

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports Second Quarter 2018 results”

November 10, 2017

Dear Fellow Shareholders:

I am happy to report that Reconditioned Systems, Inc. (“RSI”) was profitable for the quarter and now RSI is profitable for the fiscal year to date. I expected this would be another challenging year, and it has proven to be so.

For the three months ending September 30, 2017, RSI made \$68.7 thousand on sales of \$2.89 million. This compares to a profit of \$73.5 thousand on sales of \$2.44 million for the quarter ending September 30, 2016. Again, it is the lower sales from our record year two years ago which are hurting our profits. Our cost control is how we are continuing to maintain profitability in a very difficult environment.

The US economy continues to grow at a slow rate and has done so every year since 2009. This ninth year gain is a record. Business conditions remain very favorable; indeed, interest rates, inflation, and energy costs continue to be relatively low. If a corporate tax cut is enacted, it would be very good for all small companies, including RSI. The Federal Reserve will likely increase interest rates again this December, but I do not believe that the small increase will negatively affect overall business conditions. Indeed, a rise in rates will probably help those consumers who have earned little on their savings. My biggest concern is that labor costs will increase, which would have a very negative impact on our business. Already the minimum wage hike in Arizona is affecting us; it is hard to get good people at a cost we can afford.

Europe and even Japan are doing better even though the independence issues of Great Britain and Spain might cause problems. It remains to be seen if they can maintain their unity.

The biggest problem, in my opinion, continues to be the enormous outstanding debt both in this country and the rest of the world. I believe it is sapping resources and preventing normalized growth, and I do not see a solution. Something has to give.

I expect sales to remain sluggish for the rest of this fiscal year, which continues to be very challenging. We will try to continue to control our costs and our margins while trying to generate more sales. I am hopeful that we can report better results next quarter.

Your company remains in a strong fiscal position. We own our building and are paying down the mortgage each month. We are keeping all other expenses in line. We will continue to work hard to perform for you, our shareholders.

/S/ Scott W. Ryan

Scott W. Ryan
Chairman of the Board

Summary Statement of Operations				
	For The Three Months Ended		For the Six Months Ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Sales	\$2,887,485	\$2,444,817	\$5,311,443	\$5,229,375
Gross profit	\$539,790	\$484,547	\$892,172	\$1,000,021
Selling and administrative expenses	\$(392,565)	\$(337,514)	\$(724,985)	\$(715,855)
Income from operations	\$147,225	\$147,033	\$167,187	\$284,166
Other income (expenses)	\$(33,540)	\$(29,799)	\$(68,302)	\$(63,819)
Net income before provision for income taxes	\$113,685	\$117,234	\$98,885	\$220,347
Net income	\$68,727	\$73,501	\$60,372	\$136,928
Basic earnings per share	\$0.07	\$0.08	\$0.06	\$0.14
Basic weighted average number of common shares outstanding	960,878	960,958	960,878	960,968
Diluted earnings per common and equivalent share	\$0.07	\$0.08	\$0.06	\$0.14
Diluted weighted average number of common and equivalent shares outstanding	960,878	960,958	960,878	960,968

Summary Balance Sheet as of					
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)		September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$1,137,503	\$1,108,311	Accounts payable & short term notes payable	\$786,763	\$759,642
Accounts receivable	983,838	795,583	Customer deposits	49,698	131,569
Inventory	1,966,001	2,201,671	Accrued compensation & benefits	251,236	219,017
Property & equipment	4,597,399	4,687,619	Short term notes payable	284,182	266,266
Other assets	183,805	140,344	Other liabilities *	1,876,563	2,041,641
			Stockholders' equity *	5,620,104	5,515,393
Total	\$8,868,546	\$8,933,528	Total	\$8,868,546	\$8,933,528

* 2018 Income taxes have been accrued at the maximum corporate rate of 39% of pretax income, and may be revised upon completion of the company's tax returns. The net income could change materially as a result.

Note: The Company's quarterly press releases are available on our website rsisystemsurniture.com under About Us/ Investor Relations. Any shareholder who would like to sell shares back to the Company should contact the Investor Relations Department at 800-280-5000.