



Appliance Recycling Centers of America, Inc.

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FOR IMMEDIATE RELEASE

Appliance Recycling Centers of America Reports First Quarter 2016 Operating Results

Minneapolis, MN—May 19, 2016—Appliance Recycling Centers of America, Inc. (“ARCA” or the “Company”) (NASDAQ: ARCI), a leading provider of appliance recycling and retailing services, today announced results for its financial reporting period ended April 2, 2016.

Revenues for the first quarter of 2016 were \$25.3 million, down 8.1% compared with the same period in 2015, as a result of decreased recycling division appliance replacement sales and byproduct revenues. Net loss for the first quarter of 2016 was \$0.5 million, or \$(0.08) per diluted share, compared with net loss of \$1.7 million, or \$(0.29) per diluted share, reported in the first quarter of last year.

First Quarter Highlights

During the first quarter of 2016:

- We invested in start-up activities for new business and the opening of new recycling centers. Despite the costs incurred in such activities, our cost reduction efforts helped reduce our overall loss in the first quarter of 2016 by \$1.2 million as compared with the first quarter of 2015.
- Operating income for the retail segment returned to profitability with the rationalization of occupancy costs and rightsizing of a number of stores and strong vendor support and cost containment efforts.
- We experienced declines in appliance replacement revenues to utilities, municipalities and others of \$1.4 million, declines in carbon offset program revenues of \$0.2 million, and declines in other byproduct revenues of \$0.6 million as a result of the continuation of the depressed levels in the price of scrap steel and other non-ferrous metal that we sold as compared with 2015.
- Recycling programs that we have been adding and pricing adjustments to existing customer programs are beginning to yield improved margins for our recycling segment.

Tony Isaac, chief executive officer of ARCA, Inc. commented, “We expect to record close to \$1.9 million in revenues in the second quarter of 2016 from the activities of our carbon offset program. This along with recent improvements in scrap and other metal markets in which we sell should help pave the way for a brighter future. We have been working to amend existing contracts to improve pricing and have been entering into contracts for new business that is less dependent of the recovery of byproduct revenues. We are working extremely hard to serve our business partners and to offer the highest quality service levels. We are proud to be the oldest and largest service provider in the appliance recycling market and look forward to the challenges ahead.”

Retail Appliance Sales

ApplianceSmart, Inc., the company's retail division, posted sales of \$16.6 million for the first quarter, a decrease of \$0.5 million, or 3.1%, compared with the same period of 2015. The decrease was due mainly to lower sales of our out-of-carton merchandise. ApplianceSmart reported segment operating income for the first quarter of \$0.1 million, compared with an operating loss of \$0.6 million in the same period of the prior year.

Brad Bremer, president of ApplianceSmart, commented, "Although we were challenged with maintaining top line revenues, we were successful in improving our overall gross profit as a result of improved purchasing terms and vendor support."

Brad added, "We have also started to see the results of our efforts to rationalize our retail space requirements and continue to downsize our larger locations where appropriate. We are actively looking to expand in the markets in which we are operating to increase the economies of scale of our processing centers."

Recycling Revenues

ARCA Recycling, Inc. saw reductions in revenues of \$0.9 million to \$6.9 million in the first quarter of 2016. Appliance replacement revenues decreased \$1.4 million, while appliance recycling and processing fees increased \$0.5 million.

Appliance replacement units in the first quarter of 2016 decreased as a number of the utility customers delayed their 2016 launch plans.

"We anticipate for the remainder of 2016 new programs will outpace the decline in revenues that we expect to result from the recent end of some of our oldest programs in Southern California," commented Jack Cameron (President of ARCA Recycling, Inc.). Jack commented further, "We have invested a considerable amount of time and resources in our efforts to take care of our existing customers and to expand our operations in response to the failure of JACO Environmental. It takes time and proven processes to effectively on-board new customers and their programs. We wish to thank our vendors and key strategic partners (engaging us to lead their appliance recycling programs) with whom we have been working closely as we expand our national footprint. Our team of experienced employees and subcontractors has been doing a remarkable job. We have been successful in our efforts to roll-out several new programs and have plans to continue the expansion of our recycling programs over the coming months. We have been hiring and training teams across the country and are very proud of the response that our team has made toward this new business development effort."

Byproduct Revenues

The company's byproduct revenues decreased from \$2.6 million in the first quarter of 2015 to \$1.8 million in the first fiscal quarter of 2016. The decline in byproduct revenues was primarily due to the lack of carbon offset revenues in the first quarter of fiscal 2016, compared to \$0.2 million in the first quarter of fiscal 2015, and declines in revenues of \$0.6 million in fiscal 2016 due to decreased steel and non-ferrous metal pricing. Steel prices remained low for much of 2015 and depressed pricing continued in the first quarter of 2016. Steel selling prices in Philadelphia have fallen as much as \$90 per ton (or 33%) compared to the first quarter of 2015. Non-ferrous pricing saw similar declines.

“We have begun to see steel prices moving in a more favorable direction in April and May 2016 with recent selling prices of \$290 per ton in Philadelphia, a level not seen since January 2015,” commented Brian Conners, President of ARCA Advanced Processing, LLC in Philadelphia.

Liquidity and Capital Resources

Cash and cash equivalents were \$2.3 million as of April 2, 2016, compared with \$2.0 million as of January 2, 2016. As of April 2, 2016, the company had excess available borrowing capacity under its revolving line of credit of \$1.6 million.

About ARCA

ARCA's three business components are uniquely positioned in the industry to work together to provide a full array of appliance-related services. ARCA Advanced Processing, LLC employs advanced technology to refine traditional appliance recycling techniques to achieve optimal revenue-generating and environmental benefits. ARCA is also the exclusive North American distributor for UNTHA Recycling Technology (URT), one of the world's leading manufacturers of technologically advanced refrigerator recycling systems and recycling facilities for electrical household appliances and electronic scrap. ARCA's regional centers process appliances at end of life to remove environmentally damaging substances and produce material byproducts for recycling for utilities in the U.S. and Canada. Eighteen company-owned stores under the name ApplianceSmart, Inc.® sell new appliances directly to consumers and provide affordable ENERGY STAR® options for energy efficiency appliance replacement programs.

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995, including statements regarding ARCA's future success. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made, including the risks associated with general economic conditions, competition in the retail and recycling industries and regulatory risks. Other factors that could cause operating and financial results to differ are described in ARCA's periodic reports filed with the Securities and Exchange Commission. Other risks may be detailed from time to time in reports to be filed with the SEC.

FOR MORE INFORMATION, CONTACT:
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APPLIANCE RECYCLING CENTERS OF AMERICA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	April 2, 2016	January 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,323	\$ 1,969
Accounts receivable	11,006	11,536
Inventories	15,277	16,733
Income taxes receivable	1,441	1,126
Other current assets	1,081	1,350
Deferred income tax assets	1,657	1,657
Total current assets	32,785	34,371
Property and equipment, net	10,817	10,985
Restricted cash	500	500
Other assets	585	596
Deferred income tax assets	327	327
Total assets (a)	\$ 45,014	\$ 46,779
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,726	\$ 7,019
Accrued expenses	9,868	8,934
Line of credit	10,412	12,668
Current maturities of long-term obligations	2,732	1,251
Total current liabilities	29,738	29,872
Long-term obligations, less current maturities	3,463	4,506
Other noncurrent liabilities	342	357
Total liabilities (a)	33,543	34,735
Commitments and contingencies		
Shareholders' equity:		
Common Stock	21,504	21,466
Accumulated deficit	(10,028)	(9,577)
Accumulated other comprehensive loss	(546)	(565)
Total shareholders' equity	10,930	11,324
Noncontrolling interest	541	720
Total liabilities and shareholders' equity	\$ 45,014	\$ 46,779

(a) Assets of ARCA Advanced Processing, LLC (AAP), ARCA's consolidated variable interest entity (VIE), that can only be used to settle obligations of AAP were \$9,263 and \$8,856 as of April 2, 2016, and January 2, 2016, respectively. Liabilities of AAP for which creditors do not have recourse to the general credit of Appliance Recycling Centers of America, Inc. were \$3,668 and \$2,838 as of April 2, 2016, and January 2, 2016, respectively.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Revenues:		
Retail	\$ 16,570	\$ 17,098
Recycling	6,936	7,823
Byproduct	1,839	2,617
Total revenues	25,345	27,538
Costs of revenues	19,154	21,670
Gross profit	6,191	5,868
Selling, general and administrative expenses	6,978	7,868
Operating loss	(787)	(2,000)
Other expense:		
Interest expense, net	(283)	(321)
Other expense, net	120	(149)
Loss before income taxes and noncontrolling interest	(950)	(2,470)
Benefit from income taxes	(320)	(485)
Net loss	(630)	(1,985)
Net loss attributable to noncontrolling interest	179	285
Net loss attributable to controlling interest	\$ (451)	\$ (1,700)
Loss per common share:		
Basic	\$ (0.08)	\$ (0.29)
Diluted	\$ (0.08)	\$ (0.29)
Weighted average common shares outstanding:		
Basic	5,901	5,795
Diluted	5,901	5,795