

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 IT solutions and integration services for complex IT environments. Modcomp provides storage systems, network security, and ILM consulting services along with best-of-breed hardware and software from leading edge suppliers 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 shipboard 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) develop architecturally superior high performance cluster computer systems based on open systems technologies for military applications
- 2) provide cutting-edge IT integration solutions for complex IT environments
- 3) leverage core competencies to extend key technologies to new growth markets like hybrid computing and ILM services
- 4) provide pipeline of innovative products to maintain strong relationships with customers
- 5) seek additional opportunities for growth through acquisitions and strategic partnerships

Highlights

Fourth-Quarter and Year-End Fiscal 2007 Financial Results

Full-Year Net Income Increases 105% on 36% Revenue Growth

December 10, 2007 - For the fourth quarter of fiscal 2007, CSP Inc. sales increased 60% to \$28.1 million from \$17.6 million in the fourth quarter of fiscal 2006. Net income for the fourth quarter of fiscal 2007 was \$1.9 million, or \$0.49 per diluted share, compared with net income of \$1.5 million, or \$0.40 per diluted share, in the fourth quarter of fiscal 2006. Net income in the fourth quarter of fiscal 2007 includes a tax provision of \$1.5 million compared with a benefit of \$1.4 million in the year ago quarter.

For full year fiscal 2007, CSP Inc. sales increased 36% to \$94.0 million from \$68.9 million in fiscal 2006. Net income for the full year grew 105% to \$4.0 million, or \$1.03 per diluted share, from net income of \$2.0 million, or \$0.52 per diluted share, for fiscal 2006.

"Our excellent performance in the fourth quarter capped a year of record financial results," stated Alexander R. Lupinetti, CSP chairman and chief executive officer. "We reported strong revenue growth across the board in the fourth quarter, as we have throughout the year. This growth contributed to a year-over-year increase in operating income to \$3.2 million in the fourth quarter from \$28,000 a year earlier. Full-year operating income grew to \$6.6 million in fiscal 2007 from \$418,000 in fiscal 2006. As a result of our excellent operating performance, our cash position nearly doubled to more than \$21 million at year end."

"In our Systems segment, we shipped the remaining FastCluster 220R MultiComputers to Raytheon in the fourth quarter related to our existing supply contract as we anticipated," continued Lupinetti. "We were pleased to have delivered all of the multicomputers on time this year, while meeting Raytheon's high quality and performance needs."

Modcomp Germany Creates New Consulting Company

August 7, 2007 - Modcomp Germany (www.modcomp.com), a leader in technology systems and solutions, announced today that they have created a new division, which will be called Modcomp Consulting. This new division will strengthen Modcomp's position in the important growth segment of Information Lifecycle Management (ILM).

Modcomp Consulting is positioned to complement Modcomp's Enterprise IT Solutions, which encompasses hardware, software, and professional services with consulting expertise on Identity Management, Archiving, and Network Migration. The new company will have comprehensive product knowledge, an international base of customers, and one of the industry's most experienced ILM teams.

CSPI Inc. Announces FastCluster 3000 SERIES VXS Switch Module

June 28, 2007 - CSP Inc. MultiComputer Division announced the 3000 SERIES VXS-M16 Switch Module for its FastCluster Hybrid Computing platform on VXS (VITA-41). It implements Myricom's 10-Gigabit clustering technologies and a serial crosspoint switch to support Freescale 8641D and Xilinx Virtex-5 Hybrid Compute nodes. FastCluster systems are targeted at high performance digital signal processing (DSP), SIGINT, radar and sonar applications in airborne, shipboard and UAV platforms where space, power and cooling are at a premium and interoperability is critical..



Systems & Integration Solutions

Financial Highlights

(Amounts in thousands, except per share data)

Selected Four Year Financial Data

Fiscal Year:	2007	2006	2005	2004
Sales	\$94,038	\$68,937	\$57,490	\$51,402
Net income (loss)	\$4,049	\$1,975	\$753	\$1,211
Net income (loss) per share-diluted	\$1.03	\$0.52	\$0.20	\$0.32
Weighted average number of shares outstanding-diluted	3,933	3,805	3,822	3,743

Selected Quarterly Financial Data

Quarter Ended:	9/30/07	6/30/07	3/31/07	12/31/06
Sales	\$28,145	\$25,944	\$18,818	\$21,131
Net income	\$1,934	\$882	\$255	\$978
Net income per share-diluted	\$0.49	\$0.22	\$0.07	\$0.25
Weighted average number of shares outstanding-diluted	3,945	3,967	3,917	3,893

Selected Quarterly Balance Sheet Data

Quarter Ended:	9/30/07	6/30/07	3/31/07	12/31/06
Assets				
Current Assets	\$40,334	\$39,144	\$36,135	\$32,361
Property, equipment improvements, net	1,044	1,084	1,120	1,168
Other assets	<u>5,427</u>	<u>5,386</u>	<u>5,704</u>	<u>5,732</u>
Total assets	<u>\$46,805</u>	<u>\$45,614</u>	<u>\$42,959</u>	<u>\$39,261</u>
Liabilities & Shareholders' Equity				
Total current liabilities	14,224	15,397	14,047	11,205
Other liabilities	7,247	8,078	7,913	7,802
Shareholders' equity	<u>25,334</u>	<u>22,139</u>	<u>20,999</u>	<u>20,254</u>
Total liabilities and shareholders' equity	<u>\$46,805</u>	<u>\$45,614</u>	<u>\$42,959</u>	<u>\$39,261</u>

Stock Information

NASDAQ symbol:	CSPI
Shareholders' equity (9/30/07):	\$25.3 million
Shares outstanding (9/30/07):	3.81 million
FY '07 '02 week high / low:	\$11.88/\$5.51
Stock price (12/31/07):	\$6.69

Management

Alexander R. Lupinetti

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