



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
for the Second Quarter Ended June 30, 2015
(\$ in thousands except per share amounts)

Coppell, Texas – August 13, 2015 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ended June 30, 2015 that has been reviewed by the independent accounting firm McGladrey LLP.

Highlights for the Quarter Ended June 30, 2015

- GAAP net income of \$397, or \$0.26 per share based on 1,552 weighted average diluted shares outstanding. This compares to GAAP net income of \$990, or \$0.64 per share based on 1,539 weighted average diluted shares outstanding for the quarter ended June 30, 2014.
- Revenue for the second quarter, outside of the company’s largest customer and CohuHD, grew 8% over the second quarter of 2014.
- CohuHD revenue grew 4% year-on-year compared to the second quarter of 2014, on a pro forma basis.
- The Company’s largest customer continued its tighter inventory management, a \$1,200 negative impact on revenue for the quarter.

James Pritchett, President and Chief Executive Officer of the Company, stated, “We posted another profitable quarter as our core business, outside of our largest customer and CohuHD, grew 8%. We expect continued headwinds from that customer as they move to smaller footprint stores. New sales initiatives yielded significant progress in expanding our customer base and diversifying our business. Among other things, this has resulted in increased demand for our network products, which has helped our gross margins.” Mr. Pritchett went on to say, “We believe that we are well positioned for a more profitable second half of the year as we approach our seasonally strong quarters and the release of the CohuHD RISE product line.”

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Financial Results, Second Quarter of 2015

The financial results for the second quarter of fiscal 2015 include the results of operations for CohuHD for the full quarter. In comparison, financial results for the second quarter of fiscal 2014 only include a partial month for CohuHD, which was acquired June 6, 2014.

Revenue for the second quarter of 2015 totaled \$9,300, as compared to revenue of \$8,276 for the second quarter of the prior year, an increase of approximately 12%. The Company's subsidiary, CohuHD, generated approximately \$3,765 and \$1,728 in revenue during these periods, respectively.

Gross profit for the second quarter of 2015 totaled \$3,708. This compares to gross profit of \$3,197 for the second quarter of 2014, an increase of 16%. The majority of the increase was due to the acquisition of CohuHD, but continued strength of the Company's higher margin network product was also a contributor.

Operating expenses for the second quarter of 2015 totaled \$3,013. This compares to operating expenses of \$2,095 for the second quarter of 2014, an increase of 44%. The majority of the increase was due to CohuHD.

Tax expense increased, compared to the 2014 quarter, due to the Company's full accrual for federal taxes in 2015, a \$119 impact on net income. As of June 30, 2014, the Company had not completed its NOL analysis, which resulted in tax accruals consistent with actual cash paid for the period. 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, 2014.

Net income for the second quarter of 2015 was approximately \$397, or \$0.26 fully diluted earnings per share. This compares to net income for the second quarter of 2014 of \$990, or \$0.64 fully diluted earnings per share. CohuHD accounted for approximately \$86 of Company's net income in the 2015 quarter.

Financial Results, Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue for the six months ended June 30, 2015 totaled \$17,399, an increase of 5% as compared to revenue of \$16,583 for the same period last year. CohuHD accounted for \$5,390 of the increase.

Gross profit for the six months ended June 30, 2015 totaled \$6,927. This compares to gross profit of \$5,936 for the six months ended June 30, 2014. The majority of the increase in gross profit was due to the acquisition of CohuHD, while the changeover from analog to network products in the security industry continues to lift gross margins.

Selling, general and administrative expenses for the six months ended June 30, 2015 totaled \$6,142. This compares to selling, general and administrative expenses of \$3,763 for the six months ended June 30, 2014, an increase of 63%. The majority of the increase was due to CohuHD.

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Net income for the six months ended June 30, 2015 was approximately \$426, or \$0.27 fully diluted earnings per share, as compared to net income of \$2,062, or \$1.34 fully diluted earnings per share for the quarter ended June 30, 2014. CohuHD accounted for approximately \$40 for the six month period and \$511 of the decrease.

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 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)

	June 30, 2015 (Reviewed)	December 31, 2014 (Audited)
ASSETS		
Current assets		
Accounts receivable, less allowance for doubtful accounts of \$130 and \$75 in 2015 and 2014, respectively	\$ 6,190	\$ 7,086
Inventories, net of reserve for obsolescence of \$1,084 and \$379 in 2015 and 2014, respectively	6,943	7,629
Prepaid expenses	320	307
Deferred tax asset - current	408	408
Total current assets	<u>13,861</u>	<u>15,430</u>
Non-current assets		
Property and equipment, net	422	397
Deferred financing costs, net	68	97
Deferred tax asset, non-current	7,280	7,280
Trade names, net	2,345	2,464
Distribution agreement, net	808	844
Customer relationships, net	748	799
Covenant not to compete, net	16	18
Goodwill	2,063	2,063
Total assets	<u>\$ 27,611</u>	<u>\$ 29,392</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,213	\$ 3,499
Accrued expenses and other	1,006	1,899
Line of credit	853	519
Short-term debt	600	600
Contingent purchase price		128
Total current liabilities	<u>4,672</u>	<u>6,645</u>
Long-Term liabilities		
Long-term debt	<u>1,800</u>	<u>2,100</u>
Total long-term liabilities	<u>1,800</u>	<u>2,100</u>
Total liabilities	<u>6,472</u>	<u>8,745</u>
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,139	156,073
Accumulated deficit	(130,482)	(130,908)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>21,139</u>	<u>20,647</u>
Total liabilities and stockholders' equity	<u>\$ 27,611</u>	<u>\$ 29,392</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 9,300	\$ 8,276	\$ 17,399	\$ 16,583
Cost of revenues	5,592	5,079	10,472	10,647
Gross profit	3,708	3,197	6,927	5,936
Selling, general and administrative expenses	2,328	1,706	4,696	3,279
Engineering and development expense	685	184	1,446	240
Transaction and related expense	205	205	205	244
	3,013	2,095	6,142	3,763
Income from operations	695	1,102	785	2,173
Other income (expenses)				
Interest expense	(43)	(10)	(87)	(11)
Other income and expense, net	1	1	1	3
Total other income (expenses), net	(43)	(9)	(86)	(8)
Income before taxes	652	1,093	699	2,165
Income tax provision	255	103	273	103
Net income	<u>\$ 397</u>	<u>\$ 990</u>	<u>\$ 426</u>	<u>\$ 2,062</u>
Net income per share:				
Basic	\$ 0.27	\$ 0.68	\$ 0.29	\$ 1.41
Diluted	\$ 0.26	\$ 0.64	\$ 0.27	\$ 1.34
Weighted average shares outstanding				
Basic	1,466	1,459	1,466	1,459
Diluted	1,552	1,539	1,552	1,539

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