



“SERVICE 24/7”

KEY POINTS

- United Fuel is a premier single source provider of fuel and lubricants in the United States. Headquartered in Midland, Texas, UFE has approximately 400 employees.
- United Fuel has over 150 card lock sites, bulk plants and offices in Texas, California, New Mexico, Arizona and Oklahoma.
- United Fuel is one of the largest fleet fuel card issuers in the United States with over 73,000 cards issued to customers.
- United Fuel has numerous organic and acquisition growth opportunities that the Company is pursuing. UFE is committed to growing its business in a profitable manner.
- United Fuel’s customers have asked it to expand its product offerings and service geographical footprint.
- The fuel distribution industry is ready to consolidate. United Fuel has successfully completed eight acquisitions since mid-2005 and is selectively exploring additional acquisition opportunities.
- In October, 2007, United Fuel completed the acquisition of Cardlock Fuel System, Inc., which generated approximately \$200 mm in revenue, \$3.4 mm in net income and \$7.4 mm in EBITDA for the trailing twelve months ending 6/30/07.

Stock Price (December 17, 2007) \$2.30

Stock Data

Fiscal Year-End:	December
Symbol / Exchange:	UFEN / OTCBB
52 - Week Trading Range:	\$0.81 - \$2.71
Common Shares O/S (In Mill.):	40.1
Market Capitalization (In Mill.):	\$92.17
Total Enterprise Value (In Mill.):	\$161.32
Avg. Daily Volume (3 Mos.):	21,975

Financial Data

(Amounts in Millions Except Per Share Amounts)

Balance Sheet Data as of September 30, 2007

Cash & Equivalents:	\$0.5
Total Assets:	\$121.8
Total Debt:	\$69.6
Stockholders' Equity:	\$20.4

Nine Months 2007 Financial Data

Total Revenue:	\$263.0
Net Income:	(\$1.8)
Net Income Applicable to Common:	(\$2.5)
EBITDA*:	\$3.7
Diluted EPS:	(\$0.08)

Full Year 2006 Financial Data

Total Revenue:	\$335.1
Net Income:	\$1.6
Net Income Applicable to Common:	\$0.9
EBITDA*:	\$10.0
Diluted EPS:	\$0.07

Company Financial Outlook - 2007E

Revenue:	\$400 - \$435
Net Income:	\$(2.4) - \$(0.9)
Net Income Applicable to Common:	\$(3.4) - \$(1.9)
EBITDA*:	\$5.0 - \$7.5

* For a reconciliation of EBITDA to Net Income, see "Disclosure of Non-GAAP Performance Measures" on page 5.

Stock Price Chart



COMPANY OVERVIEW

Headquartered in Midland, Texas, *United Fuel & Energy* is one of the largest distributors of gasoline, diesel, propane and lubricant products to customers in the southwestern and south central U.S. UFE has over 150 card lock sites, bulk plants and offices in Arizona, California, New Mexico, Oklahoma and Texas and approximately 375 employees. UFE differentiates itself from its competitors by providing industry superior service and reliability to its customers.

UFE distributes gasoline and diesel through unattended refueling stations, or “card-lock” sites to commercial vehicles and fleets and consumers; wholesales and distributes fuels and lubricants to commercial customers; and sells propane to commercial and residential customers. UFE is one of the largest fuel and lubricant distributors in the United States and plans to selectively acquire additional fuel and lubricant distributors in markets in the southwest and south central United States to diversify its customer base and broaden its geographic footprint.

POSITIONED FOR GROWTH

UFE’s strategy is to become the premier single source provider of fuel and lubricant products to a diverse commercial, residential and consumer customer base throughout markets in the west, southwest and south central U.S. UFE currently operates in markets in Arizona, California, New Mexico, Oklahoma and Texas. UFE plans to expand and increase its market penetration throughout the markets of these states and in other states/markets where business conditions are favorable.

UFE views 2006 and 2007 as largely a foundation years to develop its business model, business processes, and business practices to position the Company to take advantage of numerous growth opportunities that exist. These opportunities include both organic as well as acquisition opportunities. *UFE’s organic and acquisition growth efforts are being driven in part by demand from its customers. That is, many of UFE’s customers are asking it to expand into new markets and geographies to serve their fuel and lubricant needs.* UFE plans to use a combination of selective acquisitions and organic growth initiatives to expand its service footprint and capabilities to meet its customers’ desire to deal with larger suppliers that can deliver a wide range of products over a broad geographic territory.

Industry Ripe for Consolidation - There is significant customer demand for a single source supplier of fuels and lubricants in UFE’s target markets. Many of UFE’s customers deal with hundreds of fuel and lubricant suppliers because that industry is fragmented, primarily consisting of smaller, privately owned operations. For example, it is estimated that there are as many as 8,500 lubricant distributors in the U.S. and each major oil company typically maintains a network of approximately 300 fuel and lubricant distributors.

Selective Acquisitions – UFE is selectively acquiring companies in its target markets that strategically fit the Company’s goal of becoming the premier single source provider of fuel and energy products throughout the southwest and south central U.S.

UFE is focused on companies that fill in geographic gaps in its existing markets in Arizona, California, New Mexico, Oklahoma and Texas and/or opportunities in non-contiguous markets that are attractive. UFE will also look for acquisitions that provide customer and industry diversification to its existing base of business.

UFE believes that selective acquisitions bring several benefits to its growth strategy and operations:

- Increases UFE’s geographic reach
- Enhances geographic, customer and industry diversity
- Achieves financial and operational scale
- Increases operational scale, which facilitates increases in market share
- Generates operating synergies, increased buying power and pricing integrity



The Cardlock Fuels System Acquisition – In October 2007, UFE completed the previously announced acquisition of Cardlock Fuel System, Inc. (CFS), the cardlock operations of SC Fuels, a large private company based in southern California owned by Frank Greinke. CFS operates 23 unattended fueling facilities throughout southern California and has currently issued over 43,000 fleet fuel cards. For the unaudited trailing twelve months ending June 30, 2007, CFS generated approximately \$200 million in revenue, \$3.4 million in net income and \$7.4 million in EBITDA.

As consideration for the acquisition, UFE issued 24.6 million shares of United Fuel and Energy common stock to Frank Greinke at a price of \$1.50 per share. The shares carry certain limitations on voting for one year. With the closing of the transaction, United Fuel now has 39.4 million shares of common stock issued and outstanding. On a fully diluted

basis, accounting for the conversion of all outstanding preferred shares, Frank Greinke owns or controls approximately 52% of the Company, based on 47.6 million diluted shares. The transaction is expected to result in accretion to earnings of approximately \$0.14 per share on the incremental shares issued, based on trailing twelve months results. Additionally, in a related transaction, United Fuels Investment, L.P. (an SC Fuels affiliate) has agreed to acquire 450,000 newly issued common shares at a price of \$1.51 per share.

Greinke has agreed to serve as the Chairman of the Board of Directors of UFE. Tom Kelly will continue as a director of the Company and has assumed the title of Vice-Chairman and Founder of United Fuel & Energy.

UFE believes this transaction brings the following benefits to the Company and shareholders:

- Accretive to earnings from day one and increases revenues and volumes by 50%
- Provides the critical mass needed to take the Company to the next level of growth and increase operating efficiencies
- Expands operations into the Western U.S.
- Further diversifies UFE's client base and industries served - reduces the percentage of revenues from the oil services industry from 60% - 65% of revenues to 30% - 40%.
- Will change fuel sales mix from approximately 80% diesel and 20% gasoline to approximately 55% diesel and 45% gasoline. Since pricing for these fuels can move differently depending on demand, the more balanced sales mix can work like an internal hedge
- Gives the Company exposure to urban markets, which gives UFE capabilities to expand into urban markets in proximity to its existing rural markets
- Brings the industry experience of Frank Greinke to UFE, to name a few

Other Acquisitions Completed in 2007 –

- January 2007 - UFE acquired nine card-lock facilities from Your Pump of Texas Inc., based in Longview and also acquired three cardlock sites in Lubbock, Texas, from a third party.
- February 2007 – UFE acquired three card lock facilities in Lubbock, Texas from Benton Oil Company.
- May 2007 - UFE completed the purchase of the assets of Reamax Oil Company, Inc., based in Camp Verde, Arizona. This transaction was the Company's first acquisition in Arizona and provided a first-rate entry into the state.
- July 2007 – UFE acquired substantially all of the assets from Propane Direct LLC, based in Oklahoma City, Oklahoma, which included its propane distribution business with over 6000 customers in Texas, New Mexico, Oklahoma, Kansas and Colorado.

Proven Ability to Integrate Acquisitions – UFE is the creation of the acquisition of six entities, all of which were successfully integrated over the past eight years. Beginning in 2006, UFE increased its acquisition activity and believes it can continue to successfully integrate acquisitions. Integration of acquired companies has historically been done very efficiently and effectively and the Company believes future acquisitions can be integrated in a similar manner.

Fleet Card Business – With the CFS acquisition complete, UFE has become one of the largest card lock operators in the United States, with over 150 card lock locations. The Company utilizes the premier fleet fueling card offering, the Voyager card, having distributed approximately 73,000 Voyager cards to its customers. UFE's fleet card customers can use their Voyager card at the Company's more than 150 card lock locations, plus they can use these fleet cards at over 178,000 other network locations in the United States.

When UFE's customers use their Voyager card at locations not owned by the Company, UFE will still create an income



stream through revenue sharing arrangements with other card lock operator members of the Voyager program. These income streams come to UFE without the traditional Cap Ex required to build and maintain its own locations. It is UFE's intention to grow its fleet card business, targeting customers that not only have used its sites in the past, but those that might use this large national network of 178,000 locations.

Organic Growth – UFE is also pursuing several organic growth initiatives, including:

Increasing Market Share - UFE believes it can increase its market share in its target markets by continuing to build out its business model that is based on superior customer service and reliability. The Company's strategy is not to be the least expensive fuel and lubricants supplier in its markets, but to add value to the supply and distribution process for its customers. In addition, UFE is expanding its service footprint to provide a broader range of fuels and lubricants to its customers.

Build Additional Operations Near Existing Territories – These projects will be in target markets that have a strong concentration of existing core customers and opportunity for new business development.

Expand Territory by Building a Business – Based on feedback from customers and demand, UFE may open a bulk fuel plant in a market and surround it with multiple card lock facilities in a territory where customers have operations but UFE does not.

New Fuel & Lubricant End-Markets – Existing UFE customers have asked the Company to expand to serve them in new markets. UFE has also begun targeting the automotive segment and commercial and industrial segments.

Implementing Modern Technologies – UFE believes by implementing modern technologies into its business, such as tracking technologies for use in its distribution chain, the Company will be better able to differentiate its service and provide additional value to its customers.

SUCCESSFUL EXECUTION OF GROWTH STRATEGY

UFE is developing a successful track record of execution on its growth strategy, including:

- The completion of eight acquisitions since mid-2005
- The addition of over 66 card lock sites
- The addition of 12 bulk fuel sites
- Significantly increasing its fuel card business
- Adding service in Arizona, California, and Oklahoma and doubling geographic service coverage in New Mexico and East Texas and adding regional support west of Dallas
- The addition of *over 20,000* new customers

In addition to growth, the Company is focused on improving the profitability of its operations through several initiatives, including:

Pricing Initiatives – The Company has successfully increased its pricing on its products and services due to the value it adds to an otherwise commoditized business through superior customer service and reliability.

Buying Power – As the Company has increased in size, UFE has gained improved pricing for product through larger purchase orders. The Company believes its buying power is further strengthened due to the CFS acquisition.

Marketing Synergies – Through the acquisitions the Company has made, UFE is able to market additional product to existing customers (lubes for example) that they may not have ordered in the past.

Operating Efficiencies – As UFE has increased its operating scale and critical mass, the Company is focusing on reducing operating and overhead costs. UFE has also been implementing technology and enterprise methods of doing business that should reduce costs and increase operating efficiencies.

The combination of UFE's successful execution of its growth strategies and ongoing profitability enhancement initiatives are expected to increase revenues, margins and profitability over time.

DEMAND DRIVERS

On a historical basis (pre-CFS acquisition) UFE derived approximately 64% of its revenues from companies involved in the oil and gas business. However, UFE takes very little commodity risks in its transactions and has limited exposure to swings in crude or other commodities. UFE sells its products on a cost plus basis and does not hold significant amounts of inventory. Thus, whether crude or other commodity prices goes up or down, UFE will typically get the same mark-up per gallon. The CFA acquisition will further diversify UFE's total revenue mix.

With high prices for crude, drilling activity by UFE's customers in its markets has been active for several years and UFE believes the operating environment for its customers will remain favorable. Drilling and oil field service activities are fuel intensive, but fuel supplier options are limited. Because of its customer service and reliability, UFE is the preferred provider of fuel and lubes to oil and gas companies, with a majority market share of fuel provided to drilling rigs in the Permian Basin.

GROWTH INITIATIVES

There are several initiatives UFE is pursuing to profitably grow the Company, including:

- Leverage recent acquisitions by capturing new end markets
- Carefully evaluate additional acquisition opportunities
- Expand its geographic footprint through organic growth
- Add product lines and services in existing markets to increase market share
- Capitalize on strong product demand
- Implement technological initiatives for wireless communications and efficient inventory control
- Continue to provide superior customer service and reliability
- Move toward becoming a premiere single source supplier of fuel and lubricant products in UFE's target markets through organic and external growth initiatives

United Fuel & Energy Corporation & Subsidiaries Consolidated Statements of Operations (In Thousands, Except Per Share Data) (Unaudited)		
	Nine Months Ended	
	Sept. 30, 2007	Sept. 30, 2006
Revenues		
Sales	260,185	256,769
Other	2,802	2,625
Total Revenues	262,987	259,394
Cost of Sales	230,998	229,086
Gross Profit	31,989	30,308
Expenses		
Operating	15,388	12,297
General & Administrative	13,816	10,763
Depreciation, Amortization & Accretion	1,905	1,312
Total Expenses	31,109	24,372
Operating Income	880	5,936
Other Income (Expense)		
Interest Expense	(3,599)	(3,418)
Amortization of Debt Issue Costs	(325)	(355)
Other Income (Expense), Net	308	159
Total Other Income (Expense)	(3,616)	(3,614)
Income Before Income Taxes	(2,736)	2,322
Income Tax Expense	(977)	865
Net Income	\$ (1,759)	\$ 1,457
Cumulative Preferred Stock Dividend	\$ 760	\$ 481
Net Income Applicable to Common Equity	\$ (2,519)	\$ 976
Net Income Per Common Share:		
Basic	\$ (0.18)	\$ 0.07
Diluted	\$ (0.08)	\$ 0.08
Weighted Average Common Shares Outstanding:		
Basic	14,330	13,656
Diluted	22,801	19,207

United Fuel & Energy Corporation & Subsidiaries Consolidated Balance Sheets (In Thousands)		
	(Unaudited) September 30, 2007	December 31, 2006
	ASSETS	
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 497	\$ 3,951
Accounts Receivable, Net	59,718	47,025
Other Receivables	2,284	1,583
Inventories, Net	13,288	11,559
Prepaid Expense	1,918	982
Deferred Taxes	600	592
Total Current Assets	78,305	65,692
PROPERTY PLANT & EQUIPMENT	30,791	22,972
OTHER ASSETS		
Cash Value of Life Insurance	2,817	2,744
Goodwill	7,683	2,028
Debt Issuance Costs, Net	1,904	537
Other	283	202
Total Other Assets	12,687	5,511
	\$ 121,783	\$ 94,175
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	3,577	1,832
Accounts Payable	26,746	17,015
Accrued & Other Current Liabilities	3,309	3,538
Accrued Income Taxes	-	836
Total Current Liabilities	33,632	23,221
OTHER LIABILITIES		
Long-Term Debt, Less Current Maturities	66,069	47,968
Asset Retirement Obligations	181	172
Deferred Income Taxes	1,534	1,501
Total Liabilities	101,416	72,862
COMMITMENTS & CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stock	-	-
Common Stock	14	14
Paid-In Capital	20,610	19,037
Retained Earnings	(257)	2,262
Total Stockholders' Equity	20,367	21,313
	\$ 121,783	\$ 94,175

DISCLOSURE OF NON-GAAP PERFORMANCE MEASURES

The Securities and Exchange Commission (SEC) has adopted rules regulating the use of non-GAAP financial measures, such as EBITDA, in filings with the SEC, disclosures and press releases. These rules require non-GAAP financial measures to be presented with and reconciled to the most nearly comparable financial measure calculated and presented in accordance with GAAP.

EBITDA represents net income before income taxes, interest and depreciation and amortization. EBITDA is not a presentation made in accordance with generally accepted accounting principles (“GAAP”) and is not a measure of financial condition or profitability. EBITDA should not be considered in isolation or as a substitute for “net income”, the most directly comparable GAAP financial measure, or as an indicator of operating performance.

By presenting EBITDA, United Fuel intends to provide investors with a better understanding of its core operating results to measure past performance as well as prospects for the future. United Fuel evaluates operating performance based on several measures, including EBITDA, as United Fuel believes it is an important measure of the operational strength of its business.

EBITDA may not be comparable to similarly titled measures used by other companies. EBITDA is not necessarily a measure of United Fuel’s ability to fund its cash needs, as it excludes certain financial information when compared to “net income”. Users of this financial information should consider the types of events and transactions which are excluded. A reconciliation of EBITDA to net income follows:

Reconciliation of EBITDA with Projected Net Income*Amounts in Millions*

	Nine Months 2007	Nine Months 2006	Full Year 2006
EBITDA	\$ 3.657	\$ 7.593	\$ 10.045
Less:			
Depreciation & Amortization	\$ 2.230	\$ 1.667	\$ 2.012
Interest Expense	\$ 3.599	\$ 3.418	\$ 4.612
Other Non-Cash Items	\$ 0.564	\$ 0.186	\$ 0.717
Income Tax Expense (Benefit)	\$ (0.977)	\$ 0.865	\$ 1.099
Net Income	\$ (1.759)	\$ 1.457	\$ 1.605
Preferred Stock Dividend	\$ 0.760	\$ 0.481	\$ 0.737
Net Income Applicable to Common	<u>\$ (2.519)</u>	<u>\$ 0.976</u>	<u>\$ 0.868</u>

Reconciliation of Cardlock Fuels System's EBITDA for the trailing twelve months ended June 30, 2007, to Net Income for the same period:*Amounts in Millions*

EBITDA	\$ 7.400
Less:	
Depreciation & Amortization	\$ 0.800
Interest Expense	\$ 0.600
Income Tax Expense	\$ 2.600
Net Income	<u>\$ 3.400</u>

Reconciliation of 2007 Projected EBITDA with Projected Net Income*Amounts in Millions*

	2007
EBITDA	<u>\$5.0 - \$7.5</u>
Less:	
Depreciation & Amortization	\$3.2 - \$3.2
Interest Expense	\$5.0 - \$5.0
Income Tax Benefit	\$(1.4) - \$(0.4)
Other Non-Cash	<u>\$0.6 - \$0.6</u>
Net Loss	<u>\$(2.4) - \$(0.9)</u>
Preferred Stock Dividend	<u>\$1.0 - \$1.0</u>
Net Income Applicable to Common	<u>\$(3.4) - \$(1.9)</u>



OTCBB: UFEN

COMPANY HEADQUARTERS

405 N. Marienfeld, Suite 300
Midland, TX 79701

Phone: 432-571-8000 • Fax: 432-571-8099
www.UFEOnline.com

COMPANY CONTACT

Chuck McArthur, President & CEO

INVESTOR RELATIONS CONTACT

Lisa Elliot – DRG^{&E}
713-529-6600
lelliott@drg-e.com



This document is issued by United Fuel & Energy Corp. and was prepared in conjunction with the firm of Dennard Rupp Gray & Easterly, LLC.

Kip A. Rupp, CFA
Managing Partner, DRG^{&E}
404-872-6764

SAFE HARBOR STATEMENT & READER ADVISORY

Certain statements included in this Fact Sheet release may constitute forward-looking statements. Actual results could differ materially from such statements expressed or implied herein as a result of a variety of factors including, but not limited to: weather, levels of oil and gas drilling and general industrial activity in United Fuel's area of operations, changes in oil and gas prices, risks associated with acquiring other businesses, the price of United Fuel's products, availability of financing and interest rates, competition, changes in, or failure to comply with, government regulations, costs, uncertainties and other effects of legal and other administrative proceedings, general economic conditions and other risks and uncertainties. Also, the achievement of the benefits of the Clark and Queen acquisitions are subject to risks associated with acquisitions generally such as the potential for higher than anticipated integration costs, failure to achieve anticipated synergies, failure to retain key employees and the loss of customers. As a result, this Fact Sheet should be read in conjunction with periodic filings United Fuel makes with the SEC. The forward looking statements contained herein are made only as of the date of this press release, and United Fuel does not undertake any obligation to publicly update such forward looking statements to reflect subsequent events or circumstances.