

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports Second Quarter 2019 results”

November 15, 2018

Dear Fellow Shareholders:

I regret to report that Reconditioned Systems, Inc. (“RSI”) again lost money this quarter. We all knew this would be a difficult year and it is proven to be so. The labor cost increase has really hurt our overall costs and reduced our margins to the point where it is difficult to make a profit.

For the three months ending September 30, 2018, RSI had a pre-tax loss of \$9.6 thousand on sales of \$2.76 million. This compares to a profit of \$68.7 thousand on sales of \$2.89 million for the quarter ending September 30, 2017.

Overall business conditions are still favorable and the reduced tax rate would really help us if we were profitable. The tariff war with China will impact us as we have tried to use more China products to help reduce our costs. We simply cannot compete on price because of the labor costs domestically.

We are making progress creating a new line, which should be available in early 2019. The panels will be made in China at a substantial cost savings to what it would cost us to make them. This new line will make us more competitive and increase our margins; hopefully, it will increase our sales as well. It will require an investment of capital, but I believe we must make this move to be profitable. Our new Echo Squared line is helping and should also make a contribution to the bottom line.

I am hopeful that the price increases we have implemented will enable us to be profitable next quarter and for the year. Hopefully the new China line will make us profitable next year.

/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, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
Sales	\$2,759,586	\$2,887,485	\$5,279,830	\$5,311,443
Gross profit	\$393,774	\$539,790	\$690,865	\$892,172
Selling and administrative expenses	\$(385,451)	\$(392,565)	\$(735,971)	\$(724,985)
Income from operations	\$8,323	\$147,225	\$(45,106)	\$167,187
Other income (expenses)	\$(17,891)	\$(33,540)	\$(36,877)	\$(68,302)
Net income before provision for income taxes	\$(9,568)	\$113,685	\$(81,983)	\$98,885
Net income	\$(7,187)	\$68,727	\$(61,534)	\$60,372
Basic earnings per share	\$(0.01)	\$0.07	\$(0.06)	\$0.06
Basic weighted average number of common shares outstanding	957,878	960,878	958,148	960,878
Diluted earnings per common and equivalent share	\$(0.01)	\$0.07	\$(0.06)	\$0.06
Diluted weighted average number of common and equivalent shares outstanding	957,878	960,878	958,148	960,878

Summary Balance Sheet as of					
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)		September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$781,683	\$1,137,503	Accounts payable & short-term notes payable	\$702,074	\$786,763
Accounts receivable	999,711	983,838	Customer deposits	423,587	49,698
Inventory	2,210,153	1,966,001	Accrued compensation & benefits	229,630	251,236
Property & equipment	4,667,537	4,597,399	Short term notes payable	304,799	284,182
Other assets	262,340	183,805	Other liabilities *	1,555,926	1,876,563
			Stockholders' equity *	5,705,408	5,620,104
Total	\$8,921,424	\$8,868,546	Total	\$8,921,424	\$8,868,546

* 2019 Income taxes have been accrued at the maximum corporate rate of 26% 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.