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## **CSP Inc. Reports Third-Quarter Fiscal 2011 Financial Results**

**BILLERICA, MA, August 3, 2011** - 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 2011 ended June 30, 2011.

For the third quarter of fiscal 2011, total sales were \$19.7 million compared with \$28.6 million for the third quarter of 2010. For the first nine months of 2011, sales were \$61.0 million compared with \$71.2 million in the year-earlier period.

Gross profit for the third quarter of fiscal 2011 was 18.0% compared with 17.0% in the third quarter a year ago. For the first nine months of fiscal 2011, gross profit was 20.0% compared with 18.0% in the same period of fiscal 2010.

Net loss for the third quarter of fiscal 2011 was \$0.2 million, or \$0.06 per share, compared with net income of \$0.6 million, or \$0.17 per diluted share, in the third quarter of fiscal 2010. For the first nine months of fiscal 2011, net income was \$0.5 million, or \$0.13 per diluted share, compared with net income of \$0.9 million, or \$0.24 per diluted share, for the year-earlier period.

Cash and short-term investments increased by approximately \$2.0 million from fiscal year ended September 30, 2010 to \$17.5 million as of June 30, 2011. CSP purchased approximately \$60,000 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*

"Our top- and bottom-line performance in the third quarter reflects 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. "The lower revenues are primarily attributable to significantly reduced sales to a major hosting customer at our Service and Systems Integration segment. As we reported previously, that customer had acquired one of our largest competitors in 2010. In addition, in the third quarter of 2010, our Systems business reported \$1.6 million in high margin royalty revenues from Lockheed Martin related to the E2D Advanced Hawkeye aircraft compared with only \$0.5 million in lower margin parts sales in the third quarter of 2011."

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“Looking forward, we are optimistic about positive trends on both sides of the business,” said Lupinetti. “At our Systems segment, we are pleased that 10 E2D aircraft have received budget approval as part of phases 3 and 4 of the Low Rate Initial Production Phase, and we expect to benefit from the production of these aircraft beginning in 2012. At our Service and Systems Integration segment, we are making progress on our strategy to attract higher-margin consulting, as well as solutions and managed services business. As we begin to look toward fiscal 2012, we are bullish about our long-term growth prospects as we are poised to capitalize on exciting trends on both the Systems and Service and Systems Integration segments

### *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](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 approximately 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

#### **'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, CSP’s ability to attract higher-margin consulting, as well as solutions and managed services business, the Company’s optimism regarding its long-term growth prospects and its ability to capitalize on exciting trends on both the Systems and Service and Systems Integration segments. 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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