

*A leader in the Chinese marine fuel industry*

# Andatee China Marine Fuel Services Corporation

NASDAQ: AMCF

Investor Presentation – August 2011





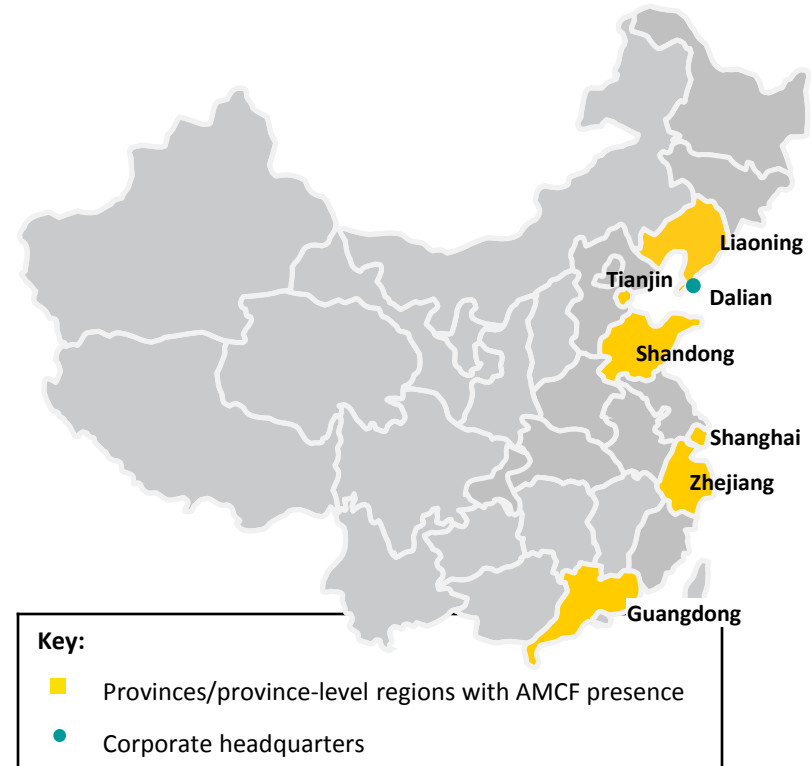
# Forward-Looking Statements

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## Corporate Overview

- Leading producer, distributor, and retailer of quality marine fuel for small cargo and fishing vessels in China
- Largest non-state-owned company engaging in marine fuel production and distribution in northern China
- Founded in 2001 through a joint venture with China National Petroleum Corporation (CNPC), the largest petroleum company in China



### Company At-A-Glance

<b>Ticker</b>	NASDAQ: AMCF	<b>Shares Outstanding</b>	9.8 million
<b>Stock Price</b>	\$1.72 (as of 8/15/2011)	<b>Market Cap</b>	\$16.9 million (as of 8/15/2011)
<b>Industry</b>	Oil & Gas - Marine fuel alternatives	<b>Headquarters</b>	Dalian, Liaoning, China
<b>Employees</b>	Approx. 150	<b>Fiscal Year End</b>	Dec. 31



## Investment Highlights

### Strong Position in China's Growing Marine Fuel Market

- Company is focused on underserved fishing (75% of revenues) and small cargo vessels (25%)
- Long-term supplier and customer relationships provide distinct competitive advantage
- Recognized brand and only non-state-owned, U.S.-listed company operating in China's marine fuel industry

### Unique Business Model Sets it Apart from Commodity Sales

- Offers superior blended and energy-efficient marine fuels with competitive pricing due to long-term relationships and geographical locations
- Actively building and acquiring port space and distribution infrastructure to attain the goal of becoming a “one-stop shop” for marine port services—providing petroleum products, maintenance, payment services, and marine supplies for boat operators
- Company is focused on expanding higher margin retail business to help mitigate oil price fluctuation

### Solid Financial Growth with Conservative Guidance for 2011

- Sales increased 53.8% to \$191.2 million for the year ended December 31, 2010; net income increased 38.7% to \$8.9 million, or \$0.95 per diluted share
- For 2011, the Company believes revenue will be between \$225 million and \$275 million and net income between \$5 million and \$8 million, with sales volume growth between 7% and 24% -- conservative outlook due to volatility in oil prices causing pressure on demand
- \$5.2 million total cash, \$5.57 book value per share, quick collection of revenue with DSO's ranging from 5-10 days

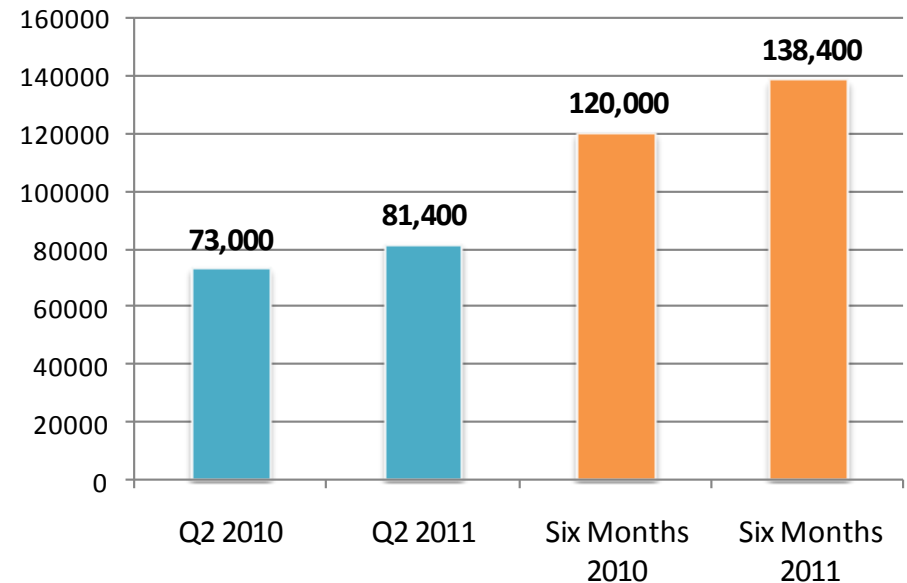


# Operational Overview

- During the second quarter of 2011, sales volume of blended fuel products increased 11.5% to 81,400 tons from 73,000 tons
- Relocating headquarters to Shanghai
- Began operations at new blending facilities in Panjin City, Liaoning province, and Zibo City, Shandong province.
- Continued progress on expansion plans through opening of strategic market development offices

## Sales Volume of Blended Fuel

Metric Tons





## New Headquarters in Shanghai

- Company currently in the process of relocating its headquarters to Shanghai as it expands from Dalian, Liaoning province
- Shanghai is more central to Andatee's various operations throughout mainland China and is also the country's commercial and financial center.
- Company will maintain its presence in Dalian, a major seaport in northeast China





## New Blending Facilities

- Company has begun operations at its newly completed blending facilities in Panjin City, Liaoning province, and Zibo City, Shandong province.
- New facilities add approximately 32,000 cubic meters in tank capacity to Andatee's current production capabilities
- Company anticipates greater cost efficiency in procuring raw materials and transporting products to customers due to strategic locations of facilities



# THE OPPORTUNITY





# Favorable Market Environment



## China Marine Fuel Market

- China's marine fuel market is expected to double in size:
  - 12 million tons, 214,000 barrels per day, by 2013 from 6.3 million tons, or 112,000 barrels per day, in 2008<sup>(1)</sup>
- Limited competition in the industry causing product shortage, low quality supplies and volatile pricing

## Fishing Sector Offers Unique Opportunity

- China remains by far the largest fish-producing country, with production of 47.5 million tons in 2008<sup>(2)</sup>
- China has one of the largest fishing fleets in the world with about 300,000 vessels in 2007<sup>(2)</sup>
- Highly fragmented market in marine fuel supply for vessels lighter than 3,000 tons<sup>(3)</sup>
- Domestic fishing sector typically is typically less volatile than other oil and gas consumption markets due to the rapidly expanding fishing industry in China

(1) AllBusiness.com

(2) Food and Agriculture Organization of the United Nations

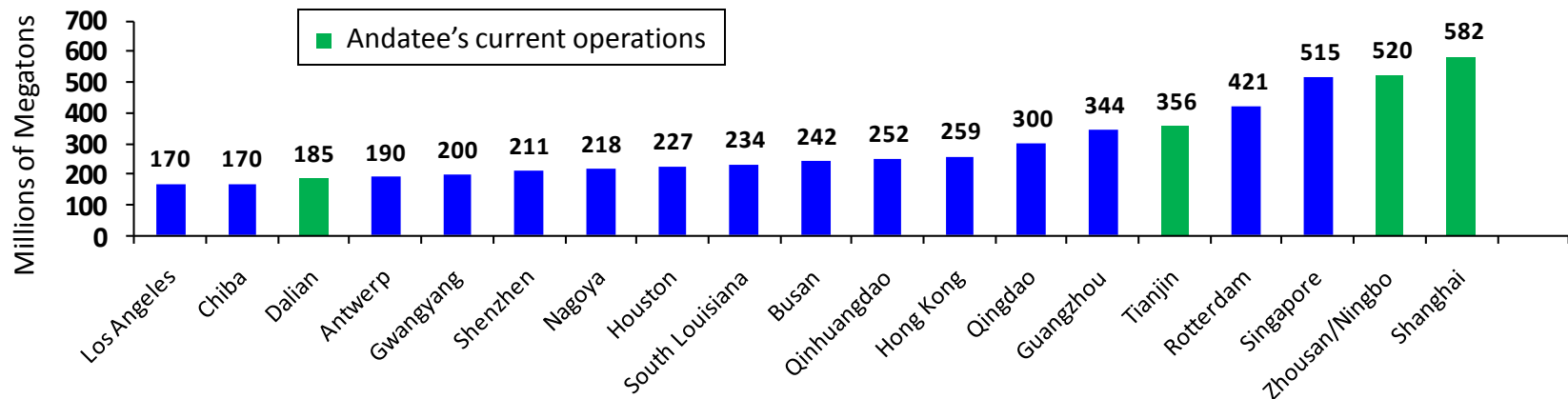
(3) Management estimates



# China Port Services: Strong Position

- 10 of the top 20 ports in the world are in China, and Andatee already has operations in 3 of them, namely Zhousan, Dalian, and Tianjin, and is expanding into Shanghai

Top 20 Ports in the World – 2008



Source: TopForeignStocks.com

- There are a total of 1,400 harbours in China, with over 35,000 berths and cargo capacity of 3.4 billion tons.

# ANDATEE'S BUSINESS MODEL





# Andatee's Business Model

## 1. Recognized Domestic Suppliers



- Reliable upstream suppliers with short- and long-term contracts provide stable supply of quality raw materials in large quantities at discounted prices, stemming from quantity purchasing over time



## 2. Unique Blending Process



- Cost-efficient blending of marine fuel products
- Andatee's process is unique due to strict quality control and procedures



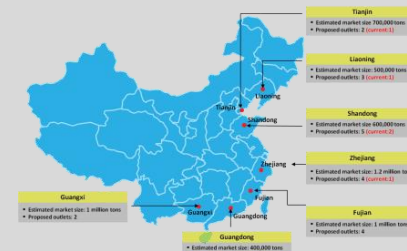
## 4. Loyal Retail Customers



- Extensive retail sales channels help offset the impact of crude oil price fluctuations on profit margins



## 3. Extensive Sales and Distributor Network



- Andatee's distribution network of approx. 29 distributors throughout China in three provinces is one of the largest among marine fuel suppliers in China



## Andatee's Top Suppliers

- Company purchases the following raw materials on a monthly basis prior to blending:
  - Rubber oil and waxes
  - Heavy diesel oil
- Partners with well-known domestic suppliers, including a longstanding relationship with PetroChina, which has operated as Andatee's principal supplier since its founding
- Partnerships provide stable supply of quality raw materials in large quantities at discounted prices to the current oil market, stemming from quantity purchasing over time
- Long-term supply contracts can be adjusted with regard to quantity and variety, depending on seasonality and customer demand

Company Name	Location	% of Andatee's Supply
PetroChina Dalian	Dalian, Liaoning, China	25.4%
PetroChina Panjin	Panjin, Liaoning, China	20.7%
PetroChina Liaoyang	Liaoyang, Liaoning, China	7.9%

At 12/31/2010



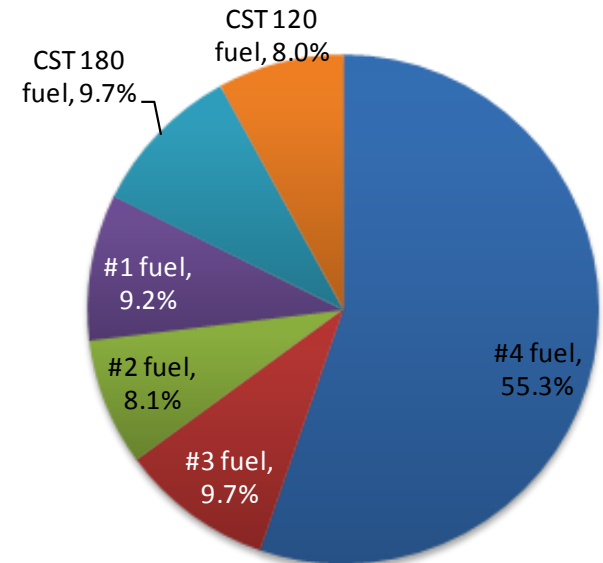
# Andatee's Blending Process

- After purchasing rubber oils/heavy diesel, the Company transports materials to its nearby blending facilities
  - Average transport distance is 120 km; average blending time is 18 days
- Produces unique, blended marine oil fuel alternatives with varying oil densities used by small fishing vessels to larger, Handysize vessels
  - Burns longer
  - Cleaner / less damaging to vessel



Product	Vessel Type
#4 marine oil alternative	Fishing vessels with 1400 rpm (Smaller Boats)
#3 marine oil alternative	Fishing vessels with 1600 rpm (Smaller Boats)
#2 marine oil alternative	Fishing vessels with 1800 rpm
#1 marine oil alternative	Fishing vessels with 2000 rpm
CST 180 <sup>(1)</sup>	Handysize vessels (Cargo)
CST 120 <sup>(1)</sup>	Handysize vessels (Cargo)

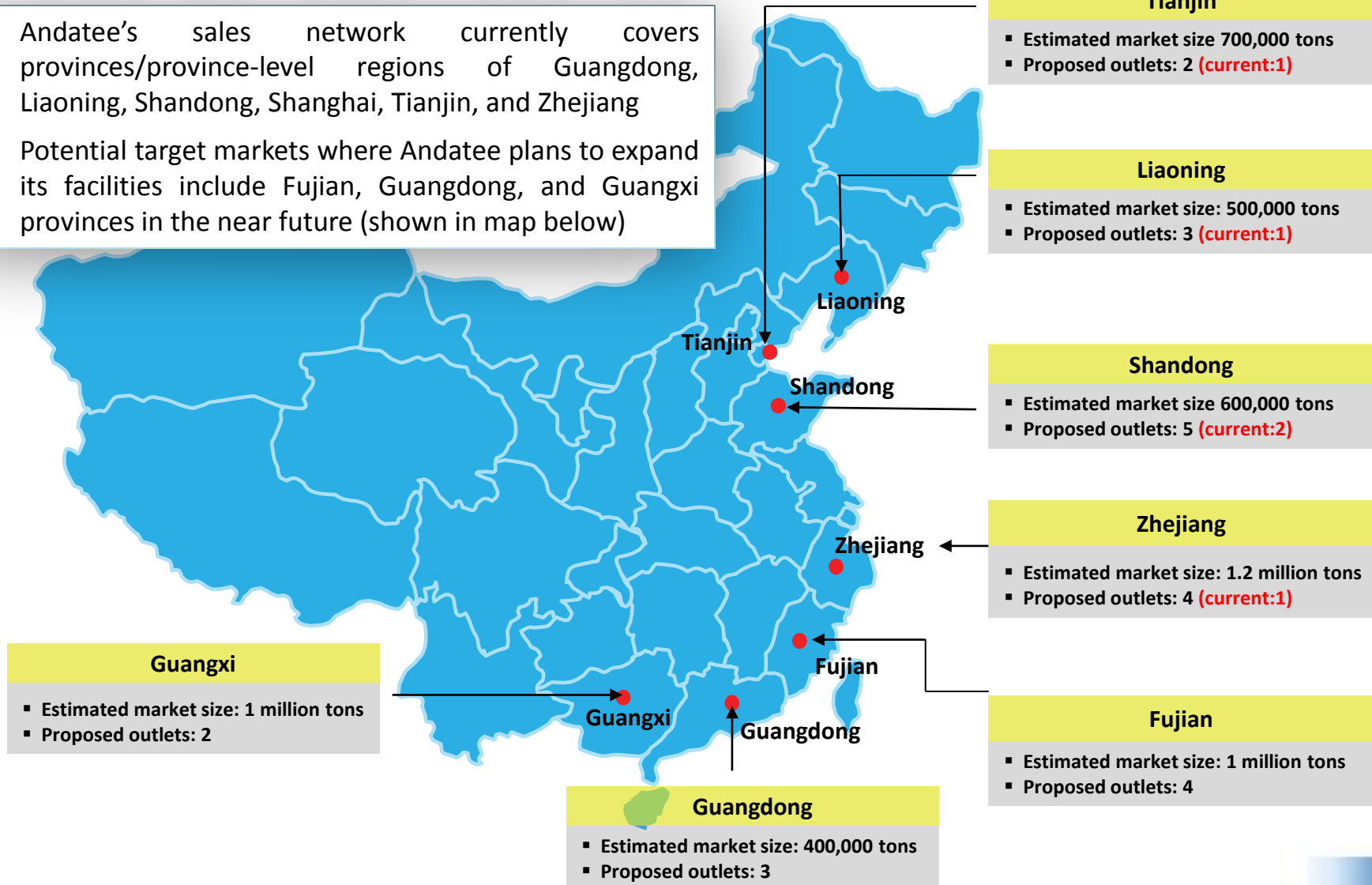
Sales for Q1-Q2 2011 (by weight)





## Wide Distribution Network

- Andatee's sales network currently covers provinces/province-level regions of Guangdong, Liaoning, Shandong, Shanghai, Tianjin, and Zhejiang
- Potential target markets where Andatee plans to expand its facilities include Fujian, Guangdong, and Guangxi provinces in the near future (shown in map below)





# Andatee's Customers

- After blending, Andatee transports fuel for immediate delivery (Wholesale) or to storage stations (Retail)
  - Retail customers dock at a berth and fill tanks similar to cars at a gas station, and pay before leaving or shortly thereafter
- Customers recognize Andatee's "Xingyuan" brand for superior product quality, service and competitive pricing
- Average customer relationship of 5 years

## Recognized Domestic Wholesalers



- Generally larger fisheries and refineries
- Two large local fisheries, Shidao Xinfu and Dalian Liaoyu represented approximately 19% of Andatee's sales
- Andatee maintains close relationships with key customers through regular meetings and discussions to keep them updated on the variety of products and services

## Growing Retail Sector



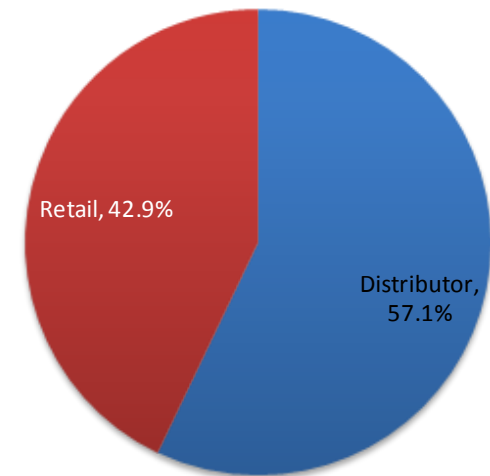
- The oil market for small- and medium-size vessels, i.e. less than 3,000 tons, is fragmented with no discernible market leader.
- Intense price competition, uneven product and service quality
- Oil merchants market poor quality oil or counterfeit products that have insufficient energy efficiency or cause damage to engines.
- Vessel operators are willing to pay a premium for consistent quality products and services.



## Diversifying Revenue Mix & Gross Margin Expansion

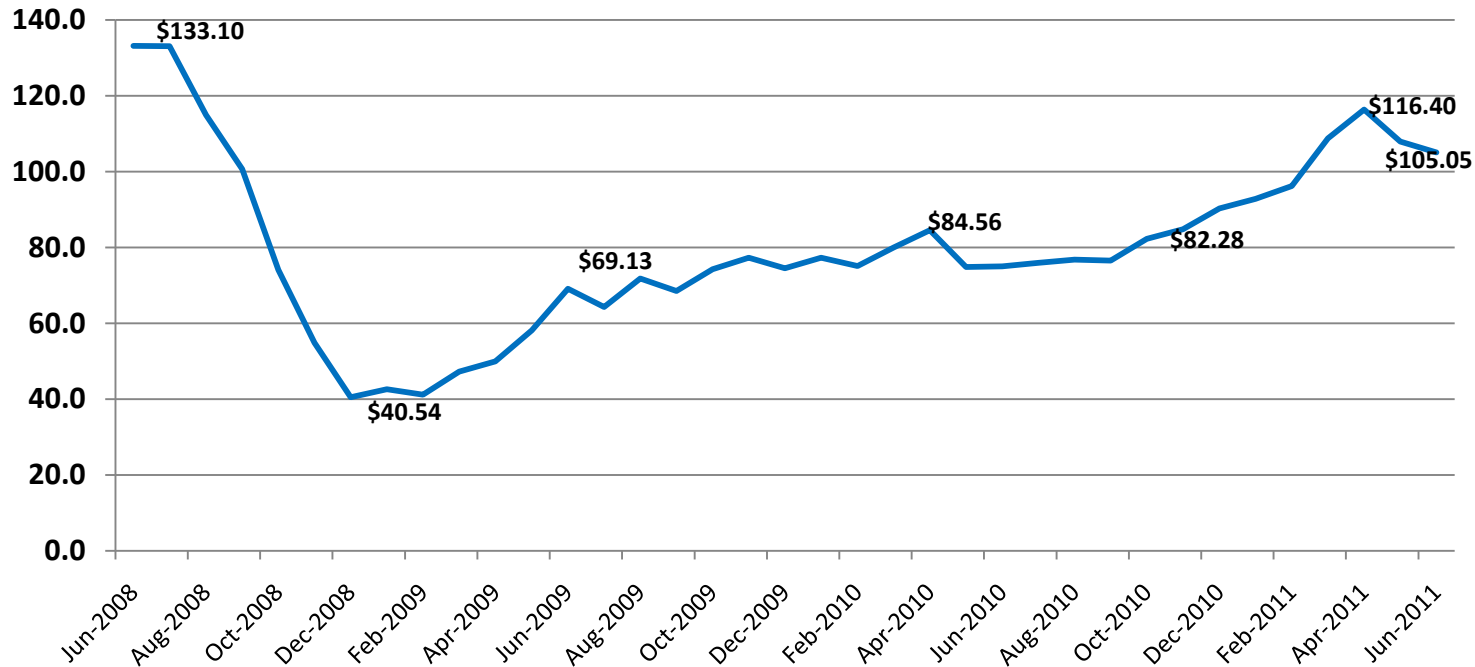
- Gross margins
  - Retail: 10% to 12%
  - Distribution: 6% to 8%
- Strategic shift to focus on retail customers to improve margins and provide a buffer against fuel price fluctuations
- Retail customers are expected to grow to account for 60% of sales over the next three years

Sales for Q1-Q2 2011





# Global Oil Prices 2008-2011

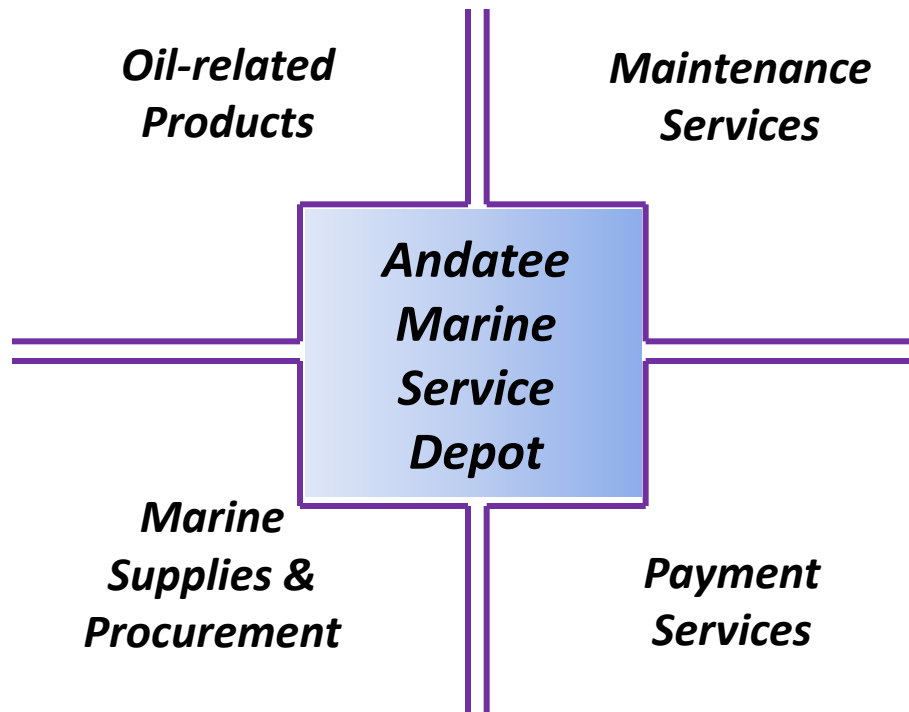


\*Prices illustrated in the above chart calculated using an average of Brent and WTI spot oil prices.

- During Q2 2011, the average international oil price increased to \$104 per barrel, compared to \$81 per barrel in Q2 2010. Higher oil prices translate into higher raw material costs for Andatee.
- Recent volatility in oil prices, coupled with the PRC government's attempts to control inflation, which extends to diesel fuel, has had an effect on demand in the industry.



## Strategic Goal: “One-stop Shop for Marine Port Services”



### Strategic Rationale

- Diversify revenue base and expand profit margin
- Leverage existing brand awareness
- Take advantage of extensive distribution network
- Leverage infrastructure to provide value-added services, including maintenance, payment services, and marine supplies



## Experienced Management Team

### **An Fengbin – Chairman, President, and Chief Executive Officer since May 2004**

- Graduated from Dongbei Finance and Economics University
- Previously served as Deputy Director of the Corporate Department in the Credit and Loan Department of China Agricultural Bank
- Joined Dalian Zhenyuan Oil Blending Co., Ltd as a General Manager in 1996. Established a joint venture with CNPC in 2001 and established Dalian Xing Yuan Marine Fuel Co., Ltd.

### **Wen Tong – Chief Financial Officer and Director since May 2007**

- Graduated with a degree in Accounting from Dongbei Finance and Economics University
- Previously served as a director and deputy manager at Dalian Dongtai Waste Management Co., Ltd., a publicly listed company in the U.S. (CIWT.OB)

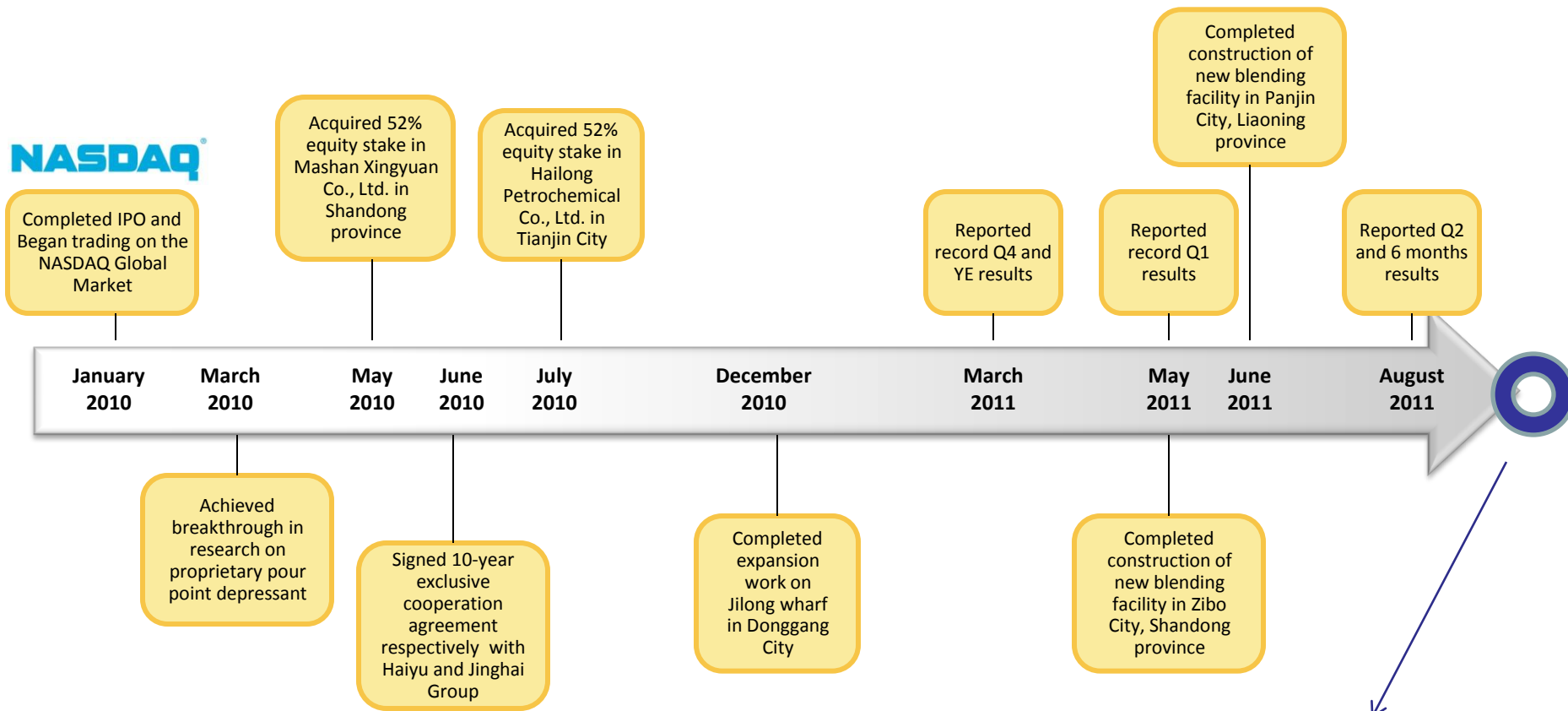
### **Sun Xun – Chief Operation Officer since June 2010**

- Has 20+ years of operational experience in the PRC petrochemical industry
- Previously served as Associate Director of the Sales Department at Jiamushi Chemical Co., Ltd.





# Company Milestones



Andatee aims to be a one-stop shop for marine services, providing its customers with fuel and other value-added port services, such as maintenance and supplies.



# Growth Strategy

- Targeted expansion:
  - Building new facilities
  - Joint ventures
  - Acquisitions
- Explore international suppliers and trading opportunities
- Product innovation for larger vessels and other industries



# FINANCIAL HIGHLIGHTS

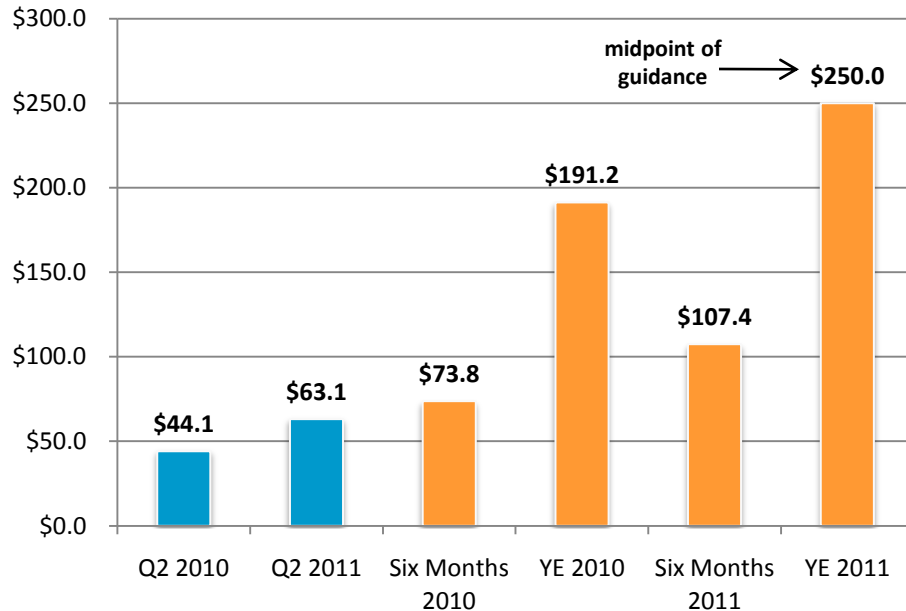




# Revenues / Gross Profit

## Revenues

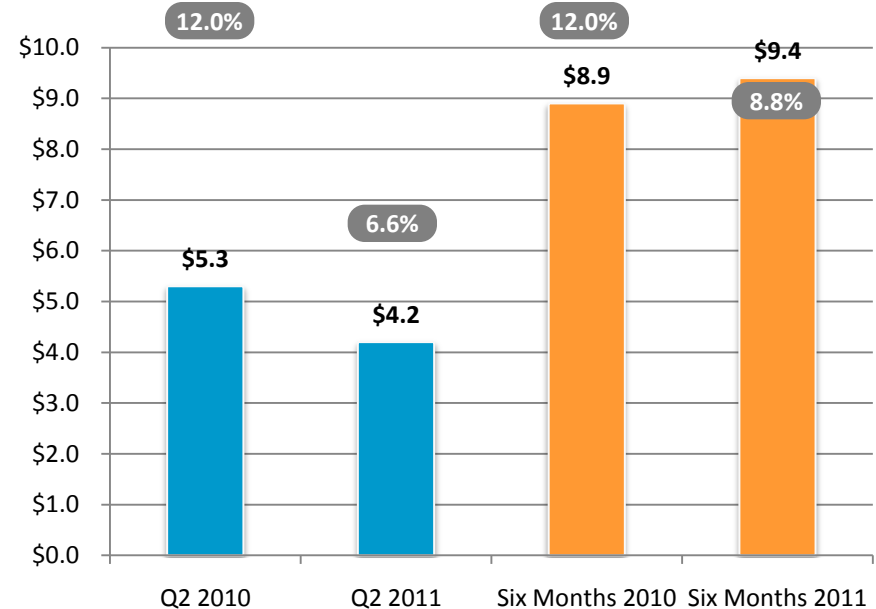
USD in millions



- For the second quarter ended June 30, 2011, revenues grew 43.3% to \$63.1 million from \$44.1 million in the prior-year period
- For the first six months of 2011, revenues grew 45.5% to \$107.4 million from \$73.8 million in the prior-year period

## Gross Profit

USD in millions



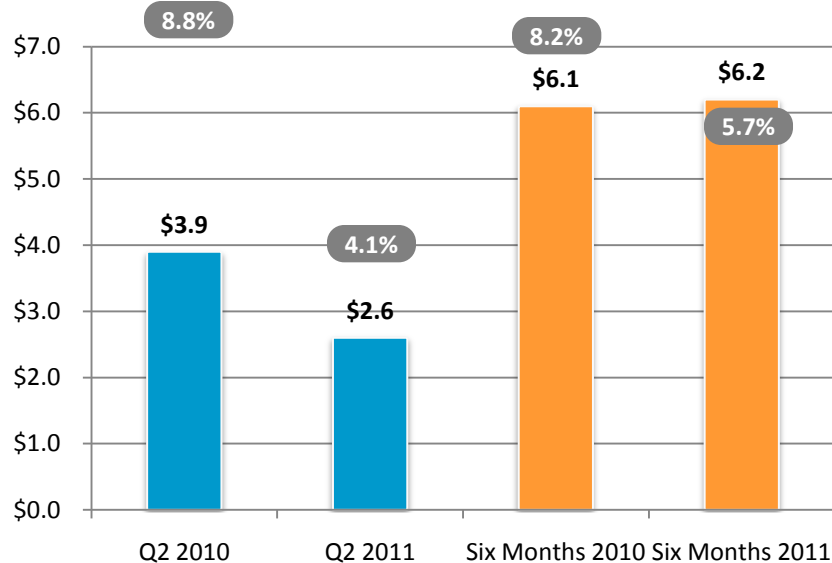
- Q2 2011 gross profit of \$4.2 million vs. Q2 2010 gross profit of \$5.3 million
  - Increased raw material costs
- Gross margins for Q2 2011 and Six Months 2011 were 6.6% and 8.8%, respectively, compared to 12.0% in both prior-year periods



# Operating & Net Incomes

## Operating Income

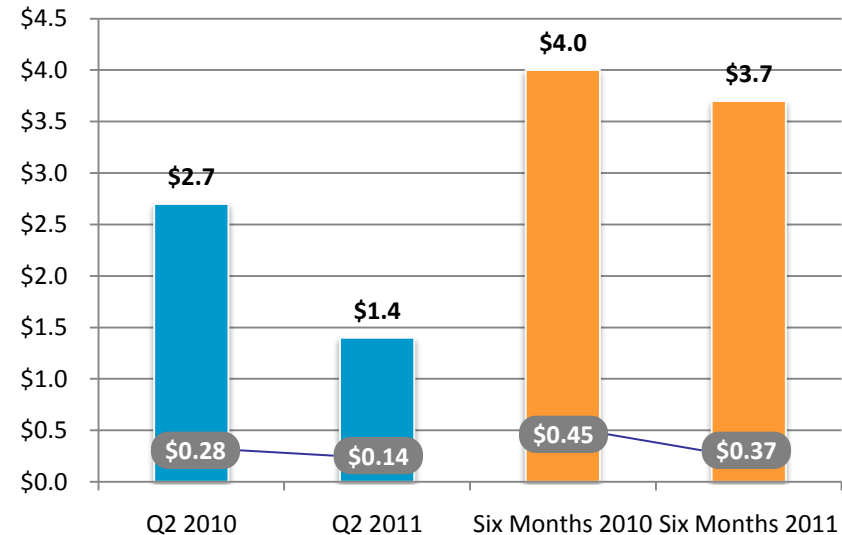
USD in millions



- Q2 2011 operating income of \$2.6 million vs. Q2 2010 operating income of \$3.9 million
- Q2 2011 operating margin of 4.1% vs. Q2 2010 operating margin of 8.8%
- Six Months 2011 operating income of \$6.2 million vs. Six Months 2010 operating income of \$6.1 million
- Six Months 2011 operating margin of 5.7% vs. Six Months 2010 operating margin of 8.2%

## Net Income

USD in millions



- For the second quarter of 2011, net income was \$1.4 million, compared to \$2.7 million in the prior-year period
- Q2 2011 EPS of \$0.14 (9.8 million diluted shares outstanding) vs. Q2 2010 EPS of \$0.28 (9.6 million diluted shares outstanding)



## Summary Financial Results – Q2 and YTD

### 2011 Q2 Results (Unaudited)

(In USD 000s, except EPS)	Q2 2011	Q2 2010	Six months ended 6/30/2011	Six months ended 6/30/2010
<b>Total Revenues</b>	<b>\$63,143</b>	<b>\$44,053</b>	<b>\$107,400</b>	<b>\$73,835</b>
<b>Cost of Goods Sold</b>	<b>58,964</b>	<b>38,781</b>	<b>97,980</b>	<b>64,982</b>
<b>Gross Profit</b>	<b>4,178</b>	<b>5,272</b>	<b>9,420</b>	<b>8,852</b>
<b>Income from Operations</b>	<b>2,591</b>	<b>3,859</b>	<b>6,163</b>	<b>6,078</b>
<b>Net Income</b>	<b>\$1,364</b>	<b>\$2,657</b>	<b>\$3,657</b>	<b>\$4,047</b>
<b>Net Income per diluted share</b>	<b>0.14</b>	<b>0.28</b>	<b>0.37</b>	<b>0.45</b>



# Summary Balance Sheet

(In USD 000s)

	At June 30, 2011 (Unaudited)	At December 31, 2010 (Audited)
<b>Cash and cash equivalents excluding restricted</b>	<b>\$5,188</b>	<b>\$10,813</b>
<b>Accounts receivable</b>	<b>4,080</b>	<b>6,204</b>
<b>Inventories</b>	<b>11,875</b>	<b>12,542</b>
<b>Total Current Assets</b>	<b>35,875</b>	<b>49,020</b>
<b>Restricted Cash</b>	<b>12,842</b>	<b>17,023</b>
<b>Property, plant and equipment, net</b>	<b>40,538</b>	<b>21,443</b>
<b>Total Assets</b>	<b>\$95,070</b>	<b>\$106,301</b>
<b>Accounts payable</b>	<b>374</b>	<b>1,445</b>
<b>Short-term Loan / Bank Notes</b>	<b>36,051</b>	<b>36,298</b>
<b>Total Current Liabilities</b>	<b>40,301</b>	<b>56,388</b>
<b>Total Liabilities</b>	<b>40,301</b>	<b>56,388</b>
<b>Total Equity</b>	<b>54,769</b>	<b>49,913</b>
<b>Total Liabilities and Equity</b>	<b>\$95,070</b>	<b>\$106,301</b>



# Investment Conclusions

## An Opportunity to Invest in the Rapidly Growing Chinese Marine Bunker Industry

- Andatee—the only U.S.-listed Chinese company in the marine fuel industry—is the leader in a fragmented market, manufacturing, distributing and selling blended marine oil fuel alternatives in China
- Recognized for its superior product quality, energy-efficient marine fuels, and competitive pricing
- Simple yet efficient business model with various expansion opportunities at major Chinese ports
- Business expansion leading to increased profitability
- Experienced and committed management team



## Contact Information

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