection system and the Port Authority Trans Hudson's (PATH) opening of the new World Trade Center Station. Cubic was awarded a \$37 million contract for PATH in 2003. In further support of regional interoperability, Cubic implemented the Port Authority of New York and New Jersey's Regional Interoperability Specification, which is expected to be the card format standard adopted by APTA. Its ultimate goal is for all US transportation agencies to have interoperable, regional smart card systems.

Designing Open Systems

Cubic is a systems company. While the Company is a pioneer in ticketing technology and is known for making good, reliable equipment, none of it works without good software, good security, a good network and a good back-office system to tie it all together. Cubic's systems integration expertise, developed with 30 years experience in fare collection, allows the Company to deliver fully integrated multi-modal, multi-operator, and multi-application systems. Cubic designs open systems that comply with international standards and use industry common platforms, design tools and commercial-off-the-shelf software. Cubic is actively involved in standards initiatives globally. The Company has taken an open platform approach with its software and equipment to maximize reuse across multiple programs, minimizing risk and development costs.

Cubic's integrated software solutions meet all financial collection, clearing and settlement needs. NextfareTM provides the core central computing functionality, including system configuration, fare management, system monitoring, asset management, fraud analysis and a comprehensive suite of reports. It also offers value-added modules for automated multi-operator clearing and settlement, and innovative customer service features such as Internet ticketing and Autoload. Autoload is a feature that allows riders to load value onto their smart cards from a computer, phone, or handheld personal digital assistant—without ever waiting in line to do so. Other value options include prepaid transit benefits linked with employer or government subsidies and loyalty programs, which initiate rewards for frequent transit riders.



Future Capability—Today

Using Cubic's multi-ticketing gating system, PATH commuters can now use both the popular MetroCardSM and QuickCard. In the future, transit passengers will be able to use smart cards.



End-to-End Open Solutions Driven by Software Expertise

Cubic's state-of-the-art back-office software solution, the NextfareTM Central System, was installed, piloted and put into revenue service in 2004 and will continue roll out to all new programs.



The flexibility in configuration and scale ensures the Company's customers a system capable of expansion to support new requirements and growth of additional operators over time. The modular design also allows the system to evolve so customers can take advantage of continuous improvements and new offerings, including emerging technologies, e-commerce and other transit-related applications.

Extending Capability

As the Nextfare™ Central System links multiple operators, transit modes and applications in a fully integrated regional ticketing system, new levels of system support and services are required. In 2004, Cubic announced the expansion of its Card Services Group to pursue new commercial opportunities, and provide administrative and management services. The group will help transit agencies leverage their smart card-based fare collection systems by linking them with other transportation-related and third-party products and services such as parking, tolls, taxis, event ticketing, concessions, retail and security access control. In addition to standard maintenance services, Cubic now offers an array of Managed Services, including physically operating and maintaining the Nextfare™ Central System and communications network. Cubic also provides outsourced services for other functions that are intertwined with the back-office system, including technical help desk, customer call center, card production, card distribution, financial clearing and settlement, and multi-application support.



Entry into the Parking Market

In further support of its vision and strategy to create fully integrated regional ticketing systems with extended capabilities, Cubic acquired Traf-Park Inc. of Quebec, Canada, a provider of automated parking systems.

In further support of its vision and strategy to create fully integrated regional ticketing systems with extended capabilities beyond fare collection, Cubic acquired Traf-Park Inc. of Quebec, Canada, a provider of automated parking systems. The group will focus on leveraging Cubic's smart card systems technology for additional commuter service applications to increase the utility of transit patrons' smart cards starting with parking. Traf-Park's current customer base includes mass transit operators, universities, hospitals, parking operators, museums, airports, hotels and exhibition centers.