

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports fourth Quarter 2018 results”
Chandler, Arizona, May 25, 2018

Dear Fellow Shareholders:

I am happy to report that Reconditioned Systems, Inc. (“RSI”) was profitable this quarter. Our margins were well below what we had expected, primarily due to our higher labor and product costs.

For the three months ending March 31 2018, RSI had a pretax gain of \$99.9 thousand on sales of \$2.93 million. This compares to a pretax gain of \$99.6 thousand on sales of \$2.35 million for the quarter ending March 31, 2017. The increase in the minimum wage in Arizona has caused us problems in hiring and retaining qualified workers and used product has become more difficult to find creating the need to purchase more new replacement parts at higher costs.

Moving forward, we are going to have to raise prices to restore our margins, which may impact our sales. In addition, in order to get the company back on track and in a position to achieve long-term success, we are going to need make substantial investments in new products and equipment in order to lower costs on our current furniture lines and create a new line with higher margins and lower labor requirements.

As I stated last year, our company is a major beneficiary of the tax cut. If we can generate substantial profits, our federal tax rate is at 21%, a full 13% below the highest federal rate we paid in the last several years. That goes directly to earnings.

RSI has paid annual cash dividends for the last thirteen years, this year the Board of Directors voted not to pay a dividend since the Company will need all of its available resources to fund investments in its future as discussed above. As always, future dividends will depend on business conditions and our cash needs.

Fiscal year 2019 will again prove to be very challenging. We are in an unprecedented 9th year without a recession. Growth in our industry sales have been problematic, despite the increase in employment. I am hopeful that we can increase our sales and earnings this next year.

/S/ Scott W. Ryan

Chairman of the Board

Reconditioned Systems, Inc.

New Release

May 25, 2018

Page -2-

Summary Statement of Operations				
	For The Three Months Ended		For the Twelve Months Ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Sales	\$2,930,917	\$2,349,125	\$10,856,604	\$10,154,030
Gross profit	\$477,069	\$488,285	\$1,808,382	\$1,966,382
Selling and administrative expenses	\$(364,677)	\$(352,819)	\$(1,433,058)	\$(1,415,311)
Income from operations	\$112,392	\$135,466	\$375,324	\$551,071
Other income (expenses)	\$(12,490)	\$(35,871)	\$(100,554)	\$(141,923)
Net income before provision for income taxes	\$99,902	\$99,595	\$274,770	\$409,148
Net income *	\$62,640	\$62,445	\$170,490	\$255,308
Basic earnings per share	\$0.07	\$0.06	\$0.18	\$0.27
Basic weighted average number of common shares outstanding	960,878	960,878	960,878	960,922
Diluted earnings per common and equivalent share	\$0.07	\$0.06	\$0.18	\$0.27
Diluted weighted average number of common and equivalent shares outstanding	960,878	960,878	960,878	960,922

Summary Balance Sheet as of					
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)		March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$779,273	\$1,315,789	Accounts payable	\$718,958	\$558,660
Accounts receivable	1,138,263	725,253	Customer deposits	116,630	21,271
Inventory	2,170,157	1,911,996	Accrued compensation & benefits	301,962	260,040
Property & equipment	4,635,322	4,657,514	Short term notes payable	290,332	275,080
Other assets	154,547	184,975	Other liabilities *	1,719,464	2,046,703
			Stockholders' equity *	5,730,216	5,633,773
Total	\$8,877,562	\$8,795,527	Total	\$8,877,562	\$8,795,527

* 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/ Inventor Relations. Any shareholder who would like to sell shares back to the Company should contact the Investor Relations Department at 800-280-5000.