



FOR IMMEDIATE RELEASE

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Costar Technologies, Inc. Announces Financial Results
for the Third Quarter Ended September 30, 2013
(\$ in thousands)

Coppell, Texas – November 14, 2013 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended September 30, 2013 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights

- Net income of \$1,050, or \$0.72 basic earnings per share, for the three months ended September 30, 2013, as compared to \$2, or \$0.00 basic earnings per share, for the three months ended September 30, 2012.
- Net income of \$2,084, or \$1.43 basic earnings per share, for the nine months ended September 30, 2013, as compared to \$651, or \$0.45 basic earnings per share, for the nine months ended September 30, 2012.
- Sales increased 113% for the third quarter of 2013 as compared to the same period for 2012. Sales increased 44% for the nine month period ended September 30, 2013 as compared to the same period in 2012.
- The Company increased its cash position to \$2,590 and owed \$0 on its line of credit.
- Book value increased to \$6.96 per share.

Financial Results, Third Quarter of 2013 as Compared to Third Quarter of 2012

Revenue for the third quarter of 2013 totaled \$8,617, as compared to revenue of \$4,037 for the third quarter of the prior year, an increase of 113%. The substantial increase was primarily due to the continuation of several retailers opening new stores and increasing

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remodels along with a relatively weak comparison for the third quarter in 2012 that diverged from the Company's normal seasonality pattern.

Gross profit for the third quarter of 2013 totaled \$2,566. This compares to gross profit of \$1,193 for the third quarter of 2012, an increase of 115%. The Company maintained robust sales of its DVR line and its IP product segment, resulting in strong margins.

Selling, general and administrative expenses from continuing operations for the third quarter of 2013 totaled \$1,506. This compares to selling, general and administrative expenses from continuing operations of \$1,177 for the third quarter of 2012, an increase of 28%. The increase of \$329 was primarily due to the hiring of four sales and support employees in the latter half of 2012 to stimulate future growth, along with increased commissions and other incentive compensation related to the Company's current performance.

Net income for the third quarter of 2013 was approximately \$1,050, or \$0.72 basic earnings per share. This compares to net income for the third quarter of 2012 of \$2, or \$0.00 basic earnings per share.

Financial Results, Nine Months Ended September 30, 2013 as Compared to Nine Months Ended September 30, 2012

Revenue from continuing operations for the nine months ended September 30, 2013 totaled \$22,145, an increase of 44% as compared to revenue of \$15,361 for the same period last year.

Gross profit for the nine months ended September 30, 2013 totaled \$6,544. This compares to gross profit of \$4,458 for the nine months ended September 30, 2012.

Selling, general and administrative expenses for the nine months ended September 30, 2013 totaled \$4,435. This compares to selling, general and administrative expenses of \$3,702 for the nine months ended September 30, 2012, an increase of 20%.

Net income for the nine months ended September 30, 2013 was approximately \$2,084, or \$1.43 basic earnings per share, as compared to net income for the same period in 2012 of \$651, or \$0.45 basic earnings per share.

James Pritchett, President and Chief Executive Officer of the Company, stated, "Our Q3 marked the strongest quarter in the history of the Company as we delivered 113% year on year sales growth and generated record cash flows. While the industry is still adjusting to the slow economic recovery, we are encouraged by our results and are dedicated to delivering on our commitment of strong earnings and double digit sales growth in 2013."

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.

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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. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	September 30, 2013	December 31, 2012
	(Compiled)	(Reviewed)
ASSETS		
Current assets		
Cash	\$ 2,590	\$ 114
Accounts receivable, less allowance for doubtful accounts of \$75 and \$67 in 2013 and 2012, respectively	3,243	2,029
Inventories, net of reserve for obsolescence of \$675 in 2013 and 2012	4,035	4,132
Promissory note - current		151
Prepaid expenses	693	381
Total current assets	10,561	6,807
Non-current assets		
Property and equipment, net	78	105
Trade names	925	925
Distribution agreement, net	935	991
Customer relationships, net	85	101
Covenant not to compete	18	30
Promissory note	86	258
Total assets	\$ 12,688	\$ 9,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,732	\$ 895
Accrued expenses and other	809	109
Lines of credit		170
Total current liabilities	2,541	1,174
Stockholders' Equity		
Common stock	3	2
Additional paid in capital	155,910	155,893
Accumulated deficit	(141,245)	(143,329)
Less common stock held in treasury	(4,521)	(4,523)
Total stockholders' equity	10,147	8,043
Total liabilities and stockholders' equity	\$ 12,688	\$ 9,217

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net revenues	\$ 8,817	\$ 4,037	\$ 22,145	\$ 15,381
Cost of revenues	<u>6,051</u>	<u>2,844</u>	<u>15,601</u>	<u>10,903</u>
Gross profit	2,588	1,193	6,544	4,458
Selling, general and administrative expenses	<u>1,506</u>	<u>1,177</u>	<u>4,435</u>	<u>3,702</u>
Income from operations	<u>1,080</u>	<u>18</u>	<u>2,109</u>	<u>756</u>
Other income (expenses)				
Interest expense		(28)	(51)	(125)
Other income and expense, net	4	12	40	20
Current income tax provision	<u>(14)</u>	<u></u>	<u>(14)</u>	<u></u>
Total other income (expenses), net	<u>(10)</u>	<u>(14)</u>	<u>(25)</u>	<u>(105)</u>
Net income	<u>\$ 1,050</u>	<u>\$ 2</u>	<u>\$ 2,084</u>	<u>\$ 651</u>
Per share of common stock				
Net income per share	<u>\$ 0.72</u>	<u>\$ 0.00</u>	<u>\$ 1.43</u>	<u>\$ 0.45</u>
Weighted average shares outstanding	<u>1,457</u>	<u>1,447</u>	<u>1,453</u>	<u>1,447</u>

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