

August 6, 2015



Trecora Resources Reports Improved Second Quarter 2015 Profitability

Declining Feedstock Prices Continue to Drive Margin Expansion

Net Income Increases 27% to \$6.4 Million

Conference Call at 4:30 pm ET Today

SUGAR LAND, Texas, Aug. 6, 2015 /PRNewswire/ -- Trecora Resources (NYSE: TREC), a leading provider of high purity specialty hydrocarbons and waxes, today announced financial results for the second quarter and six months ended June 30, 2015.



Second Quarter 2015 Financial Highlights

- Gross profit of \$15.2 million, up 30% from \$11.7 million in the second quarter of 2014
- Gross profit margin of 25.6% compared with 15.7% in the second quarter of 2014
- Adjusted EBITDA of \$12.3 million compared with \$9.0 million in the second quarter of 2014
- Adjusted EBITDA margins of 20.8% compared with 12.0% in the second quarter of 2014
- Diluted EPS of \$0.25 compared with \$0.20 in the year-ago period
- Trecora Chemical contributes revenue of \$5.5 million and EBITDA of \$0.4 million

Second Quarter 2015 Results

Total revenue in the second quarter was \$59.4 million compared with \$74.6 million in the second quarter of 2014. The decline in reported revenue was driven by a 41.6% reduction in the average per gallon cost of petrochemical feedstock in the second quarter, which rolls over into the formula pricing mechanism for petrochemical product sales. Consequently, the average sales price of petrochemical products decreased by 24.0%. The lower feedstock costs more than offset the formula-driven price reductions, and combined with lower excess product sales, resulted in higher profit margins.

Gross profit margin increased to 25.6% in the second quarter of 2015, compared with 15.7% in the second quarter of 2014. This increase in gross profit margin reflects the impact of lower petrochemical feedstock prices.

Total adjusted EBITDA was \$12.3 million, an increase of 37.5% over adjusted EBITDA of \$9.0 million in the year-ago period. The adjusted EBITDA margin increased to 20.8% in the second quarter of 2015, compared with 12.0% in the second quarter of 2014.

Net income for the second quarter was \$6.4 million, or \$0.25 per diluted share, compared with net income of \$5.0 million, or \$0.20 per diluted share, for the second quarter of 2014.

Trecora President and CEO Simon Upfill-Brown commented, "Like last quarter, the Company delivered very good financial and operating results in the second quarter. Led by our South Hampton Resources division, we generated significant profit and margin growth despite sharply lower revenues. Trecora Chemical generated modestly positive EBITDA during the quarter, and wax approvals and new orders continue to grow. Finally, AMAK showed significant improvement in plant availability and throughput this quarter as we continue to drive operational efficiencies. AMAK

delivered 'Net Income Before Depreciation, Depletion and Amortization' of just under \$4 million in the quarter."

South Hampton Resources (SHR)

Petrochemical volume in the second quarter was 19.6 million gallons, compared with 20.7 million gallons in the second quarter of 2014. Product volume was affected by continued variability in demand from SHR's Canadian oil sands customer. Excluding Canadian oil sands, prime product volumes in the second quarter of 2015 were up 11.1% from a year ago, indicating a healthy growth of non-oil sands business. SHR's D-Train expansion continues on schedule with approximately 1,000 barrels of feedstock capacity per day (bpd) now online, and an additional 3,000 bpd of feedstock capacity planned by the end of this year. International volume represented 19.4% of total petrochemical volume during the quarter, which is indicative of the decrease in oil sands shipments. SHR continues to engage in active discussions with several potential customers in Asia.

Trecora Chemical (TC)

The integration of TC is largely complete, and the Company continues to make significant progress improving wax quality and consistency. TC's second quarter revenue was \$5.5 million, including \$1.2 million of custom processing fees. The expansion of the custom processing distillation and hydrogenation capability is underway with completion expected in the first quarter of 2016.

AI Masane AI Kobra Mining Company (AMAK)

We reported a loss in equity in AMAK of approximately \$0.4 million during the second quarter primarily due to there being just one shipment during the second quarter, with delays pushing two shipments into July. The management team continues to make progress on improving recoveries and overall operating efficiencies. The precious metals circuit was down for most of the second quarter due to governmental concern over storage of the raw material required for the process. The issue has been resolved, and the circuit should run for most of the second half of 2015. The talc circuit is now operational leading to further recovery and operational improvements.

Year-to-Date 2015 Results

Total revenue for the six months ended June 30, 2015, was \$114.5 million, compared with revenue \$138.7 million in the first six months of 2014. Total TC revenue for the six months ended June 30, 2015, was \$11.9 million which included \$4.2 million of processing fees.

Gross profit for the first six months of 2015 was \$30.9 million, compared with \$20.4 million in the same period in 2014. Gross profit margin in the first six months of 2015 was 27.0%, compared with 14.7% in the same period in 2014.

Adjusted EBITDA for the first six months of 2015 was \$24.9 million, compared with \$14.8 million in the same period in 2014. Adjusted EBITDA margin in the first six months of 2015 was 21.7%, compared with 10.6% in the same period of 2014.

Net income for the first six months of 2015 was \$12.2 million, representing an increase of 60% as compared with \$7.6 million in the same period of 2014. Diluted EPS were \$0.48 compared with \$0.31 in the same period of 2014.

Balance Sheet

As of June 30, 2015, cash and cash equivalents were \$8.7 million compared with \$8.5 million at the close of 2014. Total debt was \$77 million. Capital expenditures during the quarter were \$9.1 million which included D-train expansion construction and expansion of custom processing capacity at Trecora Chemical.

Earnings Call

Today's conference call and presentation slides will be simulcast live on the Internet, and can be accessed on the investor relations section of the Company's website at <http://www.trecora.com> or at <http://public.viavid.com/index.php?id=115167>. A replay of the call will also be available through the same link.

To participate via telephone, callers should dial in five to ten minutes prior to the 4:30 pm Eastern start time; domestic callers (U.S. and Canada) should call 1-888-299-7209 or 1-719-785-1753 if calling internationally, using the conference ID 7111970. To listen to the playback, please call 1-877-870-5176 if calling within the United States or 1-858-384-5517 if calling internationally. Use pin number 7111970 for the replay.

Use of Non-GAAP Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). This press release contains the non-GAAP measures: Adjusted EBITDA and Adjusted EBITDA Margin. 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.

Forward-Looking Statements

Statements in this press 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 our belief, as well as, assumptions made by and information currently available to us. 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 Trecora Resources' filings with the Securities and Exchange Commission, including Trecora Resources' Annual Report on Form 10-K for the year ended December 31, 2014, and the Company's subsequent Quarterly Reports on Form 10-Q. All forward-looking statements included in this press release are based upon information available to the Company as of the date of this press release.

About Trecora Resources (TREC)

TREC owns and operates a facility located in southeast Texas, just north of Beaumont, which specializes in high purity hydrocarbons and other petrochemical manufacturing. TREC also owns and operates a leading manufacturer of specialty synthetic waxes and provider of custom processing services located in the heart of the Petrochemical complex in Pasadena, Texas. In addition, the Company is the original developer and a 35% owner of Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock company.

Company Contact:

Nick Carter, Chairman
(409) 385-8300
ncarter@trecora.com

Investor Relations Contact:

Don Markley
The Piacente Group
212-481-2050
trecora@tpg-ir.com

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2015 (unaudited)	DECEMBER 31, 2014
	<i>(thousands of dollars)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,654	\$ 8,506
Trade receivables, net	22,122	28,271
Inventories	15,058	12,815
Prepaid expenses and other assets	3,400	3,257
Taxes receivable	-	434
Deferred income taxes	<u>1,481</u>	<u>1,652</u>
Total current assets	50,715	54,935
Plant, pipeline and equipment, net	86,652	73,811
Goodwill	21,798	21,750
Other intangible assets, net	25,293	26,235
Investment in AMAK	52,712	53,023
Mineral properties in the United States	588	588
Other assets	<u>1,186</u>	<u>1,732</u>
TOTAL ASSETS	<u>\$ 238,944</u>	<u>\$ 232,074</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 8,180	\$ 9,535
Current portion of derivative instruments	152	362
Accrued liabilities	3,407	5,020
Accrued liabilities in Saudi Arabia	495	495
Current portion of post-retirement benefit	290	286
Current portion of long-term debt	7,263	7,000
Current portion of other liabilities	<u>2,691</u>	<u>2,183</u>
Total current liabilities	22,478	24,881
Long-term debt, net of current portion	69,687	73,450
Post-retirement benefit, net of current portion	649	649
Derivative instruments, net of current portion	117	196

Other liabilities , net of current portion	901	1,039
Deferred income taxes	<u>10,231</u>	<u>10,471</u>
Total liabilities	<u>104,063</u>	<u>110,686</u>
EQUITY		
Common stock -authorized 40 million shares of \$.10 par value; issued and outstanding 24.1 million and 24.0 million shares in 2015 and 2014, respectively	2,407	2,397
Additional paid-in capital	49,607	48,282
Retained earnings	<u>82,578</u>	<u>70,420</u>
Total Trecora Resources Stockholders' Equity	134,592	121,099
Noncontrolling Interest	<u>289</u>	<u>289</u>
Total equity	<u>134,881</u>	<u>121,388</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 238,944</u>	<u>\$ 232,074</u>

**TRECORA RESOURCES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2015	2014	2015	2014
	<i>(thousands of dollars)</i>			
REVENUES				
Petrochemical and Product Sales	\$ 56,665	\$ 72,842	\$ 107,206	\$ 135,234
Processing Fees	<u>2,685</u>	<u>1,711</u>	<u>7,287</u>	<u>3,419</u>
	59,350	74,553	114,493	138,653
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation and amortization of \$1,939, \$868, \$3,965, and \$1,733, respectively)	<u>44,166</u>	<u>62,853</u>	<u>83,596</u>	<u>118,239</u>
GROSS PROFIT	15,184	11,700	30,897	20,414
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	5,523	4,154	11,288	8,343
Depreciation	<u>170</u>	<u>136</u>	<u>385</u>	<u>275</u>
	<u>5,693</u>	<u>4,290</u>	<u>11,673</u>	<u>8,618</u>
OPERATING INCOME	9,491	7,410	19,224	11,796
OTHER INCOME (EXPENSE)				
Interest Income	7	9	13	18
Interest Expense	(570)	11	(1,183)	(99)
Losses on Cash Flow Hedge Reclassified from OCI	-	(63)	-	(130)
Equity in Earnings (Losses) of AMAK	(369)	6	(310)	(344)
Miscellaneous Expense	<u>(40)</u>	<u>(4)</u>	<u>(14)</u>	<u>(49)</u>
	<u>(972)</u>	<u>(41)</u>	<u>(1,494)</u>	<u>(604)</u>
INCOME BEFORE INCOME TAXES	8,519	7,369	17,730	11,192
INCOME TAXES	<u>2,145</u>	<u>2,369</u>	<u>5,572</u>	<u>3,593</u>
NET INCOME	6,374	5,000	12,158	7,599
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	==	==	==	==
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	<u>\$ 6,374</u>	<u>\$ 5,000</u>	<u>\$ 12,158</u>	<u>\$ 7,599</u>
Basic Earnings per Common Share				

Net Income Attributable to Trecora Resources (dollars)	\$ 0.26	\$ 0.21	\$ 0.50	\$ 0.32
Basic Weighted Average Number of Common Shares Outstanding	<u>24,354</u>	<u>24,165</u>	<u>24,331</u>	<u>24,158</u>
Diluted Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.25	\$ 0.20	\$ 0.48	\$ 0.31
Diluted Weighted Average Number of Common Shares Outstanding	<u>25,155</u>	<u>24,813</u>	<u>25,150</u>	<u>24,866</u>

TRECORA RESOURCES AND SUBSIDIARIES
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES⁽¹⁾

	THREE MONTHS ENDED 30-Jun		SIX MONTHS ENDED 30-Jun	
	2015	2014	2015	2014
	<i>(thousands of dollars)</i>			
NET INCOME	\$ 6,374	\$ 5,000	\$ 12,158	\$ 7,599
Add back:				
Interest	570	52	1,183	229
Taxes	2,145	2,369	5,572	3,593
Depreciation and amortization	170	136	385	275
Depreciation and amortization in cost of sales	1,939	868	3,965	1,733
EBITDA	\$ 11,198	\$ 8,425	\$ 23,263	\$ 13,429
Share based compensation	764	548	1,289	973
Equity in (earnings) losses of AMAK	369	(6)	310	344
Adjusted EBITDA	\$ 12,331	\$ 8,967	\$ 24,862	\$ 14,746
Revenue	\$ 59,350	\$ 74,553	\$ 114,493	\$ 138,653
Adjusted EBITDA Margin (adjusted EBITDA/revenue)	20.8%	12.0%	21.7%	10.6%

(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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