



**FOR IMMEDIATE RELEASE**  
August 11, 2016

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**Costar Technologies, Inc. Announces Financial Results**  
**For the Second Quarter Ended June 30, 2016**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – August 11, 2016 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ending June 30, 2016 that have been reviewed by the independent accounting firm RSM US LLP.

**Summary Results for the Quarter Ended June 30, 2016**

- GAAP net income of \$135, or \$0.09 per share based on 1,541 weighted average diluted shares outstanding. This compares to GAAP net income of \$397, or \$0.26 per share based on 1,552 weighted average diluted shares outstanding for the quarter ended June 30, 2015.
- Consolidated revenue of \$9,082, a decrease of \$218 or 2% compared to the second quarter of 2015.
- The Company reduced its indebtedness to the Bank of Texas from \$2,789 to \$2,032 during the three months ended June 30, 2016.

James Pritchett, President and Chief Executive Officer of the Company, stated, “The second quarter of 2016 was not as strong as the prior year; however, the addition of several new national retail customers, including Jamba Juice and HD Supply, and a significant multi-year refresh program initiated by an existing customer generated growth in Costar Video Systems’ general security business segment. The growth in this segment helped to mitigate the impact of anticipated declines in revenue from two of the Company’s largest customers and will create a more stabilized revenue flow for the Company in the future.”

Mr. Pritchett went on to say, “The benefits from the time and resources invested in the new CohuHD RISE product line are beginning to pay off. Since the release of the RISE product in September 2015 and the passage of the transportation funding bill in December 2015, the backlog has improved to the highest level in two years. As the Company enters its seasonally strong quarters I am optimistic that the second half of the year will be even stronger than the first half.”

## **COSTAR TECHNOLOGIES, INC.**

### **Financial Results, Second Quarter of 2016 Compared to Second Quarter of 2015**

Revenue for the second quarter of 2016 totaled \$9,082, as compared to revenue of \$9,300 for the second quarter of the prior year, a decrease of approximately 2%. The Company's subsidiary, CohuHD Costar, generated approximately \$3,501 and \$3,765 in revenue during these periods, respectively.

Gross profit for the second quarter of 2016 totaled \$3,431. This compares to gross profit of \$3,708 for the second quarter of 2015, a decrease of 7%. The decrease in gross profit was largely attributable to the overall revenue decline at CohuHD Costar during the second quarter of 2016 compared to the second quarter of 2015.

Operating expenses for the second quarter of 2016 totaled \$3,172. This compares to operating expenses of \$3,013 for the second quarter of 2015, an increase of 5%. The increase in operating expenses was largely attributable to higher selling and marketing expenses.

Other expenses, net decreased by approximately \$13 or 30% during the second quarter of 2016 as compared to the second quarter of 2015.

The income tax provision for the second quarter of 2016 was \$94, \$161 lower than the second quarter of 2015. This was due to lower taxable income during the second quarter of 2016 compared to the second quarter of 2015.

Net income for the second quarter of 2016 was approximately \$135, or \$0.09 fully diluted earnings per share. This compares to net income for the second quarter of 2015 of \$397, or \$0.26 fully diluted earnings per share. CohuHD Costar contributed approximately (\$57) of net loss to the Company's consolidated net income in the second quarter of 2016 compared to net income of \$106 in the second quarter of 2015.

### **Financial Results, Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015**

Revenue for the six months ended June 30, 2016 totaled \$19,212, an increase of 10% compared to revenue of \$17,399 for the same period in 2015. CohuHD accounted for \$927 of the increase.

Gross profit for the six months ended June 30, 2016 totaled \$7,295. This compared to gross profit of \$6,927 for the six months ended June 30, 2015. The 5% increase in gross profit was due to Company-wide revenue growth.

Operating expenses for the six months ended June 30, 2016 totaled \$6,498. This compares to operating expenses of \$6,142 for the six months ended June 30, 2015, an increase of 6%. The majority of the increase was due to higher incentive expenses driven by larger revenue volumes combined with increases in selling and marketing expenses. Additionally, the Company recorded a one-time \$84 noncash entry to straight-line rent expense during the first quarter of 2016. This was offset by a \$95 reversal of the \$110 sales tax liability recorded at December 31, 2015 during the three months ended June 30, 2016. Please see the footnotes to the June 30, 2016 consolidated financial statements for additional information.

Other expenses, net decreased by approximately \$18 or 21% during the six months ended June 30, 2016 as compared to the six months ended June 30, 2015.

## **COSTAR TECHNOLOGIES, INC.**

The income tax provision for the six months ended June 30, 2016 was \$290, \$17 higher than the six months ended June 30, 2015. This is largely due to higher taxable income during the six months ended June 30, 2016 compared to 2015.

Net income for the six months ended June 30, 2016 was approximately \$439, or \$0.28 fully diluted earnings per share, as compared to net income of \$426 or \$0.27 fully diluted earnings per share for the six months ended June 30, 2015. CohuHD accounted for approximately \$297 and \$40 for the six month periods ending June 30, 2016 and 2015, respectively.

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)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b>(Reviewed)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$	\$
Accounts receivable, less allowance for doubtful accounts of \$85 and \$78 in 2016 and 2015, respectively	5,106	5,509
Inventories, net of reserve for obsolescence of \$948 and \$1,000 in 2016 and 2015, respectively	8,948	7,991
Prepaid expenses	707	644
Total current assets	14,761	14,144
<b>Non-current assets</b>		
Property and equipment, net	353	398
Deferred financing costs, net		22
Deferred tax asset, net	7,312	7,312
Trade names, net	2,109	2,227
Distribution agreement, net	734	771
Customer relationships, net	644	695
Covenant not to compete, net	12	14
Goodwill	2,063	2,063
Total assets	\$ 27,988	\$ 27,646
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,785	\$ 2,995
Accrued expenses and other	1,384	1,017
Line of credit	1,146	1,189
Short-term debt	592	591
Total current liabilities	5,907	5,792
<b>Long-Term liabilities</b>		
Long-term debt	294	590
Total long-term liabilities	294	590
Total liabilities	6,201	6,382
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,300	156,216
Accumulated deficit	(129,995)	(130,434)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	21,787	21,264
Total liabilities and stockholders' equity	\$ 27,988	\$ 27,646

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 9,082	\$ 9,300	\$ 19,212	\$ 17,399
Cost of revenues	<u>5,651</u>	<u>5,592</u>	<u>11,917</u>	<u>10,472</u>
Gross profit	3,431	3,708	7,295	6,927
Selling, general and administrative expenses	2,572	2,328	5,269	4,696
Engineering and development expense	<u>600</u>	<u>685</u>	<u>1,229</u>	<u>1,446</u>
	<u>3,172</u>	<u>3,013</u>	<u>6,498</u>	<u>6,142</u>
Income from operations	<u>259</u>	<u>695</u>	<u>797</u>	<u>785</u>
Other income (expenses)				
Interest expense	(31)	(43)	(71)	(87)
Other income and expense, net	<u>1</u>	<u>1</u>	<u>3</u>	<u>1</u>
Total other expenses, net	<u>(30)</u>	<u>(43)</u>	<u>(68)</u>	<u>(86)</u>
Income before taxes	229	652	729	699
Income tax provision	<u>94</u>	<u>255</u>	<u>290</u>	<u>273</u>
Net income	<u>\$ 135</u>	<u>\$ 397</u>	<u>\$ 439</u>	<u>\$ 426</u>
<u>Net income per share:</u>				
Basic	\$ 0.09	\$ 0.27	\$ 0.29	\$ 0.29
Diluted	\$ 0.09	\$ 0.26	\$ 0.28	\$ 0.27
<u>Weighted average shares outstanding</u>				
Basic	1,492	1,466	1,492	1,466
Diluted	1,541	1,552	1,541	1,552

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