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Dear Shareholders,

Fiscal 2010 was a year of profitable growth for CSP. We grew total sales 14% from fiscal 2009 to \$95 million, driven by improved top-line results in both of our business segments – Systems as well as Service and Systems Integration. Our net income for the year was \$914,000, or \$0.25 per diluted share. This compares with a net loss for fiscal 2009 of \$3.8 million, or \$1.05 per share, which included a \$3.9 million impairment charge for goodwill as required under Statement of Financial Accounting Standards 142.

CSP's Systems segment performed well in fiscal 2010. Sales were up 4% from the prior year, primarily reflecting a follow-on order for FastCluster MultiComputer systems and related services as part of our contract with Raytheon. The Systems business contributed even more significantly to our bottom line. Systems gross margin improved by approximately 800 basis points from fiscal 2009, as a result of high-margin royalty payments from Lockheed Martin related to the Low Rate Initial Production (LRIP) Phase of the E2D Advanced Hawkeye intelligence, surveillance and reconnaissance aircraft. We provide advanced radar processing capabilities for this platform.

Fiscal 2010 was a year of continued technology investments designed to position our Systems segment to capitalize on future opportunities in intelligence, surveillance and reconnaissance, which we believe continues to be an important U.S. military priority. This investment resulted in two recent product launches. First, we introduced a new FastCluster 3000 SERIES OpenVPX architecture that defines system-level interoperability for environments with multiple vendors, modes and systems. This reduces the need for customization and testing, lowering the overall cost and risk to our customers.

We also launched FastCluster 4000 SERIES AdvancedTCA products that meet the most critical environmental requirements for high-performance embedded computing applications on large manned and unmanned mobile platforms on land, air and sea. ATCA provides built-in high reliability features and other capabilities that are ideal for the U.S. military's network-centric warfare initiative. The 4000 SERIES gives CSP an entry-level product for the first time, which we plan to leverage in an effort to broaden our base of customers focused on intelligence, surveillance and reconnaissance.

Our Service and Systems Integration segment, which includes our MODCOMP subsidiary, produced solid results in fiscal 2010. Our long-term strategy in this segment is to enhance profitability by attracting a greater percentage of higher-margin consulting, as well as solutions and managed services business. Our Germany subsidiary and our U.S. Systems and Solutions division both made progress on this strategy, capitalizing on CSP's technical expertise as well as an improved IT demand environment. We achieved sales growth of 15% in the Service and Systems Integration segment from fiscal 2009. Gross margin, meanwhile, declined approximately 100 basis points as a result of higher volume from low margin hardware sales, as well as the impact of a settlement agreement from a vendor pricing dispute.

President's Letter continued

Our U.S. sales growth in fiscal 2010 was primarily driven by services to a hosting company that provides outsourcing of computer infrastructure, storage and communications resources. We also were successful in attracting other unified communications and consulting services projects. We have established a strong base of sales professionals in the U.S. and have recently reorganized the sales team into pre- and post-sales to enhance sales effectiveness and better track and increase utilization.

The rise in sales at MODCOMP in fiscal 2010 was primarily due to business with a large web hosting company as well as other major customers through our partnership with California-based nCircle, which provides automated IT security and compliance auditing solutions. nCircle was selected to provide the infrastructure platform for MODCOMP's managed services offering, in addition to our reselling nCircle's on-premise solutions to MODCOMP customers in Germany.

One result of this exciting partnership was a strategic account win with Vodaphone, one of the world's largest mobile telecommunications network companies. Our expertise in security, combined with our ability to quickly staff up to meet changing customer needs, provides an excellent solution for companies like Vodaphone.

Looking forward, we are encouraged by the underlying market trends we see on both sides of our business. That said, we expect that reduced sales volume from the largest customer in our Service and Systems Integration segment will result in a year-over-year decline in CSP's total revenue for fiscal 2011. Having recently acquired one of MODCOMP's largest competitors, this customer also expects diminished business with a customer of its own that has been creating significant demand for CSP's products.

On the positive side, our Service and Systems Integration business added two other very large customers in addition to Vodaphone in fiscal 2010 through our partnership with nCircle. These new customers should continue to grow in fiscal 2011 and we expect this partnership to result in additional high-margin consulting work in the year ahead. Our Systems business, meanwhile, is positioned to benefit from supporting the next LRIP phases of the E2D program and, with our newly announced products, to capitalize on emerging opportunities related to ISR and network-centric warfare.

We will maintain our conservative stance, operationally and financially, in fiscal 2011, tightly managing our expenses and focusing on efficient working capital management with the goal of driving long-term profitable growth. In our Service and Systems Integration segment, we will continue to focus on attracting a greater percentage of higher-margin consulting, solutions and managed services business. In addition, due largely to continued high-margin Systems royalty revenue in the coming quarters, we expect CSP to be profitable for the full 2011 fiscal year.

I speak for the entire CSP team in thanking our suppliers and customers and you, our shareholders, for the support you continued to provide us in fiscal 2010. This was a solid year for CSP, and we look forward to reporting on our accomplishments in the coming 12 months.

Sincerely,



Alexander R. Lupinetti
Chairman, President, and CEO
December 2010