



**FOR IMMEDIATE RELEASE**  
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**Costar Technologies, Inc. Announces Preliminary Financial Results**  
**for the Fourth Quarter and Year Ended December 31, 2014**  
**(In thousands except per share amounts)**

Coppell, Texas – March 31, 2015 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced preliminary year-end 2014 financial results in advance of the full release of their audited financials, which are expected in mid to late April.

**Highlights for the Year Ended December 31, 2014**

- The Company acquired the CohuHD division from Cohu, Inc. for approximately \$10,000.
- Earnings increased by 43% to \$2,725, or \$1.77 per share, based on the Company’s 1,543 weighted average fully diluted shares outstanding. The \$818 increase, or \$0.52 per share, compared to earnings of \$1,907, or \$1.25 per fully diluted share in FY 2013.
- Revenue increased 36% to \$36,051, from \$26,476 in FY 2013.
- Positive cash flow of approximately \$5,500 from operating activities allowed the Company to pay down bank debt by \$2,486 in the last six months, to \$3,219.

James Pritchett, President and Chief Executive Officer of the Company, stated, “We are pleased with the strong contribution that CohuHD made to the Company in 2014. After aligning sales strategies this past year, we continue to be encouraged by the many opportunities this combination presents. We look to maintain the momentum of 2014 by expanding our footprint with our existing customer base through our increasingly broad product line. We believe this is the best way to continue to create value for our shareholders.”

## **COSTAR TECHNOLOGIES, INC.**

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

Revenue for the fourth quarter of 2014 totaled \$10,492, as compared to revenue of \$4,331 for the fourth quarter of the prior year, an increase of approximately 142%. The Company's new subsidiary, CohuHD, generated approximately \$5,284 in revenue during the period. Excluding CohuHD, the 20% revenue increase was due to increased demand for the Company's network product.

Gross profit for the fourth quarter of 2014 totaled \$3,993. This compares to gross profit of \$923 for the fourth quarter of 2013, an increase of 333%. 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.

Selling, general and administrative expenses for the fourth quarter of 2014 totaled \$3,588. This compares to selling, general and administrative expenses of \$1,163 for the fourth quarter of 2013, an increase of 209%. The majority of the increase was due to CohuHD. The Company also fully accrued for its vacation liability in accordance with FASB ASC 43, Accounting for Compensated Absences, which added \$104 to SG&A.

Net income for the fourth quarter of 2014 was approximately \$254, or \$0.16 fully diluted earnings per share. This compares to net (loss) for the fourth quarter of 2013 of \$(177), or \$(0.12) fully diluted earnings per share. CohuHD contributed approximately \$438 toward the Company's profits in the 2014 quarter.

### **Financial Results, Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**

Revenue for the year ended December 31, 2014 totaled \$36,051, an increase of 36% as compared to revenue of \$26,476 for the same period last year. CohuHD accounted for \$11,256 of the increase.

Gross profit for the year ended December 31, 2014 totaled \$13,562. This compares to gross profit of \$7,467 for the year ended December 31, 2013. The majority of the increase in gross profit was due to the acquisition of CohuHD and the industry transition to network product.

Selling, general and administrative expenses for the year ended December 31, 2014 totaled \$10,524. This compares to selling, general and administrative expenses of \$5,598 for the year ended December 31, 2013, an increase of 88%. The majority of the increase was due to CohuHD and the related acquisition costs of \$397.

Net income for the year ended December 31, 2014 was approximately \$2,725, or \$1.77 fully diluted earnings per share, as compared to net income of \$1,907, or \$1.25 fully diluted earnings per share for the year ended December 31, 2013. CohuHD contributed approximately \$1,458 to the increase.

## **COSTAR TECHNOLOGIES, INC.**

The Company expects to release its audited financials in mid to late April. The transfer of tax work papers from the Company's prior accountant took longer than anticipated, which delayed the finalization of the tax work required to complete the audit. While management believes material changes to the results are unlikely, the results are preliminary and subject to change.

### **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)

	December 31, 2014 (Unaudited)	December 31, 2013 (Reviewed)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$	\$ 1,637
Accounts receivable, less allowance for doubtful accounts of \$75 in 2014 and 2013	7,086	2,136
Inventories, net of reserve for obsolescence of \$379 in 2014 and 2013	7,629	7,180
Promissory note - current		86
Prepaid expenses	307	207
Total current assets	15,022	11,246
<b>Non-current assets</b>		
Property and equipment, net	397	69
Deferred financing costs, net	97	
Trade names, net	2,464	925
Distribution agreement, net	844	918
Customer relationships, net	799	80
Covenant not to compete	18	14
Goodwill	2,063	
Total assets	\$ 21,704	\$ 13,252
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,499	\$ 2,448
Accrued expenses and other	1,913	832
Line of credit	519	
Short-term debt	600	
Contingent purchase price	128	
Total current liabilities	6,659	3,280
<b>Long-Term liabilities</b>		
Deferred tax liability	87	
Long-term debt	2,100	
Total long-term liabilities	2,187	
Total liabilities	8,846	3,280
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,073	155,912
Accumulated deficit	(138,697)	(141,422)
Less common stock held in treasury	(4,521)	(4,521)
Total stockholders' equity	12,858	9,972
Total liabilities and stockholders' equity	\$ 21,704	\$ 13,252

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Reviewed)
Net revenues	\$ 10,492	\$ 4,331	\$ 36,051	\$ 26,476
Cost of revenues	<u>6,499</u>	<u>3,408</u>	<u>22,489</u>	<u>19,009</u>
Gross profit	3,993	923	13,562	7,467
Selling, general and administrative expenses	2,835	1,108	8,472	5,374
Engineering and development expense	753	55	1,655	224
Transaction and related expense	<u>3,588</u>	<u>1,163</u>	<u>10,524</u>	<u>5,598</u>
Income (loss) from operations	<u>405</u>	<u>(240)</u>	<u>3,038</u>	<u>1,869</u>
Other income (expenses)				
Interest expense	(39)	(1)	(93)	(52)
Other income and expense, net	<u>(29)</u>	<u>65</u>	<u>(26)</u>	<u>105</u>
Total other income (expenses), net	<u>(68)</u>	<u>64</u>	<u>(119)</u>	<u>53</u>
Income (loss) before taxes	337	(176)	2,919	1,922
Current income tax provision	75	1	107	15
Deferred income tax provision	<u>8</u>	<u></u>	<u>87</u>	<u></u>
Net income (loss)	<u>\$ 254</u>	<u>\$ (177)</u>	<u>\$ 2,725</u>	<u>\$ 1,907</u>
Net income (loss) per share:				
Basic	\$ 0.17	\$ (0.12)	\$ 1.86	\$ 1.31
Diluted	\$ 0.16	\$ (0.12)	\$ 1.77	\$ 1.25
Weighted average shares outstanding				
Basic	1,464	1,457	1,462	1,453
Diluted	1,545	1,534	1,543	1,530

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