



FOR IMMEDIATE RELEASE
November 12, 2015

CONTACT: Scott Switzer
Chief Financial Officer
Costar Technologies, Inc.
(469) 635-6800

Costar Technologies, Inc. Announces Financial Results
For the Third Quarter Ended September 30, 2015
(\$ in thousands except per share amounts)

Coppell, Texas – November 12, 2015 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ended September 30, 2015 that have been reviewed by the independent accounting firm RSM US LLP, formerly McGladrey LLP.

Summary Results for the Quarter Ended September 30, 2015

- Revenue of \$7,826, a decrease of \$1,150 or 13% compared to the third quarter of 2014. CohuHD revenue decreased 24% while the Company’s network security products increased 22%.
- GAAP net income of \$68, or \$0.04 per share based on 1,525 weighted average diluted shares outstanding. This compares to GAAP net income of \$409, or \$0.26 per share based on 1,550 weighted average diluted shares outstanding for the quarter ended September 30, 2014.
- Net worth increased to \$21,252, or \$13.94 per share based on 1,525 weighted average diluted shares outstanding.
- Strong operating cash flow enabled the Company to reduce its indebtedness to Bank of Texas from \$3,253 to \$1,899 during the three months ended September 30, 2015.

James Pritchett, President and Chief Executive Officer of the Company, stated, “Q3 revenue was below expectations due to a decline in CohuHD sales, which were negatively impacted by the instability of federal transportation funding; however, the House of Representatives recently passed a six year transportation bill that is currently being conferenced with a separate six year Senate measure on highways. We are hopeful that a multiyear plan will be in place for 2016, providing a positive effect over the years to come.”

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Mr. Pritchett went on to say, "This quarter the Company had stable sales to its largest customer, but their ongoing issues create uncertainty as it relates to the strength of future orders."

Lastly, Mr. Pritchett said, "The quarter did see the launch of the first product in the new CohuHD RISE series, which we believe provides a competitive advantage in the Intelligent Transportation Systems market. We expect the launch of the new RISE series and an expanded sales presence to help the Company accelerate its vertical market expansion strategy and become less dependent on its largest customers."

Financial Results, Third Quarter of 2015 Compared to Third Quarter of 2014

Revenue for the third quarter of 2015 totaled \$7,826, as compared to revenue of \$8,976 for the third quarter of the prior year, a decrease of approximately 13%. The Company's subsidiary, CohuHD, generated approximately \$3,209 and \$4,244 in revenue during these periods, respectively.

Gross profit for the third quarter of 2015 totaled \$2,987. This compares to gross profit of \$3,633 for the third quarter of 2014, a decrease of 18%. The majority of the decrease was attributable to the decline in CohuHD sales.

Operating expenses for the third quarter of 2015 totaled \$2,802. This compares to operating expenses of \$3,172 for the third quarter of 2014, a decrease of 12%. The majority of the decrease was due to CohuHD acquisition related expenses incurred during the third quarter of 2014 and a decrease in selling, general and administrative expenses primarily due to lower sales volumes and bonus accruals during 2015.

Tax expense increased compared to the 2014 quarter due to the Company's full accrual for federal and state taxes in 2015, a \$74 impact on net income. As of September 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 third quarter of 2015 was approximately \$68, or \$0.04 fully diluted earnings per share. This compares to net income for the third quarter of 2014 of \$409, or \$0.26 fully diluted earnings per share. CohuHD contributed approximately \$150 net loss to the Company's consolidated net income in the 2015 quarter.

Financial Results, Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenue for the nine months ended September 30, 2015 totaled \$25,225, a decrease of 1% as compared to revenue of \$25,559 for the same period last year. CohuHD revenue increased \$4,355 from 2014 due to the nine month period ended September 30, 2014 including four months of CohuHD revenues as compared to nine months during 2015, offset by lower average monthly sales.

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Gross profit for the nine months ended September 30, 2015 totaled \$9,914. This compares to gross profit of \$9,569 for the nine months ended September 30, 2014. The majority of the increase in gross profit was due to the acquisition of CohuHD during Q2 2014, while the changeover from analog to network products in the security industry continues to lift gross margins.

Selling, general and administrative expenses for the nine months ended September 30, 2015 totaled \$6,790. This compares to selling, general and administrative expenses of \$5,524 for the nine months ended September 30, 2014, an increase of 23%. The majority of the increase was due to CohuHD.

Net income for the nine months ended September 30, 2015 was approximately \$494, or \$0.32 fully diluted earnings per share, as compared to net income of \$2,471, or \$1.59 fully diluted earnings per share for the nine months ended September 30, 2014. CohuHD contributed a net loss of approximately \$110 for the nine month period and accounted for \$1,132 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)

	September 30, 2015 (Reviewed)	December 31, 2014 (Audited)
ASSETS		
Current assets		
Cash	\$ 18	\$
Accounts receivable, less allowance for doubtful accounts of \$65 and \$75 in 2015 and 2014, respectively	4,689	7,086
Inventories, net of reserve for obsolescence of \$1,103 and \$379 in 2015 and 2014, respectively	6,575	7,629
Prepaid expenses	480	307
Deferred tax asset - current	408	408
Total current assets	12,170	15,430
Non-current assets		
Property and equipment, net	401	397
Deferred financing costs, net	54	97
Deferred tax asset, non-current	7,280	7,280
Trade names, net	2,286	2,464
Distribution agreement, net	789	844
Customer relationships, net	721	799
Covenant not to compete, net	15	18
Goodwill	2,063	2,063
Total assets	\$ 25,779	\$ 29,392
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,465	\$ 3,499
Accrued expenses and other	1,163	1,899
Line of credit	549	519
Short-term debt	600	600
Contingent purchase price		128
Total current liabilities	3,777	6,645
Long-Term liabilities		
Long-term debt	750	2,100
Total long-term liabilities	750	2,100
Total liabilities	4,527	8,745
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,184	156,073
Accumulated deficit	(130,414)	(130,908)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	21,252	20,647
Total liabilities and stockholders' equity	\$ 25,779	\$ 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 7,826	\$ 8,976	\$ 25,225	\$ 25,559
Cost of revenues	<u>4,839</u>	<u>5,343</u>	<u>15,311</u>	<u>15,990</u>
Gross profit	2,987	3,633	9,914	9,569
Selling, general and administrative expenses	2,094	2,352	6,790	5,524
Engineering and development expense	708	667	2,154	1,015
Transaction and related expense	<u>2,802</u>	<u>3,172</u>	<u>8,944</u>	<u>6,936</u>
Income from operations	<u>185</u>	<u>461</u>	<u>970</u>	<u>2,633</u>
Other income (expenses)				
Interest expense	(35)	(44)	(122)	(54)
Other income and expense, net	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>
Total other income (expenses), net	<u>(35)</u>	<u>(44)</u>	<u>(121)</u>	<u>(51)</u>
Income before taxes	150	417	849	2,582
Income tax provision	<u>82</u>	<u>8</u>	<u>355</u>	<u>111</u>
Net income	<u>\$ 68</u>	<u>\$ 409</u>	<u>\$ 494</u>	<u>\$ 2,471</u>
Net income per share:				
Basic	\$ 0.05	\$ 0.28	\$ 0.34	\$ 1.69
Diluted	\$ 0.04	\$ 0.26	\$ 0.32	\$ 1.59
Weighted average shares outstanding				
Basic	1,469	1,462	1,469	1,462
Diluted	1,525	1,550	1,525	1,550

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