



FOR IMMEDIATE RELEASE
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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, 2014
(\$ in thousands)

Coppell, Texas – May 15, 2014 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended March 31, 2014 that has been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights for the Quarter Ended March 31, 2014 vs March 31, 2013

- Net income increased by 80%, to \$1,072, from \$596.
- Revenue increased 14%, to \$8,307, from \$7,309.
- Earnings per share were \$0.74 (shown in whole amounts), compared to \$0.41 per share.
- The Company increased its cash position to \$2,680 from \$1,637.
- The Company owed \$0 on its line of credit, compared to \$286.

Financial Results, First Quarter of 2014 as Compared to First Quarter of 2013

Revenue for the first quarter of 2014 totaled \$8,307 compared to revenue of \$7,309 for the first quarter of 2013, an increase of approximately 14%. The increase was primarily due to a large restocking order from a major retailer.

Gross profit for the first quarter of 2014 totaled \$2,739. This compares to gross profit of \$2,150 for the first quarter of 2013, an increase of 27%. The Company’s product mix continues to follow the overall security market trend of increased sales of higher margin network product.

Selling, general and administrative expenses for the first quarter of 2014 totaled \$1,668. This compares to selling, general and administrative expenses of \$1,545 for the first quarter of 2013, an increase of 8%. The increase of \$123 was primarily due to an increase in incentive based compensation.

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Net income for the first quarter of 2014 was approximately \$1,072, or \$0.74 per share. This compares to net income for the first quarter of 2013 of \$596, or \$0.41 per share.

James Pritchett, President and Chief Executive Officer of the Company, stated, “Over the past quarter, our net income and revenue benefited from a substantial order from one of our largest retail customers. The customer significantly increased their remodel program in 2013 and the first quarter of 2014, making up for a limited number of remodels in the prior two years. During the quarter, the “catch up” period of its remodel program was completed and resulted in approximately \$3,300 in revenue. In coming quarters, we expect this customer to return to more normal ordering patterns. We continue to be pleased with our year-over-year performance improvements and are dedicated to pursuing growth and improved profitability.”

Rothstein Kass, the Company’s outside independent accountants, completed their analysis of the Company’s financial condition. The Independent Accountants Compilation 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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101 WRANGLER DRIVE, STE. 201 • COPPELL, TX • 75019
PHONE: 469.635.6800 • FAX: 469.635.6822

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	March 31, 2014 (Compiled)	December 31, 2013 (Reviewed)
ASSETS		
Current assets		
Cash	\$ 2,680	\$ 1,637
Accounts receivable, less allowance for doubtful accounts of \$75 in 2014 and 2013, respectively	2,700	2,136
Inventories, net of reserve for obsolescence of \$379 in 2014 and 2013, respectively	4,593	7,180
Promissory note - current		86
Prepaid expenses	324	207
Total current assets	10,297	11,246
Non-current assets		
Property and equipment, net	63	69
Trade names	925	925
Distribution agreement, net	899	918
Customer relationships, net	75	80
Covenant not to compete	10	14
Total assets	\$ 12,269	\$ 13,252
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 664	\$ 2,448
Accrued expenses and other	559	832
Total current liabilities	1,223	3,280
Stockholders' Equity		
Common stock	3	3
Additional paid in capital	155,914	155,912
Accumulated deficit	(140,350)	(141,422)
Less common stock held in treasury	(4,521)	(4,521)
Total stockholders' equity	11,046	9,972
Total liabilities and stockholders' equity	\$ 12,269	\$ 13,252

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

For the Three Months Ended March 31,	2014	2013
Net revenues	\$ 8,307	\$ 7,309
Cost of revenues	<u>5,568</u>	<u>5,159</u>
Gross profit	2,739	2,150
Selling, general and administrative expenses	<u>1,668</u>	<u>1,545</u>
Income from operations	<u>1,071</u>	<u>605</u>
Other income (expenses)		
Interest expense	(1)	(11)
Other income and expense, net	<u>2</u>	<u>2</u>
Total other income (expense), net	<u>1</u>	<u>(9)</u>
Net income	<u>\$ 1,072</u>	<u>\$ 596</u>
Per share of common stock		
Net income per share	<u>\$ 0.74</u>	<u>\$ 0.41</u>
Weighted average shares outstanding	<u>1,458</u>	<u>1,447</u>

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