

# Arabian American Announces Second Quarter 2011 Financial Results

**Quarterly Revenues Increase by 17.0% to \$42.7 Million Year over Year and Sequentially by 26.6% from Q1 2011**

SUGAR LAND, Texas, Aug. 4, 2011 /PRNewswire/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the second quarter and six months ended June 30, 2011.

## Second Quarter 2011 Highlights

- Revenue for the second quarter increased 17.0% to \$42.7 million from \$36.5 million in the same period last year and increased sequentially by 26.6% from \$33.8 million in first quarter of 2011.
- Gross profit for the second quarter of 2011 was \$3.2 million compared to \$3.7 million in the comparable period in 2010.
- EBITDA, a non-GAAP financial measure, for the second quarter of 2011 increased 40% to \$1.4 million as compared to \$1.0 million for the same period in 2010.
- Net income attributable to Arabian American Development Company for the second quarter was approximately \$159,000, or \$0.01 per basic and diluted share, compared to net income of approximately \$2,000, or \$0.00 per basic and diluted share, for the second quarter last year.
- Arabian American Development's South Hampton Resources subsidiary announced plans to build a renewable hydrocarbon processing demonstration plant in collaboration with Gevo, Inc. and will provide Gevo with toll-processing services necessary to process up to 10,000 gallons of Gevo's isobutanol per month into a variety of renewable hydrocarbon materials.

## Al Masane Al Kobra (AMAK) Mine Update

- Subsequent to the end of the second quarter, The Arab Mining Company (ARMICO) invested US \$37.3 million for 10% ownership in the AMAK mine; the capital provides the remaining financing to commence full production in early 2012; at the same time, a Saudi Deputy Minister for Petroleum and Minerals joins the AMAK Board; election increases the total number of board members to nine.
- Announced a three-year, \$79 million contract with China National Geological & Mining Corporation for the operation, management and maintenance of the surface works of the AMAK mine.
- Announced that the AMAK mining operation has entered into an agreement with Walid S. Bugshan & Partners Co. Ltd. (Metafco), for the design, supply and construction of a seaport storage facility in Jizan, Saudi Arabia.

## **Second Quarter 2011 Financial Results**

Revenue for the second quarter increased 17.0% to \$42.7 million from \$36.5 million in the same period last year and increased sequentially by 26.6% from \$33.8 million in first quarter of 2011. This was primarily due to increases in average selling prices of 31.9%.

Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$41.6 million, or 97.3%, of total revenue for the second quarter of 2011 and \$35.4 million, or 96.8%, of total revenue, for the second quarter last year. The Company reported \$1.2 million in toll processing fees during the second quarter of 2011 flat with \$1.2 million for the prior year's second quarter which reflects the stability of the toll processing market. Sales volume of petrochemical products decreased by 10.9% from the second quarter of 2010; however, sales revenue from petrochemical products increased by 17.5% quarter over quarter.

During the second quarter of 2011, the cost of petrochemical sales and processing (including depreciation) increased approximately \$6.7 million, or 20.3%, to \$39.5 million as compared to \$32.8 million in the same period in 2010 primarily due to the higher cost of feedstock. Total gross profit on revenue for the second quarter of 2011 decreased approximately \$469,000, or 12.6%, to \$3.2 million as compared to \$3.7 million the same period in 2010. The cost of petrochemical product sales and processing and gross profit for the three months ended June 30, 2011 includes a net gain of approximately \$40,000 from derivative transactions. For the same period of 2010, there was a net loss of approximately \$841,000.

Nick Carter, President and Chief Executive Officer, commented, "The price increases we initiated in March, April and May had a positive effect on our revenues in the second quarter although year over year volume was down and did not rebound as much as anticipated. During the second quarter our monthly volume averaged 3,200 bpd due to the weaker than expected demand although we did see a 10.3% sequential volume increase and that positive trend has continued into the third quarter. To date, we have averaged 4,000 bpd in Q3 and are currently running at 4,900 bpd. We currently have approximately 50% of our business on a contract basis using the prior months average feedstock price. When prices are rising steeply, formula prices keep us in the game but slightly behind; however we will benefit if feedstock price pulls back. Average feedstock prices increased by 16.6% from Q1 to Q2 and we have recently announced our third price increase since the end of the first quarter for August for our customers not on contract based pricing."

Mr. Carter continued, "We are very excited about the contract we signed subsequent to our quarter end to build a renewable hydrocarbon processing demonstration plant in collaboration with Gevo, a leading renewable chemicals and advanced biofuels company. The new processing facility will continue to expand our capabilities into the renewable energy market, and we will be able to contribute our processing expertise with their innovative technology. We look for this to be a long-term, positive collaboration that will ultimately expand our toll-processing opportunities."

General and Administrative costs for the second quarter of 2011 decreased \$482,000, or 15.7%, to \$2.6 million from \$3.1 million in the same period last year primarily due to lower consulting fees, directors' fees, post retirement expense, and legal fees and accounting fees

offset by increases in officer compensation, health insurance premiums and Saudi administrative expenses.

The Company reported net income attributable to Arabian American Development Company in the second quarter of 2011 of approximately \$159,000 or \$0.01 per basic and diluted share (based on 24.0 million basic and 24.6 million diluted weighted average shares outstanding, respectively). This compares to net income attributable to Arabian American Development Company of approximately \$2,000, or \$0.00 per basic and diluted share for the second quarter of 2010 (based on 23.8 million basic and diluted weighted average shares outstanding).

The Company reported EBITDA for the second quarter of 2011 of approximately \$1.4 million compared to \$1.0 million for the same period in 2010.

### **YTD 2011 Financial Results**

Consolidated revenue for the six months ended June 30, 2011 increased 11.6% to \$76.5 million compared to revenue of \$68.5 million in the same period in 2010 primarily due to increases in average selling prices of 27.1% offset by a decrease in total sales volume of 11.7%. Petrochemical product sales represented \$74.4 million or 97.2%, of total revenue year-to-date in 2011 compared to \$65.6 million, or 95.7% of total revenue, for the same period last year. The Company generated \$2.1 million in toll processing fees, down 6.0%, during the six months ended June 30, 2011 compared with \$2.3 million for the same period last year due to a decrease in run volumes by one of the tolling customers.

During the six months ended June 30, 2011, the cost of petrochemical sales and processing (including depreciation) increased approximately \$8.9 million, or 14.5%, as compared to the same period in 2010. Consequently, total gross profit on revenue for the six months ended June 30 of 2011 decreased approximately \$904,000 or 12.1%, to \$6.5 million, as compared to \$7.4 million for the same period in 2010. The cost of petrochemical product sales and processing and gross profit for the six months ended June 30, 2011, includes a net gain of approximately \$284,000 from derivative transactions. For the same period of 2010, the net loss was approximately \$264,000.

Year-to-date General and Administrative costs decreased approximately \$603,000, or 10.6%, to \$5.1 million from \$5.7 million in the same period in 2010 primarily due to decreased consulting fees, directors' fees, post retirement benefits, and legal fees offset by increases in officer compensation, cost of living adjustments, health insurance premiums and property taxes.

For the six months ended June 30, 2011, net income attributable to Arabian American Development was 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, respectively), compared to net income of approximately \$406,000, or \$0.02 per basic and diluted share (based on 23.7 million basic and diluted weighted average shares outstanding) for the year-ago period.

EBITDA for the six months ended June 30, 2011, was \$2.9 million as compared to \$2.6 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 \$5.7 million, 51%, to \$16.9 million compared to \$11.2 million at December 31, 2010 due to foreign sales with longer payment terms and an increase in the average selling price per gallon in the second quarter. The average collection period remains normal for the business. Inventory increased approximately \$245,000 due to a 5.5% decrease in volume offset by a 23.2% increase in cost per gallon.

The Company had \$21.8 million in working capital compared to \$19.0 million in working capital as of December 31, 2010. It ended the quarter with a current ratio of 3.1 to 1. Shareholders' equity increased to \$57.4 million as of June 30, 2011, from \$56.6 million as of December 31, 2010.

Mr. Carter concluded, "We made great progress with the AMAK mining operation. ARMICO's cash infusion not only provides the financial wherewithal necessary for the mine to start full production in early 2012 but also provides technical expertise and high-profile credibility as well. In addition, the AMAK Board will benefit from the appointment of Saudi Deputy Minister for Petroleum and Minerals, Mr. Sultan Al-Shawli, due to his knowledge, expertise and many relationships within the region. The contract with China National Geological & Mining Corporation for the operation, management and maintenance of the surface works mine and the agreement with Walid S. Bugshan & Partners Co. Ltd. (Metafco), for the design, supply and construction of a seaport storage facility in Jizan, Saudi Arabia are other important milestones that bring the mine closer to full production and delivery status. We anticipate the start of operating cash flows assuming successful operational testing of the mill beginning in 2012."

### **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 Al-Masane Al-Kobra Mining Company (AMAK), a Saudi Arabian joint stock company which is in the final stages of development in Najran Province of southwestern Saudi Arabia. The mine is scheduled to be in production in early 2012 and will produce economic quantities of copper, zinc, 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, 2010, and the Company's subsequent Quarterly Reports on Form 10-Q.

- Tables follow -

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

	<b>JUNE 30, 2011 (unaudited)</b>	<b>DECEMBER 31, 2010</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,747,639	\$ 7,609,943
Financial contracts	96,256	177,446
Trade receivables, net	16,932,554	11,212,290
Advance to AMAK	800,000	-
Inventories	6,162,290	5,917,283
Current portion of notes receivable, net of discount of \$0 and \$684, respectively	-	34,427
Prepaid expenses and other assets	567,765	669,367
Current portion of contractual based intangible asset, net	250,422	250,422
Deferred income taxes	508,778	487,513
Income taxes receivable	-	<u>216,461</u>
Total current assets	32,065,704	26,575,152
 <b>Plant, pipeline and equipment, net</b>	 34,087,451	 33,864,268
 <b>Investment in AMAK</b>	 30,883,657	 30,883,657
<b>Mineral properties in the United States</b>	588,311	588,311
<b>Contractual based intangible asset, net</b>	479,974	605,185
<b>Other assets</b>	<u>10,938</u>	<u>10,938</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 98,116,035</u>	 <u>\$ 92,527,511</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,579,093	\$ 2,778,161
Accrued interest	112,433	120,533
Current portion of derivative instruments	375,847	396,527
Accrued liabilities	1,909,914	1,777,642
Accrued liabilities in Saudi Arabia	162,093	196,593
Current portion of post retirement benefit	252,453	246,605
Current portion of long-term debt	1,682,688	1,864,770
Current portion of other liabilities	<u>172,112</u>	<u>199,939</u>
Total current liabilities	10,246,633	7,580,770
 <b>Long-term debt</b> , net of current portion	 22,953,812	 20,836,098
<b>Post retirement benefit</b> , net of current portion	648,696	680,196
<b>Derivative instruments</b> , net of current portion	681,408	719,693
<b>Other liabilities</b> , net of current portion	304,343	390,232
<b>Deferred income taxes</b>	<u>5,543,778</u>	<u>5,480,683</u>
<b>Total liabilities</b>	<u>40,378,670</u>	<u>35,687,672</u>
 <b>EQUITY</b>		
<b>Common stock</b> authorized 40,000,000 shares of \$.10 par value; issued and outstanding, 23,690,415 and 23,682,915 shares in 2011 and 2010, respectively	2,369,041	2,368,291
<b>Additional paid-in capital</b>	43,604,073	43,162,641
<b>Accumulated other comprehensive loss</b>	(697,788)	(736,706)
<b>Retained earnings</b>	<u>12,172,816</u>	<u>11,756,390</u>
Total Arabian American Development Company Stockholders' Equity	57,448,142	56,550,616
Noncontrolling Interest	<u>289,223</u>	<u>289,223</u>
<b>Total equity</b>	<u>57,737,365</u>	<u>56,839,839</u>
 <b>TOTAL LIABILITIES AND EQUITY</b>	 <u>\$ 98,116,035</u>	 <u>\$ 92,527,511</u>

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

	THREE MONTHS ENDED <u>JUNE 30</u>		SIX MONTHS ENDED <u>JUNE 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>				
Petrochemical Product Sales	\$ 41,576,128	\$ 35,380,401	\$ 74,358,838	\$ 65,611,345
Transloading Sales	--	--	--	654,204
Processing Fees	<u>1,161,940</u>	<u>1,161,943</u>	<u>2,134,798</u>	<u>2,271,570</u>
	42,738,068	36,542,344	76,493,636	68,537,119
<b>OPERATING COSTS AND EXPENSES</b>				
Cost of Petrochemical Product				
Sales and Processing (including depreciation of \$699,399, \$568,090, \$1,371,828, and \$1,137,272, respectively)	<u>39,490,068</u>	<u>32,824,942</u>	<u>69,953,788</u>	<u>61,093,634</u>
<b>GROSS PROFIT</b>	3,248,000	3,717,402	6,539,848	7,443,485
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
General and Administrative	2,587,652	3,070,483	5,095,411	5,697,850
Depreciation	<u>119,884</u>	<u>109,490</u>	<u>231,688</u>	<u>219,853</u>
	<u>2,707,536</u>	<u>3,179,973</u>	<u>5,327,099</u>	<u>5,917,703</u>
<b>OPERATING INCOME</b>	540,464	537,429	1,212,749	1,525,782
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	3,026	5,103	3,576	12,523
Interest Expense	(263,717)	(258,330)	(535,355)	(582,326)
Equity in loss – AMAK	--	(262,500)	--	(262,500)
Miscellaneous Income (Expense)	<u>(1,978)</u>	<u>(7,659)</u>	<u>23,513</u>	<u>(19,690)</u>
	<u>(262,669)</u>	<u>(523,386)</u>	<u>(508,266)</u>	<u>(851,993)</u>
<b>INCOME BEFORE INCOME TAXES</b>	277,795	14,043	704,483	673,789
<b>INCOME TAXES</b>	<u>118,668</u>	<u>12,366</u>	<u>288,057</u>	<u>268,126</u>
<b>NET INCOME</b>	159,127	1,677	416,426	405,663
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	--	--	--	--
<b>NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY</b>	<u>\$ 159,127</u>	<u>\$ 1,677</u>	<u>\$ 416,426</u>	<u>\$ 405,663</u>
<b>Basic Earnings per Common Share</b>				
Net Income attributable to Arabian American Development Company	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.02
Basic Weighted Average Number of Common Shares Outstanding	<u>23,990,415</u>	<u>23,750,745</u>	<u>23,989,249</u>	<u>23,748,233</u>
<b>Diluted Earnings per Common Share</b>				
Net Income attributable to Arabian American Development Company	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.02
Diluted Weighted Average Number of Common Shares Outstanding	<u>24,579,214</u>	<u>23,750,745</u>	<u>24,647,594</u>	<u>23,748,233</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,	<u>2011</u> (in thousands)	June 30,	<u>2011</u> (in thousands)
	2010		2010	
<b>NET INCOME</b>	\$ 159	\$ 2	\$ 416	\$ 406
Add back:				
Interest	264	258	535	582
Taxes	119	12	288	268
Depreciation	120	109	232	220
Depreciation in Cost of sales	699	568	1,372	1,137
<b>EBITDA</b>	<u><u>\$ 1,361</u></u>	<u><u>\$ 949</u></u>	<u><u>\$ 2,843</u></u>	<u><u>\$ 2,613</u></u>

<u><u>06/30/11</u></u> (in thousands except ratio)	
<b>Current assets</b>	\$ 32,066
<b>Current liabilities</b>	10,247
<b>Working capital</b>	<u><u>\$ 21,819</u></u>
(current assets less current liabilities)	
<b>Current ratio</b>	<u><u>3.1</u></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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