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## **CSP Inc. Announces Fourth-Quarter and Year-End Fiscal 2007 Financial Results**

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

**BILLERICA, Massachusetts, Dec 10, 2007** - CSP Inc. (NASDAQ: CSPI), a provider of IT solutions, systems integration services and dense cluster computing systems, today reported financial results for the three months and full year ended September 30, 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.

### *Management Comments*

"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. We continue to be encouraged by the feedback we are receiving for our new FastCluster 3000 SERIES MultiComputers, which provides 10-Gigabit Ethernet interconnect technology -- the most advanced in the market. Customers are also expressing interest in the 3000 SERIES conduction cooled capability, which is a key competitive differentiator along with the 10-Gigabit Ethernet."

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"Throughout fiscal 2007, our Service and Systems Integration segment has been reporting strong results, and the fourth quarter was no exception," continued Lupinetti. "Our German subsidiary continues to produce solid growth with greatly improved service margins. The new 'Lifecycle Management, Archiving and Network Migration' professional consulting practice is progressing well, and we are evaluating the initiation of other practices that complement our expertise."

"MODCOMP's U.S.-based Systems and Solutions Division (SSD), which provides IT infrastructure solutions, also is performing in line with our high expectations," added Lupinetti. "During the quarter, we hired four new salespeople at SSD to enhance our ability to capitalize on the demand we are seeing in the market. We expect to hire additional salespeople at SSD as we move forward in fiscal 2008. In addition, with the completion of our restructuring program in the U.K. in the third quarter, we have enhanced the profitability level of that business as well."

### *Business Outlook*

"Going forward," added Lupinetti, "we are exceptionally well positioned to leverage MODCOMP's expertise to satisfy the needs of our customers and continue to grow each one of our Service and Systems Integration businesses. We believe the demand environment will continue to be strong throughout fiscal 2008."

"Our visibility into our Systems segment is much less clear," said Lupinetti. "As we have discussed in the past, there remains significant uncertainty regarding defense appropriations for strategic programs due to shifting military priorities. However, when funding does resume for strategic programs, we believe we are in an excellent competitive position with our industry leading 3000 SERIES MultiComputers."

### **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, 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](http://www.cspi.com).

To learn more about MODCOMP, Inc., consult [www.modcomp.com](http://www.modcomp.com)

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

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**'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 strong demand environment for MODCOMP's SSD and Germany subsidiary, profitability of MODCOMP's U.K. subsidiary, hiring efforts at SSD, the addition of new practices at MODCOMP's Germany subsidiary, future defense appropriations, and the competitive position of CSP's 3000 Series MultiComputers. 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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