



中国船舶燃料服务集团

Andatee China Marine Fuel Services Corporation

## **ANDATEE CHINA MARINE FUEL REPORTS 2011 THIRD QUARTER AND NINE MONTH FINANCIAL RESULTS**

**Company to Hold Quarterly Conference Call with Accompanying Slide Presentation on Tuesday, November 15, 2011, at 9 a.m. ET**

DALIAN, Liaoning Province, China, November 14, 2011—**Andatee China Marine Fuel Services Corporation (NASDAQ: AMCF) (“Andatee” or “the Company”)**, a leading producer, distributor, and retailer of quality marine fuel for small cargo and fishing vessels in China, today announced financial results for its third quarter and nine months ended September 30, 2011.

### **Q3 2011 Financial Highlights**

- Total revenues of \$65.8 million, an increase of 14.3% year over year
- Net income attributable to shareholders of \$2.3 million, compared to \$2.6 million in the prior-year period
- Earnings per share of \$0.23

### **Nine Months 2011 Financial Highlights**

- Total revenues of \$173.2 million, an increase of 31.8% from the prior-year period
- Net income attributable to shareholders of \$5.9 million, compared to \$6.7 million in the prior-year period
- Earnings per share of \$0.61

### **Operational Highlights**

- Total sales volume (metric tons of blended fuel) in Q3 increased 5% year over year to 90,000 tons
- Higher demand for fuel products as a result of operations at new blending facilities in Zibo City, Shandong province, and Panjin City, Liaoning province, which were completed in May 2011 and June 2011, respectively

### **Outlook for 2011 (Excludes any acquisitions that the Company may consummate this year)**

- Reiterates revenue guidance of between \$225 million and \$275 million and raises net income guidance to between \$7 million and \$9 million (from between \$5 million and \$8 million) for the year ending December 31, 2011, as a result of a more stable global economic environment causing fewer fluctuations in costs of inventory (significant increases and decreases in oil prices)
- Expects total sales volume to increase between 7% and 24% for the year ending December 31, 2011

Mr. Fengbin An, Chairman, CEO, and President of Andatee China Marine Fuel Services Corporation, stated, “We are pleased to report continued top-line growth during the 2011 third quarter, with Andatee’s revenues growing over 14% and total sales volume growing over 5% from the prior-year period. During the third quarter, we typically experience seasonality caused by restrictions on boats and vessels from fishing during the period from June to September, which is the breeding season for many varieties of fish. However, we believe that increased oil prices and continued oil price fluctuations were the primary reasons behind reduced demand for our fuel products during the period. As our competitors find it more and more difficult to operate in a tightening economic environment, we feel that our customers and suppliers increasingly recognize the value of our ‘Xingyuan’ brand’s consistent level of quality, service, cost-efficiency, and reliability. Positive word-of-mouth feedback from customer to customer ultimately translates into an overall positive impression of our ‘Xingyuan’ brand, which we believe is critical to the success of our business. With the support of our customers and suppliers, we continue to build our share in a highly fragmented market with new customers across China. We remain committed to improving all aspects of our operations, which includes expanding our supplier network for procuring raw material, expanding our blending capacity by building and acquiring additional facilities, and improving distribution.”

### **Operational Review**

During the third quarter of 2011, the Company’s sales volume of its blended fuel products increased 5% to 90,000 tons from 86,000 tons in the prior-year period. This increase was primarily the result of increased sales of the Company’s #4 blended marine fuel product, which was contributed by additional capacity at the new blending facilities in Zibo City, Shandong province, and Panjin City, Liaoning province, and is utilized by smaller fishing

vessels. At November 14, 2011, the Company offered six separate blended fuel products, which service smaller fishing vessels to larger handysize cargo ships.

For the nine months ended September 30, 2011, sales volume of its blended fuel products increased 11% to 228,000 tons from 205,000 tons in the prior-year period. This increase in sales volume was primarily driven by overall high demand for the Company's blended fuel products, specifically increased demand for the Company's #4 blended fuel product in the third quarter of 2011, demand driven by the new blending facilities in the Shandong and Liaoning provinces, expansion of the Company's existing distribution network, and ongoing efforts in promoting its #1 blended marine fuel product. To continue the growth in sales volume through the end of the year, the Company remains focused on enhancing its marketing efforts tailored to "retail", or individual, operations and expanding its distribution base in southern China.

The Company continues to make progress in ensuring that the necessary personnel and equipment are in place at its new blending facilities in Shandong and Liaoning provinces, which began contributing revenues during the 2011 third quarter. The Company expects to continue ramping up these two facilities with both fully operational by the end of the year. Andatee expects these facilities to substantially improve its production capabilities in blending, while also reducing the cost of transporting raw materials from major suppliers in these provinces.

The Company is also continuing to execute its plan to set up market development offices in large cities. Andatee expects to utilize these offices to establish an effective sales and marketing network to pursue organic expansion possibilities, such as new supply agreements and customer sales, while also providing solid foundations to pursue its acquisition-driven growth strategy in neighboring areas around major cities.

The Company is making progress in the relocation of its headquarters to Shanghai, which provides a more central location for management and sales staff. The Company has taken a gradual approach to this relocation to demonstrate its commitment to continuing close relationships with suppliers in northern China, while beginning to build new relationships with suppliers in central and southern China. The Company will maintain a small staff at offices in Dalian, where Andatee currently has its headquarters.

### **Market Overview**

During the 2011 third quarter, the average international oil price increased to \$91 per barrel, compared to \$78 per barrel in the prior-year period. Andatee uses oil refinery by-products as raw materials for production, such as tar and heavy diesel, blends the products at its facilities, and then sells its "Xingyuan" brand to customers at a favorable rate to the market.

Mr. An continued, "We continue to closely monitor the movement of global oil prices, in conjunction with demand for our fuel products. Higher oil prices had a positive effect on our revenues during the 2011 third quarter, but like in the 2011 second quarter, we were unable to pass the entirety of the increase to our customers and suffered some adverse effects from increased raw material costs. However, oil prices did not fluctuate as severely this quarter as they did in the previous quarter, which had a positive effect on our margins and demand for our products during the three months ended September 30, 2011."

### **2011 Third Quarter Financial Review**

- The Company reported revenues for the 2011 third quarter of \$65.8 million, an increase of 14.3% from \$57.5 million in the third quarter of 2010. The increase was largely due to increased sales volume and higher global oil prices.
- Gross profit for the 2011 third quarter was \$6.3 million, compared to \$5.8 million in the prior-year period. Gross margin was 9.5% for the three months ended September 30, 2011, compared to 10.0% in the prior-year period. The decrease was largely due to increased costs of raw materials, which the Company managed to partially pass through to its customers during the 2011 third quarter.
- The Company's selling, general and administrative (SG&A) expenses for the 2011 third quarter increased 45.7% to \$2.8 million, or 4.2% of revenues, from \$1.9 million, or 3.3% of revenues, in the prior-year period. This increase in SG&A expenses as a percentage of revenues was primarily due to increased compensation expenses for sales employees as a result of increased sales, an increase in promotional expenses to market the Company's products produced at the new blending facilities in Zibo City and Panjin City, and expenses for

relocating the Company's headquarters from Dalian to Shanghai. The Company believes the long-term benefits of these initiatives will more than mitigate any immediate impact on its expense line.

- The Company reported net income for the third quarter of 2011 of \$2.3 million, or \$0.23 per diluted share, based on 9.8 million weighted average diluted shares outstanding, compared to net income of \$2.6 million, or \$0.27 per diluted share, based on 9.8 million diluted shares outstanding, in the prior-year period.

#### **Nine Months 2011 Financial Review**

- The Company reported revenues for the first nine months of 2011 of \$173.2 million, an increase of 31.8% compared to \$131.4 million in the third quarter of 2010. This increase was largely the result of increased sales volume and higher global oil prices, as mentioned in the third quarter financial summary.
- Gross profit increased 7.4% to \$15.7 million from \$14.6 million in the prior-year period. Gross margin was 9.1% for the nine months ended September 30, 2011, compared to 11.1% for the prior-year period. The decrease was primarily due to increased costs of raw materials, as mentioned in the third quarter financial summary.
- The Company reported net income for the first nine months of 2011 of \$5.9 million, or \$0.61 per diluted share, based on 9.7 million weighted average diluted shares outstanding, compared to net income of \$6.7 million, or \$0.72 per diluted share, based on 9.3 million diluted shares outstanding, in the prior-year period. This decrease was primarily the result of increased costs of raw materials and higher SG&A expenses incurred, as mentioned in the third quarter financial summary.

#### **Balance Sheet Highlights**

At September 30, 2011, Andatee's cash and cash equivalents (excluding \$10.7 million in restricted cash) were \$6.3 million, total debt was \$27.9 million, and stockholders' equity was \$57.6 million, compared to \$10.8 million, \$36.3 million, and \$49.9 million, respectively, at December 31, 2010.

#### **Outlook for 2011**

Mr. An concluded, "Andatee is reiterating its revenue guidance for 2011, but is raising net income guidance for the year as we have seen global oil prices become more stable during recent months, ultimately having a more positive effect on our bottom line. We continue to monitor and attempt to mitigate the effects of the fluctuations in raw material costs on our bottom line. While we are pleased with the upwards of 30% growth in revenues for the first nine months of 2011, we remain focused on growing our sales volume and revenues and confident that our improving brand recognition and balanced fleet growth will continue to drive our growth in China's marine fuel market. We also continue to identify and evaluate potential acquisition targets based on a strict set of criteria and conservative approach and, when appropriate, will work to acquire target companies with facilities in areas that fit into Andatee's growth plans. We remain confident in the long-term prospects of our industry and will continue to work hard to achieve balanced and stable growth in our business."

#### **Estimated Financial Results** (unaudited) (\$ in millions)

	<u>For the year ended</u> <u>December 31, 2011</u>	<u>For the year ended</u> <u>December 31, 2010</u>
Total Revenue	\$225 - \$275	\$191.2
Net Income	\$7 - \$9	\$8.9

#### **Conference Call**

The Company will discuss these results in a conference call Tuesday morning (November 15, 2011) at 9 a.m. ET.

Participant Dial-In Numbers:

(877) 407-9210 (U.S.)  
(201) 689-8049 (International)

The call will also be simultaneously broadcast over the Internet. To listen to the live webcast, please go directly to the Company's website at <http://www.andatee.com> or click on the conference call link,

<http://www.investorcalendar.com/IC/CEPage.asp?ID=166347>. The Company will also have an accompanying slide presentation available in PDF format on its homepage prior to the conference call.

### **About Andatee China Marine Fuel Services Corporation**

Andatee China Marine Fuel Services Corporation is a leading independent operator engaged in the production, storage, distribution, wholesale purchase and sale of blended marine fuel oil for cargo and fishing vessels in northern China. Andatee provides customers with value-added benefits, including single-supplier convenience, competitive pricing, logistical support and fuel quality control. Its products are substitutes for diesel used throughout east China fishing industry. Backed by core facilities, such as storage tanks, marine fuel pumps, blending facilities and berths (the space allotted to a vessel at the wharf) and small- to medium-sized cargo vessels, its sales network covers major depots along the towns of Dandong, Shidao, Tianjin, and Shipu along the east coast of China. Additional information about the Company is available at <http://www.andatee.com>.

### **Safe Harbor Relating to the Forward Looking Statements**

Statements contained in this press release not relating to historical facts are forward-looking statements that are intended to fall within the safe harbor rule under the Private Securities Litigation Reform Act of 1995. All forward-looking statements included herein are based upon information available to the Company as of the date hereof and, except as is expressly required by the federal securities laws, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, changed circumstances or future events or for any other reason. To the extent that any statements made here are not historical, these statements are essentially forward-looking. The Company uses words and phrases such as "guidance," "forecasted," "projects," "is expected," "remain confident," "will" and/or similar expressions to identify forward-looking statements in this press release. Undue reliance should not be placed on forward-looking information. The Company may also make written or oral forward-looking statements in its periodic reports filed with the U.S. Securities and Exchange Commission and other written materials and in oral statements made by its officers, directors or employees to third parties. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by these forward-looking statements. Such risk factors include, without limitation, our ability to properly execute our business model, oil price stability, to address price and demand volatility, to counter weather and seasonal fluctuations, to attract and retain management and operational personnel, potential volatility in future earnings, fluctuations in the Company's operating results, our ability to expand geographically into new markets and successfully integrate future acquisitions, our ability to integrate and capitalize on the recent acquisitions in Mashan and other markets, PRC governmental decisions and regulation, and existing and future competition that the Company is facing. Additional risks that could affect our future operating results are more fully described in our U.S. Securities and Exchange Commission filings, including our Annual Report on Form 10-K/A for the year ended December 31, 2010, filed with the SEC on April 4, 2011, and other subsequent filings. These filings are available at <http://www.sec.gov>. The Company may, from time to time, make additional written and oral forward-looking statements, including statements contained in our filings with the SEC and our reports to shareholders. We do not undertake to update any forward-looking statements that may be made from time to time by or on our behalf.

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**ANDATEE CHINA MARINE FUEL SERVICES CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 65,751,882	\$ 57,530,234	\$ 173,152,081	\$ 131,364,805
Cost of revenues	59,480,565	51,776,440	157,460,684	116,758,501
Gross profit	6,271,317	5,753,794	15,691,397	14,606,304
Operating expenses				
Selling expenses	1,946,626	1,210,861	3,466,573	2,684,739
General and administrative expenses	843,131	703,263	2,580,676	2,004,308
Total operating expenses	2,789,757	1,914,124	6,047,249	4,689,047
Income from operations	3,481,560	3,839,670	9,644,148	9,917,257
Other expense				
Interest expense	(404,351)	(330,813)	(1,668,280)	(582,892)
Other expense	6,756	(47,358)	(1,156)	(45,501)
Total other expense	(397,595)	(378,171)	(1,669,436)	(628,393)
Net income before tax provision	3,083,965	3,461,499	7,974,712	9,288,864
Tax provision	927,265	713,577	2,176,547	2,327,977
Net income	2,156,700	2,747,922	5,798,165	6,960,887
Net (loss) income attributable to the noncontrolling interest	(116,935)	107,717	(132,778)	273,508
Net income attributable to the Company	<u>\$ 2,273,635</u>	<u>\$ 2,640,205</u>	<u>\$ 5,930,943</u>	<u>\$ 6,687,379</u>
Foreign currency translation adjustment	661,064	752,872	1,875,614	898,471
Comprehensive income attributable to the Company	2,934,699	3,393,077	7,806,557	7,585,850
Comprehensive (loss) income attributable to the noncontrolling interest	(116,935)	107,717	(132,778)	273,508
Comprehensive income	<u>\$ 2,817,764</u>	<u>\$ 3,500,794</u>	<u>\$ 7,673,779</u>	<u>\$ 7,859,358</u>
Basic and diluted weighted average shares outstanding	9,779,092	9,758,821	9,747,268	9,265,175
Basic and diluted net earnings per share	<u>\$ 0.23</u>	<u>\$ 0.27</u>	<u>\$ 0.61</u>	<u>\$ 0.72</u>

**ANDATEE CHINA MARINE FUEL SERVICES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2011	December 31, 2010
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 6,308,556	\$ 10,813,103
Accounts receivable, net	2,946,329	6,203,662
Other receivables, net	1,007,850	2,909,634
Inventories	12,093,282	12,542,421
Advances to suppliers	10,322,198	14,396,859
Deposit for purchase of land use rights	688,738	1,397,443
Prepaid expense	209,752	455,700
Deferred tax assets	46,577	45,004
Other current assets	-	452,928
<b>Total current assets</b>	<b>33,623,282</b>	<b>49,216,754</b>
Property, plant and equipment, net	40,601,921	21,443,141
Construction in progress	1,808,797	14,622,609
Intangible assets, net	2,874,497	2,839,383
Goodwill	1,196,441	1,156,034
Restricted cash	10,715,348	17,022,770
<b>Total assets</b>	<b>\$ 90,820,286</b>	<b>\$ 106,300,691</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 1,965,164	\$ 1,445,218
Short-term loan	4,226,344	4,536,586
Taxes payable	1,266,668	10,195,420
Advances from customers	1,613,641	6,900,193
Accrued liabilities	45,507	193,517
Dividends payable	248,146	239,766
Bank notes payable	23,636,221	31,761,396
Construction project payable	-	480,403
Other payable	170,560	635,332
<b>Total current liabilities</b>	<b>33,172,251</b>	<b>56,387,831</b>
<b>Total liabilities</b>	<b>33,172,251</b>	<b>56,387,831</b>
Commitments and contingencies		
Equity		
Stockholder's equity of the Company		
Common stock, \$0.001 par value; 5,000,000 shares authorized; 9,610,159 shares issued and 9,518,967 shares outstanding as of September 30, 2011 and December 31, 2010	9,610	9,610
Treasury stock, at cost; 91,192 shares	(497,693)	(497,693)
Additional paid-in capital	29,888,556	29,827,160
Accumulated other comprehensive income	3,682,019	1,806,405
Retained earnings	22,373,948	16,443,005
<b>Total stockholders' equity of the Company</b>	<b>55,456,440</b>	<b>47,588,487</b>
Noncontrolling interest	2,191,595	2,324,373
<b>Total equity</b>	<b>57,648,035</b>	<b>49,912,860</b>
<b>Total liabilities and equity</b>	<b>\$ 90,820,286</b>	<b>\$ 106,300,691</b>

**ANDATEE CHINA MARINE FUEL SERVICES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,	
	2011	2010
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income attributable to the Company	\$ 5,930,943	\$ 6,687,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncontrolling interest	(132,778)	273,508
Option issued for services	61,396	204,953
Depreciation	869,377	428,433
Amortization	63,145	51,580
Loss on disposal of property, plant and equipment	-	52,348
Changes in operating assets and liabilities:		
Accounts receivable	3,252,123	(1,393,253)
Inventories	449,139	(205,840)
Other receivables	1,901,784	(2,679,407)
Advances to suppliers	4,074,661	(3,037,095)
Prepaid expense	245,948	149,767
Other assets	452,928	-
Accounts payable	519,946	(209,637)
Accrued liabilities	(148,010)	-
Advances from customers	(5,286,552)	2,029,867
Taxes payable	(8,930,325)	385,093
Construction project payable	(480,403)	-
Other payable	(464,772)	601,225
Net cash provided by operating activities	2,378,550	3,338,921
Cash flows from investing activities		
Consideration for acquisition	-	(1,060,002)
Cash acquired by acquisition	-	1,253,277
Certificate of deposit	-	(11,212,135)
Purchase of property and equipment	(1,018,752)	(2,774,406)
Construction contracts	(6,195,593)	(11,737,994)
Refunds toward purchase of land use right	708,705	-
Payment received from related party	-	122,667
Net cash used in investing activities	(6,505,640)	(25,408,593)
Cash flows from financing activities		
Proceeds from Initial Public Offering	-	19,989,504
Proceeds from short term loans	3,443,688	4,478,136
Repayment of short term loans	(3,753,930)	(10,238,109)
Payment to escrow account for bank notes	6,307,422	-
Proceeds from bank notes	23,636,221	22,693,002
Repayment of bank notes	(31,761,396)	-
Net cash provided by (used in) financing activities	(2,127,995)	36,922,533
Effect of exchange rate on cash	1,750,538	834,442
Net increase in cash and cash equivalents	(4,504,547)	15,687,303
Cash and cash equivalents, beginning of period	\$ 10,813,103	\$ 1,539,009
Cash and cash equivalents, end of period	\$ 6,308,556	\$ 17,226,312
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,833,163	\$ 634,285
Income taxes	\$ 5,868,167	\$ 1,964,324