

May 7, 2009



# Arabian American Development Announces First Quarter 2009 Financial Results

*First Quarter Net Income Increases 195% Year over Year*

DALLAS, May 7 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the first quarter ended March 31, 2009.

## *Financial and Operational Highlights*

- Consolidated revenue for the first quarter ended March 31, 2009 decreased 12.3% to \$27.4 million, compared to revenue of \$31.2 million in the first quarter 2008.
- For the quarter ended March 31, 2009, total gross profit margin increased approximately \$4.1 million or 83.7% as compared to the same period in 2008.
- Net income in the first quarter 2009 was up 195% to \$4.2 million or \$0.18 per basic and diluted share compared to net income of \$1.4 million, or \$0.06 per basic and diluted share for first quarter 2008.
- The Company is actively pursuing export opportunities with current sales in Australia, South America, Europe, the Far East and the Middle East.
- Subsequent to the quarter end, the Board of Directors accepted the resignation of Dr. Ibrahim A. Al Moneef from his position as board member and as a member of the Al Masane Al Kobra ("AMAK") Board. Mr. Robert E. Kennedy, who is currently on the Board of Directors of Arabian American Development Company, was chosen by the Board to replace Dr. Al Moneef as the Company's representative on the AMAK Board.
  
- Subsequent to the quarter end, Allen P. McKee was appointed to the Board of Directors effective April 28, 2009, and will serve on the Audit, Nominating and Compensation Committees.

## *First Quarter 2009 Financial Results*

Consolidated revenue for the first quarter ended March 31, 2009 decreased 12.3% to \$27.4 million, compared to revenue of \$31.2 million in the first quarter 2008 and a 17.1% sequential decrease compared to revenue of \$33.0 million in the fourth quarter of 2008. Excluding transloading revenues of \$3.4 million generated in the first quarter, revenues for the first quarter were \$24.0 million a 23.2% decrease over the year-ago period and a 16.6% sequential decrease compared to fourth quarter 2008. Petrochemical product sales (predominantly C5 and C6 Hydrocarbons and related products) represented \$23.1 million, or 84.2%, of total revenue for the first quarter 2009 and \$30.1 million, or 96.4% of total revenue for the first quarter last year. The Company generated \$904,000 in toll processing fees during the first quarter 2009 compared with \$1.1 million for the prior year's first quarter. Toll processing customers are active and remain on long-term contracts.

During the first quarter of 2009, the cost of petrochemical sales and processing (including depreciation) decreased approximately \$7.9 million or 30.1% as compared to the same period in 2008. Consequently, total gross profit margin on revenue for the first quarter of 2009 increased to \$8.9 million, up 83.7%, from \$4.9 million as compared to the same period in 2008. The increase in gross profit margin for the period was due to decreases in the price of feedstock, fuel gas, and a cost reduction program undertaken by the Company in the last half of 2008. The cost of petrochemical product sales and processing and gross profit for the three months ended March 31, 2009, includes an unrealized gain of \$6.4 million and an realized loss of \$5.9 million for a net gain effect of \$0.5 million and for the three months ended March 31, 2008, includes an unrealized gain of \$2.0 million and a realized gain of \$0.2 million for a net gain effect of \$2.2 million. The net gain at the end of March 2009 resulted from a recovery of excess write down of derivatives at the end of 2008.

General and Administrative costs for the first quarter of 2009 decreased approximately 22.3% to \$2.1 million as compared to \$2.7 million the same period in 2008 primarily due to decreases in officer compensation and post retirement benefits.

The Company reported net income in the first quarter 2009 of \$4.2 million or \$0.18 per basic and diluted share. This compares to net income of \$1.4 million, or \$0.06 per basic and diluted share for first quarter 2008. The increase in profitability was primarily due to the decrease in the price of feedstock, fuel gas, and operating costs which drove gross profit margins higher. A larger sales volume also helped average down the fixed costs in operations.

Nick Carter, Executive Vice President and Chief Operating Officer, commented, "With the petroleum market volatility over the last year, the revenue figures have fluctuated so dramatically that it's hard to judge the condition of our business by dollar figures alone. Sales volume is really the key to the health of our business. While revenue decreased in absolute dollars by \$3.8 million in first quarter 2009, our operating results reflect continued demand for our products. Sales volume of petrochemical products for the first quarter of 2009 increased by 5.7% from the year ago period and the Company generated additional sales volume of approximately 20% from the transloading venture undertaken by the Company one year ago. Although our transloading contract expired in April 2009, we have continued the business on a spot basis and intend to carry on in that manner until the market justifies longer term agreements. We had cash payments on commodity swaps due in the first quarter and these transactions did impact cash flow. However we managed that situation successfully and going forward, cash flow will not be impacted further by past derivative positions. To tighten control and risk management positions, the Board approved the development of a program which will be put into place prior to further hedging taking place."

Mr. Carter continued, "Our expanded South Hampton production facility ran at 45% of capacity per calendar day, which is approximately 3,000 barrels per day. This was a 6% increase in production volume from a year ago. We continue to increase our success with foreign exports including current sales in Australia, South America, Europe, the Far East and the Middle East. We are encouraged by the pace of expansion of our export sales and are stationing a person in Europe to help cover the opportunities in the Eastern hemisphere. As an update on the Al Masane Al Kobra (AMAK) mining activities, an appraisal of the mine's assets, which is necessary for the Company to receive full credit toward its capital contribution, was completed in April 2009 showing an appraised value of approximately \$88

million. The Company expects the mining license to be formally contributed by the end of the second quarter of 2009."

Mr. Carter concluded, "At this time, we would like to thank Dr. Ibrahim Al Moneef for his contributions to our Arabian American Board of Directors and as a member of the AMAK Board of Directors. Robert E. Kennedy, who is a valuable member of the Arabian American Development Board, has been chosen to replace Dr. Al Moneef as the Company's representative on the AMAK Board. I, too, was appointed to the AMAK board in February 2009. In addition, I'd like to welcome Allen P. McKee who was appointed to the Arabian American Board of Directors effective April 28, 2009. Mr. McKee has an extensive background in international finance and investment management and will contribute an additional dimension to our board. He will serve on the Audit, Nominating, and Compensation Committees."

The Company completed the quarter with \$3.4 million in cash and cash equivalents compared to \$2.8 million as of December 31, 2008. Trade receivables increased during the first three months of 2009 by \$0.9 million to \$12.8 million primarily due to longer credit terms extended to foreign customers. The average collection period remains normal for the business. Inventories increased to \$3.8 million as of March 31, 2009 from \$2.4 million as of December 31, 2008 due to an increase in the volume of feedstock inventory the Company had on hand. Derivative instruments decreased from a current liability of approximately \$8.7 million to \$2.1 million due to settlements of instruments during the first quarter and changes in fair value of contracts on hand at March 31, 2009.

The Company had \$14.0 million in working capital as of March 31, 2009 and ended the quarter with a current ratio of 2:1. Financial contract deposits decreased \$3.8 million as compared to no change in 2008 due to the return of previous margin call cash deposits. Property, Pipeline and Equipment remained relatively unchanged from December 31, 2008. Shareholders' equity increased 9.3% at March 31, 2009 to \$51.2 million from \$46.8 million as of December 31, 2008.

#### *Teleconference*

Management will conduct a conference call and live web cast at 11:00 a.m. Eastern Time, on Thursday, May 7, 2009. Anyone interested in participating should call 877-941-1465, if calling within the United States or 480-629-9678, if calling internationally. Playback will be available until May 14, 2009. 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 4067160 for the replay. A link to a simultaneous webcast of the teleconference will be available at [www.arabianamericandev.com](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 late 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, 2008, and the Company's subsequent Quarterly Report Forms 10-Q.

Company Contact: Nick Carter, Executive Vice President and Chief  
Operating Officer  
(409) 385-8300  
[ncarter@southhamptonr.com](mailto:ncarter@southhamptonr.com)

Investor Contact: Cameron Donahue or Brett Maas  
Hayden IR  
(651) 653-1854  
[Cameron@haydenir.com](mailto:Cameron@haydenir.com)

## Tables follow

### ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2009 (unaudited)	DECEMBER 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,409,952	\$ 2,759,236
Trade Receivables, Net of allowance for doubtful accounts of \$500,000 and \$500,000, respectively	12,759,589	11,904,026
Current portion of notes receivable, net of discount of \$52,183 and \$53,628, respectively	474,699	528,549
Derivative instrument deposits	200,000	3,950,000
Prepaid expenses and other assets	734,679	799,342
Inventories	3,819,247	2,446,200
Deferred income taxes	5,259,855	8,785,043
Income taxes receivable	1,561,156	429,626
Total current assets	28,219,177	31,602,022
Property, Pipeline and Equipment	47,438,255	47,184,865
Less: Accumulated Depreciation	(15,470,774)	(14,649,791)
Net Property, Pipeline and Equipment	31,967,481	32,535,074
Investment in AMAK	33,002,407	33,002,407
Mineral Properties in the United States	590,653	588,311
Notes Receivable, net of discount of \$583 and \$16,793, respectively, net of		

current portion	301,045	407,388
Other Assets	10,938	10,938
<b>TOTAL ASSETS</b>	<b>\$ 94,091,701</b>	<b>\$ 98,146,140</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	\$6,213,099	\$6,069,851
Accrued interest	97,953	147,461
Derivative instruments	2,144,505	8,673,311
Accrued liabilities	1,445,527	1,029,690
Accrued liabilities in		
Saudi Arabia	1,448,533	1,429,156
Notes payable	12,000	12,000
Current portion of long-term debt	2,038,606	4,920,442
Current portion of other liabilities	838,826	544,340
Total Current Liabilities	14,239,049	22,826,251
Long-Term Debt, net of current portion	23,961,853	23,557,294
Post Retirement Benefit	823,500	823,500
Other Liabilities, net of current		
portion	319,179	446,035
Deferred Income Taxes	3,278,678	3,356,968
Total liabilities	42,622,259	51,010,048

STOCKHOLDERS' EQUITY

Common Stock authorized 40,000,000		
shares of \$.10 par value; issued and		
outstanding, 23,421,995 shares in 2009		
and 2008, respectively	2,342,199	2,342,199
Additional Paid-in Capital	41,378,280	41,325,207
Accumulated Other Comprehensive Loss	(1,010,735)	(1,120,072)
Retained Earnings	8,472,350	4,299,535
Total Arabian American Development		
Company Stockholders' Equity	51,182,094	46,846,869
Noncontrolling interest	287,348	289,223
Total equity	51,469,442	47,136,092
	\$94,091,701	\$98,146,140

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**

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

	THREE MONTHS ENDED	
	MARCH 31	
	2009	2008
REVENUES		
Petrochemical Product Sales	\$23,073,837	\$30,118,721
Transloading Sales	3,419,056	--
Processing Fees	904,155	1,115,336
	27,397,048	31,234,057
OPERATING COSTS AND EXPENSES		
Cost of Petrochemical Product		
Sales and Processing		
(including depreciation of		
\$552,563 and \$234,319,		
respectively)	18,434,822	26,355,934

GROSS PROFIT	8,962,226	4,878,123
GENERAL AND ADMINISTRATIVE EXPENSES		
General and Administrative	2,064,336	2,657,910
Depreciation	114,589	76,185
	2,178,925	2,734,095
OPERATING INCOME	6,783,301	2,144,028
OTHER INCOME (EXPENSE)		
Interest Income	25,717	63,938
Interest Expense	(308,676)	(34,018)
Miscellaneous Income (Expense)	(66,542)	25,310
	(349,501)	55,230
INCOME BEFORE INCOME TAXES	6,433,800	2,199,258
INCOME TAXES	2,262,860	793,347
NET INCOME	\$4,170,940	\$1,405,911
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	1,875	10,006
NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY	\$4,172,815	\$1,415,917
Basic Earnings per Common Share		
Net Income attributable to Arabian American Development Company	\$0.18	\$0.06
Basic Weighted Average Number of Common Shares Outstanding	23,721,995	23,118,588
Diluted Earnings per Common Share		
Net Income attributable to Arabian American Development Company	\$0.18	\$0.06
Diluted Weighted Average Number of Common Shares Outstanding	23,721,995	23,533,142

SOURCE Arabian American Development Co.