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CSP Inc. Reports Second-Quarter Fiscal 2011 Financial Results

Demand Environment Strong Across Service and Systems Integration Segment

Service and Systems Integration Gross Margins Grew 300 Basis Points YOY to 16%

BILLERICA, MA, May 4, 2011 - CSP Inc. (NASDAQ: CSPI), a provider of IT solutions, systems integration services and dense cluster computing systems, today reported financial results for the second quarter of fiscal 2011 ended March 31, 2011.

For the second quarter of fiscal 2011, total sales were \$19.2 million compared with \$23.9 million for the second quarter of 2010. For the first six months of 2011, sales were \$41.3 million compared with \$42.6 million in the year-earlier period.

Gross profit for the second quarter of fiscal 2011 was 22.1% compared with 23% in the second quarter a year ago. For the first half of fiscal 2011, gross profit was 21.2% compared with 18.3% in same period of fiscal 2010.

Net income for the second quarter of fiscal 2011 was \$0.3 million, or \$0.08 per diluted share, compared with net income of \$1.0 million, or \$0.27 per diluted share, in the second quarter of fiscal 2010. For the first six months of fiscal 2011, net income was \$0.7 million, or \$0.19 per diluted share, compared with net income of \$0.2 million, or \$0.07 per diluted share for the year-earlier period.

Cash and short-term investments decreased by approximately \$1.2 million from fiscal year ended September 30, 2010 to \$14.4 million as of March 31, 2011. 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 are pleased with our financial performance in the second quarter, notwithstanding unusually difficult year-over-year comparisons in both our Systems and our Service and Systems Integration businesses," said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti. "Coupled with our stellar performance in the first quarter, we are running significantly ahead of our expectations for the first half of the year, especially on the bottom line."

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“The highlight of the quarter at our Systems business was the budget approval of 10 new E2D Advanced Hawkeye intelligence, surveillance and reconnaissance aircraft,” said Lupinetti. “We expect that these aircraft will be built during the next few years. At our Service and Systems Integration business, we were able to overcome much of the year-over-year revenue deficit caused by reduced sales to a major hosting customer, as well as improve our gross margin for the quarter. Even though sales were down 13% in the segment, gross profit actually increased 4% and gross margin grew 300 basis points to 16%.”

“Looking forward, at our Systems segment we are well positioned to capitalize on the military’s network-centric warfare priorities and to support the next Low Rate Initial Production Phases of the E2D program,” said Lupinetti. “We also are poised to capitalize on strong demand across the Service and Systems Integration segment and to make progress on our strategy to attract higher-margin consulting, as well as solutions and managed services business. As a result, we continue to be optimistic about the remainder of fiscal 2011.”

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) 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.

To learn more about MODCOMP, Inc., consult 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, those relating to expectations regarding the build plans for the E2D aircraft, that the company is well positioned to capitalize on the military's network-centric warfare priorities and to support the next Low Rate Initial Production Phases of the E2D program, its ability to capitalize on strong demand across the Service and Systems Integration segment, to make progress on its strategy to attract higher higher-margin consulting, as well as solutions and managed services business, and its optimism regarding the remainder of fiscal 2011. 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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