

August 6, 2009



Arabian American Development Announces Second Quarter 2009 Financial Results

First Half 2009 Net Income Increases 46.8% Year over Year

DALLAS, Aug. 6 /PRNewswire-FirstCall/ -- Arabian American Development Co. (Nasdaq: ARSD) today announced financial results for the quarter and six months ended June 30, 2009.

Financial and Operational Highlights

- Sales volume of petrochemical products for the second quarter of 2009 increased approximately 11.7% compared to the same period in 2008.
- Net Income for the Quarter Ended June 30, 2009 was \$2.6 million and for the six months ended June 30, 2009 increased 46.8% to \$6.7 million or \$0.28 per basic and diluted share compared to net income of \$4.6 million, or \$0.20 per basic and \$0.19 per diluted share for the prior-year period.
- Gross profit for the three months ended June 30, 2009, and comparable period in 2008 was \$5.8 million and \$1.4 million, respectively (excluding realized and unrealized net hedging gains of \$603,000 and \$5.4 million), resulting in Gross Margin of 20.4%
- Gross profit for the six months ended June 30, 2009 and comparable period in 2008 was \$14.3 million and \$4.0 million, respectively (excluding realized and unrealized net hedging gains of \$1.1 million and \$7.7 million)
- Nicholas Carter succeeded Hatem El Khalidi as President and CEO of ARSD effective July 1, 2009.
- The South Hampton Resources petrochemical plant expansion is processing at approximately 60% of new capacity. This is lower on a percentage basis due to the increased baseline capacity of 123% completed in 2008.
- ARSD was added to the Russell Microcap(R) Index on June 30, 2009, and will remain there for one year. This means automatic inclusion in the appropriate growth and value style equity indexes.
- ARSD filed a \$20 million shelf S-3 Registration Statement for working capital and strategic opportunities in the specialty chemical area.

Second Quarter 2009 Financial Results

Consolidated revenue for the quarter ended June 30, 2009 decreased 32.9% to \$28.6 million, compared to revenue of \$42.6 million in the second quarter of 2008 and a 4.3% sequential increase compared to revenue of \$27.4 million in the first quarter of 2009. Excluding transloading revenues of \$1.2 million generated in the second quarter, revenues for the second quarter were \$27.4 million, a 20.8% decrease from the year-ago period and a 14.2% sequential increase compared to first quarter 2009. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$26.5 million, or 92.6%, of total revenue for the second quarter of 2009 and \$33.5 million, or 78.7% of total

revenue for the second quarter last year. Petrochemical sales were down dollarwise in the quarter due to lower prices to our customers, however from a volume standpoint, increased 11.7% for the quarter. The Company generated \$0.9 million in toll processing fees during the second quarter of 2009 compared with \$1.0 million for the prior year's second quarter. Toll processing customers are active and remain on long-term contracts.

During the second quarter of 2009, the cost of petrochemical sales and processing (including depreciation) decreased approximately \$13.6 million or 38.0% compared to the same period in 2008. Consequently, total gross profit margin on revenue for the second quarter of 2009 decreased approximately \$400,000, or 6.1%, to \$6.4 million, from \$6.8 million for the same period in 2008. The slight decrease in gross profit margin for the period was due to a significant decrease in the realized and unrealized gains in the second quarter. The cost of petrochemical product sales and processing and gross profit for the three months ended June 30, 2009, includes an unrealized gain of approximately \$603,000. The unrealized gain represents a reversal of write downs in previous periods and the changing value of those instruments still outstanding. The outstanding instruments, crude oil call options and offsetting put options will have no future cash effect. The cost of petrochemical product sales and processing and gross profit for the three months ended June 30, 2008 includes an unrealized gain of approximately \$2.6 million and a realized gain of approximately \$2.8 million for a net gain effect of approximately \$5.4 million. Excluding realized and unrealized net gains of \$603,000 and \$5.4 million, respectively, from derivatives for the three months ended June 30, 2009, and June 30, 2008, gross profit would have been \$5.8 million and \$1.4 million respectively.

General and administrative costs for the second quarter of 2009 increased approximately \$72,000 as compared to the same period in 2008 due primarily to expensing expenditures in Saudi Arabia versus their capitalization in the prior year.

The Company reported net income in the second quarter of 2009 of \$2.6 million or \$0.11 per basic and diluted share (based on 23.7 million and 24.0 million weighted average number of shares outstanding, respectively). This compares to net income of \$3.2 million, or \$0.14 per basic and \$0.13 per diluted share for second quarter of 2008 (based on 23.5 million and 23.9 million weighted average number of shares outstanding, respectively).

Nick Carter, President and Chief Executive Officer, commented, "Sales volume is really a key metric in our business and sales volume of petrochemical products for the second quarter of 2009 versus 2008 increased approximately 11.7%." Mr. Carter continued, "Demand remained strong for most products through the first six months of 2009. Our expanded South Hampton Resources processing facilities ran at 54% of the new, expanded capacity per calendar day for the first half of the year. For the second quarter of 2009, the process ran at 60%, and we are picking up volume from top tier customers that are utilizing our increased capacity. In addition, the Company continues to pursue export opportunities with current sales in Australia, Brazil, Europe and the Middle East, as well as other areas. A marketing office has been opened in Europe to better serve customers in the Eastern Hemisphere and for the six months ended June 30, 2009, we saw international sales volume increase 43.4% over the same period in 2008. Personnel were moved to Europe on assignment in June 2009.

"Transloading is the only area of our business that has shown a slow down because it is simply a service business related to the strength of the crude oil market. Transloading sales

for the second quarter of 2009 decreased 85.0% due to the contract expiration of the transloading venture undertaken by the Company in April 2008. The contract expired in April 2009 and was not renewed because the market for crude oil fell to comparatively low levels in the latter part of 2008. This portion of our business is low margin and only generated gross margin of about \$405,000 for the first six months of 2008 and \$606,000 for the same period in 2009. Of course, the amount making its way to the bottom line was even less. Therefore, we do not anticipate the reduction in revenue from transloading to significantly impact our profitability for the year. Certain customers have recently approached the Company about a possible contract for the 2010 calendar year, and negotiations are underway to secure other contracts. This business is good if we can make use of existing facilities and manpower in an efficient manner, but it's not a key component of our operation."

Year-to-Date 2009 Financial Results

Consolidated revenue for the six months ended June 30, 2009 decreased 24.2% to \$56.0 million, compared to revenue of \$73.8 million in the same period in 2008. Excluding transloading revenues of \$4.6 million generated in the period ended June 30, 2009, revenues were \$51.4 million, a 21.9% decrease from \$65.8 million in the year-ago period, which excluded \$8.0 million in transloading revenues. Petrochemical product sales (predominantly C5 and C6 hydrocarbons and related products) represented \$49.5 million, or 88.5%, of total revenue for the six months ended June 30, 2009, down 22.2% compared to petrochemical product sales of \$63.7 million, or 86.2% of total revenue for the six months ended June 30, 2008. Sales decreased on a dollar basis but saw significantly higher margins given pricing strength and feedstock price declines. Petrochemical sales volume for the six months decreased 12.2%. The Company generated \$1.8 million in toll processing fees during the six months ended June 30, 2009, which is a decrease of 15.1% compared to \$2.1 million in the year-ago period.

Total gross profit margin on petrochemical product sales, transloading sales and processing during the first six months of 2009 increased approximately \$3.7 million as compared to the same period in 2008. The cost of petrochemical product sales and processing and gross profit margin for the six month period ending June 30, 2009, includes an estimated unrealized gain of approximately \$7.0 million, a realized loss of \$5.9 million for a net gain effect of approximately \$1.1 million. The cost of petrochemical product sales and processing and gross profit margin for the six month period ending June 30, 2008, includes an estimated unrealized gain of approximately \$4.6 million, a realized gain of \$3.1 million for a net gain effect of approximately \$7.7 million. Excluding realized and unrealized net gains of \$1.1 million and \$7.7 million, respectively, from derivatives for the six months ended June 30, 2009, and June 30, 2008, gross profit would have been \$14.3 million and \$4.0 million respectively.

General and administrative costs for the first half of 2009 decreased approximately \$522,000 as compared to the same period in 2008. This decrease is primarily attributable to approximately \$579,000 less expense related to post-retirement benefits, directors' fees, and officer compensation, an increase of \$94,000 related to Saudi expenses, and a decrease of approximately \$29,000 in insurance costs.

For the first half 2009, net income attributable to Arabian American Development increased 46.8% to \$6.7 million, or \$0.28 per basic and diluted share (based on 23.7 million and 23.9

million weighted average shares outstanding, respectively) compared to net income of \$4.6 million, or \$.20 per basic and \$0.19 per diluted share (based on 23.3 million and 23.7 million weighted average shares outstanding, respectively) for the year-ago period.

The Company completed the quarter with \$2.2 million in cash and cash equivalents compared to \$2.8 million as of December 31, 2008. Trade receivables increased during the first six months by \$0.7 million to \$12.6 million due to increased credit terms being extended to foreign customers. The average collection period remains normal for the business. Inventories increased from December 31, 2008 due to an increase in the volume and price of inventory the Company had on hand at the end of the period. Derivative instruments decreased from a current liability of approximately \$8.7 million to \$1.1 million due to settlements of instruments during the first half of 2009 and changes in fair value of contracts on hand at June 30, 2009.

The Company had \$15.1 million in working capital as of June 30, 2009 and ended the quarter with a current ratio of 2.4 to 1. Property, Pipeline and Equipment remained relatively unchanged from December 31, 2008. Shareholders' equity increased 15.2 % at June 30, 2009 to \$54.3 million from \$47.1 million as of December 31, 2008.

In further developments on the mining project in Saudi Arabia, the Company disclosed in the first quarter 2009 10-Q that during an April 2009 AMAK Board meeting, a Saudi director, who is also an AMAK shareholder, questioned the validity of the Partnership Agreement between the Company and several of the Saudi investors which has been relied upon by the Company as the operating document since it was signed. The issues raised include: discrepancies between the terms of the original Memorandum of Understanding and the Partnership Agreement; an allegation that various signatures for one or more of the Saudi investors on the Partnership Agreement were not authorized; the Saudi attorney that prepared the Partnership Agreement exceeded his authority; and whether the Company's capital contribution for 50% of AMAK's stock is fully paid. The Company has relied upon the Partnership Agreement for the past year and has not been accused of any wrongdoing.

Subsequently, with regard to settlement of the AMAK Partnership Agreement dispute, the Board of Directors of the Company determined that while the documents relating to the formation of AMAK were poorly written and ambiguous in certain areas, a business decision should be made to settle the dispute and move the project forward rather than spend time and legal fees resolving the issues in the judicial arena of Saudi Arabia with the outcome uncertain and potentially damaging to the progress of the venture. The Company and Saudi investors therefore reached a tentative oral agreement. The significant terms include a) changing the ownership structure to a 41/59% split, b) transfer of the \$11 million dollar note from ARSD to AMAK, and c) removing any potential obligation for ARSD to contribute further capital to the project. More detail of the agreement is in the second quarter 10-Q. The terms and conditions were reduced to writing and forwarded to the Saudi investors for signature. Once the agreement has been executed by all Saudi investors, it will be disclosed by the Company pursuant to an 8-K filing.

Mr. Carter commented on this development, "The decision came down to whether it was in the best interest of the Company to move forward at a reduced equity level, assuring there would be no further need for capital contributions, or whether we should get into a protracted legal battle on foreign soil with an unknown outcome. We chose to compromise in a way that we feel is beneficial for the long term and are looking forward to the project moving ahead on

a positive basis."

Teleconference

Management will conduct a conference call and live web cast at 4:30 p.m. Eastern Time, on Thursday, August 6, 2009. Anyone interested in participating should call 877-941-1848 if calling within the United States or 480-629-9722 if calling internationally. There will be a playback available until August 13, 2009. 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 4131340 for the replay. A link to a simultaneous webcast of the teleconference will be available at 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)

ARSD owns and operates a petrochemical facility located in southeast Texas which specializes in high purity petrochemical solvents and other solvent type manufacturing that is used by manufacturers of packaging products and other industrial uses. The Company is also the original developer and an equity investor in a Saudi Arabian joint stock company involving a mining project in the Al-Masane area of Saudi Arabia which is currently under construction. The mine is scheduled to be in production in late 2010 and 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, 2008 and the Company's subsequent Quarterly Reports on Form 10-Q.

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Tables follow

CONSOLIDATED BALANCE SHEETS

JUNE 30,	DECEMBER 31,
2009	2008
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	(unaudited)	
ASSETS		

Current Assets		
Cash and cash equivalents	\$2,225,817	\$2,759,236
Trade Receivables, net of allowance for doubtful accounts of \$500,000 and \$500,000, respectively	12,643,181	11,904,026
Current portion of notes receivable, net of discount of \$33,989 and \$53,628, respectively	456,224	528,549
Derivative instrument deposits	--	3,950,000
Prepaid expenses and other assets	635,934	799,342
Inventories	5,008,827	2,446,200
Deferred income taxes	3,159,606	8,785,043
Income taxes receivable	2,083,486	429,626
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Total current assets	26,213,075	31,602,022
Property, Pipeline and Equipment	48,871,428	47,184,865
Less: Accumulated Depreciation	(16,308,622)	(14,649,791)
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Net Property, Pipeline and Equipment	32,562,806	32,535,074
Investment in AMAK	33,002,407	33,002,407
Mineral Properties in the United States	601,292	588,311
Notes Receivable, net of discount of \$4,345 and \$16,793, respectively, net of current portion	174,730	407,388
Other Assets	10,938	10,938
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TOTAL ASSETS	\$92,565,248	\$98,146,140
	=====	=====
LIABILITIES AND EQUITY		

Current Liabilities		
Accounts payable	\$4,917,346	\$6,069,851
Accrued interest	113,928	147,461
Derivative instruments	1,119,107	8,673,311
Accrued liabilities	1,605,271	1,029,690
Accrued liabilities in Saudi Arabia	1,466,426	1,429,156
Notes payable	12,000	12,000
Post retirement benefit	103,500	--
Current portion of long-term debt	1,222,091	4,920,442
Current portion of other liabilities	515,505	544,340
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Total current liabilities	11,075,174	22,826,251
Long-Term Debt, net of current portion	22,520,167	23,557,294
Post Retirement Benefit, net of current portion	751,500	823,500
Other Liabilities, net of current portion	694,516	446,035
Deferred Income Taxes	3,219,893	3,356,968
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Total liabilities	38,261,250	51,010,048
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EQUITY		

Common Stock-authorized 40,000,000		

shares of \$.10 par value; issued and outstanding, 23,421,995 shares in 2009 and 2008, respectively	2,342,199	2,342,199
Additional Paid-in Capital	41,378,280	41,325,207
Accumulated Other Comprehensive Loss	(731,348)	(1,120,072)
Retained Earnings	11,036,380	4,299,535
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Total Arabian American Development Company Stockholders' Equity	54,025,511	46,846,869
Noncontrolling Interest	278,487	289,223
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Total equity	54,303,998	47,136,092
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TOTAL LIABILITIES AND EQUITY	\$92,565,248	\$98,146,140
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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED JUNE 30, -----		SIX MONTHS ENDED JUNE 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
REVENUES				
Petrochemical				
Product Sales	\$26,465,860	\$33,541,163	\$49,539,697	\$63,659,884
Transloading Sales	1,205,625	8,044,856	4,624,681	8,044,856
Processing Fees	913,798	1,025,147	1,817,953	2,140,483
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	28,585,283	42,611,166	55,982,331	73,845,223
OPERATING COSTS AND EXPENSES				
Cost of Petrochemical Product Sales and Processing (including depreciation of \$563,113, \$251,486, \$1,115,676, and \$485,805, respectively)	22,159,416	35,765,551	40,594,238	62,121,485
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GROSS PROFIT	6,425,867	6,845,615	15,388,093	11,723,738
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	2,036,968	1,965,070	4,101,303	4,622,980
Depreciation	106,752	78,872	221,342	155,057
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	2,143,720	2,043,942	4,322,645	4,778,037
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OPERATING INCOME	4,282,147	4,801,673	11,065,448	6,945,701
OTHER INCOME (EXPENSE)				

Interest Income	16,118	44,165	41,835	108,103
Interest Expense	(337,732)	(56,289)	(646,408)	(90,307)
Miscellaneous				
Income (Expense)	(15,927)	19,556	(82,469)	44,866
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	(337,541)	7,432	(687,042)	62,662
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INCOME BEFORE INCOME TAXES	3,944,606	4,809,105	10,378,406	7,008,363
INCOME TAXES	1,389,437	1,641,668	3,652,297	2,435,015
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NET INCOME	2,555,169	3,167,437	6,726,109	4,573,348
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	8,861	4,649	10,736	14,655
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NET INCOME ATTRIBUTABLE TO ARABIAN AMERICAN DEVELOPMENT COMPANY	\$2,564,030	\$3,172,086	\$6,736,845	\$4,588,003
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Basic Earnings per Common Share Net Income attributable to Arabian American Development Company	\$0.11	\$0.14	\$0.28	\$0.20
Basic Weighted Average Number of Common Shares Outstanding	23,721,995	23,471,995	23,721,995	23,295,291
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Diluted Earnings per Common Share Net Income attributable to Arabian American Development Company	\$0.11	\$0.13	\$0.28	\$0.19
Diluted Weighted Average Number of Common Shares Outstanding	23,992,272	23,872,854	23,857,134	23,702,998
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SOURCE Arabian American Development Co.