

August 2, 2012



Arabian American Announces Record Second Quarter and Six Months 2012 Financial Results

Second Quarter Revenues Increase 44.7% to a Record \$61.8 Million Year over Year

Six Month Revenues Increase 55.1% to \$118.6 Million Year over Year

Second Quarter Net Income Increases 2274% to \$3.8 Million Year over Year

Six Month Net Income Increases 1338% to \$6.0 Million Year over Year

SUGAR LAND, Texas, Aug. 2, 2012 /PRNewswire/ -- Arabian American Development Co. (NYSE: ARSD) today announced financial results for the three and six months ended June 30, 2012.

Second Quarter 2012 Highlights

- Revenue for the second quarter increased 44.7% to a record \$61.8 million from \$42.7 million in the same period last year and compared sequentially to revenue of \$56.8 million reported in the first quarter of 2012.
- Gross profit for the second quarter was \$8.4 million compared to \$3.2 million in the comparable period in 2011 and compared sequentially to \$6.7 million in the first quarter of 2012.
- EBITDA, a non-GAAP financial measure, increased 375% to \$6.5 million for the second quarter of 2012 as compared to \$1.4 million for the same period in 2011 and compared sequentially to \$4.4 million in the first quarter of 2012.
- Net income attributable to Arabian American Development Company for the second quarter was up 2274% to \$3.8 million, or \$0.16 per basic and \$0.15 per diluted share, compared to net income of approximately \$159,000, or \$0.01 per basic and diluted share, for the second quarter last year and compared sequentially to \$2.2 million, or \$0.09 per basic and diluted share in the first quarter of 2012.
- The Company continued to deliver bio-based jet fuel for GEVO, a leading developer of bio-fuels and renewable chemicals.

Al Masane Al Kobra Mine Update (AMAK)

- The AMAK zinc and copper mine in Saudi Arabia, which is 37% owned by Arabian American, has produced approximately 335,000 metric tons of ore to date, and is currently averaging 1,950 metric tons per day

- The AMAK mill has produced approximately 5,000 wet metric tons of copper concentrate and 6,900 wet metric tons of zinc concentrate to date.
- The AMAK mill passed the production test of 54,000 metric tons of ore processed and four continuous days of 100% capacity during July.
- Initial shipment of copper concentrate is under contract and is scheduled for loading during the first week in September.
- Final signatures on two of the four additional leases in the area surrounding the AMAK mine are expected in the third quarter.

Second Quarter 2012 Financial Results

Revenue for the second quarter increased 44.7% to \$61.8 million from \$42.7 million in the same period last year and sequentially compared to \$56.8 million reported in first quarter of 2012. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$60.7 million, or 98.0%, of total revenue for the second quarter of 2012 and \$41.6 million, or 97.3%, of total revenue, for the second quarter last year.

Petrochemical product sales increased by 45.9% in the second quarter of 2012 from the second quarter of 2011 due to an increase in volume of 55.3% which significantly offset a decrease in the average selling price of 6.0% in the second quarter compared to the same period in the prior year. The Company reported \$1.2 million in toll processing fees during the second quarter of 2012 up 1.4% compared to \$1.2 million for the prior year's second quarter indicating steady business by tolling customers.

During the second quarter of 2012, the cost of petrochemical sales and processing (including depreciation) increased approximately \$14.0 million, or 35.4%, to \$53.5 million as compared to \$39.5 million in the same period in 2011 due to higher volume processed. Average feedstock price per gallon decreased 11.1% from 2011 to 2012 while volume processed increased 47.7%. Total gross profit on revenue for the second quarter of 2012 increased approximately \$5.1 million, or 157.6%, to \$8.4 million as compared to \$3.2 million in the same period in 2011 and compared sequentially to \$6.7 million in the first quarter of 2012. The cost of petrochemical product sales and processing and gross profit for the three months ended June 30, 2012 includes a net loss of approximately \$2.6 million from derivative transactions. For the same period of 2011, there was a net gain of approximately \$40,000.

Nick Carter, President and Chief Executive Officer, commented, "The Company continued its strong performance in second quarter of 2012 delivering top line growth as well as operating and net income and EBITDA. These results are primarily due to accelerated volume levels that came from a diverse and expanding customer base across an ever increasing global geographic footprint. We have been able to leverage these accelerated volume levels due to our facility expansion in 2008, improving margins and significantly increasing our bottom line results."

Mr. Carter continued, "During the quarter our petrochemical capacity utilization increased to 78% from 53% in the prior year. In addition, we continue to expand our global footprint growing our international based revenue by 74% to \$16.0 million. In parallel with our core petrochemical business growth, the AMAK mine operation is continuing to progress and meet the targeted productivity milestones. It is producing zinc concentrate and copper concentrate daily and passed some significant reliability and capacity tests in July. AMAK contracted for the first sale of copper concentrate and has scheduled the first ship loading in

the first week in September. It takes a minimum of 5,000 tons of concentrate to make a cargo for scheduling and the mill has produced about 5,000 tons of copper concentrate and about 6,100 tons of zinc concentrate to date. We expect the first loading of copper concentrate to be over 7,000 metric tons which will create revenues of around \$11 million for AMAK at today's prices. The first zinc concentrate sale is in negotiations and may take place about the same time as the copper. A sale of zinc concentrate could be as much as 9,500 metric tons and would produce over \$5.0 million in revenue. The current market tightness in zinc has made the mine's product very attractive to zinc smelters. As we develop a track record in the market for AMAK product, we believe we will be viewed as a quality producer of concentrates. While gold and silver remain in the zinc and copper at this time, plans are being made to initiate the start up of the precious metals extraction process, which will add to the revenue value received for these products. We are proud of the progress this venture has made and look forward to continued steps forward."

General and Administrative costs for the second quarter of 2012 from 2011 increased slightly by 2.2% due to increases in management and administrative compensation, travel expense, group health insurance, Saudi administrative expenses, accounting fees, and liability and property insurance offset by a reduction in post-retirement compensation.

The Company reported net income attributable to Arabian American Development Company in the second quarter of 2012 of approximately \$3.8 million or \$0.16 per basic and \$0.15 per diluted share (based on 24.1 million basic and 24.8 million diluted weighted average shares outstanding, respectively). This compares to net income attributable to Arabian American Development Company of approximately \$159,000, or \$0.01 per basic and diluted share for the second quarter of 2011 (based on 24.0 million basic and 24.6 million diluted weighted average shares outstanding, respectively).

The Company reported EBITDA for the second quarter of 2012 up 375% to approximately \$6.5 million compared to \$1.4 million for the same period in 2011 and compared sequentially to \$4.4 million in the first quarter of 2012.

YTD 2012 Financial Results

Consolidated revenue for the six months ended June 30, 2012 increased 55.1% to \$118.6 million compared to revenue of \$76.5 million in the same period in 2011 primarily due to an increase in total sales volume of 59.9%. Petrochemical product sales represented \$116.5 million or 98.2%, of total revenue for the six months of 2012 compared to \$74.4 million, or 97.2% of total revenue, for the same period last year. The Company generated \$2.1 million in toll processing fees during the six months ended June 30, 2012, and 2011.

During the six months ended June 30, 2012, the cost of petrochemical sales and processing (including depreciation) increased approximately \$33.6 million, or 48.0%, as compared to the same period in 2011 due to an increase in volume processed of 51.4% due to higher demand and an increase of \$2.2 million in unrealized hedging losses offset by a reduction in the LIFO allowance of \$1.7 million. Average feedstock price per gallon decreased slightly by 2.3% from 2011 to 2012.

Total gross profit on revenue for the six months ended June 30, 2012, increased approximately \$8.5 million, or 130.7%, to \$15.1 million, as compared to \$6.5 million for the same period in 2011. The cost of petrochemical product sales and processing and gross

profit for the six months ended June 30, 2012, includes a net loss of approximately \$1.8 million from derivative transactions. For the same period of 2011, the net gain was approximately \$284,000.

Year-to-date General and Administrative costs increased approximately \$538,000, or 10.6%, to \$5.6 million from \$5.1 million in the same period in 2011.

For the six months ended June 30, 2012, the Company reported net income attributable to Arabian American Development of approximately \$6.0 million, or \$0.25 per basic and \$0.24 per diluted share (based on 24.1 million basic and 24.8 million diluted weighted average shares outstanding, respectively), compared to net income of approximately \$416,000, or \$0.02 per basic and diluted share (based on 24.0 million basic and 24.6 million diluted weighted average shares outstanding) for the year-ago period.

EBITDA for the six months ended June 30, 2012, was \$10.9 million as compared to \$2.8 million for the same period in 2011.

The Company completed the quarter with \$5.5 million in cash and cash equivalents compared to \$6.7 million as of December 31, 2011. Trade receivables increased by approximately \$2.2 million due to additional foreign sales with longer payment terms. The average collection period remains normal for the business. Inventory decreased approximately \$0.7 million due to a 6.1% decrease in volume and a 14.8% decrease in cost per gallon.

The Company had \$31.6 million in working capital compared to \$29.7 million in working capital as of December 31, 2011. It ended the quarter with a current ratio of 3.2 to 1. Shareholders' equity increased to \$72.2 million as of June 30, 2012, from \$66.0 million as of December 31, 2011.

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 37% owner of Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock 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, 2011, 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, 2012 (unaudited)	DECEMBER 31, 2011
	<i>(thousands of dollars)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,525	\$ 6,674
Financial contracts	--	393
Trade receivables, net	25,383	23,198
Advance to AMAK	1,643	120
Inventories	8,767	9,456
Prepaid derivative settlement	1,500	--
Prepaid expenses and other assets	1,146	561
Current portion of contractual based intangible assets, net	250	251
Deferred income taxes	<u>1,838</u>	<u>1,169</u>
Total current assets	46,052	41,822
Plant, pipeline and equipment, net	37,925	36,952
Investment in AMAK	30,884	30,884
Mineral properties in the United States	588	588
Contractual based intangible asset, net	230	355
Other assets	<u>11</u>	<u>11</u>
TOTAL ASSETS	<u>\$ 115,690</u>	<u>\$ 110,612</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 5,213	\$ 5,857
Accrued interest	112	116
Current portion of derivative instruments	2,214	345
Accrued liabilities	4,140	2,956
Accrued liabilities in Saudi Arabia	140	140
Current portion of post-retirement benefit	263	258
Current portion of long-term debt	1,500	1,500
Current portion of other liabilities	<u>886</u>	<u>937</u>
Total current liabilities	14,468	12,109
Long-term debt, net of current portion	20,039	22,739
Post-retirement benefit, net of current portion	649	649
Derivative instruments, net of current portion	697	789
Other liabilities, net of current portion	901	1,071
Deferred income taxes	<u>6,482</u>	<u>7,016</u>
Total liabilities	<u>43,236</u>	<u>44,373</u>
EQUITY		
Common stock -authorized 40 million shares of \$.10 par value; issued and outstanding 23.8 million and 23.7 million shares in 2012 and 2011, respectively	2,379	2,373
Additional paid-in capital	44,291	44,138
Accumulated other comprehensive loss	(674)	(748)
Retained earnings	<u>26,169</u>	<u>20,187</u>
Total Arabian American Development Company Stockholders' Equity	72,165	65,950
Noncontrolling Interest	<u>289</u>	<u>289</u>
Total equity	<u>72,454</u>	<u>66,239</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 115,690</u>	<u>\$ 110,612</u>

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<i>(thousands of dollars)</i>			
REVENUES				
Petrochemical Product Sales	\$ 60,671	\$ 41,576	\$ 116,499	\$ 74,359
Processing Fees	<u>1,178</u>	<u>1,162</u>	<u>2,144</u>	<u>2,135</u>
	61,849	42,738	118,643	76,494
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation of \$749, \$699, \$1,473, and \$1,372, respectively)	<u>53,482</u>	<u>39,490</u>	<u>103,558</u>	<u>69,954</u>
GROSS PROFIT	8,367	3,248	15,085	6,540
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	2,646	2,588	5,633	5,096
Depreciation	<u>125</u>	<u>120</u>	<u>249</u>	<u>232</u>
	<u>2,771</u>	<u>2,708</u>	<u>5,882</u>	<u>5,328</u>
OPERATING INCOME	5,596	540	9,203	1,212
OTHER INCOME (EXPENSE)				
Interest Income	--	3	--	4
Interest Expense	(150)	(157)	(315)	(323)
Losses on Cash Flow Hedge Reclassified from OCI	(92)	(106)	(185)	(213)
Miscellaneous Income (Expense)	<u>(2)</u>	<u>(2)</u>	<u>(77)</u>	<u>24</u>
	<u>(244)</u>	<u>(262)</u>	<u>(577)</u>	<u>(508)</u>
INCOME BEFORE INCOME TAXES	5,352	278	8,626	704
INCOME TAXES	<u>1,578</u>	<u>119</u>	<u>2,644</u>	<u>288</u>
NET INCOME	3,774	159	5,982	416
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	==	==	==	==
NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY	<u>\$ 3,774</u>	<u>\$ 159</u>	<u>\$ 5,982</u>	<u>\$ 416</u>
Basic Earnings per Common Share				
Net Income Attributable to Arabian American Development Company (dollars)	\$ 0.16	\$ 0.01	\$ 0.25	\$ 0.02
Basic Weighted Average Number of Common Shares Outstanding	<u>24,084</u>	<u>23,990</u>	<u>24,064</u>	<u>23,989</u>
Diluted Earnings per Common Share				
Net Income Attributable to Arabian American Development Company (dollars)	\$ 0.15	\$ 0.01	\$ 0.24	\$ 0.02
Diluted Weighted Average Number of Common Shares Outstanding	<u>24,761</u>	<u>24,579</u>	<u>24,762</u>	<u>24,648</u>

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30,		June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(in thousands)		(in thousands)	
NET INCOME	\$ 3,774	\$ 159	\$ 5,982	\$ 416
Add back:				
Interest	242	263	500	536
Taxes	1,578	119	2,644	288
Depreciation	125	120	249	232
Depreciation in Cost of sales	749	699	1,473	1,372
EBITDA	<u>\$ 6,468</u>	<u>\$ 1,360</u>	<u>\$ 10,848</u>	<u>\$ 2,844</u>

06/30/12
(in thousands except ratio)

Current assets	\$ 46,052
Current liabilities	14,468
Working capital (current assets less current liabilities)	<u>\$ 31,584</u>
Current ratio (current assets divided by current liabilities)	<u>3.2</u>

(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.

SOURCE Arabian American Development Co.