FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the Fourth Quarter and Year Ended December 31, 2018
($ in thousands except per share amounts)

Coppell, Texas – June 3, 2019 – Costar Technologies, Inc. (the "Company") (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2018 that have been audited by the independent accounting firm BKD, LLP.

The Company completed the acquisition of Arecont Vision, LLC ("AVC"), a leading manufacturer of network and megapixel surveillance cameras, on July 13, 2018. The financial results of AVC are included from July 14th through year-end.

Financial Results for the Quarter Ended December 31, 2018

- Revenue of $17,042, a 31.9% increase compared to the prior year fourth quarter, but an 11% decrease excluding the AVC acquisition. The decrease was largely due to a previously announced order of more than $2,000 that shipped in the fourth quarter of 2017.

- Operating expenses were $8,839, compared to $1,745 in the fourth quarter of 2017. The primary drivers of the increase were AVC operating expenses of $3,725, a $3,064 difference in the change in the fair value of the contingent purchase price for the acquisition of Innotech and $422 in transaction related expenses incurred during the fourth quarter of 2018.

- GAAP net loss of ($2,948), or ($1.91) per diluted share based on 1,542 fully diluted shares outstanding compared to a GAAP net loss of ($669), or ($0.44) per diluted share based on 1,513 fully diluted shares outstanding in the fourth quarter of 2017. AVC contributed ($3,271) towards the net loss for the quarter ended December 31, 2018.

- Adjusted earnings of ($1,214), or ($0.79) per diluted share compared to $241, or $0.16 per diluted share for the quarter ended December 31, 2017. AVC contributed ($2,836) in adjusted earnings for the quarter ended December 31, 2018. Adjusted earnings, a non-GAAP measure, is defined below.

- Adjusted EBITDA of ($1,702) compared to $1,638 for the quarter ended December 31, 2017. AVC contributed adjusted EBITDA of ($2,807) for the quarter ended December 31, 2018. Adjusted EBITDA, a non-GAAP measure, is defined below.

Financial Results for the Year Ended December 31, 2018

- Revenue of $58,906, an increase of $14,640 or 33.1% from the year ended December 31, 2017. AVC contributed $13,343 in revenue during the year ended December 31, 2018.

- Operating expenses were $24,219, compared to $13,563 in 2017. AVC contributed $6,373. The difference in the change in the fair value of the contingent purchase price for the Innotech acquisition of $3,004 and transaction expenses of $730 also contributed to the increase in 2018.

- GAAP net loss of ($2,880) or ($1.87) per share based on 1,542 fully diluted shares outstanding, compared to GAAP net loss of ($371) or ($0.25) per share based on 1,513 fully diluted shares for the year ended December 31, 2017. AVC contributed ($3,336) in net loss for the year ended December 31, 2018.

- Adjusted earnings of $1,118 or $0.73 per diluted share compared to $1,837 or $1.21 per diluted share for the year ended December 31, 2017, a decrease per share of 39.7%. AVC contributed ($2,391) in Adjusted Earnings for the year ended December 31, 2018. Adjusted earnings, a non-GAAP measure, is defined below.

- Adjusted EBITDA of $1,513 compared to $3,999 for the year ended December 31, 2017, a decrease of 62.2%. AVC contributed Adjusted EBITDA of ($2,339) for the year ended December 31, 2018. Adjusted EBITDA, a non-GAAP measure, is defined below.

President and Chief Executive Officer James Pritchett stated, “Buying a company out of bankruptcy always has its challenges but presents tremendous opportunities as well. While it took us longer than initially expected to correct the issues at Arecont Vision, we have redressed employee and product quality issues that businesses in bankruptcy inevitably face. We relocated AVC’s operations and revenues are now growing. As the integration activities and associated expenses come to a close, we look forward to the growth opportunities that Arecont Vision’s products and markets provide our organization. We continue to strongly believe that this acquisition will be our most accretive yet.”

“Consistent with our expectations, purchasing Arecont Vision out of bankruptcy adversely impacted our 2018 results,” said Scott Switzer, Chief Operating Officer and Chief Financial Officer. “The acquisition and integration expenses for Arecont Vision combined with the large swing in the fair value of the contingent consideration for Innotech elevated our costs. These headwinds continued at AVC in the first quarter due to additional restructuring costs, the relocation of facilities and the implementation of our ERP system. The majority of these expenses and charges are one-time in nature and we are confident that they will drive improvements in profitability going forward.”

The Company's outside independent auditors completed their analysis of the Company's financial condition. The Independent Auditor's Report, including financial statements and applicable footnote disclosures, is available on our website at www.costartechnologies.com.

Non-GAAP Financial Measures

The Company defines adjusted earnings, a non-GAAP measure, as net income excluding stock-based compensation, amortization of acquisition-related intangible assets, adjustments to the fair value of acquisition-related contingent consideration, transaction related expenses, revaluation of deferred tax asset, loan forgiveness required under the AVC purchase agreement and payments routed to a non-company bank account. The Company defines adjusted EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization, stock-based compensation, adjustments to the fair value of acquisition-related contingent consideration, transaction and related expenses, loan forgiveness required under the AVC purchase agreement and payments routed to a non-company bank account. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net loss:

	Year Ended 12/31/18	Year Ended 12/31/17	Q4 2018	Q4 2017
Adjusted Earnings	**1,118**	**1,837**	**(1,214)**	**241**
Less:				
Stock-Based Compensation	(227)	(268)	(49)	(51)
Intangible Amortization	(1,270)	(1,267)	(331)	(314)
Contingent Consideration Fair Value Adjustment	(932)	2,072	(932)	2,132
Transaction and Related Expenses	(729)	(68)	(422)	
Revaluation of Deferred Tax Assset		(2,677)		(2,677)
Loan Forgiveness Required Under AVC Purchase Agreement	(410)			
Payments Routed to a Non-Company Bank Account	(430)			
Net Loss	**(2,880)**	**(371)**	**(2,948)**	**(669)**

	Year Ended 12/31/18	Year Ended 12/31/17	Q4 2018	Q4 2017
Adjusted EBITDA	**1,513**	**3,999**	**(1,702)**	**1,638**
Less:				
Interest	(804)	(462)	(283)	(100)
Income Taxes	806	(4,116)	887	(3,894)
Depreciation	(397)	(261)	(116)	(80)
Intangible Amortization	(1,270)	(1,267)	(331)	(314)
Stock-Based Compensation	(227)	(268)	(49)	(51)
Contingent Consideration Fair Value Adjustment	(932)	2,072	(932)	2,132
Transaction and Related Expenses	(729)	(68)	(422)	
Loan Forgiveness Required Under AVC Purchase Agreement	(410)			
Payments Routed to a Non-Company Bank Account	(430)			
Net Loss	**(2,880)**	**(371)**	**(2,948)**	**(669)**

These reconciliations of GAAP to non-GAAP measures should be considered together with the Company's financial statements. These non-GAAP measures are not meant as a substitute for

GAAP, but are included solely for informational and comparative purposes. The Company's management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management believes these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures.

About Costar Technologies, Inc.

Costar Technologies, Inc. develops, designs, manufactures 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". Costar was ranked as the 36th largest company in a&s magazine's Security 50 for 2018. Security 50 is an annual ranking by the magazine of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms, based on sales revenue.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward-looking statements, including statements regarding the Company's ability to grow revenue and earnings, that are subject to substantial risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements, including but not limited to risks related to the ability to diversify business across vertical markets, secure new customer wins, and launch new products. You can often identify forward-looking statements by words such as "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "predict," "potential," or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations but they involve risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of the risks and uncertainties.

You should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws.

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(AMOUNTS SHOWN IN THOUSANDS)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 189	$ 196
Accounts receivable, less allowance for doubtful accounts of $859 and $97 in 2018 and 2017, respectively	9,333	7,246
Inventories, net of reserve for obsolescence of $1,101 and $815 in 2018 and 2017, respectively	20,618	9,529
Prepaid expenses and other current assets	1,531	790
Total current assets	31,671	17,761
Non-current assets		
Property and equipment, net	915	861
Deferred financing costs, net	99	26
Deferred tax asset, net	3,766	2,916
Trade names, net	2,561	2,667
Distribution agreements, net	905	624
Customer relationships, net	4,884	5,600
Covenants not to compete, net	92	126
Patents, net	200	7
Technology, net	335	402
Goodwill	6,513	5,574
Other non-current assets	109	96
Total non-current assets	20,379	18,899
Total assets	$ 52,050	$ 36,660
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 5,786	$ 3,829
Accrued expenses and other	7,075	2,532
Line of credit	11,738	
Current maturities of long-term debt, net of unamortized financing fees	773	740
Contingent purchase price	1,048	346
Current maturities of notes payable, related party	805	753
Total current liabilities	27,225	8,200
Long-Term liabilities		
Long-term debt, net of current maturities and unamortized financing fees	4,373	4,476
Contingent purchase price, net of current portion	992	1,101
Notes payable, related party, net of current maturities		805
Total long-term liabilities	5,365	6,382
Total liabilities	32,590	14,582
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,029	156,767
Accumulated deficit	(133,051)	(130,171)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	19,460	22,078
Total liabilities and stockholders' equity	$ 52,050	$ 36,660

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Years Ended December 31, 2018	Years Ended December 31, 2017
Net revenues	$ 17,042	$ 12,925	$ 58,906	$ 44,266
Cost of revenues	11,756	7,776	37,156	26,422
Gross profit	5,286	5,149	21,750	17,844
Selling, general and administrative expenses	6,185	3,113	18,512	12,839
Engineering and development expense	1,300	764	4,046	2,728
Transaction and related expense	422		729	68
Change in fair value of contingent purchase price	932	(2,132)	932	(2,072)
	8,839	1,745	24,219	13,563
Income (loss) from operations	(3,553)	3,404	(2,469)	4,281
Other income (expenses)				
Interest expense	(283)	(101)	(804)	(462)
Other income (expense), net	1	(78)	(413)	(74)
Total other expenses, net	(282)	(179)	(1,217)	(536)
Income before taxes	(3,835)	3,225	(3,686)	3,745
Current income tax expense (benefit)	36	(152)	117	70
Deferred income tax (benefit) expense	(923)	4,046	(923)	4,046
Net loss	$ (2,948)	$ (669)	$ (2,880)	$ (371)
Net loss per share:				
Basic	$ (1.91)	$ (0.44)	$ (1.87)	$ (0.25)
Diluted	$ (1.91)	$ (0.44)	$ (1.87)	$ (0.25)
Weighted average shares outstanding				
Basic	1,542	1,513	1,542	1,513
Diluted	1,542	1,513	1,542	1,513

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