



**FOR IMMEDIATE RELEASE**  
October 31, 2014

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**Costar Technologies, Inc. Announces Financial Results**  
**for the Second Quarter Ended June 30, 2014**  
**(\$ in thousands)**

Coppell, Texas – October 31, 2014 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended June 30, 2014 that have been reviewed by the independent accounting firm McGladrey, LLP.

**Highlights**

- The Company completed the acquisition of CohuHD on June 6, 2014, the camera products and video solutions division of Cohu, Inc. (NASDAQ: COHU). Financials include the results for CohuHD from June 6 through quarter end.
- Net income of \$990, or \$0.68 per share, for the three months ended June 30, 2014, as compared to \$438, or \$0.30 per share, for the three months ended June 30, 2013. For the six months ended June 30, 2014 and 2013 the Company had net income of \$2,062, or \$1.41 per share, and \$1,034, or \$0.71 per share, respectively.
- Sales increased 33% for the second quarter of 2014 as compared to the same period for 2013. Sales increased 23% for the six month period ended June 30, 2014 as compared to the same period in 2013.

James Pritchett, President and Chief Executive Officer of the Company, stated, “We are delighted to be able to share the initial results of adding CohuHD to Costar after completing the first quarter of integration. We have identified multiple cross selling opportunities with our full portfolio of products and have been able to leverage our shared engineering talent to the benefit of both Costar Video Systems and CohuHD. The acquisition adds significant

## **COSTAR TECHNOLOGIES, INC.**

shareholder value, with the Company delivering \$0.82 per share on an adjusted basis for the second quarter after adding back one-time transaction expenses, and provides a compelling story in the security market.”

### **Financial Results, Second Quarter of 2014 as Compared to Second Quarter of 2013**

Revenue for the second quarter of 2014 totaled \$8,276, as compared to revenue of \$6,219 for the second quarter of the prior year, an increase of 33%. Of the \$2,057 increase in revenue, \$1,728 was generated by the new acquisition, CohuHD.

Gross profit for the second quarter of 2014 totaled \$3,197. This compares to gross profit of \$1,828 for the second quarter of 2013, an increase of 75%. The majority of the increase was due to the acquisition of CohuHD.

Selling, general and administrative expenses from operations for the second quarter of 2014 totaled \$1,762. This compares to selling, general and administrative expenses from continuing operations of \$1,384 for the second quarter of 2013, an increase of 27%. The majority of the \$378 increase and all of the \$128 in engineering and development expense was due to the new subsidiary, CohuHD. The Company also experienced \$205 in transaction and related expense directly tied to the acquisition of CohuHD.

Net income for the second quarter of 2014 was approximately \$990, or \$0.68 per share. This compares to net income for the second quarter of 2013 of \$438, or \$0.30 per share. Of the \$552 increase in profits, \$551 was due to CohuHD.

### **Financial Results, Six Months Ended June 30, 2014 as Compared to Six Months Ended June 30, 2013**

Revenue from continuing operations for the six months ended June 30, 2014 totaled \$16,583, an increase of 23% as compared to revenue of \$13,528 for the same period last year. The new subsidiary, CohuHD, accounted for 13% of the increase. The remainder of the increase was due to strong demand from our customers that service retail.

Gross profit for the six months ended June 30, 2014 totaled \$5,936. This compares to gross profit of \$3,978 for the six months ended June 30, 2013.

Selling, general and administrative expenses for the six months ended June 30, 2014 totaled \$3,321. This compares to selling, general and administrative expenses of \$2,929 for the six months ended June 30, 2012, an increase of 16%. There were also increases in engineering and development expense of \$128 and transaction and related expenses of \$244.

Net income for the six months ended June 30, 2014 was approximately \$2,062, or \$1.41 per share, as compared to net income for the same period in 2013 of \$1,034, or \$0.71 per share.

# **COSTAR TECHNOLOGIES, INC.**

## **Acquisition of CohuHD**

On June 6, 2014, the Company purchased, CohuHD, the camera products and video solutions division of Cohu, Inc., with the Company's new \$7,000 revolving line of credit and \$3,000 term loan. As of June 30, 2014, the outstanding balance on the revolving line of credit was \$2,705, with \$3,000 outstanding on the term loan. Further information can be found in Note 3 and Note 7 of the Company's financial statements for the second quarter of 2014.

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](http://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 EXCEPT FOR PER SHARE AMOUNTS)

	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$	\$ 1,637
Accounts receivable, less allowance for doubtful accounts of \$75 in 2014 and 2013	5,788	2,136
Inventories, net of reserve for obsolescence of \$379 in 2014 and 2013	8,300	7,180
Promissory note - current		86
Prepaid expenses	225	207
Total current assets	14,313	11,246
<b>Non-current assets</b>		
Property and equipment, net	447	69
Deferred financing costs	125	
Trade names	2,582	925
Distribution agreement, net	881	918
Customer relationships, net	1,214	80
Covenant not to compete	25	14
Goodwill	1,921	
Total assets	\$ 21,508	\$ 13,252
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,196	\$ 2,448
Accrued expenses and other	979	832
Line of credit	2,705	
Short-term debt	600	
Contingent Purchase Price	470	
Total current liabilities	6,950	3,280
<b>Long-Term liabilities</b>		
Deferred tax liability	71	
Long-term debt	2,400	
Total long-term liabilities	2,471	
Total liabilities	9,421	3,280
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	155,965	155,912
Accumulated deficit	(139,360)	(141,422)
Less common stock held in treasury	(4,521)	(4,521)
Total stockholders' equity	12,087	9,972
Total liabilities and stockholders' equity	\$ 21,508	\$ 13,252

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(AMOUNTS SHOWN IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenues	\$ 8,276	\$ 6,219	\$ 16,583	\$ 13,528
Cost of revenues	<u>5,079</u>	<u>4,391</u>	<u>10,647</u>	<u>9,550</u>
Gross profit	3,197	1,828	5,936	3,978
Selling, general and administrative expenses	1,762	1,384	3,391	2,929
Engineering and development expense	128		128	
Transaction and related expense	<u>205</u>		<u>244</u>	
	<u>2,095</u>	<u>1,384</u>	<u>3,763</u>	<u>2,929</u>
Income from operations	<u>1,102</u>	<u>444</u>	<u>2,173</u>	<u>1,049</u>
Other income (expenses)				
Interest expense	(10)	(40)	(11)	(51)
Other income and expense, net	<u>1</u>	<u>34</u>	<u>3</u>	<u>36</u>
Total other income (expenses), net	<u>(9)</u>	<u>(6)</u>	<u>(8)</u>	<u>(15)</u>
Income before taxes	1,093	438	2,165	1,034
Income tax provision	32		32	
Deferred income tax provision	<u>71</u>		<u>71</u>	
Net income	<u>\$ 990</u>	<u>\$ 438</u>	<u>\$ 2,062</u>	<u>\$ 1,034</u>
Net income per share:				
Basic	<u>\$ 0.68</u>	<u>\$ 0.30</u>	<u>\$ 1.41</u>	<u>\$ 0.71</u>
Diluted	<u>\$ 0.64</u>	<u>\$ 0.29</u>	<u>\$ 1.34</u>	<u>\$ 0.69</u>
Weighted average shares outstanding				
Basic	<u>1,459</u>	<u>1,454</u>	<u>1,459</u>	<u>1,451</u>
Diluted	<u>1,539</u>	<u>1,496</u>	<u>1,539</u>	<u>1,493</u>

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