

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

July 31, 2016

(unaudited)

150 Louisiana, NE Albuquerque, NM 87108 (505) 266-5985

BOWLIN TRAVEL CENTERS, INC.
Condensed Balance Sheets
(in thousands, except share data)

	<u>July 31, 2016 (Unaudited)</u>	<u>January 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,949	\$ 3,681
Marketable securities	954	954
Accounts receivable	79	24
Inventories	3,819	3,271
Prepaid expenses	192	224
Deferred income taxes	54	52
Interest receivable	4	1
Total current assets	<u>9,051</u>	<u>8,207</u>
Property and equipment, net	9,631	9,491
Long-term deferred tax assets	14	82
Assets held for sale	487	487
Intangible assets, net	35	40
Investment in real estate	419	419
Total assets	<u>\$ 19,637</u>	<u>\$ 18,726</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,202	\$ 558
Current maturity of long-term debt	309	303
Accrued liabilities	898	1,023
Income taxes payable	129	—
Deferred revenue	3	21
Total current liabilities	<u>2,541</u>	<u>1,905</u>
Deferred income taxes	766	703
Long-term debt, less current maturities	4,275	4,430
Total liabilities	<u>7,582</u>	<u>7,038</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at July 31, 2016 and January 31, 2016	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,066,905 issued and outstanding at July 31, 2016 and 4,078,690 issued and outstanding at January 31, 2016	5	5
Less: Treasury stock, \$0.001 par value: 516,443 shares at July 31, 2016 and 504,658 shares at January 31, 2016	1	1
Common stock outstanding	4	4
Additional paid in capital, net	9,176	9,193
Retained earnings	2,875	2,491
Total stockholders' equity	<u>12,055</u>	<u>11,688</u>
Total liabilities and stockholders' equity	<u>\$ 19,637</u>	<u>\$ 18,726</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Income
(in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	July 31, 2016 <u>(Unaudited)</u>	July 31, 2015 <u>(Unaudited)</u>	July 31, 2016 <u>(Unaudited)</u>	July 31, 2015 <u>(Unaudited)</u>
Gross sales	\$ 8,133	\$ 8,345	\$ 13,922	\$ 14,587
Less discounts on sales	<u>123</u>	<u>93</u>	<u>207</u>	<u>159</u>
Net sales	8,010	8,252	13,715	14,428
Cost of goods sold	<u>4,304</u>	<u>4,718</u>	<u>7,380</u>	<u>8,432</u>
Gross profit	3,706	3,534	6,335	5,996
General and administrative expenses	(2,864)	(2,753)	(5,179)	(4,928)
Depreciation and amortization	<u>(245)</u>	<u>(238)</u>	<u>(487)</u>	<u>(474)</u>
Operating income	597	543	669	594
Non-operating income (expense)				
Interest income	2	2	5	4
Interest expense	(44)	(48)	(89)	(94)
Rental income	<u>22</u>	<u>41</u>	<u>57</u>	<u>77</u>
Total non-operating income (expense)	<u>(20)</u>	<u>(5)</u>	<u>(27)</u>	<u>(13)</u>
Income before income taxes	577	538	642	581
Income tax expense	<u>(228)</u>	<u>(227)</u>	<u>(258)</u>	<u>(246)</u>
Net income	<u>\$ 349</u>	<u>\$ 311</u>	<u>\$ 384</u>	<u>\$ 335</u>
Earnings per share				
Basic and diluted, net income	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>
Weighted average common shares outstanding	<u>4,066,905</u>	<u>4,086,196</u>	<u>4,066,905</u>	<u>4,086,196</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Cash Flows
(in thousands)

	For the Six Months Ended	
	July 31, 2016 (Unaudited)	July 31, 2015 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 384	\$ 335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	487	474
Amortization of loan fee	3	3
Deferred income taxes, net	129	246
Changes in operating assets and liabilities, net	59	108
Net cash provided by operating activities	1,062	1,166
Cash flows from investing activities:		
Purchases of property and equipment, net	(625)	(528)
Accrued interest receivable	(3)	(2)
Net cash used in investing activities	(628)	(530)
Cash flows from financing activities:		
Payments on long-term debt	(149)	(145)
Payments for obligation under capital lease	—	(33)
Additional paid-in capital, treasury stock	(17)	(19)
Net cash used in financing activities	(166)	(197)
Net decrease in cash and cash equivalents	268	439
Cash and cash equivalents at beginning of period	3,681	3,614
Cash and cash equivalents at end of period	\$ 3,949	\$ 4,053

See accompanying notes to condensed financial statements.

Notes to Condensed Financial Statements (Unaudited)

1. The condensed financial statements of Bowlin Travel Centers, Inc. (the "Company") as of and for the three months and six months ended July 2016 and 2015 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, operating results and cash flows for the interim periods. The interim financial statements should be read in conjunction with the audited financial statements and notes for the fiscal year ended January 31, 2016. Results of operations for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.

2. The Company continues to list for sale one retail location in Edgewood, New Mexico.

The property has been identified as a component as defined in FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets (as amended). The carrying value of the property of approximately \$487,000 has been reclassified as assets held for sale in the July 31, 2016 and in the January 31, 2016 balance sheets. On October 31, 2007, the Company closed the Edgewood location. There has been no activity and therefore no results of operations.

3. In September 2015, the Board of Directors voted to continue the stock repurchase program that began in September 2008, whereby up to 1,000,000 shares of its common stock outstanding may be repurchased in the open market or in privately negotiated purchases from time to time, depending on market conditions and other factors. The purchases will be funded from available working capital and will be made in accordance with applicable securities laws and regulations.

The Company repurchased 11,785 of its outstanding common shares for the six months ended July 31, 2016 at an average price per share of approximately \$1.46, for a total repurchase of approximately \$17,250. The common stock issued and outstanding was reduced by 11,785 shares or \$12 (11,785 shares times the par value of \$0.001), and additional paid in capital was reduced by \$17,238. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On August 1, 2000, the Company entered into a long-term lease for office space located at 136 Louisiana, NE, Albuquerque, New Mexico 87108 at an annual rate of \$66,600. The lease terminated on April 30, 2016. The Company has executed a Commercial Listing Agreement to lease the available office space.