



**FOR IMMEDIATE RELEASE**

August 14, 2013

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**Costar Technologies, Inc. Announces Financial Results**  
**for the Second Quarter Ended June 30, 2013**  
**(\$ in thousands)**

Coppell, Texas – August 14, 2013 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended June 30, 2013 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

**Highlights**

- Net income of \$438, or \$0.30 basic earnings per share, for the three months ended June 30, 2013, as compared to \$58, or \$0.04 basic earnings per share, for the three months ended June 30, 2012. For the six months ended June 30, 2013 and 2012 the Company had net income of \$1,034, or \$0.71 basic earnings per share, and \$649, or \$0.45 basic earnings per share, respectively.
- Sales increased 32% for the second quarter of 2013 as compared to the same period for 2012. Sales increased 19% for the six month period ended June 30, 2013 as compared to the same period in 2012.
- The Company paid down its line of credit to \$0 and ended the quarterly period with \$706 in cash.
- Book value increased to \$6.24 per share.

**Financial Results, Second Quarter of 2013 as Compared to Second Quarter of 2012**

Revenue for the second quarter of 2013 totaled \$6,219, as compared to revenue of \$4,709 for the second quarter of the prior year, an increase of 32%. The increase was mainly due to several retailers opening new stores and increasing remodels.

## **COSTAR TECHNOLOGIES, INC.**

Gross profit for the second quarter of 2013 totaled \$1,828. This compares to gross profit of \$1,331 for the second quarter of 2012, an increase of 37%. The Company realized continued strong sales of its DVR line and growth in its IP product segment, resulting in improved margins.

Selling, general and administrative expenses from continuing operations for the second quarter of 2013 totaled \$1,384. This compares to selling, general and administrative expenses from continuing operations of \$1,236 for the second quarter of 2012, an increase of 12%. The increase of \$148 was due to the hiring of four sales and support employees in the latter half of 2012 to stimulate future growth, along with increased commissions and other incentive compensation related to the Company's current performance.

Other income (expense) for the second quarter of 2013 totaled \$(6). This compares to other income (expense) of \$(37) for the second quarter of 2012. For the second quarter of 2013, interest expense was \$40 as compared to interest expense of \$41 for the second quarter of 2012. With the cash flows generated from positive net income and the Company's new bank loan, interest expense is expected to decrease significantly for the Company for the remainder of 2013.

Net income for the second quarter of 2013 was approximately \$438, or \$0.30 basic earnings per share. This compares to net income for the second quarter of 2012 of \$58, or \$0.04 basic earnings per share.

### **Financial Results, Six Months Ended June 30, 2013 as Compared to Six Months Ended June 30, 2012**

Revenue from continuing operations for the six months ended June 30, 2013 totaled \$13,528, an increase of 19% as compared to revenue of \$11,325 for the same period last year.

Gross profit for the six months ended June 30, 2013 totaled \$3,978. This compares to gross profit of \$3,265 for the six months ended June 30, 2012.

Selling, general and administrative expenses for the six months ended June 30, 2013 totaled \$2,929. This compares to selling, general and administrative expenses of \$2,525 for the six months ended June 30, 2012, an increase of 16%.

Other income (expense) for the six months ended June 30, 2013 totaled \$(15). This compares to other income (expense) of \$(91) for the six months ended June 30, 2012. For the six months ended June 30, 2013, interest expense was \$51, as compared to interest expense of \$99 for the six months ended June 30, 2012.

Net income for the six months ended June 30, 2013 was approximately \$1,034, or \$0.71 basic earnings per share, as compared to net income for the same period in 2012 of \$649, or \$.45 basic earnings per share.

# COSTAR TECHNOLOGIES, INC.

## **Credit Facility**

On April 1, 2013, the Company entered into a one year \$1,000 credit facility with Bank of Texas. Borrowings under the credit facility accrue interest at a rate equal to Bank of Texas Prime, currently 4.0% per annum. As of June 30, 2013, \$0 was owed to Bank of Texas. Further information can be found in Note 5 of the Company's financial statements for the second quarter of 2013 and the Company's April 3, 2013 press release.

James Pritchett, President and Chief Executive Officer of the Company, stated, "We are pleased to announce that the Company is debt free for the first time in its history. This completes our turnaround that began in 2008. The new additions to our sales team and the new network product offerings continue to provide year-over-year improvement. Our product mix, coupled with strategic product purchases, resulted in improving gross profit margins. While we remain cautiously optimistic due to the slow economic recovery, we are encouraged by our results and are dedicated to continue to deliver on our commitment of strong earnings and double digit sales growth."

The Company's outside independent accountants completed their analysis of the Company's financial condition. The Independent Accountants Compilation 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)

|  | June 30, 2013 | December 31, 2012 |
|--|---------------|-------------------|
|  | (Compiled)    | (Reviewed)        |
| <b>ASSETS</b>  |               |                   |
| <b>Current assets</b>  |               |                   |
| Cash   | \$ 706        | \$ 114            |
| Accounts receivable, less allowance for doubtful accounts<br>of \$75 and \$67 in 2013 and 2012, respectively | 2,533         | 2,029             |
| Inventories, net of reserve for obsolescence<br>of \$675 in 2013 and 2012                                    | 5,503         | 4,132             |
| Promissory note - current  | 172           | 151               |
| Prepaid expenses   | 348           | 381               |
| Total current assets   | 9,262         | 6,807             |
| <b>Non-current assets</b>  |               |                   |
| Property and equipment, net  | 87            | 105               |
| Trade names  | 925           | 925               |
| Distribution agreement, net  | 954           | 991               |
| Customer relationships, net  | 90            | 101               |
| Covenant not to compete  | 22            | 30                |
| Promissory note  | 86            | 258               |
| Total assets   | \$ 11,426     | \$ 9,217          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |               |                   |
| <b>Current liabilities</b>   |               |                   |
| Accounts payable   | \$ 1,896      | \$ 895            |
| Accrued expenses and other   | 446           | 109               |
| Lines of credit  | 170           | 170               |
| Total current liabilities  | 2,342         | 1,174             |
| <b>Stockholders' Equity</b>  |               |                   |
| Common stock   | 2             | 2                 |
| Additional paid in capital   | 155,898       | 155,893           |
| Accumulated deficit  | (142,295)     | (143,329)         |
| Less common stock held in treasury   | (4,521)       | (4,523)           |
| Total stockholders' equity   | 9,084         | 8,043             |
| Total liabilities and stockholders' equity   | \$ 11,426     | \$ 9,217          |

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (COMPILED)  
(AMOUNTS SHOWN IN THOUSANDS)

|   | For the Three Months Ended June 30, |                | For the Six Months Ended June 30, |                |
|---|-------------------------------------|----------------|-----------------------------------|----------------|
|   | 2013                                | 2012           | 2013                              | 2012           |
| <b>Net revenues</b>                                 | \$ 6,219                            | \$ 4,709       | \$ 13,528                         | \$ 11,325      |
| <b>Cost of revenues</b>                             | <u>4,391</u>                        | <u>3,378</u>   | <u>9,550</u>                      | <u>8,060</u>   |
| <b>Gross profit</b>                                 | 1,828                               | 1,331          | 3,978                             | 3,265          |
| <b>Selling, general and administrative expenses</b> | <u>1,384</u>                        | <u>1,236</u>   | <u>2,929</u>                      | <u>2,525</u>   |
| <b>Income from operations</b>                       | <u>444</u>                          | <u>95</u>      | <u>1,049</u>                      | <u>740</u>     |
| Other income (expenses)                             |                                     |                |                                   |                |
| Interest expense                                    | (40)                                | (41)           | (51)                              | (99)           |
| Other income and expense, net                       | <u>34</u>                           | <u>4</u>       | <u>36</u>                         | <u>8</u>       |
| Total other income (expenses), net                  | <u>(6)</u>                          | <u>(37)</u>    | <u>(15)</u>                       | <u>(91)</u>    |
| <b>Net income</b>                                   | <u>\$ 438</u>                       | <u>\$ 58</u>   | <u>\$ 1,034</u>                   | <u>\$ 649</u>  |
| Per share of common stock                           |                                     |                |                                   |                |
| Net income per share                                | <u>\$ 0.30</u>                      | <u>\$ 0.04</u> | <u>\$ 0.71</u>                    | <u>\$ 0.45</u> |
| Weighted average shares outstanding                 | <u>1,454</u>                        | <u>1,447</u>   | <u>1,451</u>                      | <u>1,447</u>   |

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