

**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) **November 3, 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 November 3, 2005, Appliance Recycling Centers of America, Inc. issued a press release announcing strong retail sales growth in the third quarter of 2005 ended October 1.

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

(c) Exhibits

**Exhibit  
Number**

99.1

**Description**

Press Release dated November 3, 2005.

2

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: November 3, 2005

/s/ Linda Koenig  
Linda Koenig, Chief Financial Officer

3



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)  
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Equity Market Partners  
904/261-2210

**Appliance Recycling Centers of America  
Reports Strong Retail Sales Growth  
In Third Quarter of 2005**

**November 3, 2005—Minneapolis, MN**—Appliance Recycling Centers of America, Inc. (OTC BB: ARCI) today reported revenues of \$20,706,000 for the third quarter of 2005 ended October 1, an increase of 42% from \$14,543,000 in the year-earlier period. Net income totaled \$47,000 or \$0.01 per diluted share, compared to \$260,000 or \$0.08 per diluted share in the third quarter of 2004.

For the first nine months of 2005, revenues increased 45% to \$56,757,000 from \$39,135,000 in the same period a year ago. Net income for this period was a breakeven of \$18,000 or \$0.00 (rounded) per diluted share, compared to a net loss of \$514,000 or \$0.21 per share in the first nine months of 2004.

Same-store sales of the nine ApplianceSmart factory outlets that were open during the third quarters of 2005 and 2004 rose 19%, while total retail sales from 12 ApplianceSmart outlets increased 52% to \$16,513,000 compared to last year's third quarter. A 37,000-square-foot ApplianceSmart factory outlet in San Antonio, the second store in this market, opened in October 2005.

Recycling revenues increased 17% to \$3,757,000 in this year's third quarter compared to the year-earlier period. The majority of this growth was generated by the energy conservation program in California sponsored by Southern California Edison Company, but growing revenue contributions came from utility-related recycling programs in Connecticut, the city of Austin, Texas, and the state of Wisconsin.

Edward R. (Jack) Cameron, president and chief executive officer, commented: "The sales growth of our ApplianceSmart operation remained exceptionally strong in this year's third quarter. We believe this sales performance reflects the fundamental soundness of ApplianceSmart's value proposition, as well as our ability to target attractive locations for new factory outlets in both new and existing markets. However, ARCA's profitability was affected by growth-related expenses generated by the expansion of our ApplianceSmart network, which grew from nine outlets in the third quarter of 2004 to 12 at the end of this year's third quarter. Having demonstrated ApplianceSmart's viability and effectiveness from the standpoint of top line growth, we now must improve the operating efficiencies in order to strengthen ARCA's profitability."

Cameron continued: "We remain very confident in ARCA's prospects. We have made substantial progress in recent years and believe that ARCA is moving in the right strategic direction. Over the near-term, the fourth quarter typically marks the onset of a seasonal slowdown in appliance sales. In addition, the advertising support provided by our utility partners for their recycling programs tends to wind down toward the end of each calendar year."

ARCA is currently in the process of submitting a bid for renewing its multi-year contract for the California statewide appliance recycling program. This new contract would have three-year durations starting in January 2006.

**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 October 2005, ApplianceSmart was operating 13 factory outlets: five in the Minneapolis/St. Paul market; three in the Columbus, Ohio, market; two in the Atlanta market; two in San Antonio, Texas and one in Los Angeles. ARCA is also the nation's largest recyclers of major household appliances for the energy conservation programs of electric utilities.

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)

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

CONSOLIDATED STATEMENT OF OPERATIONS

3rd Quarter 2005 Results

(000's omitted except for share amounts)

	Three months ended		Nine months ended	
	October 1 2005	October 2 2004	October 1 2005	October 2 2004
<b>Revenues</b>				
Retail	\$ 16,513	\$ 10,838	\$ 47,709	\$ 31,161
Recycling	3,757	3,199	7,973	6,854
Byproduct	436	506	1,075	1,120
Total revenues	20,706	14,543	56,757	39,135
<b>Cost of Revenues</b>	14,873	10,041	39,667	27,661
Gross profit	5,833	4,502	17,090	11,474
<b>Selling, General &amp; Administrative Expenses</b>	5,529	4,086	16,401	11,516
Operating income (loss)	304	416	689	(42)
<b>Other Income (Expense)</b>				
Other income	2	33	1	22
Interest expense	(259)	(187)	(672)	(558)
Income (loss) before provision for income taxes	47	262	18	(578)
<b>Provision for (Benefit of) Income Taxes</b>	—	2	—	(64)
Net income (loss)	\$ 47	\$ 260	\$ 18	\$ (514)
<b>Basic Earnings (Loss) per Common Share</b>	\$ 0.01	\$ 0.09	\$ 0.00	\$ (0.21)
<b>Diluted Earnings (Loss) per Common Share</b>	\$ 0.01	\$ 0.08	\$ 0.00	\$ (0.21)
<b>Basic Weighted Average No. of Common Shares Outstanding</b>	4,269	2,986	4,242	2,429
<b>Diluted Weighted Average No. of Common Shares Outstanding</b>	4,388	3,095	4,353	2,429

**Appliance Recycling Centers of America, Inc. and Subsidiaries**  
CONSOLIDATED BALANCE SHEET  
As of October 1, 2005  
(000's)

	October 1, 2005 (Unaudited)	January 1, 2005
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,692	\$ 4,362
Receivables - net of allowance of \$102,000	3,204	2,034
Inventories, net of reserves of \$352,000 and \$385,000 respectively	12,736	10,154
Deferred income taxes	468	468
Other current assets	476	338
Total Current Assets	19,576	17,356
<b>Property and Equipment, at cost</b>		
Land	2,050	2,050
Building and Improvements	4,477	4,338
Equipment	6,241	5,928
	12,768	12,316
Less accumulated depreciation	6,594	5,982
Net property and equipment	6,174	6,334
Other assets	327	300
Restricted cash	350	350
<b>Total Assets</b>	\$ 26,427	\$ 24,340
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 6,102	\$ 5,415
Current maturities of long term obligations	225	615
Accounts payable	5,352	3,889
Accrued expenses	2,917	2,779
Income taxes payable	58	58
Total Current Liabilities	14,654	12,756
Minority Interest	12	—
Long-Term Obligations, less current maturities	4,922	5,053
Deferred Income Tax Liabilities	468	468
<b>Total Liabilities</b>	20,056	18,277
<b>Shareholders' Equity</b>		
Common stock, no par value; authorized 10,000,000 shares; issued and outstanding 4,319,000 and 4,136,000 shares respectively	14,840	14,549
Accumulated Deficit	(8,469)	(8,486)
<b>Total Shareholders' Equity</b>	6,371	6,063

**Total Liabilities and Shareholders' Equity**

\$ 26,427

\$ 24,340

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