

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **August 1, 2005**

**Appliance Recycling Centers of America, Inc.**

(Exact name of registrant as specified in its charter)

**Minnesota**  
(State or other jurisdiction  
of incorporation)

**000-19621**  
(Commission  
File Number)

**41-1454591**  
(IRS Employer  
Identification No.)

**7400 Excelsior Blvd., Minneapolis, MN**  
(Address of principal executive offices)

**55426-4517**  
(Zip Code)

Registrant's telephone number, including area code **(952) 930-9000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 2.02: RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following information is furnished pursuant to Item 12, "Disclosure of Results of Operations and Financial Condition."

On August 1, 2005, Appliance Recycling Centers of America, Inc. issued a press release announcing improved operating results for the second quarter of 2005 ended July 2:

- Revenues increased 47% to \$19,142,000, from \$12,995,000 in the year-earlier period.
- Operating income totaled \$620,000, up from \$80,000 in the year-earlier period.
- Net earnings were \$404,000 or \$0.09 per diluted share, compared to a net loss of \$42,000 or \$0.02 per diluted share in the second quarter of 2004.

**ITEM 9.01: FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS**

(c) Exhibits

**Exhibit  
Number**

**Description**

99.1 Press Release dated August 1, 2005.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

Date: August 1, 2005

/s/Linda Koenig  
Linda Koenig, Chief Financial Officer

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Appliance Recycling Centers of America, Inc.  
7400 Excelsior Boulevard, Minneapolis MN 55426 (952) 930-9000

For Immediate Release

For Additional Information Contact:  
Edward R. (Jack) Cameron (CEO)  
952/930-9000  
Richard G. Cinquina  
Equity Market Partners  
904/261-2210

**Appliance Recycling Centers of America Reports  
Return to Profitability in Second Quarter Fueled by Sales Growth**

**ApplianceSmart Same-Store Sales Increase 16%**

**Minneapolis, MN—August 1, 2005**— Appliance Recycling Centers of America, Inc. (OTC BB: ARCI) today reported improved operating results for the second quarter of 2005 ended July 2:

- Revenues increased 47% to \$19,142,000, from \$12,995,000 in the year-earlier period.
- Operating income totaled \$620,000, up from \$80,000 in the year-earlier period.
- Net earnings were \$404,000 or \$0.09 per diluted share, compared to a net loss of \$42,000 or \$0.02 per diluted share in the second quarter of 2004.

For the first six months of 2005, revenues increased 47% to \$36,051,000, from \$24,592,000 in the same period a year ago. Operating income was \$388,000, compared to the operating loss of \$458,000 in the year-earlier period. ARCA's first half net loss narrowed to \$29,000 or \$0.01 per diluted share, from the net loss of \$774,000 or \$0.32 per diluted share in the first six months of 2004.

Edward R. (Jack) Cameron, president and chief executive officer, commented: "We are extremely encouraged that the positive momentum our operations started generating during the first three months of 2005 continued in the second quarter. Our return to a level of profitability was paced by the growing sales and improved efficiency of our ApplianceSmart operation. Growing numbers of consumers are buying from ApplianceSmart due to our strong value proposition, which combines low prices with wide brand name choice. In addition, our appliance manufacturing partners are attaching considerable

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importance to ApplianceSmart's role as a strategic distribution channel for their special-buy appliances. ARCA's second quarter performance also benefited from a solid contribution by our multi-state appliance recycling operations. The outlook for the continuation of high energy prices is resulting in renewed interest in the type of demand-side residential energy conservation programs that ARCA has pioneered over the past 17 years. In all, the fundamentals and momentum of our operations are positive, making us optimistic about ARCA's prospects in this year's third quarter."

Same-store sales of the nine ApplianceSmart factory outlets that were open during the second quarters of 2005 and 2004 rose 16% while total retail sales from all 12 ApplianceSmart outlets nationally increased 54% to \$16,285,000 for the second quarter of 2005 compared to the prior year period. The three factory outlets that were opened late in 2004 in St. Paul, Minnesota, San Antonio, Texas, and Atlanta, Georgia, also made solid contributions to ApplianceSmart's second quarter sales growth. A 37,000-square-foot ApplianceSmart factory outlet in San Antonio, the second store in this market, is scheduled to open in September.

Recycling revenues increased 20% to \$2,462,000 in this year's second quarter compared to the prior year period, reflecting the positive impact of the resumption of full advertising support by ARCA's utility partners in California and Connecticut. In addition, revenue contributions to ARCA's recycling operation also were generated by new programs in Austin, Texas, as well as in the state of Wisconsin.

**About ARCA**

Through its ApplianceSmart ([www.ApplianceSmart.com](http://www.ApplianceSmart.com)) operation, ARCA is one of the nation's leading retailers of special-buy household appliances, primarily those manufactured by Maytag, GE, Frigidaire and Whirlpool. These special-buy appliances, which include close-outs, factory overruns and scratch-and-dent units, typically are not integrated into the manufacturer's normal distribution channel. ApplianceSmart sells these virtually new appliances at a discount to full retail, offers a 100% money-back guarantee and provides warranties on parts and labor. As of July 2005, ApplianceSmart was operating 12 factory outlets: five in the Minneapolis/St. Paul market; three in the Columbus, Ohio, market; two in the Atlanta market; one in San Antonio, Texas and one in Los Angeles. ARCA is also one of the nation's largest recyclers of major household appliances for the energy conservation programs of electric utilities.

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Statements about ARCA's outlook are forward-looking and involve risks and uncertainties, including but not limited to: the strength of recycling programs, the growth of appliance retail sales, the speed at which individual retail stores reach profitability, and other factors discussed in the Company's filings with the Securities and Exchange Commission.

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Visit our web site at [www.arcainc.com](http://www.arcainc.com)

2<sup>nd</sup> Quarter 2005 Results  
(000's omitted except for share amounts)

	Three months ended		Six months ended	
	July 2 2005	July 3 2004	July 2 2005	July 3 2004
<b>Revenues</b>				
Retail	\$ 16,285	\$ 10,589	\$ 31,196	\$ 20,323
Recycling	2,462	2,060	4,216	3,655
Byproduct	395	346	639	614
Total revenues	19,142	12,995	36,051	24,592
<b>Cost of Revenues</b>	12,988	9,160	24,794	17,620
Gross profit	6,154	3,835	11,257	6,972
<b>Selling, General &amp; Administrative Expenses</b>	5,534	3,755	10,869	7,430
Operating income (loss)	620	80	388	(458)
<b>Other Income (Expense)</b>				
Other income (expense)	1	(3)	(1)	(11)
Interest expense	(217)	(185)	(413)	(371)
Income (loss) before provision for income taxes	404	(108)	(26)	(840)
<b>Provision for (Benefit of) Income Taxes</b>	—	(66)	3	(66)
Net income (loss)	\$ 404	\$ (42)	\$ (29)	\$ (774)
<b>Basic Earnings (Loss) per Common Share</b>	\$ 0.09	\$ (0.02)	\$ (0.01)	\$ (0.32)
<b>Diluted Earnings (Loss) per Common Share</b>	\$ 0.09	\$ (0.02)	\$ (0.01)	\$ (0.32)
<b>Basic Weighted Average No. of Common Shares Outstanding</b>	4,266	2,506	4,205	2,421
<b>Diluted Weighted Average No. of Common Shares Outstanding</b>	4,341	2,506	4,205	2,421

Appliance Recycling Centers of America, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

2<sup>nd</sup> Quarter 2005 Results  
(000's)

	July 2, 2005 (Unaudited)	January 1, 2005
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,676	\$ 4,362
Receivables - net of allowance of \$102,000	\$ 3,331	\$ 2,034
Inventories, net of reserves of \$382,000 and \$385,000 respectively	\$ 13,390	\$ 10,154
Deferred income taxes	\$ 468	\$ 468
Other current assets	\$ 678	\$ 338
Total Current Assets	\$ 20,543	\$ 17,356
<b>Property and Equipment, at cost</b>		
Land	\$ 2,050	\$ 2,050
Building and Improvements	\$ 4,450	\$ 4,338
Equipment	\$ 6,172	\$ 5,928
	\$ 12,672	\$ 12,316
Less accumulated depreciation	\$ 6,386	\$ 5,982
Net property and equipment	\$ 6,286	\$ 6,334
Other assets	\$ 356	\$ 300
Restricted cash	\$ 350	\$ 350
<b>Total Assets</b>	\$ 27,535	\$ 24,340
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 7,159	\$ 5,415
Current maturities of long term obligations	\$ 213	\$ 615
Accounts payable	\$ 5,276	\$ 3,889
Accrued expenses	\$ 3,054	\$ 2,779
Income taxes payable	\$ 58	\$ 58
Total Current Liabilities	\$ 15,760	\$ 12,756
Long-Term Obligations, less current maturities	\$ 4,987	\$ 5,053
Deferred Income Tax Liabilities	\$ 468	\$ 468
Total Liabilities	\$ 21,215	\$ 18,277
<b>Shareholders' Equity</b>		
Common stock, no par value; authorized 10,000,000 shares; issued and outstanding 4,311,000 and 4,136,000 shares respectively	\$ 14,835	\$ 14,549

Accumulated Deficit	\$ (8,515)	\$ (8,486)
Total Shareholders' Equity	\$ 6,320	\$ 6,063
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 27,535</b>	<b>\$ 24,340</b>

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