



**FOR IMMEDIATE RELEASE**  
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**Costar Technologies, Inc. Announces Financial Results**  
**For the First Quarter Ended March 31, 2016**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – May 10, 2016 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ending March 31, 2016 that have been reviewed by the independent accounting firm RSM US LLP.

**Highlights for the Quarter Ended March 31, 2016**

- GAAP net income of \$304, or \$0.20 per share compared to GAAP net income of \$29, or \$0.02 per share for the quarter ended March 31, 2015.
- Consolidated revenue of \$10,130, an increase of \$2,031 or 25% compared to the first quarter of 2015.
- CohuHD revenue increased 36% and the Company’s network security products revenue increased 27% compared to the quarter ended March 31, 2015.

James Pritchett, President and Chief Executive Officer of the Company, stated, “I am very pleased with the positive momentum the Company has generated in 2016. The first quarter is seasonally slow for the Company. However, with the recent influx of transportation funding and new additions to our product portfolio, we experienced strong revenue growth and are off to a solid start to 2016.”

Mr. Pritchett went on to say, “The focus on our complete security network portfolio has allowed us to diversify our customer base and add several new retail accounts. We look to drive revenue by continuing this strategy, which provides sustained growth in our security network product sales, along with the increasing adoption of our CohuHD RISE product line.”

## **COSTAR TECHNOLOGIES, INC.**

### **Financial Results, First Quarter of 2016 Compared to First Quarter of 2015**

Revenue for the first quarter of 2016 totaled \$10,130, as compared to revenue of \$8,099 for the first quarter of the prior year, an increase of approximately 25%. The Company's subsidiary, CohuHD, generated approximately \$4,544 and \$3,353 in revenue during these periods, respectively.

Gross profit for the first quarter of 2016 totaled \$3,864. This compares to gross profit of \$3,219 for the first quarter of 2015, an increase of 20%. The increase was attributable to Company-wide revenue growth.

Operating expenses for the first quarter of 2016 totaled \$3,326. This compares to operating expenses of \$3,129 for the first quarter of 2015, an increase of 6%. The majority of the increase was related to higher incentive expenses due to larger revenue volumes in the first quarter of 2016.

Other expenses decreased by approximately \$5 or 12% during the first quarter of 2016 as compared to the first quarter of 2015.

The income tax provision for the first quarter of 2016 was \$196, \$178 higher than the first quarter of 2015. This is largely due to higher projected taxable income for the quarter ended March 31, 2016 as compared to March 31, 2015.

Net income for the first quarter of 2016 was approximately \$304, or \$0.20 fully diluted earnings per share. This compares to net income for the first quarter of 2015 of \$29, or \$0.02 fully diluted earnings per share. CohuHD contributed approximately \$354 of net income to the Company's consolidated net income in the first quarter of 2016 compared to a net loss of (\$66) in the first quarter of 2015.

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](http://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 production process. Headquartered in Coppell, Texas, the Company's shares currently trade on the OTC Markets Group under the ticker symbol "CSTI".

## **COSTAR TECHNOLOGIES, INC.**

### **Cautionary Statement Regarding Forward Looking Statements**

This document contains forward-looking statements that involve risks and uncertainties, as well as assumptions, that if they never materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “should,” “would,” “strategy,” “plan” and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The risks, uncertainties and assumptions include developments in the marketplace for our products, competition, related products and services and general economic conditions, as well as other risks and uncertainties. Accordingly, we cannot give assurance that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company.

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# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	March 31, 2016 (Reviewed)	December 31, 2015 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$	\$
Accounts receivable, less allowance for doubtful accounts of \$44 and \$78 in 2016 and 2015, respectively	6,767	5,509
Inventories, net of reserve for obsolescence of \$992 and \$1,000 in 2016 and 2015, respectively	8,029	7,991
Prepaid expenses	554	644
Total current assets	15,350	14,144
<b>Non-current assets</b>		
Property and equipment, net	375	398
Deferred financing costs, net	11	22
Deferred tax asset, non-current	7,312	7,312
Trade names, net	2,168	2,227
Distribution agreement, net	752	771
Customer relationships, net	669	695
Covenant not to compete, net	13	14
Goodwill	2,063	2,063
Total assets	\$ 28,713	\$ 27,646
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,735	\$ 2,995
Accrued expenses and other	1,606	1,017
Line of credit	1,755	1,189
Short-term debt	592	591
Total current liabilities	6,688	5,792
<b>Long-Term liabilities</b>		
Long-term debt	442	590
Total long-term liabilities	442	590
Total liabilities	7,130	6,382
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,231	156,216
Accumulated deficit	(130,130)	(130,434)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	21,583	21,264
Total liabilities and stockholders' equity	\$ 28,713	\$ 27,646

**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,	
	2016 (Reviewed)	2015 (Reviewed)
Net revenues	\$ 10,130	\$ 8,099
Cost of revenues	<u>6,266</u>	<u>4,880</u>
Gross profit	3,864	3,219
Selling, general and administrative expenses	2,697	2,368
Engineering and development expense	<u>629</u>	<u>761</u>
	3,326	3,129
Income from operations	<u>538</u>	<u>90</u>
Other income (expenses)		
Interest expense	(40)	(44)
Other income and expense, net	<u>2</u>	<u>1</u>
Total other expenses, net	<u>(38)</u>	<u>(43)</u>
Income before taxes	500	47
Income tax provision	<u>196</u>	<u>18</u>
<b>Net income</b>	<b><u>\$ 304</u></b>	<b><u>\$ 29</u></b>
<u>Net income per share:</u>		
Basic	\$ 0.20	\$ 0.02
Diluted	\$ 0.20	\$ 0.02
Weighted average shares outstanding		
Basic	1,485	1,466
Diluted	1,534	1,550

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