

Company Profile

To meet the diverse requirements of its industrial, commercial, scientific and defense customers worldwide, CSPI and its subsidiaries develop and market cutting-edge integration solutions for complex IT environments and high-performance cluster computer systems for military applications.

MODCOMP, Inc.

The Company's Modcomp, Inc. subsidiary is a leading provider of cutting-edge solutions and services for complex IT environments. Modcomp provides storage and servers, network security, unified communications, and consulting and managed services, and has offices in the U.S., U.K. and Germany.

CSP Inc., MultiComputer Division

The MultiComputer Division designs and builds high-performance cluster computing systems for the defense market. These systems are dense and rugged with powerful real-time I/O and require minimum physical space or power. These systems are used on land, airborne and ship-board platforms for high speed digital signal processing in radar, sonar and surveillance applications.

Strategy

CSP Inc. has a five point strategy to grow the company:

- 1) provide cutting-edge IT integration solutions for complex IT environments
- 2) develop architecturally superior high performance cluster computer systems based on open systems technologies for military applications
- 3) leverage core competencies to extend key technologies to new growth markets like unified communications and managed services
- 4) provide pipeline of innovative products and services to maintain strong relationships with customers
- 5) seek additional opportunities for growth through acquisitions and strategic partnerships

Highlights

Fourth Quarter and Fiscal Year 2009 Financial Results

December 14, 2009 - For the fourth quarter of fiscal 2009, CSP Inc. reported total sales of \$18.1 million, which were essentially flat with the fourth quarter of fiscal 2008. The GAAP net loss for the fourth quarter of fiscal 2009 was \$3.6 million, or \$1.02 per share, compared with a net loss of \$328,000, or \$0.09 per share, in the fourth quarter of fiscal 2008. The net loss for the fourth quarter of fiscal 2009 included an impairment charge for goodwill of \$3.9 million. As a result of market and industry volatility, changes in projected forecast and the decrease in the Company's market capitalization, CSP was required under the Financial Accounting Board Accounting Standard Codification 350 Intangibles -Goodwill and Other Intangible Assets, to perform a goodwill impairment analysis and wrote off a total of \$3.9 million in goodwill during the fourth quarter of fiscal 2009. Excluding the goodwill impairment charge, non-GAAP net loss for the fourth quarter of fiscal 2009 would have been \$139,000 or \$0.04 per share.

For the full year fiscal 2009, CSP Inc. reported total sales of \$83.4 million compared with \$76.8 million in fiscal 2008. The net loss for the fiscal 2009 was \$3.8 million, or \$1.05 per share, compared with a net loss of \$407,000, or \$0.11 per share, for fiscal 2008. Excluding the goodwill impairment charge recorded in the fourth quarter of 2009, non-GAAP net loss for fiscal 2009 would have been \$321,000, or \$0.09 per share.

CSP Inc. Provides Lockheed Martin With Rugged Cluster Computer Systems To Support U.S. Navy Aegis Combat System

July 07, 2009 - CSPI MultiComputer Division announced that it has provided Lockheed Martin's Surface/Sea-based Missile Defense Systems business with additional FastCluster systems valued at \$1.6 million. The clustered computer systems will support the deployment of a Radar Scene Generation program, which will provide a new test and evaluation resource for the Aegis Combat System at the U.S. Navy's Combat System Engineering Development Site in Moorestown, N.J.

CSP's Modcomp Subsidiary Achieves Cisco Powered Designation for Managed Unified Communications & Managed Security Services

May 8, 2009 - CSP, Inc. announced today its Modcomp subsidiary has achieved a Cisco Powered designation.

"We are delighted to work with Cisco to achieve a Cisco Powered designation and become a member of Cisco's Managed Services Channel Program, which will allow us to work with Cisco and our customers on a global basis" said CSP Chairman, CEO and President Alexander Lupinetti. Our relationship with Cisco enables us to continue to grow and scale our Managed Services business in a repeatable and predictable fashion worldwide, allowing better and more consistent results for our customers."

A Cisco Powered designation recognizes a solution provider's investment in the tools and processes necessary to provide high-quality network-based managed services. It not only acknowledges that the managed service provider has invested in industry-leading Cisco solutions, but also entitles the solution provider to take advantage of Cisco resources to envision, build, market and sell its managed services, contributing to market acceptance and adoption.



Financial Highlights

(Amounts in thousands, except per share data)

Selected Four Year Financial Data

Fiscal Year:	2009	2008	2007	2006	2005
Sales	\$83,357	\$76,782	\$94,038	\$68,937	\$57,490
Net income (loss)	(\$3,783)	(\$407)	\$4,049	\$1,975	\$753
Net income (loss) per share-diluted	(\$1.05)	(\$0.11)	\$1.03	\$0.52	\$0.20
Weighted average number of shares outstanding-diluted	3,594	3,783	3,933	3,805	3,822

Selected Quarterly Financial Data

Quarter Ended:	9/30/09	6/30/09	3/31/09	12/31/08
Sales	\$18,120	\$18,671	\$22,506	\$24,060
Net income (loss)	(\$3,601)	(\$752)	\$212	\$358
Net income (loss) per share-diluted	(\$1.02)	(\$0.21)	\$0.06	\$0.09
Weighted average number of shares outstanding-diluted	3,519	3,531	3,616	3,766

Selected Quarterly Balance Sheet Data

Quarter Ended:	9/30/09	6/30/09	3/31/09	12/31/08
Assets,				
Current Assets	\$35,866	\$35,766	\$37,229	\$36,576
Property, equipment improvements, net	832	880	926	964
Other assets	<u>3,788</u>	<u>7,735</u>	<u>7,730</u>	<u>7,713</u>
Total assets	<u>\$40,486</u>	<u>\$44,381</u>	<u>\$45,885</u>	<u>\$45,253</u>
Liabilities & Shareholders' Equity				
Total current liabilities	13,157	13,237	14,971	13,718
Other liabilities	8,634	8,210	7,834	7,942
Shareholders' equity	<u>18,695</u>	<u>22,934</u>	<u>23,080</u>	<u>23,593</u>
Total liabilities and shareholders' equity	<u>\$40,486</u>	<u>\$44,381</u>	<u>\$45,885</u>	<u>\$45,253</u>

Stock Information

NASDAQ symbol:	CSPI
Shareholders' equity (9/30/09):	\$18.7 million
Shares outstanding (9/30/09):	3.54 million
FY '09 52 week high / low:	\$5.27/\$1.51
Stock price (09/30/09):	\$3.63

Management

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