

WORLD FUEL SERVICES CORP
Form 10-K
February 21, 2013

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR

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 incorporation or organization) (I.R.S. Employer 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: Common Stock, par value \$0.01 per share
Name of each exchange on which registered: New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in 12b-2 of the Exchange Act). Yes No

As of June 30, 2012, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the market price at which the common equity was last sold was \$2,637,197,000.

As of February 13, 2013, the registrant had approximately 72,204,000 shares of outstanding common stock, par value \$0.01 per share.

Documents incorporated by reference:

Part III Specified Portions of the Registrant's Definitive Proxy Statement for the 2013 Annual Meeting of Shareholders.

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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 ("2012 10-K Report") as "World Fuel," "we," "our" and "us."

We are a leading global fuel logistics company, principally engaged in the marketing, sale and distribution of aviation, marine, and land fuel products and related services on a worldwide basis. We compete by providing our customers with value-added benefits, including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and fuel procurement outsourcing. We have three reportable operating business segments: aviation, marine, and land. We primarily contract with third parties for the delivery and storage of fuel products, however, in some cases we own storage and transportation assets for strategic purposes. In our aviation segment, we offer fuel and related services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low cost carriers, airports, fixed based operators, corporate fleets, fractional operators, private aircraft, military fleets and to the U.S. and foreign governments. In our marine segment, we offer fuel and related services to a broad base of marine customers, including international container and tanker fleets, commercial cruise lines, yachts and time-charter operators, as well as to the U.S. and foreign governments. In our land segment, we offer fuel and related services to petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial and government customers, and also engage in crude oil marketing activities. In addition, we offer transaction management services which consist of card payment solutions and merchant processing services to customers in the aviation, marine and land transportation industries.

We have offices located in the United States, the United Kingdom, Denmark, Norway, the Netherlands, Germany, Greece, Turkey, the United Arab Emirates, Russia, Taiwan, South Korea, Singapore, Japan, Hong Kong, Costa Rica, Brazil, Chile, Argentina, Mexico, Colombia, Puerto Rico, Canada, South Africa, Gibraltar, India and Australia. See "Item 2 Properties" for a list of principal offices by business segment and "Exhibit 21.1 Subsidiaries of the Registrant" included in this 2012 10-K Report 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 11 to the accompanying consolidated financial statements included in this 2012 10-K Report.

Our principal executive office is located at 9800 Northwest 41st Street, Suite 400, Miami, Florida 33178 and our telephone number at this address is 305-428-8000. Our internet address is <http://www.wfscorp.com> and the investor relations section of our website is located at <http://ir.wfscorp.com>. We make available free of charge, on or through the investor relations section of our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q ("10-Q Report"), Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with the Securities and Exchange Commission ("SEC") as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Also posted on our website are our Code of Corporate Conduct and Ethics, Board of Directors' committee charters and Corporate Governance Principles. Our internet website and information contained on our internet website are not part of this 2012 10-K Report and are not incorporated by reference in this 2012 10-K Report.

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Aviation Segment

We market fuel and related services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low-cost carriers, airports, fixed based operators, corporate fleets, fractional operators, private aircraft, military fleets and to the U.S. and foreign governments. Our aviation-related services include fuel management, price risk management, arranging ground handling, providing 24/7 global dispatch services and arranging and providing international trip planning, including flight plans, weather reports and overflight permits. In addition, we offer card payment solutions and related processing services. Because fuel is a major component of an aircraft's operating costs, our customers require cost effective and professional fuel services. We have developed an extensive network of third-party suppliers and service providers that enables us to provide aviation fuel and related services throughout the world. We believe the breadth of our service offering combined with our global supplier network is a strategic differentiator that allows customers to secure fuel and high-quality services in any location worldwide on short notice.

We purchase our aviation fuel from suppliers worldwide, which is then typically delivered into our customers' aircraft or designated storage directly from our suppliers pursuant to arrangements with them or from our fuel inventory pursuant to contracts with various third parties. Inventory is purchased at airport locations or shipped via pipelines and held at multiple locations for strategic reasons. We typically hedge inventory in pipelines in an effort to protect us against price risk. We also engage in both contract sales, which are sales made pursuant to fuel purchase contracts with customers who commit to purchasing fuel from us over the contract term, and spot sales, which are sales that do not involve continuing contractual obligations by our customers to purchase fuel from us. Our cost of fuel is generally tied to market-based formulas or is government controlled and our suppliers typically extend unsecured trade credit to us. We may prepay our fuel purchases when limited by the amount of credit extended to us by suppliers or as required to transact business in certain countries. We also enter into derivative contracts in order to mitigate the risk of market price fluctuations of certain of our transactions and to offer our customers fuel pricing alternatives to meet their needs.

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

Marine Segment

We market fuel and related services to a broad base of marine customers, including international container and tanker fleets, commercial cruise lines, yachts and time-charter operators, as well as to the U.S. and foreign governments. Through our extensive network of offices, we provide our customers with real-time global market intelligence and rapid access to quality and competitively priced marine fuel 24 hours a day, every day of the year. In addition, we offer card payment solutions and related processing services. Our marine fuel related services include management services for the procurement of fuel, cost control through the use of price hedging instruments, quality control and claims management.

We primarily act as a reseller as we generally take delivery for fuel purchased at the same place and time as the fuel is sold, mark it up and contemporaneously resell the fuel to our customer. We also sell fuel from our inventory, which we maintain in certain locations for strategic reasons in storage facilities that we own or lease and generally hedge in an effort to protect us against price risk. We also act as a broker and are paid a commission for negotiating the transaction by arranging the fuel purchase contract between the supplier and the end user and expediting the arrangements for the delivery of fuel. In addition, we enter into derivative contracts in order to mitigate the risk of market price fluctuations on certain of our transactions and to offer our customers fuel pricing alternatives to meet their needs. The majority of our marine segment activity consists of spot sales. Our cost of fuel is generally tied to spot pricing or market-based formulas or is government controlled, and our suppliers typically extend trade credit to us. We also contract with third parties to provide various services for our customers, including fueling of vessels in port and at sea, and transportation and delivery of fuel and fuel products.

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

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Land Segment

In our land segment, we offer fuel and related services to petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial and government customers. Our land-related services include management services for the procurement of fuel and price risk management. Additionally, we engage in crude oil marketing activities. We conduct these activities throughout most of the United States as well as parts of Brazil and the United Kingdom. In addition, we offer transaction management services, which include card payment solutions, merchant processing services, payment solutions for tolls across Europe, government payment systems for global fuel procurement and commercial payment programs in the land transportation industry.

In connection with our fuel marketing activities, we act as a reseller as we purchase fuel from a supplier, mark it up and contemporaneously resell it to our customers through spot sales and contract sales. Fuel is delivered to our customers directly or at designated tanker truck loading terminals commonly referred to as "racks", which are owned and operated by our suppliers or other third-parties, or directly to customer locations through third party carriers. We also maintain inventory in certain locations including pipelines and ship inventory via railcar. Inventory held in storage or being shipped is typically hedged in an effort to protect us against price risk. Our cost of fuel is generally tied to market-based formulas and our suppliers typically extend unsecured trade credit to us. We also enter into derivative contracts in order to mitigate the risk of market price fluctuations for certain of our transactions and to offer our customers fuel pricing alternatives to meet their needs.

During each of the years presented in the accompanying consolidated statements of income and comprehensive income, none of our land customers accounted for more than 10% of total consolidated revenue.

Competitors

Our competitors within the highly fragmented world-wide downstream markets of aviation, marine and land fuel are numerous, ranging from large multinational corporations, principally major oil producers, which have significantly greater capital resources, to relatively small and specialized firms. We compete with the major oil producers that market fuel directly to the large commercial airlines, shipping companies and petroleum distributors operating in the land transportation market as well as fuel resellers. We believe that our extensive market knowledge, worldwide presence, logistical expertise, extension of credit and use of derivatives to provide fuel pricing alternatives give us the ability to compete in the marketplace.

Employees

As of February 13, 2013, we employed 2,490 people worldwide.

Regulation

Our current and past activities 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, U.S. 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 that 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 "Item 1A Risk Factors," and "Item 3 Legal Proceedings."

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We may also be affected by new environmental laws and regulations that will apply to us or our customers in the future, some of which could reduce the demand for our products and services. For example, the U.S. Environmental Protection Agency has finalized rules requiring the reporting of greenhouse gas ("GHG") emissions by petroleum product suppliers and facilities meeting certain annual emissions thresholds and to regulate emissions from major sources of GHGs under the Clean Air Act. In addition, a number of countries outside the U.S. have enacted or are considering GHG emission schemes. Although the ultimate impact of these or other future measures is difficult to accurately predict, they could affect our operations, earnings and competitive position.

Forward-Looking Statements

Certain statements made in this report and the information incorporated by reference in it, or made by us in other reports, filings with the SEC, press releases, teleconferences, industry conferences or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "could," "would," "will," "will be," "will continue," "will likely result," "plan," or words or phrases of similar meaning.

Forward-looking statements are estimates and projections reflecting our best judgment and involve risks, uncertainties or other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. The Company's actual results may differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. These statements are based on our management's expectations, beliefs and assumptions concerning future events affecting us, which in turn are based on currently available information.

Examples of forward-looking statements in this 2012 10-K Report include, but are not limited to, our expectations regarding our business strategy, business prospects, operating results, effectiveness of internal controls to manage risk, working capital, liquidity, capital expenditure requirements and future acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, terms and availability of fuel from suppliers, pricing levels, the timing and cost of capital expenditures, outcome 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, but are not limited to:

- customer and counterparty creditworthiness and our ability to collect accounts receivable and settle derivative contracts;
- changes in the market price of fuel;
- changes in the political, economic or regulatory conditions generally and in the markets in which we operate;
- our failure to effectively hedge certain financial risks and the use of derivatives;
- non-performance by counterparties or customers to derivative contracts;
- changes in credit terms extended to us from our suppliers;
- non-performance of suppliers on their sale commitments and customers on their purchase commitments;
- loss of, or reduced sales, to a significant government customer;
- non-performance of third-party service providers;
- adverse conditions in the industries in which our customers operate, including a continuation of the global recession and its impact on the airline and shipping industries;
- currency exchange fluctuations;
- failure of the fuel we sell to meet specifications;
- our ability to manage growth;

our ability to integrate acquired businesses;

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material disruptions in the availability or supply of fuel;

risks associated with the storage, transportation and delivery of petroleum products;

risks associated with operating in high risk locations, such as Iraq and Afghanistan;

uninsured losses;

the impact of natural disasters, such as hurricanes;

our failure to comply with restrictions and covenants in our senior revolving credit facility ("Credit Facility") and our senior term loans ("Term Loans");

the liquidity and solvency of banks within our Credit Facility and Term Loans;

increases in interest rates;

declines in the value and liquidity of cash equivalents and investments;

our ability to retain and attract senior management and other key employees;

changes in U.S. or foreign tax laws or changes in the mix of taxable income among different tax jurisdictions;

our ability to comply with U.S. and international laws and regulations including those related to anti-corruption, economic sanction programs and environmental matters;

increased levels of competition;

the outcome of litigation; and

other risks, including those described in "Item 1A Risk Factors" and those described from time to time in our other filings with the SEC.

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements in this 2012 10-K Report are based on assumptions management believes are reasonable. However, due to the uncertainties associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to publicly update any of them in light of new information, future events, or otherwise.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act.

Item 1A. Risk Factors

We extend credit to most of our customers in connection with their purchases of fuel and services from us, and our business, financial condition, results of operations and cash flows will be adversely affected if we are unable to collect accounts receivable.

We extend credit to most of our customers in connection with their purchases of fuel and services from us. Our success in attracting customers has been due, in part, to our willingness to extend credit on an unsecured basis to customers that would otherwise be required to prepay or post letters of credit with other suppliers of fuel and other services. While no single customer represents more than 10% of our total consolidated revenue, diversification of credit risk is limited because we sell primarily within the aviation, marine and land transportation industries.

Our exposure to credit losses will depend on the financial condition of our customers and other factors beyond our control, such as deteriorating conditions in the world economy or in the aviation, marine or land transportation industries, political instability, terrorist activities, military action or natural disasters in our market areas. The unprecedented levels of disruption and volatility in the credit and financial markets over the

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past several years have increased our possible exposure to customer credit risk because it has made it harder for our customers to access sufficient capital to meet their liquidity needs. This market turmoil coupled with a reduction of business activity generally increases our risks related to our status as an unsecured creditor of most of our customers. Credit losses, if significant, would have a material adverse effect on our business, financial condition, results of operations and cash flows.

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Certain of our contracts with customers, suppliers and financial institutions expose us to heightened counterparty risk, which could have an adverse effect on our business.

As part of our price risk management services, we offer our customers various pricing structures for future purchases of fuel, including derivatives products designed to assist our customers with hedging their exposure to fluctuations in fuel prices. In the ordinary course of business, we enter into fixed forward pricing contracts ("fixed forward contracts") with our customers and suppliers under which we agree to sell or purchase, as the case may be, certain volumes of fuel at fixed prices. In addition, we may enter into swap transactions with a customer where we act as the counterparty in the customer's own attempt to mitigate their risk against price fluctuations. We also use derivatives to hedge certain of our fuel inventories and certain purchase and sale commitments. We typically hedge our financial risk in any of the foregoing types of transactions by entering into commodity-based derivative instruments with financial institution counterparties (such as broker/dealers, commercial banks and investment banks), often on an unsecured basis.

If we have not required a customer to post collateral in connection with a fixed forward contract or swap transaction, we will have effectively extended unsecured credit to that customer in an amount equal to the difference between the fixed price and the current market price multiplied by the applicable volumes of fuel. Based on the volatility of fuel, our counterparties may not be willing or able to fulfill their obligations to us under their fixed forward contracts or their swap transactions. For example, in the event the market price of fuel at the time of delivery is significantly less than the fixed price, a customer could decide to default on their purchase obligation to us and purchase the fuel at the current market rate from another supplier. Meanwhile, we will have already agreed to purchase the fuel from our own supplier and will therefore have to honor that commitment despite the fact that we may not have an immediate purchaser for the fuel and we may be forced to later sell that fuel at a loss.

Although we have credit standards and perform credit evaluations of our customers and suppliers, our evaluations may be inaccurate and we cannot assure you that credit performance will not be materially worse than anticipated. Should any counterparty fail to honor its obligations under our agreements with them, we could sustain significant losses that would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Current and proposed derivatives legislation and rulemaking could have an adverse effect on our business.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law, including Title VII, titled "Wall Street Transparency and Accountability Act of 2010" (the "Act"). Among other things, the Act provides for new federal regulation of the over-the-counter swaps market both for commodities and securities, and gives the U.S. Commodity Futures Trading Commission ("CFTC") and the SEC broad authority to regulate the swaps market and its principal participants. This includes, among others, derivative transactions linked to crude oil, refined products and natural gas prices. The CFTC and the SEC are continuing to consider, finalize and implement rules governing, among other things, where swaps are transacted (on exchange versus off exchange); how they are transacted (cleared versus uncleared; margined versus unmargined); and the differing responsibilities of those who participate in over-the-counter derivatives (end users, swap dealers, major swap participants). Regulations setting limits on the size of a party's derivative positions in major energy markets were adopted by the CFTC but vacated after a successful challenge in Federal court, which the CFTC has announced its intention to appeal. Certain of the other requirements under the Act have taken effect and other regulations that could have significant impact on us, such as "margin" rules potentially requiring us to deliver cash or other collateral to secure our obligations on open derivative contracts, are expected to be finalized in the coming months.

Furthermore, various foreign jurisdictions are in the process of adopting legislation regulating the use of derivatives, including Singapore and the United Kingdom, where we currently engage in derivative transactions.

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As regulations are finalized, adopted and implemented, we continue to evaluate how legislation will impact our ability to conduct our business. In particular, the Act and any new (or newly implemented) regulations and international legislation could significantly increase the cost of our derivative contracts (including through requirements to post collateral which could adversely affect our cash flows and liquidity), materially alter the terms of our derivative contracts, reduce our ability to offer derivative and other price management products to our customers, reduce the demand for our price risk management services, reduce the availability of derivatives to protect against risks we encounter, increase price volatility in commodities we buy and sell (and derivatives related to those commodities), reduce our ability to monetize or restructure our existing commodity price contracts, and increase our exposure to less creditworthy counterparties. If the increased cost of derivative contracts is significant or we reduce or limit our derivatives activities as a result of the legislation, our profitability and results of operations could be adversely affected. Any of these consequences could have a material adverse effect on us, our financial condition, and our results of operations and cash flows.

We are exposed to various risks in connection with our use of derivatives which could have an adverse effect on our results of operations.

We enter into financial derivative contracts in order to mitigate the risk of market price fluctuations in aviation, marine and land fuel, to offer our customers fuel pricing alternatives to meet their needs and to mitigate the risk of fluctuations in foreign currency exchange rates. However, our efforts to hedge our exposure to fuel price and exchange rate fluctuations could be ineffective. For example, because there currently is no market for aviation jet fuel futures, we enter into hedging transactions with respect to our aviation business by trading in heating oil futures. If the price of aviation jet fuel and heating oil are not correlated, then it is more likely that our attempts to mitigate price risk associated with our aviation business would not be effective. For purposes of hedging, heating oil is not a perfect substitute for aviation jet fuel and short-term significant pricing differences may occur. In the period immediately following Hurricane Katrina in 2005, for example, the price of aviation jet fuel increased substantially while the price of heating oil remained relatively constant.

We also enter into proprietary derivative transactions, primarily intended to capitalize on arbitrage opportunities associated with basis or time spreads related to fuel products we sell. Proprietary derivative transactions, by their nature, entail exposure to adverse changes in commodity prices in relation to our proprietary position. Although we have established limits on such exposure, any such adverse changes could result in losses. The risks we face because of our use of financial derivatives can be exacerbated by volatility in the financial and other markets. In addition, we may fail to adequately hedge our risks or could otherwise incur losses if our employees fail to comply with our policies and procedures with respect to hedging or proprietary trading, for example by failing to hedge a specific financial risk or to observe limits on exposure, which could subject us to financial losses that would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Finally, the majority of our derivatives are not designated as cash flow hedges for accounting purposes, and we therefore recognize changes in the fair market value of these derivatives as a component of revenue or cost of revenue (based on the underlying transaction type) in our consolidated statements of income and comprehensive income. Since the fair value of these derivatives are marked to market at the end of each quarter, changes in the fair value of our derivative instruments as a result of unrealized gains or losses may cause our earnings to fluctuate from period to period.

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

Fuel prices have been extremely volatile in the recent past, are likely to continue to be volatile in the future and depend on factors outside of our control, such as:

global economic conditions;

changes in global crude oil prices;

expected and actual supply and demand for fuel;

political conditions;

laws and regulations related to environmental matters, including those mandating or incentivizing alternative energy sources or otherwise addressing global climate change;

changes in pricing or production controls by the Organization of the Petroleum Exporting Countries (OPEC);

technological advances affecting energy consumption or supply;

energy conservation efforts;

price and availability of alternative fuels; and

weather.

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If fuel prices increase, our customers may not be able to purchase as much fuel from us because of their credit limits with us and the resulting adverse impact on their business could cause them to be unable to make payments owed to us for fuel purchased on credit. They may also choose to reduce the amount of fuel they consume in their operations in order to reduce costs or comply with new environmental regulations to obtain associated incentives. In any such event, there would be no assurance that the volume of orders from our customers would increase again or that we would be able to replace lost volumes with new customers. In addition, if fuel prices increase, our own credit limits could prevent us from purchasing enough fuel from our suppliers to meet our customers' demands or could require us to prepay for fuel purchases which would impair our liquidity.

We also maintain fuel inventories for competitive reasons. Because fuel is a commodity, we have no control over the changing market value of our inventory. Our inventory is valued using the average cost methodology and is stated at the lower of average cost or market. A rapid decline in fuel prices could cause our inventory value to be higher than market, resulting in our inventory being marked down to market or the inventory itself sold at lower prices. Accordingly, if the market value of our inventory is less than our average cost, we would record a write-down of inventory and a non-cash charge to cost of revenue, which would adversely impact our earnings.

Economic, political and other risks associated with international sales and operations could adversely affect our business and future operating results.

Because we offer fuel products and services on a worldwide basis, our business is subject to risks associated with doing business internationally. Our business and future operating results could be harmed by a variety of factors, including:

trade protection measures and import or export licensing requirements, which could increase our costs of or prevent us from doing certain business internationally;

the costs of hiring and retaining senior management for overseas operations;

difficulty in staffing and managing widespread operations, which could reduce our productivity;

unexpected changes in regulatory requirements, which may be costly and require significant time to implement;

laws restricting us from repatriating profits earned from our activities within foreign countries, including the payment of distributions;

governmental actions that may result in the deprivation of our contractual rights or the inability to obtain or retain authorizations required to conduct our business;

political risks specific to foreign jurisdictions; and

terrorism, war, civil unrest and natural disasters.

In particular, we operate in international markets such as Russia and certain countries in Asia and Latin America, which have been plagued by corruption and have uncertain regulatory environments, both of which could have a negative impact on our operations there. Many countries in which we operate historically have been, and may continue to be, susceptible to recessions or currency devaluation.

We also operate in certain high risk locations, such as Iraq and Afghanistan, that have been experiencing military action or continued unrest which could disrupt the supply of fuel or otherwise disrupt our operations there. In these high risk locations, we may incur substantial costs to maintain the safety of our personnel. Despite these measures, we cannot guarantee the safety of our personnel in these locations and we may suffer future losses of employees or subcontractors.

Fluctuations in foreign exchange rates could materially affect our reported results.

The majority of our business transactions are denominated in U.S. dollars. In certain markets, however, payments to some of our fuel suppliers and from some of our customers are denominated in local currency. We also have certain liabilities, primarily for local operations, including income and transactional taxes, that are denominated in foreign currencies. 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 this risk may be hedged, and our exposure to this risk may be substantial. As a result, fluctuations in foreign exchange rates could adversely affect our profitability.

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In addition, many of our customers are foreign and may be required to purchase U.S. dollars to pay for our products and services. A rapid depreciation or devaluation in currency that affects our customers could have an adverse effect on their operations and their ability to convert local currency to U.S. dollars in order to make required payments to us. This could, in turn, increase our credit losses and adversely affect our business, financial condition, results of operations and cash flows.

Third parties who fail to provide services to us or 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, fueling of vessels in port and at sea and delivering land-based fuel. The failure of these third parties to perform these services in accordance with contractual terms for any reason, such as an interruption of their business because of weather, environmental or labor difficulties or political unrest, could affect our relationships with our customers and subject us to claims and other liabilities that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

To the extent that we use third parties in our operations in foreign markets, we are also subject to the risk that we would be held accountable for the failure of these third parties to comply with the laws and regulations of the U.S. and various international jurisdictions.

If the fuel we purchase from our suppliers fails to meet the contractual specifications we have agreed to supply to our customers, our business could be adversely affected.

We purchase the fuel we resell from various suppliers. If the fuel we resell fails to meet the specifications we have agreed to with customers, we could incur significant liabilities if a customer initiates a claim or a lawsuit for which we settle or results in a decision against us. In addition, our relationship with our customers could be adversely affected and adverse publicity about any allegations of contaminated fuel may negatively affect us, regardless of whether the allegations are true. Although in most cases we have recourse against our suppliers for fuel that fails to meet contractual specifications, such recourse cannot be assured and may be costly to enforce. For example, several of our supply agreements are with foreign entities, including foreign governments, and are governed by the laws of foreign jurisdictions. If a supplier breaches such agreement, then we may incur the additional costs of determining our rights and obligations under the agreement, under applicable foreign laws, and enforcing an agreement in a foreign jurisdiction. Any significant liability in excess of any applicable insurance coverage could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Material disruptions in the availability or supply of fuel would adversely affect our business.

The success of a significant portion of our business depends on our ability to purchase, sell and coordinate delivery of 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 fuel. In addition, we rely on a single or limited number of suppliers for the provision of fuel and related services in certain markets. These parties may have significant negotiating leverage over us, and if they are unable or unwilling to supply us on commercially reasonable terms, our business would be adversely affected.

Adverse conditions in the aviation, marine and land transportation industries may have an adverse effect on our business.

Our business is focused on the marketing of fuel and fuel-related services to the aviation, marine and land transportation industries, which are generally affected by economic cycles. Therefore, weak economic conditions can have a negative impact on the business of our customers which may, in turn, have an adverse effect on our business. In addition, any political instability, natural disasters, terrorist activity or military action that disrupts shipping, flight operations or land transportation 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 aviation, marine or land transportation 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.

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In addition, the aviation, marine and land transportation industries are subject to laws and regulations related to environmental matters, including those mandating or incentivizing alternative energy sources or otherwise addressing global climate change, which may reduce the demand for our products and services. For example, some of our customers in the transportation industry may be required to purchase allowances or offsets or incur other costs to comply with existing or future requirements relating to greenhouse gas (GHG) emissions. Although the ultimate impact of these requirements is difficult to predict accurately, they could have a material adverse effect on our business or on the businesses of our customers.

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

We maintain insurance to cover various risks associated with the operation of our business. Certain risks, however, such as environmental risks, are not fully insurable and our insurance coverage does not cover all potential losses, costs, or liabilities. Accordingly, our insurance policies may not adequately cover or may have exclusions of coverage for certain losses. Also, if we take, or fail to take, certain actions, our insurance carriers may refuse to pay particular claims. Therefore, there can be no assurance that our insurance coverage will be available or will be adequate to cover future claims that may arise.

Furthermore, our ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which we have no control. If the cost of insurance increases, we may decide to discontinue certain insurance coverage or reduce our level of coverage in order to offset the cost increase. In addition, our existing types and levels of insurance coverage could become difficult or impossible to obtain in the future. The occurrence of an event that is not fully covered by insurance or the loss of insurance coverage could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our failure to comply with the restrictions of our Credit Facility and Term Loans could adversely affect our operating flexibility.

We have the ability to borrow money pursuant to a Credit Facility and Term Loans that impose certain operating and financial covenants on us, such as limiting or prohibiting our ability to (i) pay dividends, (ii) incur additional debt, (iii) create liens, (iv) make restricted payments, (v) sell assets and (vi) engage in mergers or acquisitions. Our failure to comply with obligations under these facilities, 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 these facilities, could trigger cross-defaults under other agreements to which we are a party, such as certain derivative contracts and promissory notes issued in connection with acquisitions, and would impair our ability to obtain working capital advances and letters of credit, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our cash equivalents and investments are subject to risks that may cause illiquidity and losses from declines in value.

Our cash equivalents, principally consisting of overnight investments, bank money market accounts, bank time deposits, money market mutual funds and investment grade commercial paper, are subject to credit, liquidity, market and interest rate risk, which can be exacerbated by volatility in the capital markets. Adverse changes in this respect can result in the decline of the fair value of our cash equivalents, which could materially affect our business, financial condition, results of operations and cash flows.

Our business is dependent on the ability to obtain financing to meet our capital requirements and fund our future growth, which may be particularly difficult to obtain if there is volatility in the credit or capital markets.

We rely on credit arrangements with banks, suppliers and other parties as a significant source of liquidity for capital requirements not satisfied by operating cash flow. A substantial tightening of the global credit markets could affect our ability to obtain credit as and when we need it on commercially reasonable terms or at all and, consequently, could have a negative impact on our future development and growth. If we are unable to obtain debt financing and instead raise capital through an equity issuance, existing shareholders would be diluted. Even if we are able to obtain debt financing, the restrictions creditors may place on our operations and our increased interest expense and leverage could limit our ability to grow.

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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 largely dependent on the services of our senior management and key personnel. Although we have employment agreements with certain of our key executive officers, the employment agreements do not prevent those officers from ceasing their employment with us at any time. If we are unable to retain existing senior management and key personnel, or to attract other qualified senior management and key personnel on terms satisfactory to us, our business will be adversely affected. While we maintain key man life insurance with respect to certain members of our senior management, our coverage levels may not be sufficient to offset any losses we may suffer and there is no assurance that we will continue to maintain key man life insurance in the future.

Businesses we have acquired or may acquire in the future as well as strategic investments such as joint venture arrangements will expose us to increased operating risks.

As part of our growth strategy, we have been acquisitive and intend to continue to explore acquisition opportunities of fuel resellers and other service businesses. For example, we acquired certain assets of CarterEnergy Corporation, including the assets comprising its wholesale motor fuel distribution business (the "CarterEnergy business") and certain assets of Multi Service Corporation, including the assets comprising its transaction management business, and all of the outstanding stock of its foreign subsidiaries (the "Multi Service business") in 2012. We cannot provide any assurance that we will find attractive acquisition candidates in the future, that we will be able to acquire such candidates on economically acceptable terms or that we will be able to finance acquisitions on economically acceptable terms. If we acquire new businesses in the future, we may incur substantial additional indebtedness and other expenses or we may complete potentially dilutive issuances of equity securities, which may affect the market price of our common stock, inhibit our ability to pay dividends or restrict our operations. We have also entered into joint venture arrangements and equity method investments intended to complement or expand our business. These types of transactions are subject to substantial risks and liabilities associated with their operations, as well as the risk that our relationships with our partners do not succeed in the manner that we anticipate.

These transactions involve significant challenges and risks, including:

- our ability to effectively integrate and manage acquired businesses or strategic investments, while maintaining uniform standards and controls;
- our ability to realize our investment and anticipated synergies in the acquired businesses or strategic investments;
- the diversion of management's time and attention from other business concerns, the potentially negative impact of changes in management on existing business relationships and other disruptions of our business;
- the risks associated with entering into businesses or markets in which we may have no or limited direct prior experience;
- the potential loss of key employees, customers or suppliers of the acquired businesses;
- the ability to integrate the information technology ("IT") systems of acquired businesses into our existing IT infrastructure and manage those systems that cannot be effectively integrated;
- the requirement to write-down acquired assets as a result of the acquired business being worth less than we paid for it;
- capital expenditure requirements exceeding our estimates;
- the risk that an acquisition or strategic investment could reduce our future earnings; and
- the assumption of material liabilities, exposure to litigation or unknown liabilities, and no or limited indemnities.

Information technology failures and data security breaches could harm our business.

We rely upon our information technology and communications systems to support key business functions and the efficient operation of these systems is critical to our business. Our information technology systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, viruses, security breaches, natural disasters, and/or errors by our employees. A significant disruption in the functioning of these systems could

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damage our reputation, our ability to conduct our business, impact our credit and risk exposure decisions, cause us to lose customers or revenues, subject us to litigation and/or require us to incur significant expense to address and remediate or otherwise resolve these issues, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also have access to sensitive, confidential or personal data or information in certain of our businesses, some of which may be subject to privacy and security laws, regulations and customer-imposed controls. Despite our efforts to protect such information, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could potentially lead to the compromising of that information. Although we have taken steps to address these concerns by implementing network security and internal control measures, there can be no assurance that a system failure or data security breach will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in U.S. or foreign tax laws could adversely affect our business and future operating results.

We are affected by various U.S. and foreign taxes, including income taxes and taxes imposed on the purchase and sale of aviation, marine and land fuel products, such as sales, excise, value added tax, energy, environmental and other taxes. From time to time, we may also benefit from special tax concessions in certain jurisdictions. Changes in U.S. and foreign tax laws, our failure to comply with such laws or the loss of tax concessions could adversely affect our business, financial condition, results of operations and cash flows.

Furthermore, significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities and, although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

Finally, we earn a significant amount of our operating income from outside the U.S., and any repatriation of funds currently held in foreign jurisdictions to the U.S. may result in higher effective income tax rates for the Company. In addition, there have been proposals to change U.S. income tax laws that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form any proposed legislation may pass, if enacted it could have a material adverse impact on our income tax expense, financial condition, results of operations and cash flows.

Our international operations require us to comply with applicable U.S and international laws and regulations.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various international jurisdictions. These regulations place restrictions on our operations, trade practices and partners and investment decisions. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the Foreign Corrupt Practices Act ("FCPA") and the U.K. Anti-Bribery Act, and economic sanction programs administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). The FCPA prohibits us from providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business and the U.K. Anti-Bribery Act prohibits bribery both in the United Kingdom and internationally, as well as bribery across public and private sectors. As part of our business, we regularly deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Economic sanctions programs restrict our business dealings with certain countries and individuals. From time to time, certain of our subsidiaries have had limited business dealings in countries subject to comprehensive OFAC-administered sanctions, specifically Cuba, Iran, Syria and Sudan. These business dealings, which represent an insignificant amount of our consolidated revenues and income, generally

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consist of the purchase of overflight permits and the provision of flight support and fuel services pursuant to licenses issued by OFAC or as otherwise permitted by U.S. sanctions regulations. As a result of the above activities, we are exposed to a heightened risk of violating anti-corruption laws and OFAC regulations. Violations of these regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment.

We have established policies and procedures designed to assist with our compliance with applicable U.S. and international laws and regulations. However, there can be no assurance that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, and such a violation could adversely affect our reputation, business, financial condition, results of operations and cash flows. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, which could adversely affect the market for our securities.

On April 19, 2009, we received an administrative subpoena from OFAC requesting information regarding transactions that we have conducted involving Cuba since April 1, 2004. Upon receipt of this subpoena, we initiated an internal review to identify transactions involving Cuba, and we voluntarily expanded the scope of this review to include transactions involving Iran and Sudan. On December 8, 2009, we received a separate administrative subpoena from OFAC requesting information regarding our transactions involving Sudanese overflight payments since June 30, 2008. We responded to both subpoenas and identified certain transactions that may have resulted in violations of U.S. sanctions regulations or our OFAC-issued licenses, including the failure to make certain periodic reports as required by our OFAC-issued licenses and a small number of sanctioned country-related transactions which took place after one of our licenses had expired. In our responses to OFAC, we noted that the transactions we identified as potential violations resulted in very small amounts of revenue to us, and that we intend to take certain remedial actions to further strengthen our compliance related policies and procedures. Nevertheless, should OFAC determine that these activities constituted violations of U.S. sanctions regulations, civil penalties, including fines, could be assessed against the Company. Additionally, in the course of its ongoing review, OFAC could request additional information from us, in the form of additional subpoenas or otherwise, and we intend to fully cooperate with any such additional subpoenas or requests. We cannot predict the ultimate outcome of the OFAC review, the total costs to be incurred in response to this review, the potential impact on our personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with U.S. sanctions regulations or to what extent, if at all, we could be subject to fines, sanctions or other penalties.

We face intense competition and, if we are not able to effectively compete in our markets, our revenues and profits may decrease.

Competitive pressures in our markets could adversely affect our competitive position, leading to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. Our competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources than us, 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, shipping companies and petroleum distributors operating in the land transportation market. Although many major oil companies have been divesting their downstream assets, some continue to compete with us in certain markets while others may decide to reenter the market in the future. Our business could be adversely affected because of increased competition from these oil companies, who may choose to increase their direct marketing in order to compete with us or provide less advantageous price and credit terms to us than to our fuel reseller competitors.

Reduced sales to our government customers could adversely affect our profitability.

We have a large and varied customer base. During 2012, no individual customer accounted for revenue totaling more than 10% of our consolidated revenue. Future U.S. government budget conditions and the scheduled withdrawal of armed forces from Afghanistan could result in a decrease in defense spending, which in turn could cause a reduction in sales in our government services business. Since such sales carry higher margins than certain of our other products and services, such a decrease could contribute disproportionately to a reduction in our gross margin and profitability. Therefore, the loss of a significant government customer or a material reduction in sales to a significant government customer could adversely affect our business, financial condition, results of operations and cash flows.

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If we fail to comply with environmental laws or other government regulations applicable to our operations, we could suffer penalties or costs that could have a material adverse effect on our business.

We are required to comply with extensive and complex environmental laws and other regulations at the international, federal, state and local government levels relating to, among other things:

- the transportation and handling of fuel and fuel products;
- the operation of fuel storage and distribution facilities;
- workplace safety;
- fuel spillage or seepage;
- environmental damage; and
- hazardous waste disposal.

If we fail to comply with these laws or regulations, we could be subject to substantial fines or penalties or to civil or criminal liability.

If we are involved in a spill, leak, fire, explosion or other accident involving hazardous substances or if there are releases of fuel or fuel products we own, our operations could be disrupted and we could be subject to material liabilities, such as the cost of investigating and remediating contaminated properties or claims by customers, employees or others who may have been injured, or whose property may have been damaged. These liabilities, to the extent not covered by insurance, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Some environmental laws impose strict liability, which means we could have liability without regard to whether we were negligent or at fault.

In addition, compliance with existing and future environmental laws regulating the delivery of fuel by barge, truck or railcar, fuel storage terminals and underground storage tanks that we own or operate may require significant capital expenditures and increased operating and maintenance costs. The remediation and other costs required to clean up or treat contaminated sites could be substantial and may not be covered by insurance.

Our fuel storage and transportation operations have inherent risks that could negatively impact our stock price, results of operations and financial condition.

Operating fuel storage and distribution terminals and transporting fuel products involve inherent risks of oil spills and other environmental mishaps, fires, collisions and other catastrophic disasters, loss of life, severe damage to and destruction of property and equipment, loss of product and business interruption. Damage arising from such occurrences may result in fines and third party lawsuits asserting large claims. We maintain insurance to mitigate these costs, but there can be no assurance that our insurance would be sufficient to cover the liabilities suffered by us from the occurrence of one or more of the risks described above. Further, if we are negligent or otherwise responsible in connection with any such event, our insurance may not cover our claim. Any of these occurrences, and any resulting media coverage, could have a material adverse effect on our stock price and on our business, financial condition, results of operations and cash flows.

If we are held liable for clean up and other costs related to several businesses we exited that handled hazardous and non-hazardous waste, such liability could adversely affect our business and financial condition.

We have exited several businesses, such as the waste management and remediation services business, that handled hazardous and non-hazardous waste. We treated and/or transported this waste to various disposal facilities in the United States. We have been sued in the past and may be sued in the future as a potentially responsible party for the clean up of such disposal facilities and may be held liable for these and other clean up costs pursuant to U.S. federal and state laws and regulations. In addition, under these laws and regulations, we may be required to clean up facilities previously operated by us.

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Our operations may be adversely affected by legislation as well as competition from other energy sources and new or advanced technology, which could result in increased operating costs and reduced demand for our products and services.

Fuel competes with other sources of energy, some of which are less costly on an equivalent energy basis. There are presently significant governmental incentives and consumer pressures to increase the use of alternative fuels in the United States. A number of automotive, industrial and power generation manufacturers are developing more fuel efficient engines, hybrid engines and alternative clean power systems using fuel cells or clean burning gaseous fuels. The more successful these alternatives become as a result of governmental incentives or regulations, technological advances, consumer demand, improved pricing or otherwise, the greater the potential negative impact on pricing and demand for our products and services and accordingly, our profitability.

In addition, federal and/or state governments may enact legislation or regulations that attempt to control or limit greenhouse gas emissions such as carbon dioxide. Such laws or regulations could impose costs tied to carbon emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also provide a cost advantage to alternative energy sources, impose costs or restrictions on end users of fuel, or result in other costs or requirements, such as costs associated with the adoption of new infrastructure and technology to respond to new mandates. The focus on climate change could negatively impact the reputation of fuel products or services such as those we offer. The occurrence of the foregoing events could put upward pressure on the cost of fuel relative to other energy sources, increase our costs and the prices we charge to customers, reduce the demand for our products, and therefore adversely affect our business, financial condition, results of operations and cash flows.

Current and future litigation could have an adverse effect on us.

We are currently involved in legal proceedings that have arisen in the ordinary course of our business. Lawsuits and other administrative or legal proceedings can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. Although we maintain insurance to mitigate certain costs, there can be no assurance that costs associated with lawsuits or other legal proceedings will not exceed the limits of insurance policies. Our business, financial condition, results of operations and cash flows could be adversely affected if a judgment, penalty or fine is not fully covered by insurance.

We are exposed to risks from legislation requiring companies to have adequate internal controls over financial reporting and to evaluate those internal controls.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to assess, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. Our expansive international operations and integration of acquired companies exacerbate the risks associated with the need to maintain effective internal controls. Accordingly, we expect to continue to incur significant expense and to devote management resources to Section 404 compliance. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, investor perceptions and our reputation may be adversely affected and the market price of our stock could decline. Moreover, even if we and our auditors do not identify any deficiencies in our internal control system, it may not prevent all potential errors or fraud.

Item 1B. Unresolved Staff Comments

None.

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The following table sets forth our principal properties, all of which are leased, as of February 13, 2013. We consider all of our properties and facilities to be suitable and adequate for our present needs and do not anticipate that we will experience difficulty in renewing or replacing those leases that expire in 2013 in any material respect.

WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES**PROPERTIES**

Location	Principal Use	Lease Expiration
9800 Northwest 41st Street Miami, FL 33178, USA	Executive, administrative, operations and sales office for corporate, aviation, marine and land segments	May 2021
3340 S. Harlem Avenue Riverside, IL 60546, USA	Administrative, operations and sales office for land segment	June 2018
Portland House 10th and 13th Floor Bressenden Place London, UK SW1E 5BH	Administrative, operations and sales office for marine segment	Two Leases: March 2015
Kingfisher House North Park Gatwick Road Crawley, West Sussex, UK RH102XN	Administrative, operations and sales office for aviation and land segments	September 2015
238A Thompson Road #17-08 Novena Square Tower A Singapore 307684	Administrative, operations and sales office for aviation and marine segments	December 2015
Office No. 2003, Swiss Tower Plot No. Y3, Jumeirah Lakes Towers Dubai, United Arab Emirates	Sales and marketing office for aviation and marine segments	March 2017
Av. Rio Branco 181/3602 Parte, Centro Rio de Janeiro, Brazil 20040 007	Administrative, operations and sales office for aviation, marine and land segments	December 2016
Calle Francisco Sarabia No. 34 B Colonia Penon de los Banos Delegación Venustiano Carranza C.P. 15520, Mexico D.F.	Administrative, operations and sales office for aviation segment	September 2014
Oficentro Ejecutivo La Sabana Sur, Edificio #7, Piso 4 San José, Costa Rica	Administrative, operations and sales office for aviation and marine segments	May 2013
555 West Brown Deer Road, Suite 200 Milwaukee, WI 53224, USA	Administrative, operations and sales office for land segment	January 2015
Cabriole Center 5201 W. 73rd St Eden Prairie, MN 55435, USA	Administrative, operations and sales office for land segment	December 2013

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One Mill Street Parish, NY 13131, USA	Administrative, operations and sales office for aviation segment	December 2015
Virkelyst 10 DK-9400 Nr. Sundby, Denmark	Administrative, operations and sales office for aviation and land segments	August 2015
6000 Metcalf Ln Shawnee Mission, KS 66202, USA	Administrative, operations and sales office for land segment	April 2017
8650 College Blvd Overland Park, KS 66210, USA 16	Administrative, operations and sales office for aviation, marine and land segments	December 2014

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Item 3. Legal Proceedings

Cathay Pacific Litigation

On April 11, 2012, Cathay Pacific Airways Limited ("Cathay") filed a writ in the High Court of the Republic of Singapore against one of our subsidiaries, World Fuel Services (Singapore) Pte Ltd. ("WFSS") alleging property damage and bodily injuries arising out of the emergency landing of a Cathay aircraft in Hong Kong on April 13, 2010, which Cathay alleges was caused by contaminated fuel supplied by WFSS. Cathay also alleges that WFSS supplied contaminated fuel to a Cathay flight originating from the same airport on April 12, 2010. On November 16, 2012, Cathay filed a Statement of Claim in the High Court of the Hong Kong Special Administrative Region against WFSS and PT Pertamina (Persero), the party that supplied the subject fuel to WFSS, alleging breach of contract and negligence. The case in Singapore has been stayed pending resolution of the Hong Kong case. Although not specified in either the writ or the claim, Cathay asserts damages relating to the incident of approximately \$34.0 million. We intend to vigorously defend against this claim, and we believe our liability in this matter (if any) should be adequately covered by insurance.

Other Matters

We are a party to various claims, complaints and proceedings arising in the ordinary course of our business operations including, but not limited to: (i) commercial and governmental contract claims, such as property damage, demurrage, billing and fuel quality claims, (ii) environmental claims and (iii) bankruptcy preference claims. We are not currently a party to any such claim, complaint or proceeding that we expect to have a material adverse effect on our business or financial condition. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular reporting period could have a material adverse effect on our results of operations or cash flow for that period.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol INT. As of February 13, 2013, there were 341 shareholders of record of our common stock and the closing price of our stock on the NYSE was \$43.93. The following table sets forth, for each quarter in 2012 and 2011, the high and low closing sales prices of our common stock as reported by the NYSE.

	Price	
	High	Low
2012		
First quarter	\$48.94	\$40.09
Second quarter	44.32	35.40
Third quarter	41.03	34.58
Fourth quarter	41.68	34.00
2011		
First quarter	\$41.44	\$35.58
Second quarter	40.61	33.11
Third quarter	39.49	31.65
Fourth quarter	42.87	32.23

Cash Dividends

The following table sets forth the amount, the declaration date, record date and payment date for each quarterly cash dividend declared in 2012 and 2011.

	Per Share Amount	Declaration Date	Record Date	Payment Date
2012				
First quarter	\$0.0375	March 6, 2012	March 23, 2012	April 6, 2012
Second quarter	0.0375	June 12, 2012	June 22, 2012	July 6, 2012
Third quarter	0.0375	August 24, 2012	September 14, 2012	October 5, 2012
Fourth quarter	0.0375	November 20, 2012	December 14, 2012	January 4, 2013
2011				
First quarter	\$0.0375	March 4, 2011	March 18, 2011	April 8, 2011
Second quarter	0.0375	June 10, 2011	June 24, 2011	July 8, 2011
Third quarter	0.0375	September 6, 2011	September 16, 2011	October 7, 2011
Fourth quarter	0.0375	November 22, 2011	December 16, 2011	January 6, 2012

Our Credit Facility and Term Loans restrict the payment of cash dividends to a maximum of the sum of (i) \$50.0 million plus (ii) 50% of the consolidated net income calculated quarterly for the previous four fiscal quarters plus (iii) 100% of the net proceeds of all equity issuances made after the closing date of the Credit Facility and Term Loans. For additional information regarding our Credit Facility and Term Loans, see Note 6 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."

Table of Contents**Stock Performance**

This graph compares the total shareholder return on our common stock with the total return on the Russell 2000 Index and the S&P Energy Index for the five-year period from December 31, 2007 through December 31, 2012. The cumulative return includes reinvestment of dividends.

Comparison of 5 Year Cumulative Total Return
Among World Fuel, the Russell 2000 Index, and the S&P Energy Index
\$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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Equity Compensation Plans

The following table summarizes securities authorized for issuance related to outstanding restricted stock units ("RSUs") and stock-settled stock appreciation rights ("SSAR Awards") under our equity compensation plan (which was approved by our shareholders) and available for future issuance under our equity compensation plan as of December 31, 2012 (in thousands, except weighted average price data):

Plan name or description	(a) Maximum number of securities to be issued upon exercise of outstanding RSUs and SSAR Awards	(b) Weighted average exercise or conversion price of outstanding RSUs and SSAR Awards	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
2006 Omnibus Plan	1,403	\$4.60	3,824

There are no outstanding warrants to purchase our common stock.

Table of Contents**Repurchase of Common Stock**

The following table presents information with respect to repurchases of common stock made by us during the quarterly period ended December 31, 2012:

Period	Total Number of Shares Purchased (1)	Average Price Per Share Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Total Cost of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Remaining Authorized Common Stock Repurchases under Publicly Announced Plans or Programs (2)
10/1/12-10/31/12		\$		\$	\$50,000,000
11/1/12-11/30/12	483	38.69			50,000,000
12/1/12-12/31/12					50,000,000
Total	483	\$38.69		\$	\$50,000,000

(1) These shares relate to the purchase of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards.

(2) In October 2008, our Board of Directors authorized a \$50.0 million common stock repurchase program. The program does not require a minimum number of shares of common stock to be purchased and has no expiration date but may be suspended or discontinued at any time. As of December 31, 2012, no shares of our common stock had been repurchased under this program. The timing and amount of shares of common stock to be repurchased under the program will depend on market conditions, share price, securities law and other legal requirements and other factors.

For information on repurchases of common stock for the first three quarters of 2012, see the corresponding 10-Q Report for each such quarter.

Table of Contents**Item 6. Selected Financial Data**

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes thereto and Part II, Item 7 of this report appearing under the caption, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial data and "Risk Factors" included elsewhere in this 2012 10-K Report. The historical results are not necessarily indicative of the operating results to be expected in the future. All financial information presented has been prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States.

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except earnings and dividends per share data)

	For the Year ended December 31,				
	2012 (1)	2011 (2)	2010 (3)	2009 (4)	2008 (5)
Revenue	\$ 38,945,338	\$ 34,622,854	\$ 19,131,147	\$ 11,295,177	\$ 18,509,403
Cost of revenue	38,271,891	33,987,851	18,689,006	10,919,586	18,114,020
Gross profit	673,447	635,003	442,141	375,591	395,383
Operating expenses (6)	416,424	378,031	261,275	221,596	241,643
Income from operations	257,023	256,972	180,866	153,995	153,740
Non-operating expense, net	(17,428)	(18,769)	(3,336)	(4,086)	(16,165)
Income before income taxes	239,595	238,203	177,530	149,909	137,575
Provision for income taxes	38,244	39,001	31,027	32,346	32,370
Net income including noncontrolling interest	201,351	199,202	146,503	117,563	105,205
Net income (loss) attributable to noncontrolling interest	12,006	5,173	(362)	424	166
Net income attributable to World Fuel	\$ 189,345	\$ 194,029	\$ 146,865	\$ 117,139	\$ 105,039
Basic earnings per common share	\$ 2.66	\$ 2.74	\$ 2.36	\$ 1.99	\$ 1.82
Basic weighted average common shares	71,154	70,687	62,168	59,003	57,707
Diluted earnings per common share	\$ 2.64	\$ 2.71	\$ 2.31	\$ 1.96	\$ 1.80
Diluted weighted average common shares	71,817	71,510	63,441	59,901	58,244
Cash dividends declared per common share	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.075

	As of December 31,				
	2012 (1)	2011 (2)	2010 (3)	2009 (4)	2008 (5)
Cash, cash equivalents and short-term investments	\$ 172,740	\$ 205,415	\$ 272,893	\$ 306,943	\$ 322,452

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Accounts receivable, net	2,193,866	2,160,561	1,386,700	951,398	676,100
Total current assets	3,281,377	3,122,227	2,067,867	1,467,947	1,172,150
Total assets	4,107,751	3,697,246	2,566,450	1,747,995	1,404,626
Total current liabilities	2,149,298	2,026,142	1,358,484	951,711	750,787
Total long-term liabilities	416,829	324,386	81,402	63,035	45,693
Total equity	1,541,624	1,346,718	1,126,564	733,249	608,146

- (1) In 2012, we acquired the CarterEnergy business and the Multi Service business on September 1st and December 31st, respectively, and completed three additional acquisitions which were not material individually or in the aggregate. The financial position and results of operations of the CarterEnergy business and the financial position of the Multi Service business have been included in our consolidated financial statements since their respective acquisition dates.
- (2) In 2011, we acquired all of the outstanding stock of Nordic Camp Supply ApS and certain affiliates ("NCS") and all of the outstanding stock of Ascent Aviation Group, Inc. ("Ascent") on March 1st and April 1st, respectively, and completed six additional acquisitions which were not material individually or in the aggregate. The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since their respective acquisition dates.

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- (3) In 2010, we acquired i) certain assets of Lakeside Oil Company, Inc., including the assets comprising its wholesale motor fuel distribution business (the "Lakeside business") on July 1st, ii) all of the outstanding stock of Western Petroleum Company ("Western") on October 1st, iii) all of the outstanding stock of The Hiller Group Incorporated, Air Petro Corp. and all of the outstanding membership interests of HG Equipment, LLC and AHT Services, LLC (collectively, "Hiller") on December 31st and completed two additional acquisitions which were not material individually or in the aggregate. The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since their respective acquisition dates.
- (4) In April 2009, we acquired all of the outstanding stock of Henty Oil Limited, Tank and Marine Engineering Limited and Henty Shipping Services Limited (collectively, "Henty") and certain assets of TGS Petroleum, Inc., including the assets comprising its wholesale motor fuel distribution business (the "TGS business"). The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since April 1, 2009.
- (5) In June 2008, we acquired certain assets of Texor Petroleum Company, Inc. The financial position and results of operations of this acquisition have been included in our consolidated financial statements since June 1, 2008.
- (6) Included in operating expenses are total non-cash compensation costs associated with share-based payment awards of \$14.1 million for 2012, \$11.0 million for 2011, \$10.1 million for 2010, \$6.5 million for 2009 and \$14.7 million for 2008 (including special bonus awards of \$4.5 million, which were settled in our common stock in 2009) and intangible amortization expense of \$18.1 million for 2012, \$25.0 million for 2011, \$9.8 million for 2010, \$8.3 million for 2009 and \$5.6 million for 2008.

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 accompanying consolidated financial statements and related notes thereto appearing elsewhere in this 2012 10-K Report. 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 1A Risk Factors."

Overview

We are a leading global fuel logistics company, principally engaged in the marketing, sale and distribution of aviation, marine, and land fuel products and related services on a worldwide basis. We compete by providing our customers with value-added benefits, including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and fuel procurement outsourcing. We have three reportable operating business segments: aviation, marine, and land. We primarily contract with third parties for the delivery and storage of fuel products, however, in some cases we own storage and transportation assets for strategic purposes. Additionally, we have expanded our service offering within the transportation industry, including card payment solutions and merchant processing services to customers in the aviation, marine and land transportation industries. In our aviation segment, we offer fuel and related services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low cost carriers, airports, fixed based operators, corporate fleets, fractional operators, private aircraft, military fleets and to the U.S. and foreign governments. In our marine segment, we offer fuel and related services to a broad base of marine customers, including international container and tanker fleets, commercial cruise lines, yachts and time-charter operators, as well as to the U.S. and foreign governments. In our land segment, we offer fuel and related services to petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial and government customers and we engage in crude oil marketing activities.

In our aviation and land segments, we primarily purchase and resell fuel, and we do not act as brokers. Profit from our aviation and land segments is primarily determined by the volume and the gross profit achieved on fuel resales and a percentage of card payment and processing revenue. In our marine segment, we primarily purchase and resell fuel and also act as brokers for others. Profit from our marine segment is determined primarily by the volume and gross profit achieved on fuel resales and by the volume and commission rate of the brokering business. Our profitability in our segments also depends on our operating expenses, which may be significantly affected to the extent that we are required to provide for potential bad debt.

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Our revenue and cost of revenue are significantly impacted by world oil prices, as evidenced in part by our revenue and cost of revenue fluctuations in recent fiscal years, while our gross profit is not necessarily impacted by changes in world oil prices. However, significant movements in fuel prices during any given financial period can have a significant impact on our gross profit, either positively or negatively depending on the direction, volatility and timing of such price movements.

We may experience decreases in future sales volumes and margins as a result of the ongoing deterioration in the world economy, the decline of the transportation industry, natural disasters 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 our customers' 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. Our hedging activities may not be effective to mitigate volatile fuel prices and may expose us to counterparty risk. See "Item 1A Risk Factors" of this 2012 10-K Report.

Reportable Segments

We have three reportable operating segments: aviation, marine and land. Corporate expenses are allocated to each segment based on usage, where possible, or on other factors according to the nature of the activity. We evaluate and manage our business segments using the performance measurement of income from operations. Financial information with respect to our business segments is provided in Note 11 to the accompanying consolidated financial statements included in this 2012 10-K Report.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included elsewhere in this 2012 10-K Report, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management 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 ongoing basis, we evaluate our estimates, including those related to unbilled revenue and related costs of sales, bad debt, share-based payment awards, derivatives, goodwill and identifiable intangible assets and certain accrued liabilities. We base our estimates on historical experience and on 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 significant accounting policies, see Note 1 to the accompanying consolidated financial statements included in this 2012 10-K Report.

Revenue Recognition

Revenue from the sale of fuel is recognized when the sales price is fixed or determinable, collectability is reasonably assured and title passes to the customer, which is when the delivery of fuel is made to our customer directly from us, the supplier or a third-party subcontractor. Our fuel sales are generated as a fuel reseller as well as from on-hand inventory supply. When acting as a fuel reseller, we generally purchase fuel from the supplier, mark it up and contemporaneously resell the fuel to the customer, normally taking delivery for purchased fuel at the same place and time as the delivery is made to the customer. We record the gross sale of the fuel as we generally take inventory risk, have latitude in establishing the sales price, have discretion in the supplier selection, maintain credit risk and are the primary obligor in the sales arrangement.

Revenue from fuel-related services is recognized when services are performed, the sales price is fixed or determinable and collectability is reasonably assured. We record the sale of fuel-related services on a gross basis as we generally have latitude in establishing the sales price, have discretion in supplier selection, maintain credit risk and are the primary obligor in the sales arrangement.

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Commission from fuel broker services is recognized when services are performed and collectability is reasonably assured. When acting as a fuel broker, we are paid a commission by the supplier.

Revenue from card payment and processing transactions is recognized at the time the purchase is made by the customer using the charge card. Revenue from charge card transactions is generated from processing fees.

Share-Based Payment Awards

We account for share-based payment awards on a fair value basis. Under fair value accounting, the grant-date fair value of the share-based payment award is amortized as compensation expense, on a straight-line basis, over the vesting period for both graded and cliff vesting awards. Annual compensation expense for share-based payment awards is reduced by an expected forfeiture amount on the outstanding share-based payment awards.

The estimated fair value of stock awards, such as restricted stock and RSUs is based on the grant-date market value of our common stock, as defined in the respective plans under which the awards were granted. To determine the estimated fair value of SSAR Awards, we use the Black-Scholes option pricing model. The estimation of the fair value of SSAR Awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and expected dividends. The expected term of SSAR Awards represents the estimated period of time from grant until exercise or conversion and is based on vesting schedules and expected post-vesting, exercise and employment termination behavior. Expected volatility is based on the historical volatility of our common stock over the period that is equivalent to the award's expected life. Any adjustment to the historical volatility as an indicator of future volatility would be based on the impact to historical volatility of significant non-recurring events that would not be expected in the future. Risk-free interest rates are based on the U.S. Treasury yield curve at the time of grant for the period that is equivalent to the award's expected life. Dividend yields are based on the historical dividends of World Fuel over the period that is equivalent to the award's expected life, as adjusted for stock splits.

Cash flows from income tax benefits resulting from income tax deductions in excess of the compensation cost recognized for share-based payment awards (excess income tax benefits) are classified as financing cash flows. These excess income tax benefits are credited to capital in excess of par value.

Accounts Receivable and Allowance for Bad Debt

Credit extension, monitoring and collection are performed for each of our business segments. Each segment has a credit committee that is responsible for approving credit limits, 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 a customer's payment history and creditworthiness, as determined by our review of our customer's credit information. We extend credit on an unsecured basis to most of our customers. Accounts receivable are deemed past due based on contractual terms agreed to 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 affecting our customers and any specific customer collection issues that we have identified. Historical payment trends may not be a useful indicator of current or future credit worthiness of our customers, particularly in these difficult economic and financial markets. Accounts receivable are reduced by an allowance for bad debt.

If credit losses exceed established allowances, our business, financial condition, results of operations and cash flows may be adversely affected. For additional information on the credit risks inherent in our business, see "Item 1A Risk Factors" in this 2012 10-K Report.

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Inventories

Inventories are valued using the average cost methodology and are stated at the lower of average cost or market. Components of inventory include fuel purchase costs, the related transportation costs and changes in the estimated fair market values for inventories included in a fair value hedge relationship.

Derivatives

We enter into financial derivative contracts in order to mitigate the risk of market price fluctuations in aviation, marine and land fuel, to offer our customers fuel pricing alternatives to meet their needs and to mitigate the risk of fluctuations in foreign currency exchange rates. We also enter into proprietary derivative transactions, primarily intended to capitalize on arbitrage opportunities related to basis or time spreads related to fuel products we sell. We have applied the normal purchase and normal sales exception ("NPNS"), as provided by accounting guidance for derivative instruments and hedging activities, to certain of our physical forward sales and purchase contracts. While these contracts are considered derivative instruments under the guidance for derivative instruments and hedging activities, they are not recorded at fair value, but rather are recorded in our consolidated financial statements when physical settlement of the contracts occurs. If it is determined that a transaction designated as NPNS no longer meets the scope of the exception, the fair value of the related contract is recorded as an asset or liability on the consolidated balance sheet and the difference between the fair value and the contract amount is immediately recognized through earnings.

Our derivatives that are subject to the accounting guidance for derivative instruments are recognized at their estimated fair market value in accordance with the accounting guidance for fair value measurements. If the derivative does not qualify as a hedge or is not designated as a hedge, changes in the estimated fair market value of the derivative are recognized as a component of revenue, cost of revenue or other income (expense), net (based on the underlying transaction type) in the consolidated statement of income and comprehensive income. Derivatives which qualify for hedge accounting may be designated as either a fair value or cash flow hedge. For our fair value hedges, changes in the estimated fair market value of the hedge instrument and the hedged item are recognized in the same line item as a component of either revenue or cost of revenue (based on the underlying transaction type) in the consolidated statement of income and comprehensive income. For our cash flow hedges, the effective portion of the changes in the fair market value of the hedge is recognized as a component of other comprehensive income in the shareholders' equity section of the consolidated balance sheet and subsequently reclassified into the same line item as the forecasted transaction when both are settled, while the ineffective portion of the changes in the estimated fair market value of the hedge is recognized as a component of other income (expense), net in the consolidated statement of income and comprehensive income. Cash flows for our hedging instruments used in our hedges are classified in the same category as the cash flow from the hedged items. If for any reason hedge accounting is discontinued, then any cash flows subsequent to the date of discontinuance shall be classified in a manner consistent with the nature of the instrument.

To qualify for hedge accounting, as either a fair value or cash flow hedge, the hedging relationship between the hedging instruments and hedged items must be highly effective over an extended period of time in achieving the offset of changes in fair values or cash flows attributable to the hedged risk at the inception of the hedge. We use a regression analysis based on historical spot prices in assessing the qualification for our fair value hedges. However, our measurement of hedge ineffectiveness for our fair value inventory hedges utilizes spot prices for the hedged item (inventory) and forward or future prices for the hedge instrument. Therefore, the excluded component (forward or future prices) in assessing hedge qualification, along with ineffectiveness, is included as a component of cost of revenue in earnings. Adjustments to the carrying amounts of hedged items are discontinued in instances where the related fair value hedging instrument becomes ineffective and any previously recorded fair market value changes are not adjusted until the fuel is sold.

Goodwill and Identifiable Intangible Assets

Goodwill represents the future earnings and cash flow potential of acquired businesses in excess of the fair values that are assigned to all other identifiable assets and liabilities. Goodwill arises because the purchase price paid reflects numerous factors, including the strategic fit and expected synergies these

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acquisitions bring to existing operations and the prevailing market value for comparable companies. Goodwill is not subject to periodic amortization; instead, it is reviewed annually at year-end (or more frequently under certain circumstances) for impairment. We assess qualitative factors to determine whether it is more likely than not that the fair value of any individual reporting unit is less than its carrying amount. In performing the qualitative assessment, we assess relevant events and circumstances that may impact the fair value of our reporting units, including the following: (i) macroeconomic conditions, (ii) industry and market considerations, (iii) earnings quality/sustainability, (iv) overall financial performance, (v) events affecting a reporting unit, (vi) share price and (vii) recent fair value calculation for our reporting units, if available.

After assessing the above described events and circumstances, if we determine that it is more likely than not that the fair value of a reporting unit is greater than its carrying value, then no further testing is required. Otherwise, we would perform the first step of quantitative testing for goodwill impairment.

In connection with our acquisitions, we record identifiable intangible assets existing at the date of the acquisitions for customer relationships, supplier and non-compete agreements, developed technology and trademark/trade name rights. Identifiable intangible assets subject to amortization are amortized over their estimated lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on market factors and operational considerations. For identifiable intangible assets not subject to amortization, we first assess qualitative factors to determine whether it is more likely than not that an asset has been impaired. After assessing qualitative factors, if we determine that it is more likely than not that the fair value of an asset is greater than its carrying value, then no further testing is required. Otherwise, we would review for impairment by comparing the fair value of the intangible asset to its carrying value.

Extinguishment of Liability

In the normal course of business, we accrue liabilities for fuel and services received for which invoices have not yet been received. These liabilities are derecognized, or extinguished, if either (i) payment is made to relieve our obligation for the liability or (ii) we are legally released from our obligation for the liability, such as when our legal obligations with respect to such liabilities lapse or otherwise no longer exist. We derecognized vendor liability accruals due to the legal release of our obligations in the amount of \$11.2 million, \$8.3 million and \$9.8 million during 2012, 2011 and 2010, respectively, which is reflected as a reduction of cost of revenue in the accompanying consolidated statements of income and comprehensive income.

Results of Operations

The results of operations include the results of (i) the CarterEnergy business (land segment) commencing on September 1, 2012, (ii) Ascent (aviation segment) commencing on April 1, 2011, (iii) NCS (aviation and land segments) commencing on March 1, 2011, (iv) Hiller (aviation segment) commencing on December 31, 2010, (v) Western (aviation and land segments) commencing on October 1, 2010 and (vi) the Lakeside business (land segment) commencing on July 1, 2010.

2012 compared to 2011

Revenue. Our revenue for 2012 was \$38.9 billion, an increase of \$4.3 billion, or 12.5%, as compared to 2011. Our revenue during these periods was attributable to the following segments (in thousands):

2012	2011	\$ Change
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