May 8, 2008

Arabian American Development Announces First Quarter 2008 Financial Results

DALLAS, May 8 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the quarter ended March 31, 2008.

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Quarterly Highlights:
*  Total revenues increased 32% to $31.2 million from $23.7 million in the
   year ago period.
*  The South Hampton Resources facilities expansion is expected to be
   completed during summer 2008.
*  The Company has delivered supplemental information to the Saudi Arabian
   Ministry of Petroleum and Mineral Resources to facilitate the transfer
   of the lease to the joint venture (ALAK) and approval is expected at
   any time.
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Financial Results

Consolidated revenue for the first quarter of fiscal 2008 was $31.2 million, an increase of 32% compared to revenue of $23.7 million in the first quarter last year and a 4.7% sequential increase compared to revenue of $29.8 million in the fourth quarter of 2007. Refined product sales (predominantly C5 and C6 Hydrocarbons and related products) represented $30.1 million, or 96.4%, of total revenue for the first quarter 2008 and $22.4 million, or 94.5% of total revenue for the first quarter last year. The Company generated $1.1 million in toll processing fees during the first quarter 2008 compared with $1.3 million for the prior year's first quarter.

Gross profit on product sales and processing for the first quarter was $5.1 million, or 16.4% gross profit margin, compared with gross profit of $9.2 million, or 39.1% gross profit margin for the first quarter last year. The change in gross profit margin for the period was due to the change in the fair value of derivatives for feedstock purchases, the continual increase in the price of feedstock and fuel gas, and an increase in the workforce in preparation for increased capacity relating to the facility expansion, which has been operating at 92%, or substantially maximum capacity. Feedstock price increases accounted for approximately $8.3 million of the increase in cost of sales as market prices increased by about 49% from the first quarter of 2007 to 2008 while fuel gas prices increased by approximately 10%. Labor costs also rose by approximately 7% due to inflation and the competitive labor market in the area. The cost of petrochemical product sales and processing and gross profit margin for the three months ended March 31, 2008 and 2007 includes an unrealized gain of approximately $1,975,000 and $4,492,000 respectively, on the derivative agreements.

General and administrative expenses increased 24.9% to $2.7 million from $2.1 million for the first quarter last year primarily due expense relating to an amended post-retirement agreement signed in January of 2008 and to an increase in officer compensation resulting from the increase in the price of the Company's common stock.

Nick Carter, Executive Vice President and Chief Operating Officer, commented, "The cost of petrochemical sales and processing (excluding depreciation) increased approximately 81.4% compared to the first quarter in 2007. Consequently, total gross profit margin on revenue for the first quarter of 2008 decreased approximately 44.8% compared to the same period in 2007. The change in gross profit margin for the period was due to the change in the fair value of derivatives for feedstock purchases, the continual increase in the price of feedstock and fuel gas, and an increase in the workforce in preparation for increased capacity relating to the facility expansion."

The Company reported $2.1 million in operating income compared to $6.9 million in operating income for the first quarter of 2007. The Company reported net income of $1.4 million, or $0.06 per basic and fully diluted share (based on 23.1 and 23.5 million shares, respectively) compared to net income of $4.6 million, or $.20 per basic and fully diluted share last year (based on 22.9 and 23.2 million shares, respectively) for the first quarter 2007.

Mr. Carter continued, "The price of fuel gas, which is the petrochemical operation's largest single operating expense, continued to be high during the first three months of 2008 as compared to historical levels. The Company has option contracts in place for fuel gas through the fourth quarter of 2008 in order to minimize the impact of price fluctuations in the market but it did impact us at the operating and net income level."

Mr. Carter concluded, "As an update to our mining activity, the Company has delivered supplemental information to the Ministry, which they requested before final approval of the transfer of the lease to the joint venture. The Company expects the transfer to be approved in the very near future. We do not have to wait for the final lease transfer to begin work as the Company has sufficient capital to proceed at this point and Mr. Hatem El Khalidi, our President and Chief Executive Officer, is leading the team until the formal transfer takes place. The mobilization of the contractors is well underway and we are not experiencing any delay at this time."

The Company completed the quarter with $2.9 million in cash compared to $4.8 million as of December 31, 2007. Trade receivables increased by $1.4 million to $13.7 million, primarily due to increased selling prices. The changes in the Balance Sheet accounts are part of the normal ebb and flow of the business and are not considered unusual. Inventories increased from December 31, 2007 due to an increase in the volume of feedstock inventory the Company had on hand at the end of the period and an increase in cost. The average collection period remains normal for the business. The Company had $7.0 million in working capital as of March 31, 2008 and ended the quarter with a current ratio of 1.3 to 1. Financial contracts increased from a current asset of approximately $207,000 to a current asset of $2.18 million due to changes in fair value of contracts on hand at March 31, 2008. An increase in Property, Pipeline and Equipment of $3.130 million is principally due to the process capability expansion. The process expansion should be complete during the summer of 2008. Shareholders' equity increased 10.4% during the quarter to $58.1 million compared to $52.6 million as of December 31, 2007.

Teleconference

Management will conduct a conference call and live web cast at 4:30 p.m. Eastern Time, on Thursday, May 8, 2008. Anyone interested in participating should call 800-762-9441 if calling within the United States or 480-629-9572 if calling internationally. There will be a playback available until May 15, 2008. To listen to the playback, please call 800-406-7325 if calling within the United States or 303-590-3030 if calling internationally. Please use pin number 3875986 for the replay. A link to a simultaneous webcast of the teleconference will be available at http://www.arabianamericandev.com through Windows Media Player or RealPlayer. A replay of the call will also be available through the same link.

About Arabian American Development Company (ARSD)

Arabian American owns and operates a petrochemical facility located in southeast Texas just north of Beaumont, specializing in high purity petrochemical solvents and other solvent type manufacturing. The Company is also the original developer and is now a 50% owner of a joint venture in a mining project in the Al-Masane area of Saudi Arabia which is under construction and is scheduled to be in production in 2010. The mine will produce economic quantities of zinc, copper, gold, and silver.

Safe Harbor

Statements in this release that are not historical facts are forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward looking statements are based upon management's belief as well as assumptions made by and information currently available to management. Because such statements are based upon expectations as to future economic performance and are not statements of fact, actual results may differ from those projected. These risks, as well as others, are discussed in greater detail in Arabian American's filings with the Securities and Exchange Commission, including Arabian American's annual Report on Form 10-K for the year ended December 31, 2007 and the Company's subsequent Quarterly Report Form 10-Q.

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Tables Follow

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2008 (unaudited)	DECEMBER 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$2,942,817	$4,789,924
Trade Receivables, Net of allowance for doubtful accounts of $35,000 and $35,000, respectively	13,713,305	12,310,561

Current portion of notes receivable, net of discount and deferred gross profit of $96,976 and $101,620, respectively	614,421	609,777
Financial contracts	2,181,967	206,832
Prepaid expenses and other assets	642,773	648,313
Inventories	6,354,880	2,887,636
Taxes receivable	937,261	1,070,407
Total Current Assets	27,387,424	22,523,450
Property, Pipeline and Equipment	35,359,504	32,229,709
Less: Accumulated Depreciation	(12,919,463)	(12,463,214)
Net Property, Pipeline and Equipment	22,440,041	19,766,495
Al Masane Project	37,666,803	37,468,080
Investment in ALAK	3,525,000	--
Other Assets in Saudi Arabia	2,431,248	2,431,248
Mineral Properties in the United States	1,084,831	1,084,617
Notes Receivable, net of discount of $45,133 and $70,421, respectively, net of current portion	783,376	935,937
Other Assets	10,938	10,938
TOTAL ASSETS	$95,329,661	$84,220,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$5,639,758	$4,524,042
Accrued interest	83,804	85,552
Accrued liabilities	1,560,795	1,931,822
Accrued liabilities in Saudi Arabia	1,411,078	1,406,801
Notes payable	11,012,000	11,012,000
Current portion of long-term debt	30,573	30,573
Current portion of other liabilities	630,731	630,731
Total Current Liabilities	20,368,739	19,621,521
Long-Term Debt, net of current portion	13,070,325	9,077,737
Post Retirement Benefit	823,500	441,500
Other Liabilities, net of current portion	903,702	990,375
Deferred Income Taxes	1,308,482	677,131
Minority Interest in Consolidated Subsidiaries	784,640	794,646
STOCKHOLDERS' EQUITY		
Common Stock-authorized 40,000,000 shares of $.10 par value; issued and outstanding, 23,171,995 and 22,601,994 shares In 2008 and 2007, respectively	2,317,199	2,260,199
Additional Paid-in Capital	41,162,707	37,183,206
Retained Earnings	14,590,367	13,174,450
Total Stockholders' Equity	58,070,273	52,617,855
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$95,329,661	$84,220,765

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2008	2007
REVENUES		
Petrochemical Product Sales	$30,118,721	$22,354,856
Processing Fees	1,115,336	1,307,834

	31,234,057	23,662,690
OPERATING COSTS AND EXPENSES		
Cost of Petrochemical Product Sales and Processing	26,121,615	14,399,556
GROSS PROFIT	5,112,442	9,263,134
GENERAL AND ADMINISTRATIVE EXPENSES		
General and Administrative	2,657,910	2,127,385
Depreciation	310,504	249,683
	2,968,414	2,377,068
OPERATING INCOME	2,144,028	6,886,066
OTHER INCOME (EXPENSE)		
Interest Income	63,938	62,595
Interest Expense	(34,018)	(90,872)
Minority Interest	10,006	2,073
Miscellaneous Income (Expense)	25,310	(10,553)
	65,236	(36,757)
INCOME BEFORE INCOME TAXES	2,209,264	6,849,309
INCOME TAXES	793,347	2,207,847
NET INCOME	$1,415,917	$4,641,462
Basic Earnings per Common Share		
Net Income	$0.06	$0.20
Basic Weighted Average Number of Common Shares Outstanding	23,118,588	22,875,594
Diluted Earnings per Common Share		
Net Income	$0.06	$0.20
Diluted Weighted Average Number of Common Shares Outstanding	23,533,142	23,192,286

SOURCE Arabian American Development Co.