

## 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 six 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 "value added" cluster systems.
- 4) Attract a greater percentage of higher margin consulting, solutions and managed services business.
- 5) Provide pipeline of innovative products and services to maintain strong customer relationships.
- 6) Seek additional opportunities for growth through acquisitions and strategic partners.

## Highlights

### Fourth Quarter and Fiscal Year 2010 Financial Results

December 14, 2010 - For the fourth quarter of fiscal 2010, total sales increased 32% to \$23.9 million from \$18.1 million in the fourth quarter of fiscal 2009. Gross profit for the fourth quarter increased 32% to \$4.5 million as a result of higher sales volumes. Overall gross profit margin was flat compared with the year-ago period at 18%. The net profit for the fourth quarter of fiscal 2010 was \$46,000, or \$0.01 per share, compared with a net loss of \$3.6 million, or \$1.02 per share, in the fourth quarter of fiscal 2009. The net loss for the fourth quarter of fiscal 2009 included a \$3.9 million non-cash goodwill impairment charge.

For full year fiscal 2010, sales increased 14% to \$95 million from \$83.4 million in fiscal 2009. Net income for fiscal 2010 was \$914,000, or \$0.26 per diluted share, compared with a net loss of \$3.8 million, or \$1.05 per share, for fiscal 2009.

The Company's cash and short-term investments decreased by approximately \$3.4 million to \$15.5 million at September 30, 2010 compared with \$18.9 million for the fiscal year ended September 30, 2009. The decrease was primarily due to an increase in accounts receivables in line with higher year-over-year sales volume, as well as the effect of foreign exchange, and purchases of property, equipment and improvement. In addition, CSP purchased approximately \$400,000 of common stock during the year. CSP's cash position may vary significantly from quarter to quarter due to the high working capital requirements needed to fund large projects at both its Systems and its Services and Systems Integration segments.

### CSP's Modcomp Announces Partnership with nCircle

May 6, 2010 - CSP, Inc. today announced that its MODCOMP subsidiary in Germany has signed a reseller agreement with San Francisco, California-based nCircle, the leading provider of automated IT security and compliance auditing solutions. MODCOMP has selected nCircle to provide the infrastructure platform for its managed services offering in addition to reselling nCircle on-premise solutions to customers in Germany

"Our new channel partnership with nCircle is another milestone in our strategy to increase sales of higher-margin consulting and managed services offerings by establishing channel partnerships with companies offering best-of-breed IT systems, software and services" said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti. "This partnership will allow MODCOMP and nCircle to deliver world-class security and compliance solutions, including support for web applications, databases, operating systems and network devices in a single system. Customers will be able to maintain compliance while mitigating risk by gaining direct, actionable visibility into real threats."



## *Financial Highlights*

(Amounts in thousands, except per share data)

### Selected Five Year Financial Data

<b>Fiscal Year:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Sales	\$95,018	\$83,357	\$76,782	\$94,038	\$68,937
Net income (loss)	\$914	(\$3,783)	(\$407)	\$4,049	\$1,975
Net income (loss) per share-diluted	\$0.25	(\$1.05)	(\$0.11)	\$1.03	\$0.52
Weighted average number of shares outstanding-diluted	3,567	3,577	3,783	3,933	3,805

### Selected Quarterly Financial Data

<b>Quarter Ended:</b>	<b>9/30/10</b>	<b>6/30/10</b>	<b>3/31/10</b>	<b>12/31/09</b>
Sales	\$23,868	\$28,568	\$23,921	\$18,661
Net income (loss)	\$46	\$621	\$989	(\$742)
Net income (loss) per share-diluted	\$0.01	\$0.17	\$0.28	(\$0.21)
Weighted average number of shares outstanding-diluted	3,549	3,574	3,581	3,536

### Selected Quarterly Balance Sheet Data

<b>Quarter Ended:</b>	<b>9/30/10</b>	<b>6/30/10</b>	<b>3/31/10</b>	<b>12/31/09</b>
<b><u>Assets,</u></b>				
Current Assets	\$35,951	\$39,988	\$37,169	\$36,477
Property, equipment improvements, net	873	738	763	775
Other assets	<u>4,555</u>	<u>3,829</u>	<u>3,810</u>	<u>3,848</u>
Total assets	<u>\$41,379</u>	<u>\$44,555</u>	<u>\$41,742</u>	<u>\$41,100</u>
<b><u>Liabilities &amp; Shareholders' Equity</u></b>				
Total current liabilities	13,948	17,684	14,654	14,449
Other liabilities	8,952	7,804	8,374	8,641
Shareholders' equity	<u>18,479</u>	<u>19,067</u>	<u>18,714</u>	<u>18,010</u>
Total liabilities and shareholders' equity	<u>\$41,379</u>	<u>\$44,555</u>	<u>\$41,742</u>	<u>\$41,100</u>

## *Stock Information*

NASDAQ symbol:	CSPI
Shareholders' equity (9/30/10):	\$18.5 million
Shares outstanding (9/30/10):	3.52 million
FY '10 52 week high / low:	\$4.70/\$3.20
Stock price (09/30/10):	\$4.30

## *Management*

### **Alexander R. Lupinetti**

*Chairman of the Board, President and Chief Executive Officer*

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### **Gary W. Levine**

*Chief Financial Officer*

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## *Offices*

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