



**FOR IMMEDIATE RELEASE**  
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**Costar Technologies, Inc. Announces Financial Results**  
**For the Fourth Quarter and Year Ended December 31, 2015**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – March 30, 2016 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its financial results for the year ended December 31, 2015 that have been audited by the independent accounting firm RSM US LLP.

**Summary Results for the Year Ended December 31, 2015**

- GAAP net income of \$474, or \$0.31 per share based on 1,527 weighted average diluted shares outstanding. This compares to GAAP net income of \$10,514, or \$6.92 per share based on 1,520 weighted average diluted shares outstanding for the year ended December 31, 2014. The year ended December 31, 2014 included a deferred income tax benefit of \$7,688.
- Year-over-year revenue declined 7% due to challenges with a large customer and delayed federal transportation funding, outside of these two factors the Company’s security revenue increased 13%.
- Strong market acceptance of the Company’s security network products, such as IP cameras and network video recorders, led to increased revenues of 43% for those products during 2015 compared to the prior year, increasing the Company’s overall gross profit margin percentage by 1%.
- The Company reduced its indebtedness from \$3,219 at December 31, 2014 to \$2,389 at December 31, 2015.

James Pritchett, President and Chief Executive Officer of the Company, stated, “Revenue and profits for the year were below expectations in both segments of the business. At Costar Video Systems, the Company’s largest customer is facing many issues that have significantly lowered their overall security spend, which not only impacted current periods but is expected to affect their future orders as well. The Company has expanded its efforts to diversify its existing customer base by focusing on its complete security network product portfolio. This collection of network products represents the Company’s future and will drive sustainable growth.”

## **COSTAR TECHNOLOGIES, INC.**

Mr. Pritchett went on to say, "A significant decline in CohuHD Costar's ("CohuHD") revenue was due to the delayed launch of the RISE product series, which offers a competitive advantage in the Intelligent Transportation Systems market, and to a lack of federal transportation funding. However, the first RISE product was released in Q3 2015, and in December 2015, the federal government passed a transportation funding bill which allocated approximately \$305 billion over five years."

Lastly, Mr. Pritchett said, "The increase in federal and state funding, the launch of the new RISE product portfolio and the growth of our smaller, non-concentrated, customers should contribute to improved growth and profitability in 2016. In particular, with the new funding in place CohuHD has experienced a particularly strong start to the year. "

### **Financial Results, Fourth Quarter of 2015 Compared to Fourth Quarter of 2014**

Revenue for the fourth quarter of 2015 totaled \$8,453, as compared to revenue of \$10,492 for the fourth quarter of the prior year, a decrease of approximately 19%. The Company's subsidiary, CohuHD, generated approximately \$3,605 and \$5,284 in revenue during these periods, respectively.

Gross profit for the fourth quarter of 2015 totaled \$3,287. This compares to gross profit of \$3,993 for the fourth quarter of 2014, a decrease of 18%. The majority of the decrease was attributable to the decline in CohuHD sales.

Operating expenses for the fourth quarter of 2015 totaled \$3,173. This compares to operating expenses of \$3,514 for the fourth quarter of 2014, a decrease of 10%. The decrease was primarily due to reductions in engineering and development and selling, general and administrative expenses as a result of lower sales volumes and incentive based awards during 2015, partially offset by a one-time sales tax catch-up liability recorded in the fourth quarter of 2015. See Note 13 of the Company's financial statements for the year ended December 31, 2015. See Note 13 of the Company's financial statements for the year ended December 31, 2015.

During the fourth quarter of 2014 the Company released a portion of the valuation allowance relating to its deferred tax asset which resulted in a tax benefit of \$7,688. No such benefit was recognized during the year ended December 31, 2015. For more information regarding the Company's tax analysis, please see Note 8 of the Company's financial statements for the year ended December 31, 2015.

Net loss for the fourth quarter of 2015 was approximately (\$20), or (\$0.01) fully diluted earnings per share. This compares to net income for the fourth quarter of 2014 of \$8,043, or \$5.28 fully diluted earnings per share. CohuHD contributed approximately \$41 of net income to the Company's consolidated net loss in the fourth quarter of 2015 compared to \$438 in the fourth quarter of 2014.

### **Financial Results, Year Ended December 31, 2015 Compared to Year Ended December 31, 2014**

Revenue for the year ended December 31, 2015 totaled \$33,678, a decrease of 7% compared to revenue of \$36,051 for the year ended December 31, 2014. CohuHD revenue increased \$2,677 from 2014 due to 2015 containing a full year of CohuHD revenues as compared to seven months during 2014, offset by lower average monthly sales.

## **COSTAR TECHNOLOGIES, INC.**

Gross profit for the year ended December 31, 2015 totaled \$13,201 compared to gross profit of \$13,562 for the year ended December 31, 2014. Gross profit percentages for the years ending December 31, 2015 and 2014 were 39% and 38%, respectively.

Selling, general and administrative expenses for the year ended December 31, 2015 totaled \$9,328. This compares to selling, general and administrative expenses of \$8,398 for the year ended December 31, 2014, an increase of 11%. The majority of the increase was due to a full year of CohuHD operations during 2015 compared to seven months in the prior year.

Net income for the year ended December 31, 2015 was approximately \$474, or \$0.31 fully diluted earnings per share, as compared to net income of \$10,514, or \$6.92 fully diluted earnings per share for the year ended December 31, 2014. CohuHD contributed a net loss of approximately \$69 for the year ending December 31, 2015 and accounted for \$1,527 of the decrease.

The Company's outside independent auditors completed their analysis of the Company's financial condition. The Independent Auditor's 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".

### **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)

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$	\$
Accounts receivable, less allowance for doubtful accounts of \$78 and \$75 in 2015 and 2014, respectively	5,509	7,086
Inventories, net of reserve for obsolescence of \$1,000 and \$379 in 2015 and 2014, respectively	7,991	7,629
Prepaid expenses	644	307
Deferred tax asset - current		408
Total current assets	14,144	15,430
<b>Non-current assets</b>		
Property and equipment, net	398	397
Deferred financing costs, net	41	97
Deferred tax asset, non-current	7,312	7,280
Trade names, net	2,227	2,464
Distribution agreement, net	771	844
Customer relationships, net	695	799
Covenant not to compete, net	14	18
Goodwill	2,063	2,063
Total assets	\$ 27,665	\$ 29,392
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,995	\$ 3,499
Accrued expenses and other	1,017	1,899
Line of credit	1,189	519
Short-term debt	600	600
Contingent purchase price		128
Total current liabilities	5,801	6,645
<b>Long-Term liability</b>		
Long-term debt	600	2,100
Total long-term liabilities	600	2,100
Total liabilities	6,401	8,745
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,216	156,073
Accumulated deficit	(130,434)	(130,908)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	21,264	20,647
Total liabilities and stockholders' equity	\$ 27,665	\$ 29,392

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		For the Years Ended December 31,	
	2015	2014	2015	2014
Net revenues	\$ 8,453	\$ 10,492	\$ 33,678	\$ 36,051
Cost of revenues	5,166	6,499	20,477	22,489
<b>Gross profit</b>	3,287	3,993	13,201	13,562
Selling, general and administrative expenses	2,538	2,593	9,328	8,398
Engineering and development expense	635	921	2,789	1,655
Transaction and related expense	3,173	3,514	12,117	10,450
<b>Income from operations</b>	114	479	1,084	3,112
Other income (expenses)				
Interest expense	(31)	(39)	(153)	(93)
Other income and expense, net	3	(29)	4	(26)
Total other income (expenses), net	(28)	(68)	(149)	(119)
Income before taxes	86	411	935	2,993
Current income tax expense	85	135	85	167
Income tax provision	21	(7,767)	376	(7,688)
<b>Net income</b>	\$ (20)	\$ 8,043	\$ 474	\$ 10,514
<u>Net income per share:</u>				
Basic	\$ (0.01)	\$ 5.49	\$ 0.32	\$ 7.19
Diluted	\$ (0.01)	\$ 5.28	\$ 0.31	\$ 6.92
Weighted average shares outstanding				
Basic	1,476	1,464	1,476	1,462
Diluted	1,527	1,522	1,527	1,520

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