

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports Second Quarter 2017 results”

November 18, 2016

Dear Fellow Shareholders:

I am happy to report that Reconditioned Systems, Inc. (“RSI”) had another profitable quarter, albeit far off the pace of last year’s record results. I expected this would be a challenging year, and it has proven to be so.

For the three months ending September 30, 2016, RSI made \$63.4 thousand on sales of \$2.78 million. This compares to a profit of \$223.2 thousand on sales of \$3.66 million for the quarter ending September 30, 2015. Clearly, the lower sales have hurt our profits. This quarter had almost exactly the same results as last quarter, June 30, 2016. Given the lower sales, I am pleased that we have made a profit.

The US economy continues to grow at a slow rate and is in the late stages of the recovery cycle which began in 2009. However, business conditions remain very favorable. Interest rates, inflation, and energy costs are all relatively low. The Federal Reserve will likely increase interest rates 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 and investments. My big concern is that labor costs will increase, which would have a very negative impact on our business.

Europe continues to struggle with their very survival and the “Brexite” situation has still not been resolved. QE there has not been any more helpful than in the US, and has increased debt to dangerous levels. However, their current problems are indigenous to their cultures and countries, and should not directly impact our economy other than to restrain US business exports.

I expect sales to remain sluggish for the rest of this fiscal year, which continues to be very challenging. We will try 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 we are keeping 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, 2016 (Unaudited)	September 30, 2015 (Unaudited)	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Sales	\$2,444,817	\$3,664,089	\$5,229,375	\$7,054,517
Gross profit	\$484,543	\$842,748	\$1,000,021	\$1,599,952
Selling and administrative expenses	\$(337,510)	\$(424,009)	\$(715,855)	\$(818,329)
Income from operations	\$147,033	\$418,739	\$284,166	\$781,623
Other income (expenses)	\$(29,799)	\$(50,684)	\$(63,819)	\$(84,480)
Net income before provision for income taxes	\$117,234	\$368,055	\$220,347	\$697,143
Net income	\$73,501	\$223,187	\$136,928	\$418,803
Basic earnings per share	\$0.08	\$0.23	\$0.14	\$0.43
Basic weighted average number of common shares outstanding	960,958	961,062	960,968	963,220
Diluted earnings per common and equivalent share	\$0.08	\$0.23	\$0.14	\$0.43
Diluted weighted average number of common and equivalent shares outstanding	960,958	961,062	960,968	963,220

Summary Balance Sheet as of					
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)		September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$1,108,311	\$1,723,715	Accounts payable & short term notes payable	\$759,642	\$766,540
Accounts receivable	795,583	1,055,234	Customer deposits	131,569	682,749
Inventory	2,201,671	2,198,549	Accrued compensation & benefits	219,017	373,705
Property & equipment	4,687,619	4,728,090	Short term notes payable	266,266	249,473
Other assets	140,344	81,572	Other liabilities *	2,041,641	2,599,213
			Stockholders' equity *	5,515,393	5,115,480
Total	\$8,933,528	\$9,787,160	Total	\$8,933,528	\$9,787,160

* 2017 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.