November 6, 2008

Arabian American Development Announces Third Quarter 2008 Financial Results

Facilities Expansion Fully Operational; Sets Production Records and Hits 30% Utilization of Expansion for October

DALLAS, Nov. 6 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the third quarter and nine months ended September 30, 2008. Including the non-cash unrealized write downs of $17.7 million primarily related to mark-to-market adjustments on a portion of the future periods' feedstock hedge portfolio required by Statement of Financial Accounting Standard (SFAS) 133, the Company reported a third quarter 2008 net loss of $6.9 million, or $.30 loss per diluted share. This compares to net income of $382,600 or $.02 per diluted share for third quarter 2007. Excluding these unrealized write downs, the Company reported estimated third quarter 2008 net income of $4.8 million or $.20 per diluted share, compared to $2.2 million, or $.10 per diluted share for third quarter 2007 which incurred an unrealized write down of $2.8 million.

Financial and Operational Highlights

-- For the three months ended September 30, 2008, total revenues increased 70.3% to $47.7 million from $28.0 million in the year-ago period.

-- For the nine months ended September 30, 2008, total revenues increased 54.2% to $121.6 from $78.8 million in the year-ago period.

-- The South Hampton Resources petrochemical plant expansion is complete and fully operational; the new expansion set production records for the petrochemical business and hit the 30% utilization of the expansion in October.

-- In conjunction with the facilities expansion, the Company has refinanced its credit facilities with Bank of America.

-- Received a permit from the TCEQ (Texas Commission on Environmental Quality) to increase its transloading business and is pursuing an opportunity to increase the business to 60 railcars per month, a 50% increase.

-- Received conditional final approval of the Al-Masane Al-Kobra Mining Company (AMAK) mining lease from the Saudi Arabian Ministry of Petroleum and Mineral Resources.

-- Submitted two additional lease applications, each for 100 square kilometers, for land surrounding the Al-Masane Al-Kobra mine. These two have the greatest concentration of gold and nickel and this is where the Company has previously spent $3 million in core drilling.

Financial Results

Consolidated revenue for the third quarter ended September 30, 2008 increased 70.3% to $47.7 million, compared to revenue of $28.0 million in the third quarter 2007 and a 12% sequential increase compared to revenue of $42.6 million in the second quarter of 2008. Excluding transloading revenues of $7.9 million generated in the third quarter, revenues for the third quarter were $39.9 million a 42.1% increase over the year-ago period and a 15.2% sequential increase compared to second quarter 2008. Petrochemical product sales (predominantly C5 and C6 Hydrocarbons and related products) and transloading sales represented $46.7 million, or 97.8%, of total revenue for the third quarter 2008 and $26.6 million, or 94.9% of total revenue for the third quarter last year. The Company generated $1.1 million in toll processing fees during the third quarter 2008 compared with $1.4 million for the prior year's third quarter.

During third quarter 2008, the cost of petrochemical sales and processing (including depreciation) increased approximately $31.1 million or 120.4% as compared to the same period in 2007. Consequently, total gross profit margin decreased approximately $11.4 million or 506.2% as compared to the same period in 2007. The decrease in gross profit margin for the period was due to the change in the fair value of derivatives for feedstock purchases and the continual and volatile increases in the price of feedstock and fuel gas. The Company's derivative program is intended to allow for increased predictability of pricing for natural gas and feedstock over time, which may have positive or negative results during the short term when price fluctuations are significant as they were in the third quarter 2008. During the first six months of 2008, the program worked as planned and gave the Company time to increase sales prices as underlying costs increased rapidly and unpredictably. In late July 2008, petroleum markets began a decline which continued over the next 90 days to levels that were generally unforeseen in the market as prices fell over 50% of what was seen in the second quarter and early in the third quarter of 2008. The financial swaps on natural gasoline and crude oil option collars utilized by the Company became a burden to be managed for loss control versus a tool used for feedstock cost stabilization. The cost of petrochemical product sales and processing and gross profit for the three months ended September 30, 2008 and 2007 includes an unrealized loss of approximately $17.7 million and $2.9 million, respectively on the derivative agreements and a realized gain of approximately $2.4 million and $1.1 million, respectively.

General and administrative expenses increased 2.6% to less than $1.7 million from $1.6 million for the third quarter last year primarily due to general inflation of expense.

The Company reported a net loss of $6.9 million in the third quarter or $(0.30) loss per diluted share. This compares to net income of $382,000, or $0.02 per diluted share, for third quarter 2007.

Nick Carter, Executive Vice President and Chief Operating Officer, South Hampton Resources, commented, "We experienced strong revenue growth in the quarter but operating and net income were substantially affected by the impact of unrealized write downs of feedstock hedges as were many other companies in industries that are tied to petroleum costs. Cash will be not be substantially affected as unrealized losses become realized through the end of 2009 as most of the write downs are covered by margin account deposits or by premiums paid. In October 2008 the Company modified its hedge positions to limit any further margin calls or losses unless crude oil markets drop below $50 per barrel for an extended period of time. The Company believes that this limit will provide sufficient liquidity for it to operate efficiently barring continued price declines in the industry."

Mr. Carter continued, "Our South Hampton facility expansion began full startup on October 7, 2008 and we have been running 3600 barrels/day. Through the end of October we have used 30% of the additional capacity that the expansion provided. Demand remained strong for most products through the first nine months of 2008, and the process ran at 90.5% of capacity per calendar day which is close to maximum capacity when time lost for maintenance, weather interruptions, and mechanical failures are considered. With the addition of the new facilities, the utilization percentage will fall as the Company expects it will take three to five years to market the full availability of product."

The Company refinanced its present credit facility for the South Hampton Resources expansion from a $10 million term loan to $14 million with Bank of America with the same terms as its previous credit agreement. Total cost of the expansion and related work was $17.9 million. The interest rate on the loan varies according to several options and may be based upon LIBOR or prime rate plus a markup. The working capital line was fully drawn in order replace the liquidity used to meet the margin calls arising from the Company's hedge positions and the proceeds of the long term refinancing of the expansion project will be used to pay down the increased working capital line. In October 2008 the line of credit was raised to $25 million to cover the increased liquidity demands the Company was facing from margin calls and from the continued degradation of the hedge positions. On the plus side, cash required for feedstock and inventory acquisition has been greatly reduced by the falling prices, somewhat offsetting the liquidity demands of the hedges.

Consolidated revenue for the nine months ended September 30, 2008 increased 54.2% to $121.6 million, compared to revenue of $78.8 million in the same period in 2007. Excluding transloading revenues of $15.9 million generated in the nine months, revenues for the nine months were $105.7 million a 34% increase over the year-ago. Petrochemical product sales (predominantly C5 and C6 Hydrocarbons and related products) and transloading sales represented $118.4 million, or 97.3%, of total revenue for the first nine months of 2008 and $74.7 million, or 94.7% of total revenue for the year-ago period. The Company generated $3.2 million in toll processing fees during the first nine months of 2008 compared with $4.1 million in the year-ago period. Toll processing customers chose to run the minimum volumes during the nine month period due to uncertainty in the markets and other business considerations. Toll processing fees are expected to remain flat or slightly up during the remainder of 2008.

The cost of petrochemical sales and processing, including depreciation, increased approximately $56.4 million or 90.2% for the same period in 2007. Consequently, the total gross profit margin on petrochemical product sales, transloading sales and processing during the first nine months of 2008 decreased approximately $13.7 million as compared to the same period in 2007. The cost of petrochemical product sales and processing and gross profit margin for the nine month period ending September 30, 2008 and 2007, includes an estimated unrealized gain/(loss) of approximately $(10.1) million and $1.2 million, respectively, on the derivative agreements and a realized gain of $5.5 million and $2.5 million, respectively.

General and administrative expenses for the first nine months of 2008 increased 14% to $6.3 million from $5.5 million for the year-ago period. This increase is due to additional expense relating to the amended post-retirement agreement signed in January of 2008 with the Company President and CEO, an increase in officer compensation resulting from the price increase of the Company's common stock, expense related to the listing of the Company's stock on Nasdaq, and an increase in audit-related fees.

The Company reported a net loss of $2.3 million, or $(0.10) per basic and fully diluted share (based on 23.4 million shares) compared to net income of $7.2 million, or $.31 per basic and fully diluted share last year (based on 22.9 and 23.3 million shares, respectively) for the year-ago period.

Mr. Carter concluded, "As an update to our mining activity, the Company re-applied for two exclusive mineral exploration licenses in the area of the AMAK (formerly ALAK) mine, taking into consideration a new requirement that each application be limited to 100 square kilometers in area. The Company intends to re-apply for multiple areas, choosing areas previously identified as highest grade locations. One location is favored for its gold prospects and the other for high values of nickel ore. In addition, steady progress is being made with regard to ongoing construction operations at the mine. Construction of the temporary camp is complete and there are currently 167 contractor and subcontractor personnel on site. To date, we are still awaiting final approval of the transfer of the conditional lease for the mine but we are confident that the process is working toward completion. In addition, we are also in the process of updating the calculation of ore reserve to get a better understanding of the ore body using modern geological estimation techniques that were not available in 1996 when the feasibility study was done. The extent of the work being done by the engineering company, Watts, Griffis, McOuat of Toronto, Canada, is to take the original exploration data, digitize it for input to computer format and calculate the mineral resource and the ore reserves using a modern 3D block model technique which is standard in the industry. This detailed geological modeling and reserve review is necessary in order to establish a detailed mining and production plan using today's computerized mine design software and economic parameters to optimize the mining plan."

The Company completed the quarter with $2.5 million in cash and cash equivalents compared to $4.8 million as of December 31, 2007. Trade receivables increased during the first nine months of 2008 to $17.0 million from $12.3 million primarily due to increased selling prices and the receivable from the new transloading venture. Inventories increased to $11.2 million from $2.9 at December 31, 2007 due to an increase in the volume of feedstock inventory the Company had on hand at the end of the period and an increase in cost of feedstock and inventory purchased for the transloading service. Financial contracts decreased from a current asset of approximately $0.2 million to a current liability of $10.7 million due to changes in fair value of contracts on hand at September 30, 2008. The increase in Property, Pipeline and Equipment of $14.5 million is principally due to the process capability expansion. Shareholders' equity increased 2% during the nine months to $53.8 million compared to $52.6 million as of December 31, 2007.

Teleconference

Management will conduct a conference call and live web cast at 4:30 p.m. Eastern Time, on Thursday, November 6, 2008. Anyone interested in participating should call 800-762-9441 if calling within the United States or 480-629-9570 if calling internationally. There will be a playback available until November 13, 2008. To listen to the playback, please call 800-406-7325 if calling within the United States or 303-590-3030 if calling internationally. Please use pin number 3938344 for the replay. A link to a simultaneous webcast of the teleconference will be available at http://www.arabianamericandev.com through Windows Media Player or RealPlayer. A replay of the call will also be available through the same link.

About Arabian American Development Company (ARSD)

Arabian American owns and operates a petrochemical facility located in southeast Texas just north of Beaumont, specializing in high purity petrochemical solvents and other solvent type manufacturing. The Company is also the original developer and is now a 50% owner of a joint venture in a mining project in the Al-Masane area of Saudi Arabia which is under construction and is scheduled to be in production in late 2010. The mine 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, 2007 and the Company's subsequent Quarterly Report Forms 10-Q.

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Tables follow

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2008 (unaudited)	DECEMBER 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$2,446,942	$4,789,924
Trade Receivables, Net of allowance for doubtful accounts of $35,000 and $35,000, respectively	17,017,713	12,310,561
Current portion of notes receivable, net of discount and deferred gross		

profit of $89,734 and $101,620, respectively	547,739	609,777
Financial contracts	--	206,832
Prepaid expenses and other assets	767,999	648,313
Inventories	11,230,161	2,887,636
Financial contract deposits	6,350,000	
Taxes receivable	--	1,070,407
Total Current Assets	38,360,554	22,523,450
Property, Pipeline and Equipment	46,714,891	32,229,709
Less: Accumulated Depreciation	(13,876,426)	(12,463,214)
Net Property, Pipeline and Equipment	32,838,465	19,766,495
Al Masane Project	37,810,126	37,468,080
Investment in AMAC	3,525,000	--
Other Assets in Saudi Arabia	2,431,248	2,431,248
Mineral Properties in the United States	1,085,090	1,084,617
Notes Receivable, net of discount of $1,504 and $70,421, respectively, net of current portion	545,230	935,937
Deferred Income Taxes	3,923,821	--
Other Assets	11,855	10,938
TOTAL ASSETS	$120,531,389	$84,220,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$11,377,786	$4,524,042
Accrued interest	114,305	85,552
Financial contracts	10,722,977	--
Taxes payable	1,977,012	258,407
Accrued liabilities	1,338,406	1,673,415
Accrued liabilities in Saudi Arabia	1,406,252	1,406,801
Notes payable	11,012,000	11,012,000
Current portion of long-term debt	591,887	30,573
Current portion of other liabilities	584,263	630,731
Total Current Liabilities	39,124,888	19,621,521
Long-Term Debt, net of current portion	25,393,726	9,077,737
Post Retirement Benefit	823,500	441,500
Other Liabilities, net of current portion	634,890	990,375
Deferred Income Taxes	--	677,131
Minority Interest in Consolidated Subsidiaries	776,604	794,646
STOCKHOLDERS' EQUITY		
Common Stock-authorized 40,000,000 shares of $.10 par value; issued and outstanding, 23,171,995 and 22,601,994 shares in 2008 and 2007, respectively	2,317,199	2,260,199
Additional Paid-in Capital	41,162,707	37,183,206
Accumulated Other Comprehensive Loss	(533,515)	--
Retained Earnings	10,831,390	13,174,450
Total Stockholders' Equity	53,777,781	52,617,855
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$120,531,389	$84,220,765

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007	2008	2007
REVENUES				
Petrochemical Product Sales	$38,784,278	$26,600,738	$102,444,163	$74,706,740
Transloading Sales	7,890,773	--	15,935,628	--
Processing Fees	1,066,919	1,437,684	3,207,402	4,135,064
	47,741,970	28,038,422	121,587,193	78,841,804
OPERATING COSTS AND EXPENSES				
Cost of Petrochemical Product Sales and Processing (including depreciation of $260,543, $198,513, $746,348, and $591,680, respectively)	56,851,844	25,795,618	118,973,330	62,560,914
GROSS PROFIT (LOSS)	(9,109,874)	2,242,804	2,613,863	16,280,890
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	1,655,790	1,613,612	6,278,770	5,509,742
Depreciation	82,534	69,667	237,591	180,416
	1,738,324	1,683,279	6,516,361	5,690,158
OPERATING INCOME (LOSS)	(10,848,198)	559,525	(3,902,498)	10,590,732
OTHER INCOME (EXPENSE)				
Interest Income	56,628	70,253	164,731	219,296
Interest Expense	(109,368)	(10,037)	(199,675)	(115,742)
Minority Interest	3,388	3,680	18,043	14,029
Miscellaneous Income	(2,757)	(22,621)	42,109	(3,356)
	(52,109)	41,275	25,208	114,227
INCOME (LOSS) BEFORE INCOME TAXES	(10,900,307)	600,800	(3,877,290)	10,704,959
INCOME TAXES	(3,969,245)	219,200	(1,534,230)	3,509,569
NET INCOME (LOSS)	$(6,931,062)	$381,600	$(2,343,060)	$7,195,390
Basic Earnings (Loss)				

per Common Share				
Net Income (Loss)	$(0.30)	$0.02	$(0.10)	$0.31
Basic Weighted Average Number of Common Shares Outstanding	23,471,995	22,901,994	23,354,193	22,893,194
Diluted Earnings (Loss) per Common Share				
Net Income	$(0.30)	$0.02	$(0.10)	$0.31
Diluted Weighted Average Number of Common Shares Outstanding	23,471,995	23,299,989	23,354,193	23,274,093

SOURCE Arabian American Development Co.