

**BOWLIN TRAVEL CENTERS, INC.**

**Financial Statements**

**For the Quarterly Period Ended**

**July 31, 2018**

**(unaudited)**

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

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

	July 31, 2018 (Unaudited)	January 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,429	\$ 4,033
Marketable securities	965	965
Accounts receivable	15	18
Inventories	4,108	3,587
Prepaid expenses	207	247
Prepaid income taxes	156	156
Interest receivable	7	3
Total current assets	9,887	9,009
Property and equipment, net	12,605	10,059
Capital lease, net	363	406
Assets held for sale	487	487
Intangible assets, net	8	9
Investment in real estate	334	334
Total assets	\$ 23,684	\$ 20,304
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,282	\$ 674
Current maturity of long-term debt	235	158
Current maturity of capital lease obligation	89	86
Accrued liabilities	944	1,189
Deferred revenue	27	38
Total current liabilities	2,577	2,145
Deferred income taxes	643	756
Capital lease obligation, less current maturities	274	320
Long-term debt, less current maturities	7,310	4,750
Total liabilities	10,804	7,971
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at July 31, 2018 and January 31, 2018	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,010,445 issued and outstanding at July 31, 2018 and 4,022,387 issued and outstanding at January 31, 2018	5	5
Less: Treasury stock, \$0.001 par value: 572,903 shares at July 31, 2018 and 560,961 shares at January 31, 2018	1	1
Common stock outstanding	4	4
Additional paid in capital, net	9,062	9,093
Retained earnings	3,814	3,236
Total stockholders' equity	12,880	12,333
Total liabilities and stockholders' equity	\$ 23,684	\$ 20,304

See accompanying notes to condensed financial statements.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 31, 2018 (Unaudited)</u>	<u>July 31, 2017 (Unaudited)</u>	<u>July 31, 2018 (Unaudited)</u>	<u>July 31, 2017 (Unaudited)</u>
Gross sales	\$ 9,316	\$ 8,372	\$ 16,245	\$ 14,721
Less discounts on sales	167	103	240	184
Net sales	9,149	8,269	16,005	14,537
Cost of goods sold	5,286	4,477	9,271	8,070
Gross profit	3,863	3,792	6,734	6,467
General and administrative expenses	(3,127)	(2,992)	(5,680)	(5,361)
Depreciation and amortization	(249)	(244)	(502)	(496)
Operating income	487	556	552	610
Non-operating income (expense)				
Interest income	4	2	7	4
Gain on sale of cell tower leases and easements	—	—	—	301
Interest expense	(46)	(45)	(126)	(90)
Loss on sale of assets	(1)	—	(1)	—
Rental income	16	22	33	41
Total non-operating income (expense)	(27)	(21)	(87)	256
Income before income tax expense	460	535	465	866
Tax benefit due to TCJA, see note 4	—	—	241	—
Income tax expense	(123)	(210)	(128)	(340)
Net income	<u>\$ 337</u>	<u>\$ 325</u>	<u>\$ 578</u>	<u>\$ 526</u>
Earnings per share	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.14</u>	<u>\$ 0.13</u>
Common shares outstanding	<u>4,010,445</u>	<u>4,031,066</u>	<u>4,010,445</u>	<u>4,031,066</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, 2018 (Unaudited)	July 31, 2017 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 578	\$ 526
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	502	496
(Gain) on sale of cell tower leases and easements	—	(301)
Loss on sale of assets	1	—
Deferred income taxes, net	(113)	14
Changes in operating assets and liabilities, net	(126)	490
Net cash provided by operating activities	842	1,225
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,005)	(543)
Proceeds from sale of cell tower leases and easements	—	301
Accrued interest receivable	(4)	(3)
Net cash used in investing activities	(3,009)	(245)
Cash flows from financing activities:		
Payments on long-term debt	(98)	(163)
Payments for obligation under capital lease	(43)	(19)
Proceeds from borrowing	2,735	—
Additional paid-in capital, treasury stock	(31)	(20)
Net cash provided by (used in) financing activities	2,563	(202)
Net increase in cash and cash equivalents	396	778
Cash and cash equivalents at beginning of period	4,033	3,523
Cash and cash equivalents at end of period	\$ 4,429	\$ 4,301

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 2018 and 2017 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, 2018. 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 property located 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, 2018 and in the January 31, 2018 balance sheets.

3. In September 2017, 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 11,942 of its outstanding common shares for the six months ended July 31, 2018 at an average price per share of approximately \$2.596 for a total repurchase of approximately \$31,007. The common stock issued and outstanding was reduced by 11,942 shares or \$12 (11,942 shares times the par value of \$0.001), and additional paid in capital was reduced by \$30,995. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (TCJA), which significantly changed the U.S. tax law. The TCJA lowered the U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018.

In prior years, the Company used the effective rate of 34% to calculate deferred tax assets and liabilities. Beginning this fiscal year, the net deferred tax liability was calculated using the 21% rate which resulted in a \$241,000 reduction to the estimated beginning net deferred tax liability. This change in estimate was included in the current year provision for income tax.

5. Subsequent event. On August 23, 2018, the Company issued a press release announcing the grand opening of the museum attraction at "The Thing", located in Benson, Arizona on August 31, 2018. In addition to the new museum, the retail space was expanded and the Dairy Queen restaurant operation was upgraded.