



September 18, 2009

To Our Shareholders:

Fiscal year 2009 illustrated our continued financial and strategic progress. Despite the considerable macroeconomic challenges, we improved our operating metrics and balance sheet — specifically we have a lower breakeven point, more efficient operations and an improved cash position. As a result of the progress we've made, we have substantially more operational flexibility to think and act for the long-term. We continue to have excellent relationships with our customers, and they are telling us we are closely aligned with their strategic focus and business priorities. In addition, we strengthened the management team and now have the structure and operating disciplines in place to scale to a larger business.

On March 23, 2009, we publicly launched our “three-screen strategy,” delivery of video to the TV, personal computer, and mobile device. Executing to this strategy will accelerate the company as a global industry leader in video and media data solutions in both current and new markets and will increase our addressable market by several times. As a result, our revenue growth opportunities today are significantly greater than in the past.

While we make strategic investments in three-screen solutions in fiscal year 2010, our goal is to balance our investments by continuing to focus on the operating metrics for the business. We intend to do so by prioritizing our research and development and go-to-market investments to improve our competitive position, while carefully managing other operating expenses.

In the remainder of this letter I will highlight the following:

- > Financial performance,
- > Products and technology achievements,
- > Video market trends and our three-screen strategy, and
- > Strategic priorities.

## Financial Performance

**Profitable revenue growth.** In the face of stiff headwinds, we grew overall revenue just over 1% to \$71.6 million and video solutions revenue by 11% compared to fiscal year 2008. Revenue was impacted throughout the year, especially in the fourth quarter, due to a slow-down in customer spending and project delays—not cancellations, within our top two North American MSO customers. As I commented on our August earnings call, we believe this is temporary and we will see a bottoming out in the first half of fiscal year 2010 as macroeconomic conditions improve.

**Improved operating efficiencies.** Compared to fiscal year 2008, gross margins improved by approximately 400 basis points to 57%. Excluding the one-time non-cash impairment charges recorded in the third quarter<sup>1</sup>, we achieved the following in fiscal year 2009:

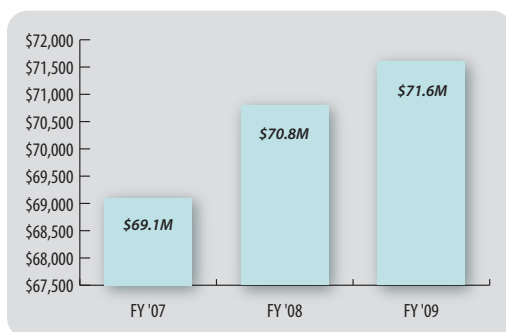
- > Reduced operating expenses by approximately \$3.5 million,
- > Improved our operating income by more than \$6.7 million, and
- > Achieved net income of \$2.2 million or \$0.26 per share on a fully diluted basis.

**Cash generation from operations.** We generated \$4.3 million in cash flow from operations and added \$1.7 million in cash to the balance sheet, ending the year with over \$29.1 million in cash and less than \$1 million drawn on our \$10 million revolving line-of-credit.

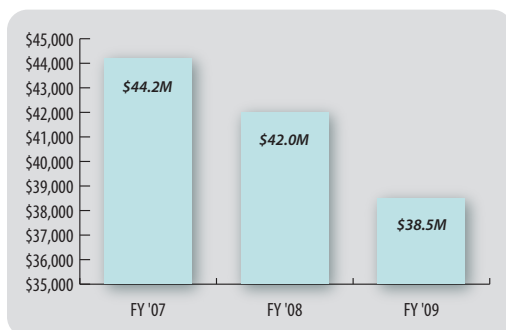
**Increase shareholder value.** Our improved gross margins and lower operating expenses led to a significant improvement in our adjusted profitability, making fiscal year 2009 the most profitable in seven years. Gross margins benefited from our strategy of using Commercial-off-the-Shelf (COTS) hardware and our continued focus on price/performance improvements. The operating expense improvements were the result of continued cost discipline and our focus on operational efficiencies implemented throughout the year.

## Products and Technology

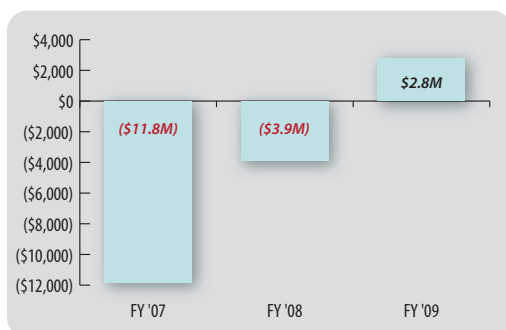
**Video Solutions.** In fiscal year 2009, we began the exciting transformation of our video solutions business to reach the three screens. We released new software that enables targeted ad-insertion, enhances our network DVR and time-shifted television capabilities, and expands our support for national and regional content libraries. Our product advancements build on the success of our award winning time-shifted-television applications that are currently deployed with Time Warner Cable, Cox Communications, and Jupiter Communications (JCOM) in Japan. Our software advancements were pivotal in winning ZON TV Cabo in Portugal as well as Time Warner Cable in Los Angeles, which we believe will be the largest North American VOD deployment and one of the largest in the world.



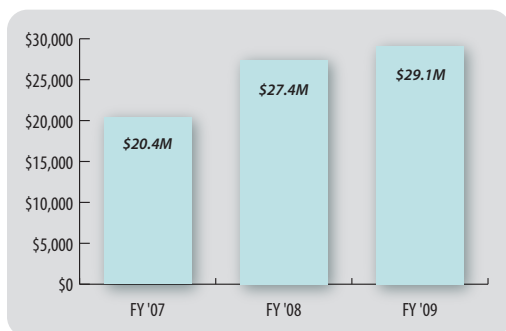
revenue



non-GAAP operating expenses



non-GAAP operating income



cash balance

<sup>1</sup> In the third quarter, the Company recorded goodwill and trademark impairments totaling \$17.1M and a \$0.4 million tax benefit. A reconciliation of the Non-GAAP and GAAP results can be found on our website at [ccur.com](http://ccur.com).

The best companies are laser focused, and they can answer the following questions with absolute clarity:

> **What do you do?**

Concurrent provides the solutions that enable the delivery of new video services and monetization with targeted advertising to the three screens – TV, PC and mobile.

> **Why does it matter?**

Concurrent is the only company in the world that can provide a complete three-screen solution that is open, commercial, and intelligent. All three are essential for the success of next generation video business models.

We also introduced a number of capacity and density improvements to the MediaHawk® platform, which increases our ingest capacity and storage density by up to 50%, maintaining our industry leadership. Our practice of implementing 100% COTS hardware is being leveraged to increase our stream capacity and will double our existing capacity from 2400 streams to up to 4800+ streams over the coming months.

**Media Data and Advertising Solutions (MDAS).** We re-branded Everstream and launched MDAS in 2009, which is an important part of our three screen strategy. This re-branding better identifies the business and positions our solutions to support broadband operators and content providers. During the fiscal year we released new versions of our operations reporting and ad-insertion software. The operations reporting software provides unmatched, real-time insight into the video delivery infrastructure.

Our ad-insertion software, commercially deployed since 2005, was upgraded to support advanced advertising campaigns across different services (on-demand and broadcast) and across the three screens. It was designed and architected based on Concurrent's industry leading patents for advanced advertising. The solution is currently being trialed by various leading operators in the United States, Europe, and Asia.

We recently announced the industry's first centralized data warehouse solution that will allow broadband operators to consolidate the collection, storage, and correlation of census-level media data to facilitate a secure and seamless exchange of consumption data among media industry stakeholders. It is designed to offer a 360-degree view of broadcast, VOD, and interactive media consumption across the three screens.

MDAS software is increasingly being deployed across the globe with customers that include: Time Warner, Comcast, Cox, Charter, BrightHouse, Rogers, JCOM, and ZON TV Cabo.

**Real-Time.** Fiscal 2009 was an exciting year for our Real-Time product line. We released our RedHawk™ Embedded product and enhanced our SIMulation Workbench™ and ImaGen™ products, winning new business with all three. Several of our top twenty customers are evaluating and have purchased RedHawk Embedded for classified programs. Airbus chose SIMulation Workbench for both the A340 and the A350 test stands, and Daimler selected the ImaGen for a driving simulator. In addition, the U.S. Navy has designated RedHawk Linux® as a part of its Open Architecture for future programs.

The market for multi-core, open software has grown, and our RedHawk real-time operating system provides a standard, real-time open source operating system for both server and embedded systems. Also, we are offering our RedHawk Linux operating system on our iHawk™ integrated hardware solutions. In addition, we are enhancing SIMulation Workbench to become an industry standard tool for aerospace and automotive applications. Finally, we will continue to leverage our ability to deliver complex, customer-specific applications for military, aerospace, automotive, and industrial markets.

## Video Market Trends and our Three-Screen Strategy

There have been many significant changes in the industry in the last 12 months. Not a day goes by without major news about video content increasingly being accessed by consumers on multiple devices as content creators, programmers, advertisers and services providers focus on reaching viewers in these new ways. Consumers are continually modifying their video consumption behavior, and interestingly, they are not watching less television, they are watching more. Additionally, people are viewing video in new environments, specifically on their PCs and mobile devices.

A few recent headlines:

- > *Television and movie watching are now an online experience for a third of internet users.*  
[Pew Internet & American Life Project](#)
- > *Internet video revenue, with subscriptions, downloads & advertising is forecast to reach \$20 billion in 2012.*  
[CIBC; RCBG Analysis](#)
- > *By 2017, U.S. mobile advertising revenues could top \$10.9 billion.*  
[SNL Kagan](#)
- > *The global mobile video base will exceed 534M subscriptions by 2014 & will generate over \$16B in revenue.*  
[Pyramid Research](#)

Both consumer demand and the technology for multi-screen video delivery services are rapidly aligning, but even as consumers turn their eyes from their TV to their PCs and mobile devices, the revenue has not followed. So what does all of this mean? First, it means that the market for video consumption is changing rapidly as consumers demand flexibility in their viewing options similar to how digital file delivery dramatically altered how we purchase and listen to music. We are moving to a completely on-demand model of video consumption. Second, accurate audience data collection and measurement across multiple screens will be critical to the next generation of video business. Audience measurement today does not drill deep enough into consumer viewing habits and behaviors—it simply skims the surface with randomized samples.

We believe we are uniquely positioned to build and deliver the solutions that service providers require to address both of these fundamental market shifts. Today, our video solutions provide seamless, multi-platform delivery of video to any device, anytime, over any network. Concurrent has over a decade of recognized leadership in delivering innovative, Emmy® Award winning video solutions like video-on-demand and time-shifted television to broadband markets around the world. Currently, Concurrent has 205 distinct video systems deployed in cable and telecom markets worldwide that represent approximately 21.5 million basic cable subscribers. Our MDAS software has been deployed in 265 markets worldwide, serving over 38 million digital subscribers and aggregating and analyzing data from over 700 million video streams per month.

In order to capture this tremendous market opportunity we believe it is essential that future video solutions have the following characteristics:

- > **Open.** An open integration framework enables a wide variety of device independent, revenue producing, applications across a single network. This open framework promotes best-of-breed solutions and allows service providers the flexibility to deploy solutions in a wide range of environments.
- > **Commercial.** Reliable, commercial grade video is the foundation for entertaining, revenue-generating video services.
- > **Intelligent.** Intelligent solutions collect information about video consumption and leverage the information to enable personalized advertising and interactive applications. Intelligent ad placement is essential to building new commercial models for delivery of video across the television, internet and mobile environments.

We have begun to deliver on the product roadmap that will drive the next generation of open, commercial, and intelligent three-screen video solutions.

“The video market is fundamentally redefining itself, and this shift spells opportunity for Concurrent.”

## Strategic Priorities

Successful companies have the ability to deliver ever increasing value to their customers as well as capture new market opportunities for growth. We will continue to focus on developing and bringing exceptional products to market and strengthen our business with technology innovations.

Our strategic priorities are as follows:

- > *Leverage our years of success in delivering innovative video solutions to the television market to provide commercial-grade video delivery to personal computers and mobile devices.*
- > *Provide cross-screen consumption intelligence with our MDAS products.*
- > *Develop new channels to market that better address current markets and penetrate new market segments (cable, IPTV, web & wireless).*
- > *Continue to provide leading edge Real-Time products and services to our well-established global Fortune 500 customers and partners.*
- > *Communicate Concurrent’s capabilities, achievements and vision to everyone that the company touches. Most importantly, to our customers, who want to do business with a company that is investing in the future.*

## Conclusion

The video markets are changing and opening up like never before as the boundaries between technology and devices disappear. The market is fundamentally redefining itself, and this shift spells opportunity for Concurrent. Agility, speed, and focus are what it takes to win this race.

Fiscal year 2010 will define the company for the next decade. I am confident Concurrent is in the right place at the right time and has the right stuff. I’m both thrilled and proud to be part of it.

Sincerely,



Dan Mondor  
President and Chief Executive Officer  
Concurrent