



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
for the First Quarter Ended March 31, 2015
(In thousands except per share amounts)

Coppell, Texas – May 18, 2015 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ended March 31, 2015 that has been reviewed by the independent accounting firm McGladrey LLP.

Highlights for the Quarter Ended March 31, 2015

- GAAP net income of \$29, or \$0.02 per share based on 1,550 weighted average diluted shares outstanding. This compares to GAAP net income of \$1,072, or \$0.70 per share based on 1,532 weighted average diluted shares outstanding for the quarter ended March 31, 2014.
- The Company posted positive net income for the quarter in spite of the anticipated decline of \$4,200 in revenue from its largest customer, which included \$3,300 due to the “catch-up” order in 2014 and \$900 due to the implementation of tighter inventory management.
- Revenue outside of the company’s largest customer and CohuHD, grew at a rate of 22% versus the first quarter of 2014.

James Pritchett, President and Chief Executive Officer of the Company, stated, “We are pleased with the performance of our team and their ability to deliver a profitable quarter despite many obstacles. The first quarter is a historically soft quarter for both Costar and CohuHD, in addition, our largest customer reduced inventory and there was significant inclement weather in the Northeast.” Mr. Pritchett added, “The CohuHD integration is progressing as planned as CohuHD finalizes its launch of the new RISE product line. We believe the Company is aligned to take advantage of specific vertical market opportunities in 2015 as we stay focused on our commitment to increase shareholder value through long term revenue and profitability growth.”

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Financial Results, First Quarter of 2015

The financial results for the first quarter of fiscal 2015 include the results of operations for CohuHD for the full quarter. In comparison, financial results for the first quarter of fiscal 2014 do not include CohuHD.

Revenue for the first quarter of 2015 totaled \$8,099, as compared to revenue of \$8,307 for the first quarter of the prior year, a decrease of approximately 3%. The Company's new subsidiary, CohuHD, generated approximately \$3,353 in revenue during the period.

Gross profit for the first quarter of 2015 totaled \$3,219. This compares to gross profit of \$2,739 for the first quarter of 2014, an increase of 18%. The majority of the increase was due to the acquisition of CohuHD, but increased sales of the Company's higher margin network product was also a strong contributor.

Operating expenses for the first quarter of 2015 totaled \$3,129. This compares to operating expenses of \$1,655 for the first quarter of 2014, an increase of 89%. The majority of the increase was due to CohuHD.

Net income for the first quarter of 2015 was approximately \$29, or \$0.02 fully diluted earnings per share. This compares to net income for the first quarter of 2014 of \$1,072, or \$0.70 fully diluted earnings per share. CohuHD accounted for approximately \$(46) of Company's net income in the 2015 quarter.

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-

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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)

	March 31, 2015 (Reviewed)	December 31, 2014 (Audited)
ASSETS		
Current assets		
Cash	\$ 620	\$
Accounts receivable, less allowance for doubtful accounts of \$70 and \$75 in 2015 and 2014, respectively	5,070	7,086
Inventories, net of reserve for obsolescence of \$379 in 2015 and 2014	7,714	7,629
Prepaid expenses	345	307
Deferred tax asset - current	392	408
Total current assets	14,141	15,430
Non-current assets		
Property and equipment, net	407	397
Deferred financing costs, net	82	97
Deferred tax asset, non-current	7,280	7,280
Trade names, net	2,405	2,464
Distribution agreement, net	826	844
Customer relationships, net	774	799
Covenant not to compete, net	17	18
Goodwill	2,063	2,063
Total assets	\$ 27,995	\$ 29,392
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,385	\$ 3,499
Accrued expenses and other	1,234	1,899
Line of credit	1,134	519
Short-term debt	600	600
Contingent purchase price		128
Total current liabilities	5,353	6,645
Long-Term liabilities		
Long-term debt	1,950	2,100
Total long-term liabilities	1,950	2,100
Total liabilities	7,303	8,745
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,089	156,073
Accumulated deficit	(130,879)	(130,908)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	20,692	20,647
Total liabilities and stockholders' equity	\$ 27,995	\$ 29,392

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Three Months Ended March 31,	
	2015 (Reviewed)	2014 (Compiled)
Net revenues	\$ 8,099	\$ 8,307
Cost of revenues	<u>4,880</u>	<u>5,568</u>
Gross profit	3,219	2,739
Selling, general and administrative expenses	2,368	1,560
Engineering and development expense	761	56
Transaction and related expense	<u>3,129</u>	<u>1,655</u>
Income from operations	<u>90</u>	<u>1,084</u>
Other income (expenses)		
Interest expense	(44)	(1)
Other income and expense, net	<u>1</u>	<u>2</u>
Total other income (expenses), net	<u>(43)</u>	<u>1</u>
Income before taxes	47	1,085
Income tax provision	<u>18</u>	<u>13</u>
Net income	<u>\$ 29</u>	<u>\$ 1,072</u>
Net income per share:		
Basic	\$ 0.02	\$ 0.74
Diluted	\$ 0.02	\$ 0.70
Weighted average shares outstanding		
Basic	1,466	1,458
Diluted	1,550	1,532

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