



**FOR IMMEDIATE RELEASE**  
May 15, 2013

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

**Costar Technologies, Inc. Announces Financial Results for the First Quarter**  
**Ended March 31, 2013**  
**(\$ in thousands)**

Coppell, Texas – May 15, 2013 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) today announced its unaudited financial results for the quarters ended March 31, 2013 and 2012 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

**Highlights**

- Sales of \$7,309, an increase of \$693, or 10.5% from the quarter ended March 31, 2012.
- Earnings per share (shown in whole amounts), for the quarter ended March 31, 2013 were \$0.41 compared to \$0.41 per share for the quarter ended March 31, 2012.
- The Company secured a new one year \$1,000 credit facility with Bank of Texas.

**Financial Results, First Quarter of 2013 Compared to First Quarter of 2012**

Revenue for the first quarter of 2013 totaled \$7,309 compared to revenue of \$6,616 for the first quarter of 2012, an increase of 10.5%. The Company has continued to experience increased demand for its products from its existing customer base.

Gross profit for the first quarter of 2013 totaled \$2,150. This compares to gross profit of \$1,934 for the fourth quarter of 2012, an increase of 11.2%. The Company’s increased gross profit was provided by a more favorable product mix from its security customers.

Selling, general and administrative expenses from continuing operations for the first quarter of 2013 totaled \$1,545. This compares to selling, general and administrative

## **COSTAR TECHNOLOGIES, INC.**

expenses from continuing operations of \$1,289 for the first quarter of 2012, an increase of 19.9%. The increase of \$256 was due to the hiring of four sales and support employees in the latter half of 2012 to spur future growth, along with increased commissions and other incentive compensation related to the Company's current performance.

Other income (expense) for the first quarter of 2013 totaled (\$9). This compares to other income (expense) of (\$54) for the first quarter of 2012. For the first quarter of 2013, interest expense was \$11 compared to interest expense of \$58 for the first quarter of 2012.

Net profit for the first quarter of 2013 was approximately \$596, or \$0.41 earnings per share. This compares to a profit for the first quarter of 2012 of \$591, or \$0.41 earnings per share. This is a favorable result since the 2012 comparison pulled forward nine months of revenue from our largest customer, which was not duplicated in 2013. For additional information concerning the 2012 order, please see the May 15, 2012 press release.

On April 1, 2013, the Company entered into a new one year \$1,000 credit facility with Bank of Texas. Borrowings under the credit facility accrue interest at a rate equal to Bank of Texas Prime, currently 4.0% per annum. Further information can be found in note 11 of the Company's financial statements for the first quarter of 2013 and the Company's April 3, 2013 press release.

James Pritchett, President and Chief Executive Officer of the Company, stated, " Our quarter-over-quarter improvement is in line with our forecast as the new additions to our sales team and the new network product offerings make a difference. We are delivering on our commitment of strong earnings and double digit sales growth. We are pleased with the start of 2013 but remain cautious due to the continued slow recovery of the economy. In addition, our new credit facility meets our current cash flow needs at a significantly reduced interest rate and fees than our previous facility."

The Company's outside independent accountants completed their analysis of the Company's financial condition. The Independent Accountants Review Report, including financial statements and applicable footnote disclosures, is available on our website at [www.costartechnologies.com](http://www.costartechnologies.com).

# COSTAR TECHNOLOGIES, INC.

## **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.

\* \* \* \* \*

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	March 31, 2013 (Compiled)	December 31, 2012 (Reviewed)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 110	\$ 114
Accounts receivable, less allowance for doubtful accounts of \$67 in 2013 and 2012	3,565	2,029
Inventories, net of reserve for obsolescence of \$675 in 2013 and 2012	5,096	4,132
Promissory note - current	151	151
Prepaid expenses	339	381
Total current assets	9,110	6,807
<b>Non-current assets</b>		
Property and equipment, net	95	105
Trade names	925	925
Distribution agreement, net	973	991
Customer relationships, net	95	101
Covenant not to compete	26	30
Promissory note	258	258
Total assets	\$ 11,482	\$ 9,217
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,090	\$ 895
Accrued expenses and other	467	109
Lines of credit	286	170
Total current liabilities	2,843	1,174
<b>Stockholders' Equity</b>		
Common stock	2	2
Additional paid in capital	155,893	155,893
Accumulated deficit	(142,733)	(143,329)
Less common stock held in treasury	(4,523)	(4,523)
Total stockholders' equity	8,639	8,043
Total liabilities and stockholders' equity	\$ 11,482	\$ 9,217

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS (COMPILED) (AMOUNTS SHOWN IN THOUSANDS)

For the Three Months Ended March 31,	2013	2012
Net revenues	\$ 7,309	\$ 6,616
Cost of revenues	<u>5,159</u>	<u>4,682</u>
Gross profit	2,150	1,934
Selling, general and administrative expenses	<u>1,545</u>	<u>1,289</u>
Income from operations	<u>605</u>	<u>645</u>
Other income (expenses)		
Interest expense	(11)	(58)
Other income and expense, net	<u>2</u>	<u>4</u>
Total other income (expense), net	<u>(9)</u>	<u>(54)</u>
Net income	<u>\$ 596</u>	<u>\$ 591</u>
Per share of common stock		
Net income per share	<u>\$ 0.41</u>	<u>\$ 0.41</u>
Weighted average shares outstanding	<u>1,447</u>	<u>1,447</u>

###