WORLD FUEL SERVICES CORP
Form 10-K/A
May 09, 2005
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM ______ TO ______

COMMISSION FILE NUMBER 1-9533

WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**59-2459427**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
9800 Northwest 41st Street, Suite 400	
Miami, Florida	**33178**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, including area code: (305) 428-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common Stock, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) Yes x No ¨.

The aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant was $572.0 million (computed by reference to the closing sale price as of March 24, 2005).

The registrant had 22,867,000 shares of common stock, par value $.01 per share, net of treasury stock, issued and outstanding as of March 24, 2005.

Documents incorporated by reference:

Part III Specified Portions of the Registrant s Definitive Proxy Statement for the 2005 Annual Meeting of Shareholders.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this Form 10-K/A) to the Company s Annual Report on Form 10-K for the period ended December 31, 2004, initially filed with the Securities and Exchange Commission (the SEC) on March 31, 2005 (the Original 10-K Filing), is being filed to restate the Company s consolidated statements of cash flows for the years ended December 31, 2004, 2003 and 2002, including the nine months ended December 31, 2002, and the notes related thereto, to reflect the correction of the presentation of borrowings and repayments under the Company s revolving credit facility. The restatement is described in more detail in Note 2b) to Item 8 Financial Statements and Supplementary Data. This Form 10-K/A also reflects the correction of summary quarterly information related to inventory derivatives in Note 10 to Item 8 and the correction of certain typographical errors.

For the convenience of the reader, this Form 10-K/A sets forth the Original 10-K Filing in its entirety, as amended. With the exception of changes necessary to reflect the above described items, no other information in the Original 10-K Filing has been amended. Additionally, this Form 10-K/A does not reflect other events transpiring after the date of the Original Form 10-K Filing. Pursuant to the rules of the SEC, Item 15 of Part IV of the Original Filing has been amended to contain currently dated certifications from the Company s Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company s Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer are attached to this Form 10-K/A as Exhibits 31.1, 31.2, 31.3, 31.4, and 32.1.

The Original 10-K Filing reflected the restatement of our previously reported financial statements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, and the year ended March 31, 2002. The restatement reflects the correction of the cutoff procedures used by the Company for recognizing sales and sales related costs. The restatement is described in more detail in Note 2a) to Item 8 Financial Statements and Supplementary Data.

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business

Overview

World Fuel Services Corporation (the Company) was incorporated in Florida in July 1984 and along with its consolidated subsidiaries is referred to collectively in this Annual Report on Form 10-K as World Fuel, we, our and us. We market fuel and related services to marine and aviation customers throughout the world. In our marine fuel services business, we offer marine fuel and related services to a broad base of customers, including international container and tanker fleets, and time-charter operators, as well as to the United States and foreign governments. In our aviation fuel services business, we offer aviation fuel and related services to passenger, cargo and charter airlines, as well as corporate customers and the United States and foreign governments. We provide competitive prices, credit terms, fuel management and price risk management services, and single-supplier convenience. We also offer flight plans and weather reports to our corporate aviation customers.

In August 2002, we changed our fiscal year-end from March 31st to a calendar year-end of December 31st. We initiated this change so we could be more directly comparable to other public companies that use a calendar year for their fiscal year. This change was first effective with respect to the nine months ended December 31, 2002. The results for the calendar year ended December 31, 2002, presented in this Form 10-K for comparison, are unaudited. The 2002 calendar year results combined the audited results for the nine months ended December 31, 2002 and the unaudited results for the three months ended March 31, 2002.

The Company corrected its cutoff procedures to recognize revenues and sales related costs at the time fuel deliveries are made and related services are performed. The Company had historically recorded revenue and sales related costs when supporting documentation relating to fuel deliveries and related services had been received from third parties utilized by the Company to provide fuel and related services. As a result, we have restated our previously reported financial statements for the years ended December 31, 2003 and 2002, and the nine months ended December 31, 2002. In addition, the Company s presentation of borrowings and repayments under its revolving credit facility was corrected to present such borrowings and repayments on a gross rather than net basis. As a result, we have restated our previously reported statements of cash flows for the years ended December 31, 2004, 2003 and 2002, and the nine months ended December 31, 2002. These restatements are described in more detail in Note 2 to Item 8 Financial Statements and Supplementary Data.

Our executive offices are located at 9800 Northwest 41st Street, Suite 400, Miami, Florida 33178 and our telephone number at this address is (305) 428-8000. Our website is located at *www.wfscorp.com*. Our website and information contained on our website are not part of this Annual Report on Form 10-K and are not incorporated by reference in this Annual Report on Form 10-K. A copy of our latest Form 10-K, Form 10-Q, and other SEC filings can be obtained, free of charge, on our website. These SEC filings are added to the website as soon as reasonably practicable. In addition, our Code of Corporate Conduct and Ethics, Board of Directors committee charters, and Corporate Governance Principles are available on our website.

The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site at *www.sec.gov* that contains reports, proxy and information statements and other information related to issuers that file electronically with the SEC.

Our marine fuel services business is conducted from offices located in the United States, United Kingdom, Denmark, Norway, Russia, Germany, Costa Rica, Brazil, Chile, Argentina, Greece, Turkey, South Africa, China, South Korea, Singapore, Japan, Hong Kong, The Netherlands, and the United Arab Emirates. Our aviation fuel services business is conducted from offices located in the United States, United Kingdom, Russia, China, Singapore, Mexico, Brazil, Colombia and Costa Rica. See Item 2 - Properties for a list of principal offices by business segment and Exhibit 21.1 - Subsidiaries of the Registrant included in this Form 10-K for a list of our subsidiaries.

Financial information with respect to our business segments and the geographic areas of our business is provided in Note 9 to the accompanying consolidated financial statements included in this Form 10-K.

Table of Contents

Forward-Looking Statements

This Form 10-K and the information incorporated by reference in it include forward-looking statements within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the SEC or in oral statements made to the press, potential investors or others. All statements that are not historical facts are forward-looking statements. The words estimate, project, intend, expect, believe, anticipate, plan, and similar expressions forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to subsidiaries or business segments within our company or to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Examples of forward-looking statements in this report include but are not limited to our expectations regarding our ability to generate operating cash flows and to fund our working capital and capital expenditure requirements. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost and availability of fuel from suppliers, pricing levels, the timing and cost of capital expenditures, outcomes of pending litigation, competitive conditions, general economic conditions and synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include:

- our ability to collect accounts receivable;
- changes in the political, economic or regulatory conditions in the markets in which we operate;
- currency exchange fluctuations;
- non-performance of third party service providers;
- our failure to hedge certain financial risks associated with our business and our price risk management services;
- non-performance by counterparties to derivatives contracts;
- uninsured losses;
- our ability to retain and attract senior management and other key employees;
- our ability to manage growth;

our ability to integrate acquired businesses;

the outcome of legal or regulatory proceedings to which we are or may become a party;

adverse conditions in the shipping and aviation industries;

material disruptions in the availability or supply of oil;

changes in the market price of petroleum;

increased levels of competition;

compliance or lack of compliance with various environmental and other applicable laws and regulations;

our failure to comply with restrictions in our credit agreements;

increases in interest rates;

other risks, described below in Risk Factors and from time to time in our other SEC filings.

We believe these forward-looking statements are reasonable. However, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934.

Table of Contents

Description of Business

Our principal business consists of providing marine fuel services to a broad base of international shipping companies and to the United States and foreign governments, and aviation fuel services to passenger, cargo and charter airlines, as well as corporate customers and the United States and foreign governments. We currently employ 606 people worldwide, of which 218 are employed in our marine fuel services business, 267 are employed in our aviation fuel services business, and 121 are employed in corporate.

Marine Fuel Services

We market marine fuel and related services to a broad base of customers, including international container and tanker fleets, and time charter operators, as well as to the United States and foreign governments. Marine fuel and related services are provided throughout most of the world under the following trade names: World Fuel, Trans-Tec, Bunkerfuels, Oil Shipping, Marine Energy, Norse Bunker, Casa Petro, and Tramp Oil.

Through our extensive network of strategically located sales offices, we provide our customers global market intelligence and rapid access to quality and competitively priced marine fuel, 24-hours a day, every day of the year. Our marine related services include management services for the procurement of fuel, cost control through the use of price hedging instruments, quality control and claims management. Our customers need cost effective and professional fuel services because the cost of fuel is a major component of a vessel s operating overhead.

As an increasing number of ship owners, time charter operators, and suppliers continue to outsource their marine fuel purchasing and/or marketing needs, our value added services have become an integral part of the oil and transportation industries push to shed non-core functions and reduce costs. Suppliers use our global sales, marketing and financial infrastructure to sell a spot or ratable volume of product to a diverse, international purchasing community. End customers use our real time analysis of the availability, quality, and price of marine fuels in ports worldwide to maximize their competitive position.

In our marine operations, we primarily act as a reseller. When acting as a reseller, we purchase fuel from a supplier, mark it up, and resell the fuel to a customer. We extend unsecured credit to most of our customers. We also act as a broker and as a source of market information for the end user, negotiate the transaction by arranging the fuel purchase contract between the supplier and the end user, and expedite the arrangements for the delivery of fuel. For this service, we are paid a commission from the supplier.

We purchase our marine fuel from suppliers worldwide. Our cost of fuel is generally tied to spot pricing, market-based formulas or is governmentally controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts, when limited by amount of credit extended to us by suppliers or as required to transact business in certain countries.

Because we arrange to have fuel delivered by our suppliers directly to our customers, inventory is maintained only for competitive reasons and at minimum operating levels. Currently, inventory is maintained at two seaport locations in the United Kingdom. We have arrangements with our suppliers and other third parties for the storage and delivery of fuel.

We utilize subcontractors to provide various services to customers, including fueling of vessels in port and at sea, and transportation of fuel and fuel products.

During each of the periods presented in the accompanying consolidated statements of income, none of our marine customers accounted for more than 10% of total consolidated revenue.

Aviation Fuel Services

We market aviation fuel and related services to passenger, cargo and charter airlines, as well as corporate customers and the United States and foreign governments. Our aviation related services include fuel management, price risk management, flight plans, weather reports, ground handling, and flight permits. We have developed an extensive network that enables us to provide aviation fuel and related services throughout most of the world under the following trade names: World Fuel, Baseops, Airdata, PetroServicios de Mexico, and PetroServicios de Costa Rica.

Table of Contents

In general, the aviation industry is capital intensive and highly leveraged. Recognizing the financial risks of the airline industry, fuel suppliers generally refrain from extending unsecured lines of credit to airlines and avoid doing business with airlines directly. Consequently, most carriers are required to post a cash collateralized letter of credit or prepay for fuel purchases. This impacts the airlines working capital. We recognize that the extension of credit is a risk, but also a significant area of opportunity. Accordingly, we extend unsecured credit to most of our customers.

We purchase our aviation fuel from suppliers worldwide. Our cost of fuel is generally tied to market-based formulas or is government controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts, or as required to transact business in certain countries.

Outside of the United States, we do not maintain fuel inventory since we arrange to have the fuel delivered into our customers aircraft directly from our suppliers. In the United States, fuel is delivered into our customers aircraft or designated storage directly from our suppliers or from our fuel inventory. Inventory is held at multiple airport locations in the United States for competitive reasons and inventory levels are kept at an operating minimum. Inventory is purchased at airport locations or shipped via pipelines. Inventory in pipelines is fully hedged against price risks. We have arrangements with our suppliers and other third parties for the storage and delivery of fuel.

We utilize subcontractors to provide various services to customers, including into-plane fueling at airports, and transportation and storage of fuel and fuel products.

During each of the periods presented in the accompanying consolidated statements of income, none of our aviation customers accounted for more than 10% of total consolidated revenue.

Risk Factors

Risks Related to Our Business

We extend unsecured credit to most of our customers and our business will be adversely affected if we are unable to collect accounts receivable.

We extend unsecured credit to most of our marine and aviation fuel customers. Our success in attracting business has been due, in part, to our willingness to extend credit on an unsecured basis to customers that exhibit a high credit risk profile and would otherwise be required to prepay or post letters of credit with their suppliers of fuel and related services. We do not insure our receivables. Diversification of credit risk is limited because we sell primarily within the marine and aviation industries. In our marine fuel services segment, we have extended individual lines of credit of at least $6.0 million to 20 non-governmental customers, and seven of these customers have lines of credit ranging from $15.0 to $28.0 million (currently, our largest credit lines). In our aviation fuel services segment, we have extended lines of credit of at least $4.0 million to five non-governmental customers, and one of these customers has a credit line of $14.0 million.

Credit losses may be influenced by other factors, including deteriorating conditions in the world economy or in the shipping or aviation industries, political instability, terrorist activities and military action in our market areas. Any credit losses, if significant, would have a material adverse effect on our financial position and results of operations.

*Business conducted outside of the United States subjects us to legal, monetary and political risks, as well as currency exchange risks, and may cause unpredictability in a significant source of our cash flows***.**

We conduct business in many foreign countries which subjects us to various political and other risks that are different from and in addition to those relating to conducting business in the United States, including:

- enactment of laws prohibiting or restricting foreign business;
- laws restricting us from repatriating profits earned from activities within the foreign country, including the payment of distributions;
- exchange rate fluctuations;
- terrorism, war or civil unrest.

Unfavorable legal, regulatory, economic or political changes such as those described above could adversely affect our financial condition and results of operations.

Table of Contents

Our business and our customers businesses are subject to currency exchange risks.

The majority of our business transactions are denominated in U.S. dollars. However, in certain markets, primarily in Mexico, Colombia and the United Kingdom, payments to our fuel suppliers and from some of our customers are denominated in local currency. This subjects us to foreign currency exchange risk. Although we use hedging strategies to manage and minimize the impact of foreign currency exchange risk, at any given time, only a portion of such risk may be hedged. As a result, fluctuations in foreign exchange rates could adversely affect our profitability.

In addition, many of our customers are foreign customers and may be required to purchase U.S. dollars to pay for our products and services. A rapid depreciation or devaluation in currency affecting our customers could have an adverse effect on our customers operations and their ability to convert local currency to U.S. dollars to make the required payments to us. This would in turn result in higher credit losses for us which would adversely affect our business.

Third parties who fail to provide services to us and our customers as agreed could harm our business

We use third parties to provide various services to our customers, including into-plane fueling at airports and fueling of vessels in port and at sea. The failure of these third parties to perform these services in accordance with the terms we have agreed with them and our customers could affect our relationships with our customers and subject us to claims and other liabilities which might have a material adverse effect on our business or our financial results.

We also use third parties to store our fuel inventory and to transport fuel. If these third parties become bankrupt or otherwise fail to meet their commitments to creditors, our fuel could be seized and applied against amounts owed to such creditors. This could cause both disruptions in our business and financial losses.

Fuel sold to our customers is purchased by us from various suppliers. If the fuel we purchase from our suppliers fails to meet the specifications we have agreed to supply to our customers, our relationship with our customers could be adversely affected and we could be subject to claims and other liabilities which could have a material adverse effect on our business or our financial results.

We are exposed to various risks in connection with the price risk management services we offer to our customers.

As part of our price risk management services, we offer our customers various pricing structures on future purchases of fuel, as well as derivatives products designed to assist our customers in hedging their exposure to fluctuations in fuel prices. In connection with offering our customers these services, we are exposed to financial risk associated with fluctuations in fuel prices. We typically hedge this risk by entering into a commodity based derivative instrument with a counterparty on substantially the same terms and conditions as those entered into with our customer. Should we fail to adequately hedge the risks associated with offering these services, or should a customer or counterparty to a derivative instrument fail to honor its obligations under our agreements with them, we could sustain significant losses which could have a material adverse effect on our profitability and financial position. Also, the failure of our employees to comply with our policies and procedures concerning the administration of our price risk management services, for example by failing to hedge a specific financial risk, could subject us to significant financial losses which could have a material adverse effect on our business and financial condition.

Insurance coverage for some of our operations may be insufficient to cover losses.

We lack insurance coverage for various risks, including environmental claims. Although we generally require our subcontractors to carry liability insurance, not all subcontractors carry adequate insurance. Our marine business does not have liability insurance to cover the acts or omissions of our subcontractors. None of our liability insurance covers acts of war and terrorism. A significant uninsured claim would have a material adverse effect on our financial position and results of operations.

Table of Contents

If we are unable to retain our senior management and key employees, our business and results of operations could be harmed.

Our ability to maintain our competitive position is dependent largely on the services of our senior management and professional team. If we are unable to retain the existing senior management and professional personnel, or to attract other qualified senior management and professional personnel, our businesses will be adversely affected.

The failure to effectively manage our rapid growth could have an adverse effect on our business.

We have rapidly expanded our operations in recent years and we intend to continue to pursue existing and potential market opportunities. This rapid growth places a significant demand on our management and operational resources. If we are unable to manage our growth effectively, our business, financial condition, and results of operations will be adversely affected.

The integration of an acquired company may have an adverse effect on our operations.

Our business has grown, in part, as a result of our acquisition of other companies. On April 2, 2004, we acquired Tramp Oil and, since that time, we have been integrating this business with our existing operations. The integration of an acquisition typically involves a number of risks that may adversely affect our operations. These risks include diversion of management s attention, difficulties in the integration of acquired operations and retention of personnel, entry into unfamiliar markets, unanticipated problems or legal liabilities, and tax and accounting issues. Furthermore, once we have integrated an acquired company, the business may not achieve the same levels of revenue or profitability as our other operations, or otherwise perform as expected.

We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position.

We are involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically commercial or contractual claims that arise in the normal course of business including, without limitation, disputes with our suppliers and customers. Such proceedings and claims could have a material adverse effect on our profitability and consolidated financial position if decided adversely.

Risks Related to Our Industry

Adverse conditions in the shipping and aviation industries may have an adverse effect on our business.

Our business is focused on the marketing of fuel and fuel-related services to the shipping and aviation industries. Therefore, any adverse economic conditions in these industries may have an adverse effect on our business. In addition, any political instability, terrorist activity or military action that disrupts shipping or flight operations will adversely affect our customers and may reduce the demand for our products and services. Our business could also be adversely affected by increased merger activity in the airline and shipping industries, which may reduce the number of customers that purchase our products and services, as well as the prices we are able to charge for such products and services.

Material disruptions in the availability or supply of oil may adversely affect our business.

The success of our business depends on our ability to purchase, sell and deliver fuel and fuel-related services to our customers. Our business would be adversely affected to the extent that political instability, natural disasters, terrorist activity, military action or other conditions disrupt the availability or supply of oil.

Changes in the market price of petroleum may have a material adverse effect on our business.

Increases in fuel prices can adversely affect our customers businesses, and consequently increase our credit losses. Increases in fuel prices could also affect the credit limits extended to us by our suppliers, potentially affecting our liquidity and profitability. In addition, increases in oil prices will make it more difficult for our clients to operate and could reduce demand for our services. Conversely, a rapid decline in fuel prices could adversely affect our profitability because inventory purchased by us when fuel prices were high may have to be sold at lower prices.

Table of Contents

Our business is subject to aggressive competition.

We are subject to aggressive competition in all areas of our business. Our competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized firms. In addition to competing with fuel resellers, we also compete with the major oil producers that market fuel directly to the large commercial airlines and shipping companies. Our business could be adversely affected because of increased competition from the larger oil companies who may choose to directly market to smaller airlines and shipping companies, or to provide less advantageous price and credit terms to us.

Our operations are subject to various environmental laws and regulations, the violation of which could result in liability, fines or penalties.

We are subject to various environmental laws and regulations dealing with the handling of fuel and fuel products. We also maintain fuel inventories at several locations. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, if there are releases of fuel and fuel products we own, or if we are found to be in violation of environmental laws or regulations, we could be subject to liabilities that could have a materially adverse effect on our business and operating results. We are also subject to possible claims by customers, employees and others who may be injured by a fuel spill, exposure to fuel, or other accidents. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

We have exited several businesses that handled hazardous and non-hazardous waste. We treated and/or transported this waste to various disposal facilities. We may be held liable as a potentially responsible party for the clean-up of such disposal facilities, or be required to clean-up facilities previously operated by us, pursuant to current U.S. federal and state laws and regulations.

Risks Related to our Credit Facility.

Our failure to comply with the restrictions of our credit facility could adversely affect our operations.

We borrow money pursuant to a credit agreement that imposes certain operating and financial restrictions on us, including restrictions on the payment of dividends in excess of specified amounts. Our failure to comply with obligations under the credit agreement, including meeting certain financial ratios, could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the credit agreement, and impair our ability to receive working capital advances and issue letters of credit, which could have a material adverse effect on our ability to operate our business.

Increases in interest rates and/or the failure of our interest rate protection arrangements to reduce our interest rate volatility may increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness.

Almost all of our credit facility debt is subject to variable interest rates. On March 9, 2005, we entered into interest rate protection arrangements that, in effect, fix the rate of interest on $20.0 million of our debt at a weighted average interest rate of 5.45% per annum. The amount of debt covered by these arrangements may change depending on our working capital needs. An increase in interest rates and/or our failure to maintain adequate interest rate protection arrangements would increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness. At December 31, 2004, we had a total of $50.0 million of debt bearing a weighted average interest rate of approximately 4.27% per annum.

Table of Contents

Regulation

The principal laws and regulations affecting our businesses are as follows:

Environmental Regulations. Our activities, including discontinued operations, are subject to substantial regulation by federal, state and local government agencies, inside and outside the United States, which enforce laws and regulations governing the transportation, sale, storage and disposal of fuel and the collection, transportation, processing, storage, use and disposal of hazardous substances and wastes, including waste oil and petroleum products. For example, United States Federal and state environmental laws applicable to us include statutes that: (i) allocate the cost of remedying contamination among specifically identified parties, and prevent future contamination; (ii) impose national ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health or welfare; (iii) govern the management, treatment, storage and disposal of hazardous wastes; and (iv) regulate the discharge of pollutants into waterways. International treaties also prohibit the discharge of petroleum products at sea. The penalties for violations of environmental laws include injunctive relief, recovery of damages for injury to air, water or property, and fines for non-compliance. See Risk Factors, above, and Item 3 Legal Proceedings.

Taxes on Fuel. Our marine and aviation segments are affected by various taxes imposed on the purchase and sale of marine and aviation fuel products. These taxes include sales, excise, goods and services taxes (GST), value added taxes (VAT) and other taxes, and are collectively referred to as transaction taxes. The transaction taxes imposed on marine and aviation fuel purchasers and sellers are also subject to various full and partial exemptions. Subject to exemptions available at the time of the transaction, in general, we pay the appropriate transaction tax to the supplier or charge the appropriate transaction tax to the customer. We continuously review our compliance with U.S. and foreign laws that impose transaction taxes on our operations. However, in certain cases, we may be responsible for additional transaction taxes if the customer or we do not qualify for an exemption believed to be available at the time of purchase and/or sale.

Item 2. Properties

The following pages set forth our principal leased properties by segment as of March 24, 2005. We consider our properties and facilities to be suitable and adequate for our present needs.

WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES

PROPERTIES

Location	Principal Use	Lease Expiration
Corporate 9800 Northwest 41st Street, Suite 400 Miami, FL 33178, USA	Executive and administrative office	March 2013
Marine Fuel Services 9800 Northwest 41st Street, Suite 400 Miami, FL 33178, USA	Executive and administrative office	March 2013
Raritan Plaza III	Administrative, operations and	January 2010

101 Fieldcrest Avenue Suite 2B Edison, NJ 08837, USA	sales office	
2 Greenwich Office Park Greenwich, CT 06830, USA	Administrative, operations and sales office	December 2006
1101 Fifth Avenue, Suite 280 San Rafeal, CA 94901, USA	Administrative, operations and sales office	July 2008
238A Thompson Road #17-08 Novena Square Tower A, Singapore 307684	Administrative, operations and sales office	December 2006
9 F/L., Dongwon-Bldg., 128-27 Dangju - Dong, Chongno - Ku Seoul, 110-759 South Korea	Sales office	October 2007

(Continued)

Table of Contents

WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES

PROPERTIES

(Continued)

Location	Principal Use	Lease Expiration
Marine Fuel Services 4th floor, Tozan Building, 4-4-2 Nihonbashi Hon-Cho, Chuo-Ku Tokyo 103-0023, Japan	Sales office	March 2006
Yam Tze Commercial Building, Unit A, 18th Floor 23 Thompson Road Wanchai, Hong Kong	Administrative, operations and sales office	March 2006
Poseidonos 60 Av., Third Floor Glyfada 166-75 Athens, Greece	Sales office	Month-to-month
The Foundry, 4th Floor, Unit 1, Cardiff Road Green Point, South Africa 8001	Sales office	August 2007
Al Mossa Tower 2, Suite 904 Sheikh Zayed Road, P.O. Box 24676 Dubai, United Arab Emirates	Sales office	March 2006
Westminster Tower 3 Albert Embankment London SE1 75P, United Kingdom	Administrative, operations and sales office	March 2010
Gammelbyved 2 Karise, Denmark 4653	Sales office	Month-to-month
Vasteland 6 3011 BK Rotterdam, Netherlands	Administrative, operations and sales office	Month-to-month
Niels Juels gate 11 B 0272 Oslo, Norway	Administrative, operations and sales office	February 2006
Oficentro Ejécutivo La Sabana Sur, Edificio #7, Piso 2 San José, Costa Rica	Administrative, operations and sales office	May 2009
Avenida Libertad 798, Suite 301 Vina del Mar, Chile	Sales office	September 2005
Tucuman 373 Pis 3, 1049 CF Buenos Aires, Argentina	Sales office	August 2005
No. 1 Pudong Avenue, Marine Tower, Room 1206 Shanghai, China 200120	Sales office	Month-to-month
Yener Sok, Ayaz Apr No. 123, D-3 Erenkoy, Istanbul Turkey	Sales office	Month-to-month
70 Shenton Way, #17-01A Marina House, Singapore 79118	Administrative, operations and sales office	November 2006
34 ap.3, Georgiy Dimitrov Str 236000 Kaliningrad, Russia	Sales office	December 2005

(Continued)

Table of Contents

WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES

PROPERTIES

(Continued)

Location	Principal Use	Lease Expiration
Marine Fuel Services		
Bremer, 2, D-28816 Stuhr Bremen, Germany	Sales office	May 2008
7 Priory Tech Park, Saxon Park, Saxon Way, Hessle, Hull East Yorkshire HU13 9PB, United Kingdom	Sales office	July 2015
15-17 Elmfield Road Bromley, Kent BR1 1LT, United Kingdom	Administrative, operations and sales office	March 2011
Av. Rio Branco 181/3004 Rio de Janeiro, Brazil 20040 007	Sales office	Month-to-month
Aviation Fuel Services		
9800 Northwest 41st Street, Suite 400 Miami, FL 33178, USA	Executive, administrative, operations, and sales office	March 2013
333 Cypress Run #200 Houston, Texas 77094, USA	Administrative, operations and sales office	January 2006
4995 East Anderson Avenue Fresno, CA 93727, USA	Administrative, operations and sales office	Month-to-month
238A Thompson Road #17-08 Novena Square Tower A, Singapore 307684	Administrative, operations and sales office	December 2006
Kingfisher House, Northwood Park, Gatwick Road Crawley, West Sussex, RH10 2XN, United Kingdom	Administrative, operations and sales office	December 2007
Oficentro Ejécutivo La Sabana Sur, Edificio #7, Piso 2 San José, Costa Rica	Administrative, operations and sales office	May 2009
Av. Rio Branco 181/3004 Rio de Janeiro, Brazil 20040 007	Sales office	Month-to-month
Avenida Fuerza Aérea Mexicana No. 465 Colonia Federal, 15700 México, D.F.	Administrative, operations and sales office	Month-to-month
Slavjanskaya Business Center, 8th Floor Europe Square 2, Moscow 121059, Russian Federation	Administrative, operations and sales office	January 2006
Calle 93B No. 11A-33, oficina 303 Bogota, Colombia	Administrative, operations and sales office	Month-to-month
Room 906, Building 113 Shaoyaojubeili, Chao Yang District Beijing, China	Administrative, operations and sales office	Month-to-month

Table of Contents

Item 3. Legal Proceedings

In April 2001, Miami-Dade County, Florida (the County) filed suit (the County Suit) against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the Airport). Page Avjet Fuel Corporation, now known as PAFCO LLC (PAFCO), is a defendant. We acquired a 50% interest in PAFCO from Signature Flight Support Corporation (Signature) in December 2000. Pursuant to the PAFCO acquisition agreement, Signature agreed to indemnify us for all PAFCO liabilities arising prior to the closing date (Closing). Because the Airport contamination occurred prior to Closing, we believe that the County Suit is covered by Signature s indemnification obligation. We have notified Signature of the County Suit, as stipulated in the acquisition agreement. We expect Signature to defend this claim on behalf of PAFCO and at Signature s expense.

Also in April 2001, the County sent a letter to approximately 250 potentially responsible parties (PRP s), including World Fuel Services Corporation and one of our subsidiaries, advising them of their potential liability for the clean-up costs of the contamination that is subject of the County Suit. The County has threatened to add the PRP s as defendants in the County Suit, unless they agree to share in the cost of the environmental clean-up at the Airport. In May 2001, we advised the County that: (1) neither we nor any of our subsidiaries were responsible for any environmental contamination at the Airport, and (2) to the extent that we or any of our subsidiaries were so responsible, our liability was subject to indemnification by the County pursuant to the indemnity provisions contained in our lease agreement with the County.

The claims asserted by the County relating to environmental contamination at the Airport remain pending; however, no significant developments occurred during the year ended December 31, 2004. We intend to vigorously defend these claims, and we believe our liability in these matters (if any) should be adequately covered by the indemnification obligations of Signature as to PAFCO, and the County as to World Fuel Services Corporation and our other subsidiaries.

In November 2004, World Fuel was served with process in a lawsuit titled Action Manufacturing Co., Inc. et al. v. Simon Wrecking Company, et al. This action, pending in U.S. Federal District Court for the Eastern District of Pennsylvania, relates to the environmental clean up of the Malvern TCE Superfund site in Chester County, Pennsylvania. The plaintiffs are a group of private corporations that entered into a consent decree with the Environmental Protection Agency in 1999, under the terms of which the plaintiffs agreed to pay for remediation of the site. In the action, the Plaintiffs are seeking contribution from the various Defendants toward the costs of remediating the site. Plaintiffs have alleged that World Fuel is a successor to Resource Technology Services, Inc., a Pennsylvania corporation that arranged for disposal of wastes at the site. In 1988, Resource Recovery Atlantic, Inc., a Delaware corporation that was then an indirect subsidiary of World Fuel, purchased selected assets from Resource Technology Services, Inc. The plaintiffs claim that this transaction gives rise to our successor liability pursuant to the Pennsylvania Hazardous Sites Cleanup Act. The plaintiffs have alleged that Resource Technology Services Inc. s share of the clean-up costs is $1.0 million.

World Fuel s subsidiary, Resource Recovery Atlantic, Inc., acquired only selected assets of Resource Technology Services, Inc., and did not assume any of its liabilities, except for four vehicle leases. We believe that neither World Fuel, nor any of our subsidiaries, is a successor to Resource Technology Services, Inc. and that we are not responsible for any liabilities of that company. We intend to vigorously defend all claims asserted against us arising from liabilities of Resource Technology Services, Inc.

We may not prevail in the legal proceedings described above and we cannot estimate our ultimate exposure if we do not prevail. A ruling against us in certain of the proceedings described above could have a material adverse effect on our financial condition and results of operations.

In addition to the matters described above, we are also involved in litigation and administrative proceedings primarily arising in the normal course of our business. In the opinion of management, except as set forth above, our liability, if any, under any other pending litigation or administrative proceedings, even if determined adversely, would not materially affect our financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of shareholders, through the solicitation of proxies or otherwise, during the quarter ended December 31, 2004.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On January 20, 2005, we announced a two-for-one split of our common stock. The additional shares issued pursuant to the stock split were distributed on February 15, 2005 to stockholders of record as of February 1, 2005. All references in this Form 10-K to number of shares and per share amounts reflect the stock split.

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol INT. As of March 24, 2005, there were 227 shareholders of record of our common stock, and the closing price of our stock on the NYSE was $26.39. The following table sets forth, for each quarter in 2004 and 2003, the high and low closing sales prices of our common stock as reported by the NYSE.

	Price	
	High	Low
Year ended December 31, 2004		
First quarter	$ 18.37	$ 16.34
Second quarter	22.66	19.00
Third quarter	22.60	16.95
Fourth quarter	24.90	16.90
Year ended December 31, 2003		
First quarter	$ 10.52	$ 9.85
Second quarter	12.39	9.84
Third quarter	14.20	11.72
Fourth quarter	17.00	14.15

The following table sets forth the amount, the declaration date, record date, and payment date for each quarterly dividend declared in 2004 and 2003.

	Per Share Amount	Declaration Date	Record Date	Payment Date
Year ended December 31, 2004				
First quarter	$ 0.0375	March 1, 2004	March 19, 2004	April 5, 2004
Second quarter	0.0375	June 1, 2004	June 18, 2004	July 6, 2004
Third quarter	0.0375	September 1, 2004	September 17, 2004	October 4, 2004
Fourth quarter	0.0375	December 1, 2004	December 17, 2004	January 4, 2005
Year ended December 31, 2003				
First quarter	$ 0.0375	February 28, 2003	March 14, 2003	April 3, 2003
Second quarter	0.0375	June 2, 2003	June 20, 2003	July 3, 2003
Third quarter	0.0375	September 1, 2003	September 19, 2003	October 2, 2003
Fourth quarter	0.0375	December 1, 2003	December 19, 2003	January 2, 2004

Our credit facility agreement restricts the payment of cash dividends to a maximum of 35% of our net income for the four quarters preceding the date of the dividend. The payments of the above dividends were in compliance with the credit facility agreement. For additional information regarding our credit facility agreement, see Note 3 to the accompanying consolidated financial statements, included herein, and Liquidity and Capital Resources in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. On March 1, 2005, our Board of Directors approved a quarterly cash dividend of $0.0375 per share for 2005.

For information regarding our issuances of common stock, see Note 5 to the accompanying consolidated financial statements, included herein.

Table of Contents

Our Board of Directors, from time to time, has authorized stock repurchase programs under the terms of which we may repurchase our common stock, subject to certain restrictions contained in our credit agreement. As of December 31, 2004, we are authorized to repurchase up to $6.0 million of our common stock. We did not repurchase any shares of our common stock during the year ended December 31, 2004.

Item 6. Selected Financial Data

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

(In thousands, except earnings per share data)

	For the Year ended December 31,			For the Nine Months ended December 31,	For the Year ended March 31,	
	2004	2003	2002	2002	2002	2001
		Restated	Restated (Unaudited)	Restated	Restated	Restated
Consolidated Income Statement Data						
Revenue	$ 5,654,373	$ 2,671,557	$ 1,904,365	$ 1,551,707	$ 1,369,392	$ 1,522,961
Cost of sales	(5,524,417)	(2,570,434)	(1,820,538)	(1,488,587)	(1,293,568)	(1,450,640)
Gross profit	129,956	101,123	83,827	63,120	75,824	72,321
Operating expenses	(92,980)	(73,781)	(63,800)	(49,109)	(54,830)	(57,672)
Income from operations	36,976	27,342	20,027	14,011	20,994	14,649
Other (expense) income, net	(1,448)	628	(1,926)	(2,030)	1,937	2,191
Income from continuing operations before income taxes	35,528	27,970	18,101	11,981	22,931	16,840
Provision for income taxes	(6,969)	(5,809)	(3,948)	(1,934)	(5,947)	(4,662)
Income from continuing operations	28,559	22,161	14,153	10,047	16,984	12,178
Discontinued operations, net of tax						(1,152)
Net income	$ 28,559	$ 22,161	$ 14,153	$ 10,047	$ 16,984	$ 11,026
Basic earnings (loss) per share:						
Continuing operations	$ 1.29	$ 1.04	$ 0.68	$ 0.48	$ 0.82	$ 0.57
Discontinued operations						(0.05)
Net income	$ 1.29	$ 1.04	$ 0.68	$ 0.48	$ 0.82	$ 0.52

Basic Weighted average shares	22,104	21,234	20,898	20,936	20,762	21,288
Diluted earnings (loss) per share:						
Continuing operations	$ 1.22	$ 0.99	$ 0.65	$ 0.46	$ 0.80	$ 0.57
Discontinued operations						(0.05)
Net income	$ 1.22	$ 0.99	$ 0.65	$ 0.46	$ 0.80	$ 0.52
Diluted weighted average shares	23,454	22,338	21,790	21,800	21,292	21,326

	As of December 31,			As of March 31,	
	2004	**2003**	**2002**	**2002**	**2001**
		Restated	**Restated**	**Restated**	**Restated**
Consolidated Balance Sheet Data					
Accounts and notes receivable, net	$ 490,780	$ 243,612	$ 212,578	$ 161,054	$ 148,657
Total current assets	648,068	354,663	295,289	240,459	209,828
Goodwill	42,347	36,860	36,860	36,860	27,502
Identifiable intangible asset	7,486	1,104	1,472	1,748	
Total assets	712,171	400,850	344,996	285,243	243,768
Total current liabilities	466,985	246,595	212,016	160,294	132,914
Total long-term liabilities	56,683	4,537	4,198	7,633	5,866
Total stockholders equity	188,503	149,718	128,782	117,316	104,988

Table of Contents

NOTES TO SELECTED FINANCIAL DATA

We declared cash dividends of $0.15 per share for the years ended December 31, 2004 and 2003, $0.1125 per share for the nine months ended December 31, 2002, $0.20 per share for the year ended March 31, 2002, and $0.10 per share of common stock for the year ended March 31, 2001. Included in the cash dividend for the year ended March 31, 2002 was a special cash dividend of $0.05 per share of common stock declared in May 2001.

Pursuant to various treasury stock repurchase programs, we repurchased approximately 252 thousand shares for an aggregate cost of $2.0 million in February 2002, approximately 266 thousand shares at an aggregate cost of $1.3 million from September 2001 to October 2001, and approximately 1.2 million shares for an aggregate cost of $4.4 million from April 2000 to March 2001.

We acquired the Norse Bunker A.S. in February 2001, the Marine Energy group of companies in April 2001, the Oil Shipping group of companies in January 2002, and Tramp Oil in April 2004. These acquisitions were accounted for as purchases. Accordingly, the results of operations of these acquisitions were included with our results since their respective dates of acquisition. In December 2000, we entered into a joint venture agreement with Signature Flight Support Corporation through the acquisition of a 50% equity interest in PAFCO, a company engaged in the sale of aviation fuel and related services. From January 1, 2001 to December 31, 2003, we used the equity method of accounting to record our share of the earnings and losses of this joint venture. In addition, the amortized interest expense on the non-interest bearing promissory note was also included in net earnings from aviation joint venture. Effective January 1, 2004, with the implementation of the Financial Accounting Standard Board Interpretation No. 46 (FIN No. 46), we consolidated PAFCO s financial position and results of operations, after elimination of all significant intercompany accounts, transactions and profits. See Note 7 to the accompanying consolidated financial statements, included herein, for additional information.

During the year ended March 31, 2001, we recorded an after-tax charge of $656 thousand relating to amounts due to us from the February 2000 sale of our oil recycling segment to EarthCare Company (EarthCare) and additional income taxes of $496 thousand associated with the discontinued operations based on the actual income tax returns filed.

Included in Other income (expense), net for the nine months and year ended December 31, 2002 was a charge of $1.6 million in connection with the settlement of the remaining balance due on the sale of our oil recycling segment to EarthCare.

In connection with the amortization of the Unearned deferred compensation for restricted common stock and stock options granted to employees and non-employee directors over the minimum vesting period of each individual award, we recorded total compensation cost, which was included in Operating expenses, of $1.7 million, $925 thousand and $506 thousand for the years ended December 31, 2004, 2003 and 2002, respectively, $363 thousand for the nine months ended December 31, 2002 and $182 thousand for the year ended March 31, 2001. The remaining Unearned deferred compensation was $4.4 million, $2.8 million and $1.9 million at December 31, 2004, 2003 and 2002, respectively, and $116 thousand at March 31, 2002.

Included in Operating expenses were executive severance charges of $4.5 million relating to the termination of employment of our former Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and two other executives during the nine months and year ended December 31, 2002.

An insurance settlement recovery of $1.0 million relating to a product theft off the coast of Nigeria was included in Other income (expense), net for the year ended March 31, 2002. We had recorded a product theft charge of $3.1 million for the year ended March 31, 2000.

Effective April 2001, we elected to early adopt Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, which among other provisions, states that goodwill shall not be amortized prospectively. Accordingly, no goodwill amortization was recorded subsequent to the adoption of SFAS No. 142.

For the year ended March 31, 2001, an executive severance charge of $3.5 million relating to the termination of the employment of our former Chief Executive Officer was included in Operating expenses.

(Continued)

Table of Contents

NOTES TO SELECTED FINANCIAL DATA

(Continued)

The financial information for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, and the year ended March 31, 2002 has been restated to reflect the correction of the cutoff procedures used by the Company for recognizing sales and sales related costs. The following tables set forth the impact of the restatement for the periods presented (in thousands, except earnings per share data):

	For the Year ended December 31,				For the Nine Months ended December 31,	
	2003	2003	2002	2002	2002	2002
	Previously Reported	Restated	Previously Reported (Unaudited)	Restated (Unaudited)	Previously Reported	Restated
Consolidated Statement of Income						
Revenue	$ 2,661,790	$ 2,671,557	$ 1,898,181	$ 1,904,365	$ 1,546,897	$ 1,551,707
Cost of sales	(2,561,082)	(2,570,434)	(1,814,114)	(1,820,538)	(1,483,976)	(1,488,587)
Gross profit	100,708	101,123	84,067	83,827	62,921	63,120
Operating expenses	(73,718)	(73,781)	(63,898)	(63,800)	(49,135)	(49,109)
Income from operations	26,990	27,342	20,169	20,027	13,786	14,011
Income from continuing operations before income taxes	27,618	27,970	18,243	18,101	11,756	11,981
Provision for income taxes	(5,744)	(5,809)	(3,898)	(3,948)	(1,884)	(1,934)
Net income	$ 21,874	$ 22,161	$ 14,345	$ 14,153	$ 9,872	$ 10,047
Basic earnings per share from continuing operations	$ 1.03	$ 1.04	$ 0.69	$ 0.68	$ 0.47	$ 0.48
Diluted earnings per share from continuing operations	$ 0.98	$ 0.99	$ 0.66	$ 0.65	$ 0.45	$ 0.46

	As of December 31,			
	2003	2003	2002	2002
	Previously Reported	Restated	Previously Reported	Restated
Consolidated Balance Sheet				
Accounts and notes receivable, net	$ 192,119	$ 243,612	$ 177,360	$ 212,578
Total current assets	311,491	354,663	262,580	295,289
Total assets	357,678	400,850	312,287	344,996
Total current liabilities	204,762	246,595	180,359	212,016
Total stockholders equity	148,379	149,718	127,730	128,782

(Continued)

Table of Contents

NOTES TO SELECTED FINANCIAL DATA

(Continued)

	For the Year ended March 31,			
	2002	2002	2001	2001
	Previously Reported	Restated	Previously Reported	Restated
Consolidated Statement of Income				
Revenue	$ 1,365,065	$ 1,369,392	$ 1,529,242	$ 1,522,961
Cost of sales	(1,288,891)	(1,293,568)	(1,457,500)	(1,450,640)
Gross profit	76,174	75,824	71,742	72,321
Operating expenses	(54,885)	(54,830)	(57,590)	(57,672)
Income from operations	21,289	20,994	14,152	14,649
Income from continuing operations before income taxes	23,226	22,931	16,343	16,840
Provision for income taxes	(5,991)	(5,947)	(4,557)	(4,662)
Net income	$ 17,235	$ 16,984	$ 10,634	$ 11,026
Basic earnings per share from continuing operations	$ 0.83	$ 0.82	$ 0.55	$ 0.57
Diluted earnings per share from continuing operations	$ 0.81	$ 0.80	$ 0.55	$ 0.57

	As of March 31,			
	2002	2002	2001	2001
	Previously Reported	Restated	Previously Reported	Restated
Consolidated Balance Sheet				
Accounts and notes receivable, net	$ 132,586	$ 161,054	$ 125,863	$ 148,657
Total current assets	213,139	240,459	188,225	209,828
Total assets	257,923	285,243	222,165	243,768
Total current liabilities	133,851	160,294	112,439	132,914
Total stockholders equity	116,439	117,316	103,860	104,988

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Item 6 Selected Financial Data, and with the consolidated financial statements and related notes thereto appearing elsewhere in this Form 10-K. The following discussion may contain forward-looking statements, and our actual results may differ significantly from the results suggested by these forward-looking statements. Some factors that may cause our results to differ materially from the results and events anticipated or implied by such forward-looking statements are described in Item 1 Business Risk Factors.

Overview

We market fuel and related services to marine and aviation customers throughout the world. In our marine fuel services business, we offer marine fuel and related services to a broad base of customers, including international container and tanker fleets, and time-charter operators, as well as to the United States and foreign governments. In our aviation fuel services business, we offer aviation fuel and related services to passenger, cargo and charter airlines, as well as to corporate customers and the United States and foreign governments. We provide competitive prices, credit terms, fuel management and price risk management services, and single-supplier convenience. We also offer flight plans and weather reports to our corporate aviation customers.

In our marine fuel services business, we purchase and resell fuel, and act as brokers for others. Profit from our marine fuel services business is determined primarily by the volume and commission rate of brokering business generated and by the volume and gross profit achieved on fuel resales. Our profitability also depends on our operating expenses, which may be significantly affected to the extent that we are required to provide for potential bad debts. Profit from our aviation fuel services business is directly related to the volume and the gross profit achieved on fuel sales, as well as our operating expenses, which may be significantly affected to the extent that we are required to provide for potential bad debts. We do not act as brokers for our aviation fuel services business.

In January 2002 and April 2004, we acquired the operations of the Oil Shipping group of companies and Tramp Oil, respectively. These acquisitions form part of our worldwide marine fuel services business and were accounted for as purchases. Accordingly, the results of operations of these acquisitions were included with our results since their respective dates of acquisition. In December 2000, we entered into a joint venture agreement with Signature Flight Support Corporation through the acquisition of a 50% equity interest in PAFCO. From January 1, 2001 to December 31, 2003, we used the equity method of accounting to record our share of the earnings and losses of this aviation joint venture. In addition, the amortized interest expense on the non-interest bearing promissory note was also included in net earnings from this aviation joint venture. Effective January 1, 2004, with the implementation of FIN No. 46, we consolidated PAFCO s financial position and results of operations, after elimination of all significant intercompany accounts, transactions and profits.

Restatement

We have restated our previously reported consolidated financial statements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, and the year ended March 31, 2002 to reflect the correction of the cutoff procedures used by the Company for recognizing sales and sales related costs. Under the corrected cutoff procedures, revenues and sales related costs are recognized at the time fuel deliveries are made and related services are performed. Because we contract with third parties for fuel deliveries and the performance of the related services, this causes delays in our receiving the necessary information for invoicing. As a result of these delays, the Company had historically recorded revenue and sales related costs when supporting documentation relating to fuel deliveries and related services had been received from third parties. We have also restated our previously reported consolidated statement of cash flows for the years ended December 31, 2004, 2003 and 2002, and the nine months ended December 31, 2002 to reflect the correction of the presentation of borrowings and repayments under the Company s revolving credit facility. Under the corrected presentation, borrowings and repayments are shown on a gross rather than net basis.

Reportable Segments

We have two reportable operating businesses: marine and aviation fuel services. Corporate expenses are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. Financial information with respect to our business segments is provided in Note 9 to the accompanying consolidated financial statements included in this Form 10-K.

Table of Contents

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements included elsewhere in this Form 10-K, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to unbilled revenue and related costs of sales, bad debts, deferred tax assets and liabilities, goodwill and identifiable intangible assets, and certain accrued liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the accompanying consolidated financial statements included in this Form 10-K.

Revenue Recognition

Revenue is recognized when fuel deliveries are made and title passes to the customer, or as fuel related services are performed.

Accounts and Notes Receivable and Allowance for Bad Debts

Credit extension, monitoring and collection are performed by each of our business segments. Each segment has a credit committee. The credit committees are responsible for approving credit limits above certain amounts, setting and maintaining credit standards, and managing the overall quality of the credit portfolio. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer s current credit worthiness, as determined by our review of our customer s credit information. We extend credit on an unsecured basis to many of our customers. Accounts receivable are deemed past due based on contractual terms agreed with our customers.

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience with our customers, current market and industry conditions of our customers, and any specific customer collection issues that we have identified. Accounts and notes receivable are reduced by an allowance for amounts that may become uncollectible in the future. We had accounts and notes receivable of $490.8 million and $243.6 million, net of allowance for bad debts of $11.3 million and $10.5 million, as of December 31, 2004 and 2003, respectively. Accounts and notes receivable are written-off when it becomes apparent based upon age or customer circumstances that such amounts will not be collected.

We believe the level of our allowance for bad debts is reasonable based on our experience and our analysis of the net realizable value of our trade receivables at December 31, 2004. We cannot guarantee that we will continue to experience the same credit loss rates that we have experienced in the past, since adverse changes in the marine and aviation industries, or changes in the liquidity or financial position of our customers, could have a material adverse effect on the collectability of our Accounts and notes receivable and our future operating results. If credit losses exceed established allowances, our results of operation and financial condition may be adversely affected. For additional information on the credit risks inherent in our business, see Risk Factors in Item 1 of this Form 10-K.

Goodwill and Identifiable Intangible Assets

Goodwill represents our cost in excess of net assets, including identifiable intangible assets, of the acquired companies and the PAFCO aviation joint venture. The identifiable intangible assets for customer relations existing at the date the acquisitions were recorded and are being amortized over their useful lives of five to seven years. We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. Among other provisions, SFAS No. 142 states that goodwill shall not be amortized prospectively. We recorded amortization of our identifiable intangible assets of $1.2 million for the year ended December 31, 2004, $368 thousand for the years ended December 31, 2003 and 2002, and $276 thousand for the nine months ended December 31, 2002.

Table of Contents

The future estimated amortization of our identifiable intangible assets is as follows (in thousands):

For the Year ending December 31,	
2005	$ 1,448
2006	1,448
2007	1,080
2008	1,080
2009	1,080
Thereafter	1,350
	$ 7,486

In accordance with SFAS No. 142, goodwill must be reviewed annually (or more frequently under certain circumstances) for impairment. The initial step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. Based on results of these comparisons as of December 31, 2004, goodwill in each of our reporting units is not considered impaired. Accordingly, no impairment charges were recognized.

Income Taxes

Income tax expense is provided for using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that all or a portion of the recorded deferred tax assets will not be realized in future periods. As of December 31, 2004, we have not recorded a valuation allowance.

Results of Operations

Overview

Our profitability improved in 2004 due to increases both in metric tons of fuel sold in marine and in gallons of fuel sold in aviation, and a decrease in the provision for bad debts. Earnings were adversely affected by decreases in both the gross profit per metric ton sold in marine and gross profit per gallon sold in aviation, by increases in salaries and wages and in other operating expenses, and by the effect of non-operating expenses recorded in 2004 versus non-operating income recorded in 2003.

The increase in marine business volume in 2004 was primarily due to the Tramp Oil acquisition and additional sales to new and existing customers. The decrease in gross profit per metric ton sold in marine in 2004 reflects sustained high marine fuel prices, competitive pressures, and the acquisition of lower margin business from Tramp Oil. The increase in sales volume and the decrease in gross profit per gallon in the aviation business in 2004 were primarily due to growth in our fuel management business, which is a higher credit quality, lower margin business, as well as new commercial business. The decrease in the provision for bad debts in 2004 was primarily due to a shift of business in favor of higher credit quality, high volume commercial business as well as the recording of bad debt expenses in 2003 relating to the write-off of receivables from two international airlines that filed for bankruptcy. The increases in salaries and wages and other operating expenses in 2004 were due to the additional operating costs of Tramp Oil as well as higher overall operating costs associated with increased business activities. Negative changes in non-operating items in 2004 were primarily due to the recognition of exchange losses relating to the conversion into US dollars of foreign currencies acquired in connection with the Tramp Oil acquisition and higher interest expense associated with borrowings under our revolving credit facility.

We may experience decreases in future sales volume and margins as a result of deterioration in the world economy, or in the shipping or aviation industries, and continued conflicts and instability in the Middle East, Asia and Latin America, as well as potential future terrorist activities and possible military retaliation. In addition, because fuel costs represent a significant part of a vessel s and airline s operating expenses, volatile and/or high fuel prices can adversely affect our customers businesses, and consequently the demand for our services, and our results of operations. See Risk Factors in Item 1 of this Form 10-K.

Table of Contents

Year ended December 31, 2004 compared to Year ended December 31, 2003

Revenue. Our revenue for the year ended December 31, 2004 was $5.65 billion, an increase of $2.98 billion, as compared to revenue of $2.67 billion for the year ended December 31, 2003. Our revenue increase was primarily due to increases in business volume in marine and aviation. Our revenue during these periods was attributable to the following segments (in thousands):

	For the Year ended December 31,	
	2004	**2003**
		Restated
Marine fuel services	$ 3,031,474	$ 1,644,598
Aviation fuel services	2,622,899	1,026,959
Total	$ 5,654,373	$ 2,671,557

Our marine fuel services segment contributed $3.03 billion in revenue for the year ended December 31, 2004, an increase of $1.39 billion, or 84.3%, over the prior year. Of the total increase in marine revenue, $1.25 billion pertained to increased business volume, primarily due to the acquisition of Tramp Oil, as well as additional sales to new and existing customers. The remaining revenue increase of $134.4 million was due to a 6.8% increase in the average price per metric ton sold. Our aviation fuel services segment contributed $2.62 billion in revenue for the year ended December 31, 2004, an increase of $1.59 billion over the prior year. Increased volume in aviation contributed $970.0 million of the total increase in aviation revenue, with the remaining revenue increase of $626.0 million pertaining to a 30.4% increase in the average price per gallon sold. The increase in aviation sales volume was largely due to the growth in our fuel management business, new commercial business, and the consolidation of PAFCO, our aviation joint venture with Signature. See Note 7 to the accompanying consolidated financial statements included in this Form 10-K for additional information.

Gross Profit. Our gross profit of $130.0 million for the year ended December 31, 2004 increased $28.8 million, or 28.5%, as compared to the prior year. Our gross margin decreased from 3.8% for the year ended December 31, 2003, to 2.3% for the year ended December 31, 2004. Our marine fuel services gross margin of 2.1% decreased from 3.0% in the prior year. However, our gross profit in the marine fuel services segment increased $14.4 million, or 29.5%, due to increased business volume, partially offset by a lower gross profit per metric ton sold. Our marine segment gross profit was also reduced due to a write-down in the fourth quarter of 2004 of fuel inventory associated with our exit from the Panamanian market, a market area we acquired as part of the Tramp Oil transaction. The decrease in gross profit per metric ton sold in marine reflects competitive pressures. Our gross profit in the aviation fuel services business increased $14.4 million, or 27.6%, while our aviation fuel services gross margin decreased to 2.5% for the year ended December 31, 2004, as compared to 5.1% for the prior year. The increase in our gross profit in the aviation fuel services segment was primarily due to increased business volume. The decrease in aviation gross margin reflects the business volume growth in our lower margin fuel management business.

Operating Expenses. Total operating expenses for the year ended December 31, 2004 were $93.0 million, as compared to $73.8 million for the year ended December 31, 2003. The increase in operating expenses of $19.2 million, or 26.0%, was due to increases in salaries and wages of $13.0 million and in other operating expenses of $8.1 million, partially offset by a decrease in provision for bad debts of $1.9 million. The overall increase in operating expenses for 2004 reflects the additional operating expenses of Tramp Oil and the overall higher operating costs associated with increased business activities. The increase in salaries and wages was primarily due to new hires, the additional employees from Tramp Oil, and higher performance based incentive compensation. The increase in other operating expenses was primarily the result of the additional other operating expenses of Tramp Oil, higher business travel, in part due to the acquisition and integration of Tramp Oil, and higher professional fees, insurance, payroll taxes and credit facility loan and letters of credit fees. The decrease in the provision for bad debts for 2004 was primarily due to a shift of business in favor of higher credit quality, high volume commercial business, and market condition improvement of our marine customers as well as the recording of bad debt expenses in 2003 relating to the write-off of receivables from two international airlines that filed for bankruptcy.

Table of Contents

Operating Income. Our income from operations for the year ended December 31, 2004 was $37.0 million, an increase of $9.6 million, or 35.2%, as compared to income from operations for the year ended December 31, 2003. Income from operations during these periods by segment was as follows (in thousands):

	For the Year ended December 31,	
	2004	2003
		Restated
Marine fuel services	$ 23,150	$ 18,476
Aviation fuel services	29,093	21,970
	52,243	40,446
Corporate overhead	(15,267)	(13,104)
Total	$ 36,976	$ 27,342

The marine fuel services segment earned $23.2 million in income from operations for the year ended December 31, 2004, an increase of $4.7 million, or 25.3%, as compared to the prior year. This increase reflects the 29.5% growth in gross profit, partially offset by higher operating expenses. The aviation fuel services segment s income from operations was $29.1 million for the year ended December 31, 2004, an increase of $7.1 million, or 32.4%, as compared to the prior year. This improvement was due to the 27.6% increase in gross profit, partially offset by increased operating expenses. Corporate overhead costs not charged to the business segments totaled $15.3 million for the year ended December 31, 2004, as compared to $13.1 million during the prior year. For explanations of the increases in operating expenses for the year ended December 31, 2004 as compared to the prior year, see the above discussion on operating expenses.

Other Income (Expense). During the year ended December 31, 2004, we reported $1.4 million in other expense, net, as compared to other income, net, of $628 thousand for the prior year. This $2.1 million variance was primarily due to the recognition of exchange losses relating to conversion into U.S. dollars of foreign currencies acquired in connection with the Tramp Oil acquisition, increased interest expense due to borrowings on our revolving credit facility for working capital, and the effect of the consolidation of our PAFCO aviation joint venture.

Taxes. For the year ended December 31, 2004, our effective tax rate was 19.6%, for an income tax provision of $7.0 million, as compared to 20.8% and an income tax provision of $5.8 million for the year ended December 31, 2003. The lower tax rate resulted primarily from increased operating income in low tax foreign jurisdictions.

Net Income and Diluted Earnings per Share. Net income and diluted earnings per share for the year ended December 31, 2004 were $28.6 million and $1.22, respectively, as compared to $22.2 million and $0.99 during the prior year. Included in the results for the year ended December 31, 2004 was a charge of $824 thousand, or $0.04 per basic and diluted share, relating to the inventory write-down in the fourth quarter of 2004 associated with our exit from the Panamanian market, net of reduced performance based compensation and taxes.

Year ended December 31, 2003 compared to Year ended December 31, 2002 (unaudited)

Revenue. Our revenue for the year ended December 31, 2003 was $2.67 billion, an increase of $767.2 million, or 40.3%, as compared to revenue of $1.90 billion for the year ended December 31, 2002. Our revenue increase was mainly due to increases in both business volume and fuel sale prices, related to higher world oil prices. Our revenue during these periods was attributable to the following segments (in thousands):

	For the Year ended December 31,	
	2003	2002
	Restated	Restated (Unaudited)
Marine fuel services	$ 1,644,598	$ 1,287,417
Aviation fuel services	1,026,959	616,948
Total	$ 2,671,557	$ 1,904,365

Table of Contents

Our marine fuel services segment contributed $1.64 billion in revenue for the year ended December 31, 2003, an increase of $357.2 million, or 27.7%, over the prior year. The increase in revenue was primarily due to a 19.0% increase in the average price per metric ton sold and an 8.1% increase in the volume of metric tons sold. Our aviation fuel services segment contributed $1.03 billion in revenue for the year ended December 31, 2003, an increase of $410.0 million, or 66.5%, over the prior year. The increase in revenue was due to a 55.3% increase in the volume of gallons sold and a 7.2% increase in the average price per gallon sold. The significant increase in aviation sales volume was due to new commercial and government business as well as increases in wholesale activities and fuel management business.

Gross Profit. Our gross profit of $101.1 million for the year ended December 31, 2003 increased $17.3 million, or 20.6%, as compared to the prior year. On the other hand, our gross margin decreased from 4.4% for the year ended December 31, 2002, to 3.8% for the year ended December 31, 2003. Our marine fuel services gross margin increased to 3.0% from 2.9% in the prior year, however, our gross profit in the marine fuel services segment increased $11.1 million due to increases in our average gross profit per metric ton sold and brokered of 26.8% and 4.3%, respectively. The increase in our gross profit per metric ton in marine was primarily due to better pricing. Our gross profit in the aviation fuel services business increased $6.2 million while our aviation fuel services gross margin decreased to 5.1% for the year ended December 31, 2003, as compared to 7.5% for the prior year. The increase in our gross profit in the aviation fuel services segment was primarily due to increased business volume. The decrease in aviation fuel services gross margin reflects increases in our wholesale and fuel management business, which are higher quality, lower margin businesses.

Operating Expenses. Total operating expenses for the year ended December 31, 2003 were $73.8 million, as compared to $63.8 million for the year ended December 31, 2002. Included in operating expenses for the year ended December 31, 2002 were executive severance charges totaling $4.5 million, of which $3.7 million related to our former Chairman and Chief Executive Officer and the remaining amounts were for our former Chief Financial Officer, Chief Information Officer, and two other executives. Excluding the 2002 executive severance charges, the increase in operating expenses of $14.5 million related to all three categories of expenses: salaries and wages, provision for bad debts, and other operating expenses. The $7.4 million increase in salaries and wages was due to new employees to support our business process improvements and continued business expansion, the front-end cost of some business process improvement initiatives, and payments and accruals for performance based incentive compensation payouts. Incentive compensation accounted for the largest part of the increase in salaries and wages. The increase in provision for bad debts of $3.4 million primarily resulted from the recording of additional general allowance for bad debts for estimated credit losses as well as reserve for two bankrupt international airlines. The $3.7 million increase in other operating expenses was also primarily related to our business process improvements and continued business expansion, as well as to higher overall operating costs primarily relating to increases in insurance cost, office rent, depreciation and amortization expenses, travel and entertainment expenses, and independent directors cash compensation and non-cash compensation related to stock-based awards, which was mostly related to the amortization of the fair value of the stock options granted over the applicable one year vesting period.

Operating Income. Our income from operations for the year ended December 31, 2003 was $27.3 million, as compared to $20.0 million for the year ended December 31, 2002. Income from operations during these periods by segment was as follows (in thousands):

	For the Year ended December 31,	
	2003	2002
	Restated	Restated (Unaudited)
Marine fuel services	$ 18,476	$ 13,366
Aviation fuel services	21,970	18,962
	40,446	