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## **CSP Inc. Reports First-Quarter Fiscal 2012 Financial Results**

**BILLERICA, MA, February 8, 2012** - 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 2012 ended December 31, 2011.

For the first quarter of fiscal 2012, total sales increased to \$21.1 million compared with \$20.6 million for the first quarter of 2011.

Gross margin for the first quarter of fiscal 2012 increased to 23.0% compared with 22.0% in the first quarter a year ago. The year-over-year increase in gross margin was the result of a greater mix of higher-margin consulting as well as solutions and managed service business, partially offset by less Systems royalty revenues.

Net income for the first quarter of fiscal 2012 increased to \$461 thousand, or \$0.13 per diluted share, compared with net income of \$389 thousand or \$0.11 per diluted share, in the first quarter of fiscal 2011.

Cash and short-term investments decreased to \$14.6 million compared with \$15.9 million at year end fiscal 2011. The decrease was primarily due to an increase in accounts receivable.

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 a strong first-quarter performance, reporting a 19% increase in net income on 2% revenue growth," said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti. "We are particularly pleased with our 100 basis point increase in gross margin, which demonstrates the success of our strategy to generate more high-margin service revenues at our Service and Systems Integration segment. This achievement was particularly noteworthy, given that we reported significantly less royalty revenues at our Systems segment during the quarter on a year-over-year basis."

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“At our Service and Systems Integration segment, revenues were driven by our large hosting customer as well as consulting on the build-out of a Global Security Operations Center for one of the largest mobile telecommunications network companies in the world,” added Lupinetti. “Our expertise continues to be in demand as companies seek solutions for their storage, network security and unified communications needs.”

“During the quarter, our Systems segment shipped a \$700,000 order for FastCluster 3000 SERIES multicomputers to an international sonar customer,” said Lupinetti. “We also received \$1.0 million in royalty revenues from Lockheed Martin for the E2D Advanced Hawkeye program as part of phases 3 and 4 of the Low Rate Initial Production Phase. We expect to benefit from the production of 10 E2D aircraft that have budget approval, during the remainder of fiscal 2012 and fiscal 2013.”

“Going forward, we remain cautious on the full year given the uncertainty around macro-economic conditions, as well as the unpredictability of orders from our large hosting customer. At the same time, we are pleased with the success of our efforts to grow our higher margin services business and look forward to reporting additional royalty revenues at our Systems segment during the year,” concluded Lupinetti.

#### *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 IT integration solutions and high-performance computer systems to meet the diverse requirements of our industrial, commercial, and defense customers worldwide.

CSP’s Systems segment includes the MultiComputer Division, which designs and manufactures commercial high-performance computer signal processing systems for a variety of complex real time applications in defense and commercial markets. The Company’s MODCOMP Inc. subsidiary, also part of its Service and Systems Integration segment was founded in 1970, and has offices in the U.S., U.K. and Germany. Modcomp provides solutions and services for complex IT environments including storage and servers, unified communications solutions, IT security solutions and consulting services.

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 the expectation that CSP will benefit from the production of 10 E2D aircraft, uncertainty around macro-economic conditions, the unpredictability of orders from our large hosting customer which could negatively affect the year-over-year revenue comparisons and its expectation that it will continue gaining traction in its effort to grow higher-margin business at the Service and Systems Integration Segment. 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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