

August 5, 2010



# Arabian American Announces Second Quarter 2010 Financial Results

**Quarterly Revenues Increase by 27.8% to \$36.5 Million Year over Year**

**Sequential Increase of 14.2% from First Quarter 2010**

DALLAS, Aug. 5 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the three and six months ended June 30, 2010.

## Financial Highlights

- Sales volume of petrochemical products for the second quarter of 2010 increased approximately 5.3% compared to the same period in 2009.
- Revenue for the second quarter increased 27.8% to \$36.5 million from \$28.6 million in the same period last year.
- Gross profit for the second quarter of 2010 and the comparable period in 2009 was \$3.7 million and \$6.4 million, respectively.
- Adjusted EBITDA (adjusted for non-recurring expenses) for the second quarter of 2010 was \$1.7 million as compared to \$5.0 million for the same period in 2009. Net income attributable to Arabian American Development Company for the second quarter was approximately \$2,000, or \$0.00 per basic and diluted share, compared to net income of \$2.6 million, or \$0.11 per basic and diluted share, for the second quarter last year.
- Sales volume of petrochemical products for the six months ended June 30, 2010 increased approximately 8.7% compared to the same period in 2009.
- Revenue for the six months ended June 30, 2010 increased 22.4% to \$68.5 million from \$56.0 million in the same period last year.
- Gross profit for the six months ended June 30, 2010 and the comparable period in 2009 was \$7.4 million and \$15.4 million, respectively.
- Adjusted EBITDA (adjusted for non-recurring expenses) for the first half of 2010 was \$3.4 million as compared to \$12.4 million for the same period in 2009. Net income attributable to Arabian American Development Company for the six months ended June 30, 2010 was \$0.4 million, or \$0.02 per basic and diluted share, compared to net income of \$6.7 million, or \$0.28 per basic and diluted share, for the second quarter last year.

## Operational Highlights

- Arabian American signed a five-year replacement contract with an affiliate of a Fortune 100 company that allows sales in excess of \$15 million per year based on current market values. This solidifies a continuing business relationship with a current purchaser. The contract includes several different hydrocarbons that will be supplied to multiple plant locations for the customer within North America.
- The Al Masane Al Kobra Mining Company (AMAK), our cost-based investment, received a letter of commitment and term sheet for a 330 Million Saudi

Riyal (\$88.0 million USD) loan facility from the Saudi Industrial Development Fund (SIDF). The loan will be used for completion of site development including underground work, the purchase of machinery, equipment, and vehicles, working capital and contingency funds for the construction of the mine in the Najran Province of southwest Saudi Arabia.

## **Second Quarter 2010 Financial Results**

Consolidated revenue for the quarter ended June 30, 2010 increased 27.8% to \$36.5 million compared to revenue of \$28.6 million in the second quarter of 2009 and increased 14.2% sequentially compared to revenue of \$32.0 million in the first quarter of 2010. Transloading generated no revenues in the second quarter of 2010 compared to revenues of \$1.2 million in the year-ago period. The decrease in transloading revenues is due to market conditions that made the Canadian oil sands business less economical for the customer to operate in since the latter part of 2008. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$35.4 million or 96.8%, of total revenue for the second quarter of 2010 and \$26.5 million, or 92.6% of total revenue for the second quarter last year. The Company generated \$1.2 million in toll processing fees during the second quarter of 2010 compared with \$0.9 million for the prior year's second quarter. Processing revenues increased in the second quarter of 2010 compared to 2009 primarily due to one of the tolling customers running above minimum capacity during the quarter. The Company remains dedicated to maintaining a certain level of toll processing business in the facility and continues to pursue additional opportunities.

During the second quarter of 2010, the cost of petrochemical sales and processing (including depreciation) increased approximately \$10.7 million or 48.1% as compared to the same period in 2009. Consequently, total gross profit on revenue for the second quarter of 2010 decreased approximately \$2.7 million or 42.1% as compared to the same period in 2009. The cost of petrochemical product sales and processing and gross profit for the three months ended June 30, 2010 includes a net loss from hedging of \$0.8 million. For the same period of 2009, the net gain was \$0.6 million.

Nick Carter, President and Chief Executive Officer, commented, "The challenge in the petrochemical market remains the volatility of feedstock and the demand for our products.

Cost of materials increased in 2010 from the second quarter of 2009 due to higher feedstock prices. Average feedstock price per gallon increased approximately 57.2% in the second quarter of 2010 from 2009. The Petrochemical Company uses natural gasoline as feedstock which is the heavier liquid remaining after butane and propane are removed from liquids produced by natural gas wells. Our use of derivative contracts will provide some predictability to feedstock prices but is not the perfect solution. In the middle of May when petroleum prices dropped almost 20% in a short period of time, our stop loss protection took affect and limited the losses on derivative positions. In addition, the Company has adopted a strategy of moving our larger volume customers to formula-based pricing in order to reduce the effect of feedstock cost volatility. With this pricing mechanism, product prices move in conjunction with feed prices without the necessity of announced price changes. Construction is moving along on our new Isomerization Unit which will give us more control over our product mix. Implementation of this overall strategy should provide increased

earnings predictability going forward."

General and Administrative costs for the second quarter of 2010 increased 50.7% to \$3.1 million from \$2.0 million in the same period last year primarily due to higher administrative payroll costs, consulting fees, insurance premiums, directors' fees, post retirement expense, legal fees and accounting fees. Payroll costs increased due to the addition of personnel and higher salaries due mainly to cost of living adjustments. Insurance premiums increased largely due to additional property coverage and an increase in health insurance premiums plus the addition of a foreign credit insurance policy. Consulting fees increased due to the investigation of potential acquisition targets and to meet and maintain compliance with SEC reporting guidelines.

The Company reported net income attributable to Arabian American Development Company in the second quarter of 2010 of approximately \$2,000 or \$0.00 per basic and diluted share (based on 23.8 million weighted average number of shares outstanding). This compares to net income attributable to Arabian American Development Company of \$2.6 million, or \$0.11 per basic and diluted share for second quarter of 2009 (based on 23.7 million basic and 24.0 million diluted weighted average number of shares outstanding, respectively).

The Company reported EBITDA for the second quarter of 2010 of approximately \$1.0 million compared to \$5.0 million for the same period in 2009. The Company expects improvement going forward due to the move to formula pricing to several of its larger customers, to the feedstock hedging program which has been re-instituted to combat price volatility, to timely price changes on its prime products, and the completion of the Isomerization unit in the latter part of the third quarter.

### **Year-to-Date 2010 Financial Results**

Consolidated revenue for the six months ended June 30, 2010 increased 22.4% to \$68.5 million compared to revenue of \$56.0 million in the same period in 2009. Excluding transloading revenues of \$654,000 generated in the six months ended June 30, 2010, revenues were \$67.9 million, a 32.2% increase from \$51.4 million in the year-ago period, excluding transloading revenues of \$4.6 million. Transloading sales in the first half of 2010 reflected spot opportunities that were fulfilled. Petrochemical product sales represented \$65.6 million or 95.3% of total revenue for the first six months of 2010 and \$49.5 million or 88.5% of total revenue for the same period last year. The Company generated \$2.3 million in toll processing compared with \$1.8 million for the prior year's first six months. Again, processing revenues increased due to one of the tolling customers running above minimum capacity during the first half of 2010.

During the six months ended June 30, 2010, the cost of petrochemical sales and processing (including depreciation) increased approximately \$20.5 million or 50.5% as compared to the same period in 2009. Consequently, total gross profit on revenue for the first six months of 2010 decreased approximately \$7.9 million or 51.6% as compared to the same period in 2009. The cost of petrochemical product sales and processing and gross profit for the six months ended June 30, 2010 includes a net loss from hedging activities of \$0.3 million. For the same period of 2009, the net gain was \$1.1 million.

General and Administrative costs for the first six months of 2010 increased 38.9%, or approximately \$1.6 million, to \$5.7 million from \$4.1 million in the same period in 2009

primarily due to higher administrative payroll costs for the addition of personnel, insurance premiums, directors' fees, legal fees and consulting fees. For the first six months of 2010, net income attributable to Arabian American Development was \$0.4 million or \$0.02 per basic and diluted share (based on 23.7 million and 23.8 million weighted average shares outstanding, respectively) compared to net income of \$6.7 million, or \$0.28 per basic and diluted share (based on 23.7 million and 23.9 million weighted average shares outstanding, respectively) for the year-ago period.

The Company completed the quarter with \$2.8 million in cash and cash equivalents compared to \$2.5 million as of December 31, 2009. Trade receivables increased by \$4.6 million to \$16.9 million due to increased credit terms being extended to foreign customers and the increase in the average selling price. The average collection period remains normal for the business. Inventory increased \$0.9 million due to an increase in volume in anticipation of increased sales.

The Company had \$20.2 million in working capital as of June 30, 2010 and ended the quarter with a current ratio of 2.4 to 1. Shareholders' equity increased to \$53.1 million as of June 30, 2010 from \$52.2 million as of December 31, 2009.

Mr. Carter continued, "The Al Masane Al Kobra (AMAK) investment continued to show good progress in the above ground construction phase during second quarter of 2010. We continue to see progress toward the goal of monetizing this important asset and in the last 90 days these efforts have accelerated. According to the recently signed contract, mobilization will begin in late September, the underground work will be initiated by the end of the year and the initial ore production will take place by the end of the first quarter of 2011 with full production achieved by the fourth quarter of 2011."

Mr. Carter concluded, "During the quarter, we learned that AMAK had recorded Zakat tax expense in 2008 of SR 1,965,000 (approximately \$525,000 USD). This tax is not an income tax but rather a tax on equity. This expense related to the time period when AMAK was accounted for by ARSD under the equity method. The Company recorded a charge for our 50% share of this expense (approximately \$262,500 USD) in the second quarter of 2010 on the basis that our receipt of this information in that period (which information was not available when the 2008 financial statements were issued) caused us to revise our original estimate of our share of AMAK's 2008 net income or loss. There was no Zakat tax for 2009."

### **About Arabian American Development Company (ARSD)**

ARSD owns and operates a petrochemical facility located in southeast Texas just north of Beaumont which specializes in high purity petrochemical solvents and other solvent type manufacturing. The Company is also the original developer and now a 41% investor in a Saudi Arabian joint stock company involving a mining project in the southwest region of Saudi Arabia which is currently under construction. The mine is scheduled to be in production in 2011 and 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, 2009, and the Company's subsequent Quarterly Reports on Form 10-Q.

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## - Tables follow -

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

	JUNE 30, 2010 (unaudited)	DECEMBER 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,772,314	\$ 2,451,614
Restricted cash	3,000,000	--
Trade receivables, net	16,944,463	12,302,955
Current portion of notes receivable	174,730	372,387
Prepaid expenses and other assets	598,385	739,989
Inventories	6,004,152	5,065,169
Deferred income taxes	786,034	640,057
Taxes receivable	3,877,770	4,726,708

Total current assets	34,157,848	26,298,879
Property, Pipeline and Equipment, net	32,059,643	32,407,503
Investment in AMAK	30,883,657	31,146,157
Mineral properties in the United States	588,311	588,311
Notes receivable	--	35,001
Other assets	10,938	10,938
TOTAL ASSETS	\$ 97,700,397	\$ 90,486,789
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 5,834,202	\$ 3,617,043
Advance payment from shareholder	3,000,000	--
Accrued interest	113,676	148,538
Current portion of derivative instruments	940,325	436,203
Accrued liabilities	1,699,234	1,336,219
Accrued liabilities in Saudi Arabia	628,242	471,280
Notes payable	12,000	12,000
Current portion of post retirement benefit	31,500	31,500
Current portion of long-term debt	1,400,000	1,400,000
Current portion of other liabilities	343,542	579,500
Total current liabilities	14,002,721	8,032,283
Long-Term Debt, net of current portion	23,739,488	23,439,488
Post Retirement Benefit, net of current portion	740,431	815,378
Derivative instruments, net of current portion	776,810	838,489
Other Liabilities, net of current portion	476,121	562,011
Deferred Income Taxes	4,611,824	4,332,911
Total liabilities	44,347,395	38,020,560

# EQUITY

Common Stock authorized 40,000,000 shares of \$.10 par value; issued and outstanding, 23,450,745 and 23,433,995 shares in 2010 and 2009, respectively	2,345,074	2,343,399
Additional Paid-in Capital	42,029,604	41,604,168
Accumulated Other Comprehensive Loss	(787,298)	(841,297)
Retained Earnings	9,476,399	9,070,736
Total Arabian American Development Company Stockholders' Equity	53,063,779	52,177,006
Non-controlling Interest	289,223	289,223
Total equity	53,353,002	52,466,229
 TOTAL LIABILITIES AND EQUITY	 \$ 97,700,397	 \$ 90,486,789

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2010	2009	2010	2009
 REVENUES				
Petrochemical Product Sales	\$ 35,380,401	\$ 26,465,860	\$ 65,611,345	\$ 49,539,697
Transloading Sales	--	1,205,625	654,204	4,624,681
Processing Fees	1,161,943	913,798	2,271,570	1,817,953
	36,542,344	28,585,283	68,537,119	55,982,331
 OPERATING COSTS AND EXPENSES				
Cost of Petrochemical Product				

Sales and Processing (including depreciation of \$568,090, \$563,113, \$1,137,272, and \$1,115,676, respectively)	32,824,942	22,159,416	61,093,634	40,594,238
GROSS PROFIT	3,717,402	6,425,867	7,443,485	15,388,093
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	3,070,483	2,036,968	5,697,850	4,101,303
Depreciation	109,490	106,752	219,853	221,342
	3,179,973	2,143,720	5,917,703	4,322,645
OPERATING INCOME	537,429	4,282,147	1,525,782	11,065,448
OTHER INCOME (EXPENSE)				
Interest income	5,103	16,118	12,523	41,835
Interest expense	(258,330)	(337,732)	(582,326)	(646,408)
Equity in loss - AMAK	(262,500)	--	(262,500)	--
Miscellaneous expense	(7,659)	(15,927)	(19,690)	(82,469)
	(523,386)	( 337,541)	(851,993)	(687,042)
INCOME BEFORE INCOME TAXES	14,043	3,944,606	673,789	10,378,406
INCOME TAXES	12,366	1,389,437	268,126	3,652,297
NET INCOME	1,677	2,555,169	405,663	6,726,109
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	--	8,861	--	10,736
NET INCOME ATTRIBUTABLE TO				



ARABIAN

AMERICAN DEVELOPMENT COMPANY	\$ 1,677	\$ 2,564,030	\$ 405,663	\$ 6,736,845
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Basic Earnings per Common  
Share

Net Income attributable to  
Arabian American  
Development  
Company

\$ 0.00	\$ 0.11	\$ 0.02	\$ 0.28
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Basic Weighted Average  
Number

of Common Shares  
Outstanding

23,750,745	23,721,995	23,748,233	23,721,995
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Diluted Earnings per Common  
Share

Net Income attributable to  
Arabian American  
Development  
Company

\$ 0.00	\$ 0.11	\$ 0.02	\$ 0.28
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Diluted Weighted Average  
Number

of Common Shares  
Outstanding

23,750,745	23,992,272	23,748,233	23,857,134
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SOURCE Arabian American Development Co.