

March 8, 2012



# **Arabian American Announces Fourth Quarter and Full Year 2011 Financial Results**

**Quarterly Revenues Increase by 83.4% to \$61.5 Million Year over Year;**

**Quarterly Net Income Increases 569% to \$4.1 Million Year over Year**

**Quarterly EBITDA Increases 233% to \$7.2 Million Year over Year**

SUGAR LAND, Texas, March 8, 2012 /PRNewswire/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the fourth quarter and full year ended December 31, 2011.

## **Fourth Quarter and Full Year 2011 Highlights**

- Revenue for the fourth quarter increased 83.4%
- Revenue for the full year increased 43.4%
- Gross profit for the fourth quarter was \$10.2 million
- Gross profit for the full year was \$25.9 million
- EBITDA, a non-GAAP financial measure, for the fourth quarter increased 233% to \$7.2 million
- EBITDA for the full year increased 105.3% to \$16.9 million
- Net income attributable to ARSD for the fourth quarter was up 569% to \$4.1 million, or \$0.17 per basic and diluted share
- Net income attributable to ARSD for the full year was up 213% to \$8.4 million or \$0.35 per basic and diluted share
- Shipments of commercial quantities of a previously announced contract expected to add approximately \$20 million in annual revenue began
- Construction of the demonstration unit was completed and startup operations commenced - delivered initial targeted volume of bio-based jet fuel from unit

## **Subsequent to Fourth Quarter End**

- Signed a two year contract extension with an existing Fortune 500 customer effective January 1, 2012
- Accompanied a group of investors to the AMAK (Al Masane Al Kobra Mining Company) mine in February 2012 to review operations and meet with key Saudi investors and mine personnel.

## **Al Masane Al Kobra Mine Update**

- The AMAK mine in Saudi Arabia, which is 37% owned by Arabian American, was officially transferred to the surface facility operator, China National Geological & Mining Corporation and officially began operations on November 28, 2011, after successfully completing construction.
- Ocean Partners was appointed as the exclusive sales and marketing agent to handle logistics and marketing.
- Initial concentrate production began at the mine and will be sold on a spot basis for the first several months possibly moving toward establishing longer term contracts in the future. Interested parties will be informed once sufficient concentrates are available to fulfill a spot sale.
- The start up of AMAK's ore processing mill is underway and has produced approximately 500 metric tons of ore to date. Typical adjustments and modifications are being made as needed.

## **Fourth Quarter 2011 Financial Results**

Revenue for the fourth quarter increased 83.4% to \$61.5 million from \$33.5 million in the same period last year and was comparable sequentially to the record quarterly results of \$61.5 million reported in third quarter of 2011. Revenue increased during the fourth quarter of 2011 from 2010 due to an increase in average selling price of 13.8% and volume of 63.3%. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$60.2 million, or 97.9%, of total revenue for the fourth quarter of 2011 and \$32.4 million, or 96.6%, of total revenue, for the fourth quarter last year. Petrochemical product sales increased by 85.8% from the fourth quarter of 2010 to the fourth quarter of 2011. The Company reported \$1.3 million in toll processing fees during the fourth quarter of 2011 up 14.8% compared to \$1.1 million for the prior year's fourth quarter due to an increase in run volumes by one of the tolling customers.

During the fourth quarter of 2011, the cost of petrochemical sales and processing (including depreciation) increased approximately \$22.1 million, or 75.9%, to \$51.3 million as compared to \$29.2 million in the same period in 2010 due to higher feedstock prices and volume processed. Average feedstock price per gallon increased 20.9% from 2010 to 2011 while volume processed increased 66.8%. Gross profit on revenue for the fourth quarter of 2011 increased approximately \$5.8 million, or 133.4%, to \$10.2 million as compared to \$4.4 million in the same period in 2010 and compared sequentially to \$9.2 million in the third quarter of 2011. The cost of petrochemical product sales and processing and gross profit for the three months ended December 31, 2011 includes a net gain of approximately \$512,000 from derivative transactions. For the same period of 2010, there was a net gain of approximately \$179,000.

Nick Carter, President and Chief Executive Officer, commented, "Our strong fourth quarter revenue gains reflect our increased volume levels which we indicated on our third quarter conference call. We have established a new base supported by both retention and expansion within our existing customer base and new contracts and applications for our products. As a result, full year revenues increased to a record \$199.5 million. We are seeing the success of our strategy to increase volumes due to our facility expansion in 2008 which

has allowed us to increase revenues and expand margins with a more diverse product mix including capturing more business in emerging technologies. We are also leveraging our operating infrastructure more efficiently as the increased volume decreases the per unit operating costs."

Mr. Carter continued, "Recently, we signed a new contract with an existing customer that is expected to generate \$10.4 million in annual revenue for 2012. The pricing structure for this contract extension was changed to a formula basis to create additional margin stability. Over the course of 2011, we successfully moved some of our existing and added new customers to this pricing formula. This has reduced margin volatility and stabilized gross profits. In addition, we began shipping commercial quantities of product to a customer that will add approximately \$20 million to annual revenues. We also began shipping test product for Gevo from our demonstration plant. Both of these involve product being used in emerging technologies."

General and Administrative costs for the fourth quarter of 2011 increased \$941,000, or 34.8%, to \$3.6 million from \$2.7 million in the same period last year primarily due to increases in officer and administrative compensation, travel expense, group health insurance premium, investor relations' expenses, and administrative expenses in Saudi Arabia. These increases were offset by decreases in directors' fees, post retirement expense, legal fees, consulting fees and accounting fees.

The Company reported net income attributable to Arabian American Development Company in the fourth quarter of 2011 of approximately \$4.1 million or \$0.17 per basic and diluted share (based on 24.0 million basic and 24.5 million diluted weighted average shares outstanding, respectively). This compares to net income attributable to Arabian American Development Company of approximately \$610,000, or \$0.03 per basic and diluted share for the fourth quarter of 2010 (based on 23.9 million basic and diluted weighted average shares outstanding, respectively). This compares sequentially to \$3.9 million, or \$0.16 per basic and diluted share in the third quarter of 2011.

The Company reported EBITDA for the fourth quarter of 2011 up 233% to approximately \$7.2 million compared to \$2.2 million for the same period in 2010 and compared sequentially to \$6.8 million in the third quarter of 2011.

## **Full Year 2011 Financial Results**

Consolidated revenue for the full year ended December 31, 2011, increased 43.4% to a record \$199.5 million compared to revenue of \$139.1 million in the same period in 2010 primarily due to an increase in the average selling price of 24.7% and total sales volume of 16.1%. Petrochemical product sales represented \$194.6 million or 97.5%, of total revenue for the full year of 2011 compared to \$133.6 million, or 96.0% of total revenue, for the same period last year. There were no transloading sales for the full year ended December 31, 2011 compared to \$854,000 in the same period last year. The Company generated \$4.9 million in toll processing fees, up 4.7%, during the full year ended December 31, 2011, compared with \$4.7 million for the same period last year.

During the full year ended December 31, 2011, the cost of petrochemical sales and processing (including depreciation) increased approximately \$51.7 million, or 42.4%, as compared to the same period in 2010 due to higher feedstock prices and a 17.7% increase

in gallons processed. Average feedstock price per gallon increased 30.7% from 2010 to 2011.

Total gross profit on revenue for the full year ended December 31, 2011, increased approximately \$8.7 million, or 50.5%, to \$25.9 million, as compared to \$17.2 million for the same period in 2010. The cost of petrochemical product sales and processing and gross profit for the full year ended December 31, 2011, includes a net gain of approximately \$403,000 from derivative transactions. For the same period of 2010, the net gain was approximately \$205,000.

Year-to-date General and Administrative costs increased approximately \$847,000, or 7.8%, to \$11.8 million from \$10.9 million in the same period in 2010.

For the full year ended December 31, 2011, the Company reported net income attributable to Arabian American Development of approximately \$8.4 million, or \$0.35 per basic and diluted share (based on 24.0 million basic and 24.3 million diluted weighted average shares outstanding, respectively), compared to net income of approximately \$2.7 million, or \$0.11 per basic and diluted share (based on 23.8 million basic and diluted weighted average shares outstanding) for the year-ago period.

EBITDA for the full year ended December 31, 2011, was \$16.9 million as compared to \$8.2 million for the same period in 2010.

The Company completed the quarter with \$6.7 million in cash and cash equivalents compared to \$7.6 million as of December 31, 2010. Trade receivables increased by \$12.0 million, 107%, to \$23.2 million compared to \$11.2 million at December 31, 2010, due to an increase in the average selling price per gallon and an increase in volume sold. The average collection period remains normal for the business. Inventory increased approximately \$3.5 million (due to a 17.7% increase in volume and a 30.7% increase in cost per gallon).

The Company had \$29.7 million in working capital compared to \$19.0 million in working capital as of December 31, 2010, and ended the quarter with a current ratio of 3.5 to 1. Shareholders' equity increased to \$65.9 million as of December 31, 2011, from \$56.6 million as of December 31, 2010.

Mr. Carter concluded, "Subsequent to the year end, we took a small group of investors to Saudi Arabia for a first-hand look at the AMAK mining operation as it moves further into commercialization. I am delighted to say that the outcome of this visit for them was a more thorough understanding of the potential of the joint venture as they had an opportunity to meet with key Saudi investors and the operations staff. Operationally, the AMAK staff continues to make progress on the startup issues which have arisen, and we remain confident that full production will develop as we move through the process. We've not had any issues arise which would not be typical for a startup situation."

### **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 37% owner of AMAK, a Saudi Arabian joint stock mining company.

## 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, 2010, and the Company's subsequent Quarterly Reports on Form 10-Q.

- Tables follow –

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,673,987	\$ 7,609,943
Financial contracts	392,864	177,446
Trade receivables, net of allowance for doubtful accounts of \$210,000 and \$155,000, respectively	23,198,132	11,212,290
Current portion of notes receivable, net of discount of \$0 and \$684, respectively	-	34,427
Prepaid expenses and other assets	681,168	669,367
Contractual based intangible assets	250,422	250,422
Inventories	9,456,365	5,917,283
Deferred income taxes	1,169,124	487,513
Taxes receivable	-	<u>216,461</u>
Total current assets	41,822,062	26,575,152
PLANT, PIPELINE, AND EQUIPMENT – AT COST	60,624,093	54,703,710
LESS ACCUMULATED DEPRECIATION	<u>(23,671,722)</u>	<u>(20,839,442)</u>
PLANT, PIPELINE, AND EQUIPMENT, NET	36,952,371	33,864,268
INVESTMENT IN AMAK	30,883,657	30,883,657
MINERAL PROPERTIES IN THE UNITED STATES	588,311	588,311
CONTRACTUAL BASED INTANGIBLE ASSETS, net of current portion	354,764	605,185
OTHER ASSETS	<u>10,938</u>	<u>10,938</u>
TOTAL ASSETS	<u>\$ 110,612,103</u>	<u>\$ 92,527,511</u>

**ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS - Continued**

	<b>December 31,</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,857,498	\$ 2,778,161
Accrued interest	115,865	120,533
Current portion of derivative instruments	344,531	396,527
Accrued liabilities	2,944,470	1,777,642
Accrued liabilities in Saudi Arabia	139,731	184,593
Notes payable	12,000	12,000
Current portion of post retirement benefit		
	258,055	246,605
Current portion of long-term debt	1,500,000	1,864,770
Current portion of other liabilities	<u>936,891</u>	<u>199,939</u>
Total current liabilities	12,109,041	7,580,770
LONG-TERM DEBT, net of current portion	22,739,488	20,836,098
POST RETIREMENT BENEFIT, net of current portion	648,696	680,196
DERIVATIVE INSTRUMENTS, net of current portion	789,453	719,693
OTHER LIABILITIES, net of current portion	1,071,115	390,232
DEFERRED INCOME TAXES	<u>7,015,898</u>	<u>5,480,683</u>
Total liabilities	44,373,691	35,687,672
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>		
<b><u>EQUITY</u></b>		
Common Stock authorized 40,000,000 shares of \$.10 par value; issued and outstanding, 23,731,415 and 23,682,915 shares in 2011 and 2010, respectively	2,373,142	2,368,291
Additional Paid-in Capital	44,137,773	43,162,641
Accumulated Other Comprehensive Loss	(748,430)	(736,706)
Retained Earnings	<u>20,186,704</u>	<u>11,756,390</u>
Total Arabian American Development Company Stockholders' Equity	65,949,189	56,550,616
Noncontrolling interest	<u>289,223</u>	<u>289,223</u>
Total equity	<u>66,238,412</u>	<u>56,839,839</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 110,612,103</u>	<u>\$ 92,527,511</u>

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED		12 MONTHS ENDED	
	31-Dec		31-Dec	
	2011	2010	2011	2010
<b>REVENUES</b>				
Petrochemical Product Sales	\$60,182,443	\$32,394,750	\$194,619,696	\$133,579,088
Processing Fees	1,294,995	1,128,440	4,896,828	4,677,470
Transloading	-	-	-	853,636
	61,477,438	33,523,190	199,516,524	139,110,194
<b>OPERATING COSTS AND EXPENSES</b>				
Cost of Petrochemical Product				
Sales and Processing	51,316,909	29,169,093	173,600,205	121,894,912
<b>GROSS PROFIT</b>	10,160,529	4,354,097	25,916,319	17,215,282
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
General and Administrative	3,642,153	2,701,525	11,777,058	10,930,141
Depreciation	120,081	104,974	475,526	433,372
	3,762,234	2,806,499	12,252,584	11,363,513
<b>OPERATING INCOME</b>	6,398,295	1,547,598	13,663,735	5,851,769
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	-	962	3,576	16,184
Interest Expense	(283,656)	(275,577)	(1,113,292)	(1,132,968)
Equity in Loss from AMAK			-	(262,500)
Miscellaneous Income (Expense)	(11,007)	(58,374)	3,203	(84,015)
	(294,663)	(332,989)	(1,106,513)	(1,463,299)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	6,103,632	1,214,609	12,557,222	4,388,470
<b>INCOME TAXES</b>	2,026,262	604,809	4,126,908	1,702,816
<b>NET INCOME</b>	4,077,370	609,800	8,430,314	2,685,654
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	-	-	-	-
<b>NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT CO.</b>	\$ 4,077,370	\$ 609,800	\$ 8,430,314	\$ 2,685,654
Net income per common share				
Basic earnings per share	\$0.17	\$0.03	\$0.35	\$0.11
Basic weighted average number				
of common shares outstanding	24,001,241	23,828,976	23,992,538	23,769,047
Diluted earnings per share	\$0.17	\$0.03	\$0.35	\$0.11
Diluted weighted average number				
of common shares outstanding	24,523,147	23,874,000	24,267,289	23,780,303

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES(1)

	THREE MONTHS ENDED		12 MONTHS ENDED	
	31-Dec		31-Dec	
	2011	2010	2011	2010
	(in thousands)			
<b>NET INCOME (LOSS)</b>	\$ 4,077	\$ 610	\$ 8,430	\$ 2,686
Add back:				
Interest	284	276	1,113	1,133
Taxes	2,026	605	4,127	1,703
Depreciation	120	105	476	433
Depreciation in cost of sales	695	568	2,744	2,271
<b>EBITDA</b>	\$ 7,202	\$ 2,164	\$ 16,890	\$ 8,226

	<u>12/31/2011</u>
	(in thousands except ratio)
<b>Current assets</b>	\$ 41,822
<b>Current liabilities</b>	\$ 12,109
<b>Working capital</b>	<u>\$ 29,713</u>
(current assets less current liabilities)	
<b>Current ratio</b>	<u>3.5</u>
(current assets divided by current liabilities)	

(1) This press release includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

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