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CSP Inc. Announces Third-Quarter Fiscal 2007 Financial Results

*Company Reports Fifth Consecutive Quarter of Growth on Strength of
MODCOMP and MultiComputer Sales*

BILLERICA, Massachusetts, August 7, 2007 - CSP Inc. (NASDAQ: CSPI), a provider of IT solutions, systems integration services and dense cluster computing systems, today reported financial results for the third quarter of fiscal 2007 ended June 30, 2007.

For the third quarter of fiscal 2007, CSP Inc. sales increased 40% to \$25.9 million from \$18.6 million in the third quarter of fiscal 2006. Net income for the third quarter of fiscal 2007 was \$881 thousand, or \$0.22 per diluted share, compared with a net loss of \$44 thousand, or \$0.01 per share, in the third quarter of fiscal 2006.

For the first nine months of fiscal 2007, CSP Inc. sales increased 28% to \$65.9 million from \$51.3 million for the first nine months of fiscal 2006. Net income for the first nine months of fiscal 2007 grew 377% to \$2.1 million, or \$0.54 per diluted share, from net income of \$443 thousand, or \$0.32 per diluted share, in the first nine months of fiscal 2006.

"We hit on all cylinders in the third quarter and achieved our fifth consecutive quarter of year-over-year revenue growth," stated Alexander R. Lupinetti, CSP chairman and chief executive officer.

"Our Systems segment performed well in the quarter, due primarily to shipments to Raytheon related to our existing supply contract for FastCluster 220R MultiComputers," said Lupinetti. "We have now shipped \$9.4 million of product and services to Raytheon and expect to ship the remaining systems under the approximately \$18 million contract in the current fourth fiscal quarter."

"In our Service and Systems Integration segment, MODCOMP also achieved another impressive quarter, driven by continued sales growth by our German subsidiary and the Systems and Solutions Division (SDD)," added Lupinetti. "We are enthusiastic about our recently launched "Information Lifecycle Management" professional consulting practice in Germany. To capitalize on the demand for these consulting services, we have hired five new professionals to focus on Identity Management, Archiving and Network Migration. This new practice is an ideal complement to our "Security" and "Data Storage" practices both in terms of expertise and customer needs."

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“During the third quarter we reduced the workforce in our UK subsidiary in order to lower overhead and focus on our higher margin custom software development solutions,” said Lupinetti. “This should enhance the level of profitability in the UK and for MODCOMP overall. MODCOMP’s Systems and Solutions Division (SSD) also continues to report strong sales. We are focused on hiring salespeople to capitalize on the healthy demand for SSD’s cutting edge IT infrastructure solutions.”

“Looking ahead, our visibility into our Systems segment is limited as a result of uncertainty regarding defense appropriations for strategic programs due to shifting military tactical priorities,” said Lupinetti. “At the same time, our ability to meet Raytheon’s high quality and performance needs and strict deadline requirements strongly positions CSP for future military procurement opportunities. In addition, we are receiving positive preliminary feedback on our new FastCluster 3000 SERIES MultiComputers.”

“We are enthusiastic about our prospects as we enter the final quarter of what has been an excellent year for CSP thus far. We are looking forward to completing delivery of our FastCluster 220R shipments to Raytheon and MODCOMP is positioned well in each of its businesses to capitalize on strong market demand,” concluded Lupinetti

About CSP Inc.

Based in Billerica, Massachusetts and founded in 1968, CSP Inc. and its subsidiaries develop and market best-of-breed IT solutions, systems integration services, and high-performance computer systems. CSP’s Systems segment includes the MultiComputer Division, which supplies high-performance Linux cluster systems for a broad array of defense applications, including radar, sonar and surveillance signal processing. The Company’s MODCOMP, Inc. subsidiary, also part of its Service and Systems Integration segment founded in 1970 and which includes the fiscal 2003 acquisition of Technisource, is a leading provider of IT solutions and systems integration services. MODCOMP works with third parties to develop customized solutions in the global IT markets and has offices in the U.S., U.K. and Germany.

More information about CSP is available on the company’s website at www.cspi.com.

To learn more about MODCOMP, Inc., consult www.modcomp.com

Also see the [Financial Table, Consolidated statements of operations and Consolidated balance sheet](#).

'Safe Harbor Provision' Statement'

The Company wishes to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 with respect to statements that may be deemed to be forward-looking under the Act. Such forward-looking statements may include, but are not limited to, the timing of shipments to Raytheon, the strong demand environment for MODCOMP’s SSD and Germany subsidiary, hiring efforts at SSD, and the potential of MODCOMP’s new Identity and Access Management professional services practice. The Company cautions that numerous factors could cause actual results to differ materially from any forward-looking statements made by the Company. Such risks include general economic conditions, market factors, competitive factors and pricing pressures, and others described in the Company’s filings with the SEC. Please refer to the section on forward-looking statements included in the Company’s filings with the Securities and Exchange Commission.

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