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CSP INC. ANNOUNCES THIRD-QUARTER FISCAL 2009 FINANCIAL RESULTS

BILLERICA, MA, August 11, 2009- 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 2009 ended June 30, 2009.

For the third quarter of fiscal 2009, CSP Inc. reported total sales of \$18.7 million compared with \$19.2 million in the third quarter of fiscal 2008. The net loss for the third quarter of fiscal 2009 was \$752,000, or \$0.21 per share, compared with a net loss of \$8,000, or \$0.00 per share, in the third quarter of fiscal 2008.

For the first nine months of fiscal 2009, CSP Inc. reported total sales of \$65.2 million compared with \$58.7 million in the first nine months of fiscal 2008. The net loss for the fiscal 2009 nine-month period was \$182,000, or \$0.05 per share, compared with a net loss of \$78,000, or \$0.02 per share, for the first nine months of fiscal 2008.

The Company's cash and short-term investments were \$17.4 million as of June 30, 2009 compared with \$18.5 million at fiscal year 2008 ended September 30, 2008. The decrease in cash compared with the end of the fiscal year was primarily the result of the repurchase of shares of the Company's stock, as well as the negative effect of foreign exchange and capital expenditures.

CSP Inc. also announced that one of MODCOMP's largest hardware manufacturers had disagreed with certain discounts taken by the Company in connection with purchases from that hardware manufacturer's distributor. Resolution of this matter will increase cost of goods sold in prior periods, with the result that the Company will be restating financial statements for its first and second quarters of fiscal year 2009. The approximate effect on net income in the first quarter will be reduction of \$22 thousand or EPS of \$.01 per fully diluted share. For the second fiscal quarter, net income will be reduced by \$ 67 thousand or EPS of \$0.02 per fully diluted share. For the six-month period, net income will be reduced by \$89 thousand or EPS of \$.02 per fully diluted share. For the six-month period, net income will be reduced by \$89 thousand or EPS of \$.02 per fully diluted share.

The eventual resolution of this matter with the hardware manufacturer could result in greater or lesser adjustments than shown above. The Company's three- and nine-month results as reported in this news release reflect all accounting estimates associated with this matter to date

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Management Comments on Financial Results

“CSP’s third-quarter fiscal 2009 revenues were lower year-over-year due to the effects of the global recession on demand and pricing at our Service and Systems Integration segment,” said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti.

“We reported year-over-year growth at our Systems business resulting from follow-on orders for our high-performance digital signal processing systems,” added Lupinetti. “For example, we recently announced an agreement to supply Lockheed Martin’s Surface and Sea-based Missile Defense Systems business with FastCluster systems valued at \$1.6 million. Looking ahead, we expect to record additional follow-on Systems orders in the fourth quarter and to report year-over-year growth at our Systems business for full-year fiscal 2009. In addition to follow-on orders, we expect to record high-margin royalty payments in 2010 from Lockheed Martin related to the E2D Advanced Hawkeye intelligence, surveillance and reconnaissance aircraft. We also will continue to compete for new programs, although visibility in this business remains limited.”

“The soft IT spending environment has affected each of our Service and Systems Integration businesses,” added Lupinetti. “In Germany, we are experiencing pricing pressure and lower professional services utilization rates as customers focus on conserving cash. In addition, we do not expect to record large installation deals in fiscal 2009.”

“In the United States, our Systems and Solutions Business (SSD), which provides IT infrastructure solutions, is experiencing significant pricing pressure,” said Lupinetti. “SSD has been a strong growth driver for CSP and we believe it is well positioned when IT spending begins to rebound. During the quarter, we achieved a Cisco power designation and became a member of Cisco Worldwide’s Managed Services Channel Program (MSCP). This certification enables MODCOMP to work directly with Cisco and our customers on a global basis, rather than engaging with different Cisco authorizations, enabling us to scale our Managed Services business in a repeatable and predictable manner worldwide.”

“For the remainder of fiscal 2009 and into 2010, we plan to manage the company assuming relatively weak demand,” Lupinetti said. “As a result, we are focused on reducing costs to bring expenses in line with near-term sales volume and expect to report a charge in the fourth fiscal quarter relating to severance of approximately \$200,000.”

“Going forward, we are focusing our attention on growing our higher margin offerings, including IT professional services, where we are maintaining a staff of highly skilled engineers with an expertise in security, unified communications and information lifecycle management,” said Lupinetti. “We continue to maintain a strong reputation with our customers, who see significant value in the services that we provide. As we streamline our operations, we are taking every opportunity to position the business for growth and maximum profitability when our markets rebound.”

Conference Call Details

CSP Chairman and Chief Executive Officer Alexander R. Lupinetti, and Chief Financial Officer Gary W. Levine will host a conference call at 10:00 a.m. (ET) today to review CSP’s financial results and provide a business update. To listen to a live webcast of the call, please visit the “Investor Relations” section

of the Company's website at www.cspi.com. Individuals may also listen to the call via telephone, by dialing (877) 407-5790 or (201) 689-8328. Interested parties unable to participate in the live call may access an archived version of the webcast on CSP's website.

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 for complex IT environments. MODCOMP works with third parties to develop cutting edge 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 effect of the economy on the Service and Systems Integration business, expectations relating to recording large installation deals in fiscal 2009, the benefits of the Cisco MSCP, the demand environment for 2009 and into 2010, and CSP's cost reduction efforts and expected charges in the fourth quarter of fiscal 2009. The Company cautions that numerous factors could cause actual results to differ materially from 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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