

November 4, 2010



# Arabian American Announces Third Quarter 2010 Financial Results

**Quarterly Revenues Increase by 20.9% to \$37.0 Million Year over Year**

**Third Quarter Earnings up 216.3% to \$1.7 Million Year over Year**

DALLAS, Nov. 4, 2010 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the third quarter and nine month period ended September 30, 2010.

## Financial Highlights

- Sales volume of petrochemical products increased by 2.3% from the third quarter of 2009.
- Revenue for the third quarter increased 20.9% to \$37.0 million from \$30.6 million in the same period last year.
- Gross profit for the third quarter of 2010 increased 25.6% to \$5.4 million from \$4.3 million in the comparable period in 2009.
- Adjusted EBITDA (adjusted for certain non-recurring expenses), a non-GAAP financial measure, for the third quarter of 2010 was \$3.5 million as compared to \$2.7 million for the same period in 2009. Net income attributable to Arabian American Development Company for the third quarter increased 216.3% to \$1.7 million, or \$0.07 per basic and diluted share, compared to net income of \$528,000, or \$0.02 per basic and diluted share, for the third quarter last year.

## Operational Highlights

- Al Masane Al Kobra (AMAK) received an initial tranche of \$35 million from a total bridge loan in the amount of \$85 million. AMAK completed financing arrangements to fund the bridge loan with a Saudi French bank while pre-closing conditions for the SIDF (Saudi Industrial Development Fund) permanent loan are being met. The second amount, \$46 million, can be drawn after AMAK receives clearance for the first payment from the SIDF.
- Construction of the Company's South Hampton Resources facility Isomerization Unit, was completed in the third quarter and will give the Company more flexibility in managing its product line. The isomerization expansion will allow South Hampton to convert up to 600,000 gallons per month of Normal Pentane into Isopentane. South Hampton also is adding an additional Hexane Treater to further expand production of C6 products. The additional train will increase C6 capacity by 100%.

**Third Quarter 2010 Financial Results**

Consolidated revenue for the quarter ended September 30, 2010 increased 20.9% to \$37.0 million compared to revenue of \$30.6 million in the third quarter of 2009 and increased 1.4% sequentially compared to revenue of \$36.5 million in the second quarter of 2010.

Transloading generated \$199,000 in revenues in the third quarter of 2010 compared to no revenues in the year-ago period. The increase in transloading revenues was due to spot opportunities during the third quarter of 2010. Excluding transloading revenues of \$199,000 generated in the three months ended September 30, 2010 revenues were \$36.8 million, a 20.2% increase from \$30.6 million in the year-ago period, when there were no transloading revenues. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$35.6 million, or 96.0%, of total revenue for the third quarter of 2010 and \$29.7 million, or 97.0%, of total revenue, for the third quarter last year. The Company generated \$1.3 million in toll processing fees, up 40.8% during the third quarter of 2010 compared with \$907,000 for the prior year's third quarter. Processing revenues increased in the third quarter of 2010 compared to 2009 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 currently has three potential opportunities in various stages of evaluation.

During the third quarter of 2010, the cost of petrochemical sales and processing (including depreciation) increased approximately \$5.3 million, or 20.0%, to \$31.6 million as compared to \$26.4 million the same period in 2009. Total gross profit on revenue for the third quarter of 2010 increased approximately \$1.1 million, or 25.6%, to \$5.4 million as compared to \$4.3 million the same period in 2009. The cost of petrochemical product sales and processing and gross profit for the three months ended September 30, 2010 includes a net gain of \$291,000 from derivative transactions. For the same period of 2009, there was zero net gain or loss.

Nick Carter, President and Chief Executive Officer, commented, "Our third quarter of 2010 revenue results show solid gains from the year-ago period as well as effective control of general and administrative expenses. Revenue gains not only came from volume increases but also due to price increases as we moved several of our larger customers to formula pricing, a mechanism which is beneficial to both parties as it allows product prices to move in conjunction with feed prices without the necessity of announced price changes. We also have used derivative contracts to provide some predictability to feedstock prices, and of course we try to have timely price changes on our prime products as necessary."

Mr. Carter continued, "Our new Isomerization unit is now operational and converting Normal Pentane into Isopentane which gives us the flexibility to adjust the product slate to more efficiently meet the market demand for the two products. The new Hexane treater will undergo start up activities in the last half of this month. The Isom unit has made a difference each month beginning in late September when it became operational. Revenue generated since the start up in late September was about \$250,000. The economic value varies with the product mix and the alternative market prices in any given month. The maximum benefit of having this flexibility will be in the warm weather months when the IC5 demand is at a peak. In addition, there is approximately \$500,000 of work to be accomplished to finish the project's peripherals and we expect those to be completed by the end the first quarter of 2011. We have spent approximately \$1.7 million to date so after all work is complete, we will bring the project, including the peripherals, in at approximately \$2.2 million compared to the \$3.0 million we budgeted. All of this work was accomplished with our own labor and paid

out of cash flow."

General and Administrative costs for the third quarter of 2010 were up\$51,000, or 2.1%, at \$2.53 million from \$2.48 million in the same period last year primarily due to higher administrative payroll costs, consulting fees, insurance premiums, directors' fees, post retirement expense and legal fees. These were offset by a decrease in expenses in Saudi Arabia due to the termination of the lease for the Company's branch office.

The Company reported net income attributable to Arabian American Development Company in the third quarter of 2010 of approximately \$1.7 million or \$0.07 per basic and diluted share (based on 23.8 million weighted average shares outstanding). This compares to net income attributable to Arabian American Development Company of \$528,000, or \$0.02 per basic and diluted share for the third quarter of 2009 (based on 23.7 million basic and 23.8 million diluted weighted average shares outstanding, respectively).

The Company reported adjusted EBITDA for the third quarter of 2010 of approximately\$3.5 million compared to \$2.7 million for the same period in 2009.

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

Consolidated revenue for the nine months endedSeptember 30, 2010 increased 21.9% to \$105.6 million compared to revenue of\$86.6 million in the same period in 2009. Excluding transloading revenues of \$854,000 generated in the nine months endedSeptember 30, 2010 revenues were \$104.7 million, a 27.7% increase from\$82.0 million in the year-ago period, excluding transloading revenues of \$4.6 million. Year-to-date 2010 transloading sales reflected spot opportunities that were fulfilled. Petrochemical product sales represented \$101.2 million or 95.8%, of total revenue year-to-date in 2010 compared to\$79.3 million, or 91.5% of total revenue, for the same period last year. The Company generated \$3.5 million in toll processing fees, up 30.2%, during the first nine months of 2010 compared with \$2.7 million for the same period last year. Again, processing revenues increased primarily due to one of the tolling customers running above minimum capacity during the first nine months of 2010.

During the nine months endedSeptember 30 of 2010, the cost of petrochemical sales and processing (including depreciation) increased approximately \$25.8 million, or 38.5%, as compared to the same period in 2009. Consequently, total gross profit on revenue for the first nine months of 2010 decreased approximately \$6.8 million or 34.7%, to\$12.9 million, as compared to \$19.7 million for the same period in 2009. The cost of petrochemical product sales and processing and gross profit for the nine months ended September 30 of 2010 includes a net gain of \$27,000 from derivative transactions. For the same period of 2009, the net gain was \$1.1 million.

General and Administrative costs for the first nine months of 2010 increased approximately \$1.6 million, or 25.0%, to\$8.2 million from \$6.6 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 nine months of 2010, net income attributable to Arabian American Development was \$2.1 million, or \$0.09 per basic and diluted share (based on 23.7 million weighted average shares outstanding), compared to net income of \$7.3 million, or \$0.31 per basic and

diluted share (based on 23.7 million and 23.8 million weighted average shares outstanding, respectively), for the year-ago period.

Adjusted EBITDA (adjusted for non-recurring expenses) for the nine months ended September 30 of 2010 was \$6.9 million as compared to \$15.1 million for the same period in 2009.

The Company completed the quarter with \$4.3 million in cash and cash equivalents compared to \$2.5 million as of December 31, 2009. Trade receivables increased by \$3.4 million to \$15.7 million from \$12.3 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 approximately \$380,000 due to a slight increase in volume and price.

The Company had \$18.8 million in working capital as of September 30, 2010 and ended the quarter with a current ratio of 3.2 to 1. Shareholders' equity increased to \$54.9 million as of September 30, 2010 from \$52.2 million as of December 31, 2009.

Mr. Carter concluded, "Our investment in AMAK in Saudi Arabia made significant progress during the quarter, not only with construction but also with the financing, including receipt of an initial tranche of \$35 million from a total bridge loan in the amount of \$85 million. Subsequent to the quarter end, the Company executed a limited corporate guarantee in favor of the Saudi Industrial Development Fund ("SIDF"). We agreed to guarantee up to 41% of the SIDF loan to AMAK, in the principal amount of 330,000,000 Saudi Riyals (US\$88,000,000) as owners of 41% of the currently issued and outstanding stock of AMAK. Other AMAK shareholders are providing personal guarantees. The Loan is required in order for AMAK to fund construction of the underground and above-ground portions of its mining project and to provide working capital for commencement of operations in 2011. Mobilization began in late September, the underground work will be initiated by the end of the year and the initial ore production will take place within the second quarter of 2011 with full production achieved by the fourth quarter of 2011. More background detail on the corporate guarantee will be provided in our third quarter 2010 10-Q and I would encourage interested parties to review it there."

### **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 which is currently under construction in the Najran Province area of southwest Saudi Arabia. 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

	SEPTEMBER 30, DECEMBER 31,	
	2010	2009
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,286,818	\$ 2,451,614
Financial contracts	187,604	--
Trade receivables, net	15,665,822	12,302,955
Inventories	5,445,562	5,065,169
Current portion of notes receivable	54,876	372,387
Prepaid expenses and other assets	914,847	739,989

Deferred income taxes	572,883	640,057
Taxes receivable	400,676	4,726,708
Total current assets	27,529,088	26,298,879
Property, pipeline and equipment, net	32,000,154	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	\$ 91,012,148	\$ 90,486,789
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,355,056	\$ 3,617,043
Accrued interest	112,820	148,538
Current portion of derivative instruments	413,018	436,203
Accrued liabilities	2,521,758	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	222,038	579,500
Total current liabilities	8,696,432	8,032,283
Long-term debt, net of current portion	20,389,488	23,439,488
Post retirement benefit, net of current portion	740,431	815,378
Derivative instruments, net of current portion	875,032	838,489
Other liabilities, net of current portion	433,177	562,011
Deferred income taxes	4,715,272	4,332,911

Total liabilities	35,849,832	38,020,560
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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	42,231,542	41,604,168
Accumulated other comprehensive loss	(850,113)	(841,297)
Retained earnings	11,146,590	9,070,736
Total Arabian American Development Company Stockholders' Equity	54,873,093	52,177,006
Noncontrolling Interest	289,223	289,223
Total equity	55,162,316	52,466,229

TOTAL LIABILITIES AND EQUITY	\$ 91,012,148	\$ 90,486,789
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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2010	2009	2010	2009
REVENUES				
Petrochemical Product Sales	\$ 35,572,993	\$ 29,741,240	\$ 101,184,338	\$ 79,280,937
Transloading Sales	199,432	--	853,636	4,624,681
Processing Fees	1,277,460	906,848	3,549,030	2,724,801
	37,049,885	30,648,088	105,587,004	86,630,419

OPERATING COSTS AND  
EXPENSES

Cost of Petrochemical  
Product

Sales and Processing

(including depreciation of

\$566,054, \$556,281,

\$1,703,326,

and \$1,671,957,

respectively)

31,632,185 26,354,402 92,725,819 66,948,640

GROSS PROFIT

5,417,700 4,293,686 12,861,185 19,681,779

GENERAL AND ADMINISTRATIVE  
EXPENSES

General and Administrative 2,530,766 2,480,340 8,228,616 6,581,643

Depreciation 108,545 107,397 328,398 328,739

2,639,311 2,587,737 8,557,014 6,910,382

OPERATING INCOME

2,778,389 1,705,949 4,304,171 12,771,397

OTHER INCOME (EXPENSE)

Interest Income 2,699 12,141 15,222 53,976

Interest Expense (275,065) (324,449) (857,391) (970,857)

Equity in loss - AMAK -- -- (262,500) --

Miscellaneous (5,951) 65,176 (25,641) (17,293)

(278,317) ( 247,132) (1,130,310) (934,174)

INCOME BEFORE INCOME TAXES 2,500,072 1,458,817 3,173,861 11,837,223

INCOME TAXES

829,881 934,246 1,098,007 4,586,543



NET INCOME	1,670,191	524,571	2,075,854	7,250,680
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	--	3,557	--	14,293
NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY	\$ 1,670,191	\$ 528,128	\$ 2,075,854	\$ 7,264,973
Basic Earnings per Common Share				
Net Income attributable to Arabian American Development Company				
	\$ 0.07	\$ 0.02	\$ 0.09	\$ 0.31
Basic Weighted Average Number of Common Shares Outstanding				
	23,750,745	23,733,995	23,749,070	23,725,995
Diluted Earnings per Common Share				
Net Income attributable to Arabian American Development Company				
	\$ 0.07	\$ 0.02	\$ 0.09	\$ 0.31
Diluted Weighted Average Number of Common Shares Outstanding				
	23,750,745	23,753,535	23,749,070	23,822,601

SOURCE Arabian American Development Co.