



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
for the Third Quarter Ended September 30, 2014
(\$ in thousands)

Coppell, Texas – November 17, 2014 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended September 30, 2014 that have been reviewed by the independent accounting firm McGladrey LLP.

Highlights

- Net income of \$409 and earnings per diluted share of \$0.26, for the three months ended September 30, 2014, as compared to \$1,050 and earnings per diluted share of \$0.69 in the same period last year.
- Net income of \$2,471 and earnings per diluted share of \$1.59, for the nine months ended September 30, 2014, as compared to \$1,050 and earnings per diluted share of \$1.38 in the same period last year.
- Sales increased 4% for the third quarter of 2014 and 15% for the nine months ended September 30, 2014 as compared to the same periods for 2013.
- Strong operating cash flow enabled the Company to reduce its indebtedness to Bank of Texas from \$5,705 to \$4,616 during the three months ended September 30, 2014.

James Pritchett, President and Chief Executive Officer of the Company, stated, “We remain excited with the CohuHD acquisition (June 6, 2014) as we integrate the two companies. The

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Q3 results for CohuHD were very promising as they approach the end of year spending associated with city, state and federal budgets.”

Mr. Pritchett added that “Severe delays caused by International Longshore & Warehouse Union slowdowns, equipment and driver shortages have delayed Costar’s regularly scheduled quarterly shipments in excess of \$1,000. Delays are expected to continue for 4-6 weeks before they return to normal.”

“We continue to invest in improving customer service practices, increasing trade show exposure, and expanding into new geographical regions to grow our business and create long-term value for our shareholders,” said Mr. Pritchett.

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

Revenue for the third quarter of 2014 totaled \$8,976, as compared to revenue of \$8,617 for the third quarter of the prior year, an increase of 4%. The Company’s new subsidiary, CohuHD, generated approximately \$4,244 in revenue during the period. Revenue in the third quarter of 2013 was elevated by approximately \$3,000 due to large restocking orders and increased remodels.

Gross profit for the third quarter of 2014 totaled \$3,633. This compares to gross profit of \$2,566 for the third quarter of 2013, an increase of 42%. The majority of the increase in gross profit percentage was due to the acquisition of CohuHD.

Selling, general and administrative expenses from operations for the third quarter of 2014 totaled \$2,413. This compares to selling, general and administrative expenses from operations of \$1,506 for the third quarter of 2013, an increase of 60%. The majority of the \$907 increase was due CohuHD. The Company also incurred \$153 in transaction and related expense directly tied to the acquisition of CohuHD.

Net income for the third quarter of 2014 was approximately \$409, or \$0.26 diluted earnings per share compared to \$1,050, or \$0.69 diluted earnings per share in the prior year period. CohuHD contributed approximately \$511 toward the Company’s profits in the 2014 quarter.

Financial Results, Nine Months Ended September 30, 2014 as Compared to Nine Months Ended September 30, 2013

Revenue from operations for the nine months ended September 30, 2014 totaled \$25,559, an increase of 15% as compared to revenue of \$22,145 for the same period last year. CohuHD accounted for \$5,972 of the increase.

Gross profit for the nine months ended September 30, 2014 totaled \$9,569. This compares to gross profit of \$6,544 for the nine months ended September 30, 2013.

Selling, general and administrative expenses for the nine months ended September 30, 2014 totaled \$5,805 compared to \$4,435 for the same period in 2013, an increase of 31%.

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The majority of the increase, along with the engineering and development expense of \$734 and the transaction and related expenses of \$397, related to CohuHD.

Net income for the nine months ended September 30, 2014 was approximately \$2,471, or \$1.59 diluted earnings per share, as compared to net income for the same period in 2013 of \$2,084, or \$1.38 diluted earnings per share.

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-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, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	\$ 166	\$ 1,637
Accounts receivable, less allowance for doubtful accounts of \$75 in 2014 and 2013	5,797	2,136
Inventories, net of reserve for obsolescence of \$286 and \$379 in 2014 and 2013, respectively	7,605	7,180
Promissory note - current		86
Prepaid expenses	298	207
Total current assets	13,866	11,246
Non-current assets		
Property and equipment, net	442	69
Deferred financing costs, net	111	
Trade names, net	2,523	925
Distribution agreement, net	862	918
Customer relationships, net	1,181	80
Covenant not to compete	20	14
Goodwill	1,921	
Total assets	\$ 20,926	\$ 13,252
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,953	\$ 2,448
Accrued expenses and other	1,373	832
Line of credit	1,766	
Short-term debt	600	
Contingent purchase price	333	
Total current liabilities	6,025	3,280
Long-Term liabilities		
Deferred tax liability	79	
Long-term debt	2,250	
Total long-term liabilities	2,329	
Total liabilities	8,354	3,280
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,041	155,912
Accumulated deficit	(138,951)	(141,422)
Less common stock held in treasury	(4,521)	(4,521)
Total stockholders' equity	12,572	9,972
Total liabilities and stockholders' equity	\$ 20,926	\$ 13,252

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS SHOWN IN THOUSANDS)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	\$ 8,976	\$ 8,617	\$ 25,559	\$ 22,145
Cost of revenues	<u>5,343</u>	<u>6,051</u>	<u>15,990</u>	<u>15,601</u>
Gross profit	3,633	2,566	9,569	6,544
Selling, general and administrative expenses	2,413	1,506	5,805	4,435
Engineering and development expense	606		734	
Transaction and related expense	153		397	
	<u>3,172</u>	<u>1,506</u>	<u>6,936</u>	<u>4,435</u>
Income from operations	<u>461</u>	<u>1,060</u>	<u>2,633</u>	<u>2,109</u>
Other income (expenses)				
Interest expense	(44)		(54)	(51)
Other income and expense, net		4	3	40
Total other income (expenses), net	<u>(44)</u>	<u>4</u>	<u>(51)</u>	<u>(11)</u>
Income before taxes	417	1,064	2,582	2,098
Current income tax provision		14	32	14
Deferred income tax provision	<u>8</u>		<u>79</u>	
Net income	<u>\$ 409</u>	<u>\$ 1,050</u>	<u>\$ 2,471</u>	<u>\$ 2,084</u>
Net income per share:				
Basic	\$ 0.28	\$ 0.72	\$ 1.69	\$ 1.43
Diluted	\$ 0.26	\$ 0.69	\$ 1.59	\$ 1.38
Weighted average shares outstanding				
Basic	1,462	1,457	1,462	1,453
Diluted	1,550	1,518	1,550	1,514

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