

**Transcript of
Andatee China Marine Fuel Services (AMCF)
Third Quarter 2011 Conference Call
November 15, 2011**

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Participants

Carolyn Yu, Investor Relations Executive – The Equity Group
Fengbin An, Chairman and Chief Executive Officer
Bill Wen, Chief Financial Officer

Presentation

Operator

Greetings and welcome to the Andatee China Marine Fuel Services third quarter 2011 conference call. At this time all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host Carolyn Yu of the Equity Group. Thank you, Ms. Yu you may begin.

Carolyn Yu – The Equity Group – Investor Relations Executive

Thank you operator and good morning everyone. Thank you for joining us. Copies of the press release announcing the third quarter and nine month results are available on Andatee's website at www.andatee.com. As part of this conference call, the company has an accompanying slide presentation available in PDF format on the company's website. You are also welcome to contact our office at 212-836-9600 and we would be happy to send you a copy. In addition, this broadcast will be made available at Andatee's website for the next 30 days.

Before we get started, I would like to remind everyone that this conference call and any accompanying information discussed herein contains certain forward-looking statements within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties that may affect Andatee's business and prospects and results of operations. Such risks are fully detailed in Andatee's filings with the Securities and Exchange Commission including the form 10Q for the third quarter and nine months ended September 30th, 2011 which the company filed yesterday. Regarding the disclaimer language, I would also like to refer you to slide number 2 of the presentation for further information.

I would now like to take a moment to outline the format of today's call. The Company's chairman and CEO Mr. Fengbin An will read a prepared opening



statement in Mandarin, which I will then read in English. I will then turn the conference call over to Mr. Bill Wen, Andatee's CFO who will continue with the presentation. When he is finished, we will open the floor for questions. With that, I will turn the call over to Andatee's CEO, Mr. Fengbin An. Go ahead Mr. An.

Fengbin An – Andatee China Marine Fuel Services – CEO

Speaking in Mandarin.

TRANSLATION BY:

Carolyn Yu – The Equity Group – Investor Relations Executive

We were pleased with the healthy double-digit growth we saw on the top line during the 2011 third quarter. However, Andatee still faced some challenges during the period, given the continued elevated levels of global oil prices and its subsequent effect on demand from the industry. Still, the Company saw an increase in sales volume, with 5% year-over-year growth, during the three months ended September 30, 2011. We continue to closely monitor oil prices and demand within the marine industry. As I mentioned in last quarter's call, when international oil prices rise, Andatee has historically been able to pass on the entirety of this rising cost of raw materials to its customers, ultimately having a positive effect on our revenues. Though oil prices and their fluctuations stabilized somewhat during the 2011 third quarter, we were unable to pass the entirety of this increase in inventory costs to our customers due to the adverse effect on demand. This led to continued margin pressure on Andatee's products, though improved from that of Q2 2011. Still, Andatee remains profitable, cash flow-positive, and focused on strengthening and improving all aspects of its operations. The Company continues to explore opportunities for potential M&A activity but remains conservative in its approach. Our goal remains to become a one-stop shop for marine services, providing our customers with fuel and other value-added port services, such as maintenance and supplies.

As Bill will discuss further in the call, Andatee continues to make progress in the gradual relocation of its headquarters to Shanghai. We expect to leverage Shanghai's strategic location to seek new access to raw material suppliers, while maintaining our current relationships in northern China with our existing partners. For the remainder of this year, we continue negotiations with suppliers outside of China, as a means of diversifying our sourcing of raw materials. By doing this, we believe we can improve our profit margin even further.

I thank all of you for joining us this morning and look forward to speaking with you again soon. I would now like to turn the call over to Bill Wen, Chief Financial Officer of Andatee.

Bill Wen – Andatee China Marine Fuel Services – CFO

Thanks Carolyn. Good morning and welcome everyone. Beginning on slide 3 we reported steady growth in revenue for the third quarter. As with the second quarter, this was largely due to the increased sales volume of our fuel products and increased oil prices. At November 14, 2011, the Company offered six separate blended fuel products, which service smaller fishing vessels to larger Handysize cargo ships. Andatee's blended marine fuel products require oil refinery by-products as raw materials for production, such as tar and heavy diesel. Andatee blends these

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products at its facilities, and then sells its “Xingyuan” brand to customers at a favorable rate to the market. Our fuel burns longer, is consistent and is less damaging to the vessel. We feel that our Xingyuan brand’s following has grown significantly compared to this time last year, largely thanks to our customers’ loyalty and positive word-of-mouth feedback. This is a testament to the quality of our fuel products, as well as the good service and reliability we provide. During Q3 2011, the Company’s sales volumes of its blended fuel products grew 5% to 90,000 tons, from 86,000 tons in the prior-year period.

For the nine months ended September 30, 2011, sales volume of its blended fuel products increased by 11% to 228,000 tons from 205,000 tons in the prior-year period. The primary drivers behind the increase in sales volume for the nine-month period were increased demand for the Company’s blended fuel products, specifically for the #4 blended fuel product in Q3 2011, demand driven by our new blending facilities in the Shandong and Liaoning provinces, expansion of the Company’s distribution network and continued marketing efforts for our #1 blended marine fuel product. As our costs of inventory, or oil prices, have become more stable over recent months, we are reiterating revenue guidance for the year of between \$225 million and \$275 million. And we are raising our net income guidance to between \$7 million and \$9 million from the previously announced net income guidance of between \$5 million and \$8 million, for the year ending Dec. 31, 2011. We continue to make progress on our plan of setting up market development offices in large cities, which the Company expects to utilize for establishing an effective sales and marketing network to pursue organic expansion possibilities, such as new supply agreements and customer sales. These offices may also provide a foundation on which to pursue an acquisition-driven growth strategy in the neighboring areas around major cities.

Let’s move to the next slide. This slide illustrates the fluctuation in global oil prices over the past three years. We used the average of the Brent and WTI spot prices to create this graph. As we stated during our previous quarterly conference call, oil prices this year surged in April, and as this graph shows, tapered off in May and June. Oil prices continued to stabilize during the three months ended September 30, 2011. But the average international oil price during this period was still significantly higher than the prior-year period, at \$91 per barrel during Q3 2011 versus \$78 per barrel in Q3 2010. Higher oil prices mean higher raw material costs for Andatee. But depending on the timing of Andatee’s fuel purchases, a rapid rise in prices is typically very positive for the Company as long as demand stays high. Though we observed some stabilizing of oil prices during the 2011 third quarter, higher oil prices and continued fluctuations in oil prices had a negative impact on demand during the period and prevented Andatee from passing the entirety of the Company’s rising raw material costs to its customers, as was the case with the previous quarter. However, this stabilization in our inventory costs does translate into less pressure on our margins, which is why we have adjusted our net income guidance for the year.

Let’s move to slide 5. We are continuing to ramp up operations at our new blending facilities in Panjin City, Liaoning province, and Zibo City, Shandong province. Andatee expects these facilities to be fully operational by the end of the year, improving the Company’s production capabilities in blending with an additional 30,000 cubic meters in tank capacity. The Company also believes these facilities will help to

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reduce the cost of procuring raw materials and shipping products to customers because they are strategically located near refineries and Andatee's current major suppliers. As I mentioned last quarter, the Company is in the process of relocating its headquarters to Shanghai, which is more central to Andatee's various operations in mainland China. We have decided to take a gradual approach to this relocation to ensure that our suppliers in northern China feel comfortable that we will remain committed to our working relationships with them. At the same time, we can begin establishing relationships with new suppliers in central and southern China. The Company plans to maintain a small staff at offices in Dalian, where Andatee currently has its headquarters. Like Chairman An mentioned earlier, we feel it is crucial to maintain an established supplier base in both areas. As always, we welcome visitors to any of Andatee's facilities.

Slide 6 is financial highlights.

Let's move to slide 7. Now, I'd like to move to the financials. On slide 7, you will see a summary of the Company's revenue and gross profit for the third quarter. The Company reported revenues for the 2011 third quarter of \$65.8 million, an increase of 14.3% compared to \$57.5 million in the prior-year period. The increase was largely due to increased sales of Andatee's #4 blended fuel product, which was contributed by the additional capacity from the new blending facilities in Liaoning and Shandong provinces. Rising oil costs that the Company managed to partially pass through to its customers also contributed to the increased revenues during the quarter. For the third quarter ended September 30, 2011, gross profit was \$6.3 million, compared to \$5.8 million in the prior-year period. Gross margin was 9.5% for the third quarter of 2011, compared to 10.0% in the prior-year period. This decrease was largely due to increased costs of raw materials, only a portion of which the Company managed to pass through to its customers during the 2011 third quarter. For the nine months ended September 30, 2011, the Company reported revenues of \$173.2 million, an increase of 31.8% compared to \$131.4 million in the prior-year period. During these nine months, the Company's gross margin was 9.1%, compared to 11.1% in the prior-year period.

In the next slide, I will discuss net income. Andatee reported net income for the third quarter of 2011 of \$2.3 million, or 23 cents per diluted share based on 9.8 million weighted average diluted shares outstanding, compared to net income of \$2.6 million, or 27 cents per diluted share based on 9.8 million diluted shares outstanding, in the prior-year period. During the 2011 third quarter, selling, general and administrative expenses totaled \$2.8 million, or 4.2% as a percentage of revenues, compared to \$1.9 million, or 3.3% as a percentage of revenues in the prior-year period. This increase in SG&A expenses was primarily due to the increased compensation expenses for sales employees due to increased sales, an increase in promotional expenses to market the Company's products produced at its new blending facilities in Liaoning and Shandong provinces, and expenses related to the Company's ongoing relocation of its headquarters from Dalian to Shanghai. The Company reported net income for the nine months ended September 30, 2011, of \$5.9 million, or 61 cents per diluted share based on 9.7 million weighted average diluted shares outstanding, compared to net income of \$6.7 million, or 72 cents per diluted share based on 9.3 million diluted shares outstanding, in the prior-year period. Net income for the first

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nine months of 2011 was impacted by the increased costs of raw materials, as well as the increased SG&A expenses incurred during the 2011 third quarter.

Moving quickly to the balance sheet on slide 9. 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. As you can see, we have spent the majority of the year focused on utilizing our free cash flow to further de-leverage our balance sheet. In the current market climate, we feel this is a very prudent and conservative measure. Thus far, we have been successful. In September, the Company announced that Chairman An had adopted a share repurchase plan. Under this plan, Mr. An may purchase up to a value of \$2 million of the Company's common stock through September 19, 2012, subject to certain conditions. As of October 31, 2011, Mr. An had repurchased 78,059 shares of common stock at an average stock price of \$2.77, for a total purchase of approximately \$216,000.

The Company continues to carefully monitor the overall economic environment, as well as the movement of global oil prices. As we have seen global oil prices somewhat stabilize over the past few months, we are reiterating the revenue guidance and raising net income guidance for 2011, which is outlined on slide 11. To summarize, we have reiterated revenue guidance of between \$225 million and \$275 million and are raising net income guidance to between \$7 million and \$9 million, from between \$5 million and \$8 million. We are reiterating sales volume guidance to an increase of between 7% and 24% for the year. We are basing this guidance on our own internal growth projections, exclusive of any potential acquisitions. We remain confident in the long-term prospects of the marine fuel industry and believe that our business will continue to grow. We continue to look at new expansion plans, such as the opening of new regional facilities, new products, and expanded service offerings such as direct refueling at sea. We also continue to look at potential acquisition opportunities but remain conservative in our approach. We are researching, and if appropriate, will acquire target companies that have facilities in areas that fit into Andatee's growth plans. We intend to maintain a balanced strategy for overall stable growth.

With that operator, let's open it up for any questions.

Operator

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press *1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press *2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the * keys. One moment please while we poll for questions. Again it is *1 if you would like to ask a question, *1 on your telephone keypad if you would like to ask a question. I would now like to turn the floor back to management for closing comments.

Bill Wen – Andatee China Marine Fuel Services – CFO

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Thanks again to all of you for joining us. We look forward to speaking with you again during our fourth quarter and year-end results call. As always, we welcome any visitors to our facilities in China. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time and thank you for your participation.

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