

**CSP Inc.**  
**43 Manning Road**  
**Billerica, MA 01821**  
**(800) 325-3110 / (978) 663-7598**  
**Fax: (978) 663-0150**  
**www.cspi.com**



## **CSP Inc. Reports 18% Year-Over-Year Revenue Growth for First-Quarter of Fiscal 2011**

***Reports \$0.11 Earnings Per Diluted Share in Q1 Compared with Loss of \$0.21 in Year-Earlier Period;  
MODCOMP Gross Margins Climb 300 bps as Company Makes Progress on Strategy to Grow  
Consulting and Managed Service Business***

**BILLERICA, MA, February 7, 2011** - CSP Inc. (NASDAQ: CSPI), a provider of IT solutions, systems integration services and dense cluster computing systems, today reported financial results for the first quarter of fiscal 2011 ended December 31, 2010.

For the first quarter of fiscal 2011, total sales increased 18% to \$22.1 million from \$18.7 million in the first quarter of fiscal 2010. Gross profit for the first quarter increased 97% to \$4.5 million and gross profit margin increased 800 basis points to 20% from 12%. Net income for the first quarter of fiscal 2011 was \$0.4 million, or \$0.11 per diluted share, compared with a net loss of \$0.7 million, or \$0.21 per share, in the first quarter of fiscal 2010.

The Company's cash and short-term investments increased by approximately \$0.4 million to \$16 million at December 31, 2010 compared with \$15.5 million for the fiscal year ended September 30, 2010. CSP purchased approximately \$200,000 of common stock during the quarter. CSP's cash position may vary significantly from quarter to quarter due to the high working capital requirements needed to fund large projects at both its Systems and its Services and Systems Integration segments.

### *Management Comments*

"We began the fiscal year with solid top- and bottom-line financial results in the first quarter," said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti. "Revenue grew by 18%, driven by 11% growth at our Service and Systems Integration business and a triple-digit increase at our Systems business."

"We also performed well on the bottom-line, reporting \$0.11 per diluted share for the quarter," said Lupinetti. "Our strong bottom-line results benefitted from \$1.4 million in royalties from Lockheed Martin for the E2D Advanced Hawkeye intelligence, surveillance and reconnaissance (ISR) aircraft. In addition, we grew gross margins at Service and Systems Integration as a result of a greater number of smaller, higher-margin deals in the U.S., a larger portion of newer products that carry higher-margins, as well as increased services utilization in Germany."

“Looking forward, we plan to continue to make progress at our Service and Systems Integration segment in attracting higher-margin consulting, as well as solutions and managed services business. We are pleased with our progress thus far, and expect this effort to contribute positively to our margin performance for the remainder of fiscal 2011 and beyond. At our Systems segment, we are well positioned with innovative new products to capitalize on the military’s network-centric warfare priorities, as well as supporting the next Low Rate Initial Production Phases of the E2D program. In addition to driving organic growth through investment in new technologies, we also are committed to accelerating revenues by executing on our acquisition strategy.”

#### *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 4:30 p.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](http://www.cspi.com). Individuals may also listen to the call via telephone, by dialing (877) 709-8155 or (201) 689-8881. For interested parties unable to participate in the live call, an archived version of the webcast will be available for one year 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](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.

--more--

**'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 anticipation of additional royalties from Lockheed Martin, expectation that the company will continue to make progress in attracting a greater percentage of higher margin consulting and managed services business, the expectations that the Company is well positioned in its Systems segment, and CSP's plans to execute on its acquisition strategy. 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.

**Contact:**

Gary Levine

Chief Financial Officer

CSP Inc.

Tel: (978) 663-7598 ext. 1200

Fax: (978) 663-0150