



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the First Quarter Ended March 31, 2017
(\$ in thousands except per share amounts)

Coppell, Texas – May 15, 2017 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its financial results for the quarter ending March 31, 2017 that have been reviewed by the independent accounting firm RSM US LLP.

Summary Results for the Quarter Ended March 31, 2017

- GAAP net loss of \$159, or (\$0.11) per share based on 1,493 weighted average diluted shares outstanding. This compares to GAAP net income of \$304, or \$0.20 per share based on 1,534 weighted average diluted shares outstanding for the quarter ended March 31, 2016.
- Consolidated revenue decreased \$559 or 6% from the prior year due to an 8% decrease in revenue generated by the CohuHD operating segment and a 4% decrease in the Costar Video Systems operating segment.
- The Company incurred \$214, or \$0.14 per share in amortization expense relating to Innotech intangible assets and \$68 or in \$0.05 per share in transaction related expenses due to the acquisition of Innotech during the quarter ending March 31, 2017.

James Pritchett, President and Chief Executive Officer of the Company, stated, “The first quarter results are the combination of an industry wide soft first quarter in retail in tandem with a seasonally slow first quarter. One of the Company’s largest customers has not been able to maintain their rollout schedule due to a lack of qualified installers, while our new large retail accounts have scheduled their large installations for the second half of this year.”

Mr. Pritchett went on to say, “The Company continues to reposition itself to focus on the growing grocery, financial, and entertainment segments of the retail market, resulting in reduced customer concentration. Recent strategic investments are generating positive results, such as CohuHD’s new, internally developed Command Core operating software, which was released in

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the second quarter and has received encouraging early market feedback. CohuHD is in the final development phase of a new dual headed thermal and visual camera expected to launch in Q4 of 2017. This product will be a real differentiator in the critical infrastructure and border security markets expanding our market opportunities. In addition, the Company is expanding its sales force to capitalize on market opportunities and is investing in infrastructure to better support sales activities.”

“We believe that Costar is poised to deliver significant cash flow and profitability in 2017, as long as we continue to execute on our strategy,” said Mr. Pritchett.

Financial Results, First Quarter of 2017 Compared to First Quarter of 2016

Revenue for the first quarter of 2017 totaled \$9,571, as compared to revenue of \$10,130 for the first quarter of the prior year, a decrease of approximately 6%. CohuHD had an unusually strong first quarter of 2016 due to the passage of the long overdue transportation funding bill in late 2015 and a large border security project.

Gross profit for the first quarter of 2017 totaled \$3,714. This compares to gross profit of \$3,864 for the first quarter of 2016, a decrease of 4%. The decrease in gross profit is largely attributable to the decrease in revenue.

Operating expenses for the first quarter of 2017 totaled \$3,841. This compares to operating expenses of \$3,326 for the first quarter of 2016, an increase of 15%. The majority of the increase is due to expenses incurred in connection with the acquisition of Innotech Security, Inc. (“Innotech”) and the inclusion of Innotech’s operating expenses in the first quarter of 2017.

Other expense was \$120 for the first quarter of 2017 compared to other expense of \$38 for the first quarter of 2016.

Tax expense of (\$88) was recognized during the first quarter of 2017 compared to \$196 during the first quarter of 2016. For more information regarding the Company’s tax analysis, please see Note 9 of the Company’s financial statements for the year ended December 31, 2016.

Net loss for the first quarter of 2017 was approximately (\$159), or (\$0.11) fully diluted earnings per share. This compares to net income for the first quarter of 2016 of \$304, or \$0.20 fully diluted earnings per share.

The Company’s outside independent auditors completed their analysis of the Company’s financial condition. The Independent Auditor’s Review Report, including financial statements and applicable footnote disclosures, is available on our website at www.costartechnologies.com.

About Costar Technologies, Inc.

Costar Technologies, Inc. develops, designs and distributes a range of security solution products including surveillance cameras, lenses, digital video recorders and high-speed domes. The Company also develops, designs and distributes industrial vision products to observe repetitive production and assembly lines, thereby increasing efficiency by detecting faults in the

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production process. Headquartered in Coppell, Texas, the Company's shares currently trade on the OTC Markets Group under the ticker symbol "CSTI". Costar was ranked 41 in a&s magazine's Security 50 for 2016. Security 50 is an annual ranking of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms and is based on financial performance.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward-looking statements that are subject to substantial risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. You can identify forward-looking statements by words such as "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "predict," "potential," or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations but they involve risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of the risks and uncertainties.

You should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws.

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COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	March 31, 2017 (Reviewed)	December 31, 2016 (Audited)
ASSETS		
Current assets		
Cash	\$ 983	\$ 1,083
Accounts receivable, less allowance for doubtful accounts of \$111 and \$71 in 2017 and 2016, respectively	5,913	5,330
Inventories, net of reserve for obsolescence of \$801 and \$696 in 2017 and 2016, respectively	11,107	10,579
Prepaid expenses	644	820
Total current assets	18,647	17,812
Non-current assets		
Property and equipment, net	801	792
Deferred financing costs, net	36	39
Deferred tax asset, net	6,962	6,962
Trade names, net	2,920	3,005
Distribution agreement, net	679	697
Customer relationships, net	6,165	6,354
Covenant not to compete, net	151	160
Patents, net	8	8
Technology, net	452	469
Goodwill	5,593	5,593
Other non-current assets	109	109
Total assets	\$ 42,523	\$ 42,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,631	\$ 3,449
Accrued expenses and other	1,690	2,656
Line of credit	2,609	1,071
Current maturities of long-term debt	989	738
Contingent purchase price	1,367	1,367
Notes payable, related party	784	804
Total current liabilities	11,070	10,085
Long-Term liabilities		
Long-term debt, net of current maturities	5,969	6,216
Contingent purchase price	2,152	2,152
Notes payable, related party	1,375	1,456
Total long-term liabilities	9,496	9,824
Total liabilities	20,566	19,909
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,434	156,409
Accumulated deficit	(129,959)	(129,800)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	21,957	22,091
Total liabilities and stockholders' equity	\$ 42,523	\$ 42,000

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COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (AMOUNTS SHOWN IN THOUSANDS, EXCEPT NET INCOME PER SHARE)

	Three Months Ended March 31,	
	2017	2016
	(Reviewed)	(Reviewed)
Net revenues	\$ 9,571	\$ 10,130
Cost of revenues	5,857	6,266
Gross profit	3,714	3,864
Selling, general and administrative expenses	3,129	2,697
Engineering and development expense	644	629
Transaction and related expense	68	
	3,841	3,326
Income (loss) from operations	(127)	538
Other income (expenses)		
Interest expense	(123)	(40)
Other income, net	3	2
Total other expenses, net	(120)	(38)
Income (loss) before taxes	(247)	500
Income tax provision (benefit)	(88)	196
Net income (loss)	\$ (159)	\$ 304
<u>Net income (loss) per share:</u>		
Basic	\$ (0.11)	\$ 0.20
Diluted	\$ (0.11)	\$ 0.20
Weighted average shares outstanding		
Basic	1,493	1,485
Diluted	1,493	1,534

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