WORLD FUEL SERVICES CORP
Form 10-Q
October 30, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

o **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 N.W. 41st Street, Suite 400 Miami, Florida	**33178**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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 x No o

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 the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The registrant had a total of 72,261,000 shares of common stock, par value $0.01 per share, issued and outstanding as of October 24, 2013.

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Part I Financial Information

General

The following unaudited consolidated financial statements and notes thereto of World Fuel Services Corporation and its subsidiaries have been prepared in accordance with the instructions to Quarterly Reports on Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments necessary for a fair presentation of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results for the entire fiscal year. The unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (10-Q Report) should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (2012 10-K Report). World Fuel Services Corporation (World Fuel or the Company) and its subsidiaries are collectively referred to in this 10-Q Report as we, our and us.

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Item 1. Financial Statements

World Fuel Services Corporation and Subsidiaries

Consolidated Balance Sheets

(Unaudited - In thousands, except per share data)

	As of September 30, 2013	As of December 31, 2012
Assets:		
Current assets:		
Cash and cash equivalents	$ 333,223	$ 172,740
Accounts receivable, net	2,514,683	2,193,866
Inventories	614,293	572,313
Prepaid expenses	111,853	158,909
Other current assets	201,737	183,549
Total current assets	3,775,789	3,281,377
Property and equipment, net	153,013	112,525
Goodwill	477,258	470,506
Identifiable intangible and other non-current assets	250,340	243,343
Total assets	$ 4,656,400	$ 4,107,751
Liabilities:		
Current liabilities:		
Short-term debt	$ 28,642	$ 26,065
Accounts payable	2,154,129	1,814,794
Accrued expenses and other current liabilities	302,875	308,439
Total current liabilities	2,485,646	2,149,298
Long-term debt	430,003	354,253
Non-current income tax liabilities, net	63,651	50,879
Other long-term liabilities	14,844	11,697
Total liabilities	2,994,144	2,566,127
Commitments and contingencies		
Equity:		
World Fuel shareholders equity:		
Preferred stock, $1.00 par value; 100 shares authorized, none issued		
Common stock, $0.01 par value; 100,000 shares authorized, 72,277 and 72,147 issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	723	721
Capital in excess of par value	506,005	517,589
Retained earnings	1,158,082	1,014,882
Accumulated other comprehensive loss	(25,078)	(16,018)
Total World Fuel shareholders equity	1,639,732	1,517,174
Noncontrolling interest equity	22,524	24,450
Total equity	1,662,256	1,541,624
Total liabilities and equity	$ 4,656,400	$ 4,107,751

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(Unaudited - In thousands, except per share data)

	For the Three Months ended September 30, 2013	For the Three Months ended September 30, 2012	For the Nine Months ended September 30, 2013	For the Nine Months ended September 30, 2012
Revenue	$ 10,493,661	$ 9,911,673	$ 31,157,294	$ 29,009,525
Cost of revenue	10,307,320	9,730,921	30,600,116	28,499,415
Gross profit	186,341	180,752	557,178	510,110
Operating expenses:				
Compensation and employee benefits	72,184	65,843	214,358	176,553
Provision for bad debt	1,863	3,631	5,675	4,413
General and administrative	48,091	40,230	137,265	126,482
	122,138	109,704	357,298	307,448
Income from operations	64,203	71,048	199,880	202,662
Non-operating expenses, net:				
Interest expense and other financing costs, net	(4,580)	(4,305)	(12,818)	(14,403)
Other (expense) income, net	(1,135)	838	(1,207)	1,316
	(5,715)	(3,467)	(14,025)	(13,087)
Income before income taxes	58,488	67,581	185,855	189,575
Provision for income taxes	8,191	14,683	32,090	33,249
Net income including noncontrolling interest	50,297	52,898	153,765	156,326
Net (loss) income attributable to noncontrolling interest	(1,175)	1,404	2,552	9,817
Net income attributable to World Fuel	$ 51,472	$ 51,494	$ 151,213	$ 146,509
Basic earnings per common share	$ 0.72	$ 0.72	$ 2.12	$ 2.06
Basic weighted average common shares	71,371	71,216	71,387	71,128
Diluted earnings per common share	$ 0.72	$ 0.72	$ 2.10	$ 2.04
Diluted weighted average common shares	71,877	71,816	71,970	71,791
Comprehensive income:				
Net income including noncontrolling interest	$ 50,297	$ 52,898	$ 153,765	$ 156,326
Other comprehensive income (loss):				
Foreign currency translation adjustments	121	(739)	(8,975)	(8,818)
Cash flow hedges, net of income taxes of $2 and $25 for the three and nine months ended September 30, 2013, respectively, and $27 for the three and nine months ended September 30, 2012	(10)	87	(85)	87
	111	(652)	(9,060)	(8,731)
Comprehensive income including noncontrolling interest	50,408	52,246	144,705	147,595
Comprehensive (loss) income attributable to noncontrolling interest	(1,175)	1,404	2,552	9,817
Comprehensive income attributable to World Fuel	$ 51,583	$ 50,842	$ 142,153	$ 137,778

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation and Subsidiaries

Consolidated Statements of Shareholders Equity

(Unaudited - In thousands)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders Equity	Noncontrolling Interest Equity	Total Equity
Balance as of December 31, 2012	72,147	$ 721	$ 517,589	$ 1,014,882	$ (16,018)	$ 1,517,174	$ 24,450	$ 1,541,624
Net income				151,213		151,213	2,552	153,765
Cash dividends declared				(8,013)		(8,013)		(8,013)
Investment by noncontrolling interest							10,019	10,019
Distribution of noncontrolling interest							(14,497)	(14,497)
Amortization of share-based payment awards			12,371			12,371		12,371
Issuance of common stock related to share-based payment awards, including income tax benefit of $2,692	681	7	2,685			2,692		2,692
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(15)		(6,645)			(6,645)		(6,645)
Purchases of common stock	(536)	(5)	(19,995)			(20,000)		(20,000)
Other comprehensive loss					(9,060)	(9,060)		(9,060)
Balance as of September 30, 2013	72,277	$ 723	$ 506,005	$ 1,158,082	$ (25,078)	$ 1,639,732	$ 22,524	$ 1,662,256

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders Equity	Noncontrolling Interest Equity	Total Equity
Balance as of December 31, 2011	71,154	$ 712	$ 502,551	$ 836,222	$ (6,524)	$ 1,332,961	$ 13,757	$ 1,346,718
Net income				146,509		146,509	9,817	156,326
Cash dividends declared				(8,019)		(8,019)		(8,019)
Distribution of noncontrolling interest							(1,322)	(1,322)
Amortization of share-based payment awards			9,800			9,800		9,800
Issuance of common stock related to share-based payment awards, including income tax benefit of $1,519	967	9	4,239			4,248		4,248
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(34)		(4,730)			(4,730)		(4,730)
Other comprehensive loss					(8,731)	(8,731)		(8,731)

Balance as of September 30, 2012	72,087	$	721	$	511,860	$	974,712	$	(15,255)	$	1,472,038	$	22,252	$	1,494,290

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited - In thousands)

	For the Nine Months ended September 30, 2013	2012
Cash flows from operating activities:		
Net income including noncontrolling interest	$ 153,765	$ 156,326
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Depreciation and amortization	32,812	26,800
Provision for bad debt	5,675	4,413
Share-based payment award compensation costs	12,578	10,341
Deferred income tax (benefit) provision	(113)	4,724
Extinguishment of liabilities	(4,918)	(9,956)
Foreign currency losses (gains), net	2,427	(3,644)
Other	2,142	1,391
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(294,271)	(173,120)
Inventories	(40,192)	(110,578)
Prepaid expenses	40,532	(126,750)
Other current assets	(28,563)	(18,465)
Cash collateral with financial counterparties	19,793	6,941
Other non-current assets	(7,455)	2,360
Accounts payable	316,003	247,514
Accrued expenses and other current liabilities	837	30,664
Non-current income tax, net and other long-term liabilities	2,695	(690)
Total adjustments	59,982	(108,055)
Net cash provided by operating activities	213,747	48,271
Cash flows from investing activities:		
Acquisitions and other investments, net of cash acquired	(40,412)	(71,337)
Capital expenditures	(50,286)	(18,737)
Purchase of short-term investments	(21,588)	
Proceeds from the sale of short-term investments	21,588	
Issuance of notes receivable	(469)	(787)
Repayment of notes receivable		401
Net cash used in investing activities	(91,167)	(90,460)
Cash flows from financing activities:		
Borrowings under senior revolving credit facility and senior term loans	3,433,500	2,901,000
Repayments under senior revolving credit facility and senior term loans	(3,349,000)	(2,901,250)
Borrowings of other debt	3,393	
Repayments of other debt	(12,713)	(8,306)
Dividends paid on common stock	(8,020)	(8,019)
Payment of earn-out liability		(4,304)
Investment by noncontrolling interest	10,019	
Distribution of noncontrolling interest	(14,497)	(1,401)
Purchases of common stock	(20,000)	
Federal and state tax benefits resulting from tax deductions in excess of the compensation cost recognized for share-based payment awards	2,692	1,519
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(6,645)	(4,730)
Net cash provided by (used in) financing activities	38,729	(25,491)

Effect of exchange rate changes on cash and cash equivalents		(826)		1,666
Net increase (decrease) in cash and cash equivalents		160,483		(66,014)
Cash and cash equivalents, as of beginning of period		172,740		205,415
Cash and cash equivalents, as of end of period	$	333,223	$	139,401

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Supplemental Schedule of Noncash Investing and Financing Activities:

Cash dividends declared, but not yet paid, were $2.7 million as of September 30, 2013 and 2012, and were paid in October 2013 and 2012, respectively.

As of September 30, 2013, we had accrued capital expenditures totaling $2.8 million, which were recorded in accounts payable.

During the nine months ended September 30, 2012, we granted equity awards to certain employees of which $2.7 million was previously recorded in accrued expenses and other current liabilities.

In connection with our acquisitions for the periods presented, the following table presents the assets acquired, net of cash and liabilities assumed:

	For the Nine Months ended September 30,			
	2013		2012	
Assets acquired, net of cash	$	54,998	$	140,725
Liabilities assumed	$	30,286	$	69,859

In connection with our acquisitions during the nine months ended September 30, 2013, we issued $3.0 million of promissory notes and recorded amounts payable to sellers related to purchase price adjustments of $2.0 million. In connection with our acquisitions during the nine months ended September 30, 2012, we issued $7.2 million of promissory notes.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

(Unaudited)

1. Significant Accounting Policies

Except as updated below, the significant accounting policies we use for quarterly financial reporting are the same as those disclosed in Note 1 of the Notes to the Consolidated Financial Statements included in our 2012 10-K Report.

Basis of Consolidation

The accompanying consolidated financial statements and related notes include the accounts of our wholly-owned and majority-owned subsidiaries and joint ventures where we exercise operational control or have a primary benefit of its profits. All significant intercompany accounts, transactions and profits are eliminated upon consolidation.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period s presentation.

Goodwill

During the first nine months of 2013, we recorded goodwill of $9.6 million in our land segment in connection with two acquisitions completed during the period, which were not material individually or in the aggregate. In addition, based on our ongoing fair value assessment of certain of our 2012 acquisitions, we recorded a $2.0 million reduction in goodwill within our land segment principally due to a $3.3 million increase in identifiable intangible assets, partially offset by a $0.9 million decrease in other acquired assets and a $0.4 million increase in assumed liabilities. Additionally, we reclassified $6.5 million in goodwill from our land segment to our aviation segment. We had additional goodwill reductions of $0.5 million and $0.3 million as a result of foreign currency translation adjustments of our non-U.S. dollar functional currency subsidiaries in our marine and aviation segments, respectively.

Recent Accounting Pronouncements

Presentation of an Unrecognized Tax Benefit When a Net Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU) on the presentation of an unrecognized tax benefit when a net operating loss carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are currently evaluating whether the adoption of this new guidance will have a significant impact on our consolidated financial statements and disclosures.

Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. In July 2013, the FASB issued an ASU which includes amendments permitting the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. Government and London Interbank Offered Rate. The amendments also remove the restriction on using different benchmark rates for similar hedges. This update is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

Foreign Currency Matters Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Foreign Subsidiaries. In March 2013, the FASB issued an ASU aimed at resolving the diversity in practice of accounting for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the amendments in this ASU resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We do not believe the adoption of this new guidance will have a significant impact on our consolidated financial statements and disclosures.

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Disclosure Obligations Resulting from Joint and Several Liability Arrangements. In February 2013, the FASB issued an ASU clarifying the guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and will be applied retrospectively. We do not believe the adoption of this new guidance will have a significant impact on our consolidated financial statements and disclosures.

Disclosure Relating to Amounts Reclassified Out of Accumulated Other Comprehensive Income. In February 2013, the FASB issued an ASU amending the information that companies will be required to present relating to reclassifications out of accumulated other comprehensive income. The amendments require presentation, either on the face of the financial statements or in the notes, of amounts reclassified out of accumulated other comprehensive income by component and by net income line item. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this ASU resulted in additional derivative disclosures included in Note 2 - Derivatives and did not have a significant impact on our consolidated financial statements.

Disclosure About Offsetting Assets and Liabilities. In December 2011, the FASB issued an ASU which requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. In January 2013, the FASB issued an ASU clarifying that the requirement to disclose information about financial instruments that have been offset and related arrangements applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and lending transactions that are either offset in accordance with specific criteria contained in the FASB Accounting Standards Codification or subject to a master netting arrangement or similar agreement. This update became effective at the beginning of our 2013 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

Consolidated Statement of Cash Flows for the Six Months ended June 30, 2013

We identified an incorrect cash flow presentation of $17.7 million related to an acquisition payment that was classified as an operating activity versus an investing activity in the consolidated statement of cash flows for the six months ended June 30, 2013. We assessed the materiality of this incorrect presentation and concluded it was not material. As prior period financial information is presented in future SEC filings, we will modify the presentation of the consolidated statement of cash flows to include this revision.

2. 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.

The following describes our derivative classifications:

Cash Flow Hedges. Includes certain of our foreign currency forward contracts we enter into in order to mitigate the risk of currency exchange rate fluctuations.

Fair Value Hedges. Includes derivatives we enter into in order to hedge price risk associated with our inventory and certain firm commitments relating to fixed price purchase and sale contracts.

Non-designated Derivatives. Includes derivatives we primarily enter into in order to mitigate the risk of market price fluctuations in aviation, marine and land fuel in the form of swaps or futures as well as certain fixed price purchase and sale contracts and proprietary trading. In addition, non-designated derivatives are also entered into to hedge the risk of currency rate fluctuations.

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As of September 30, 2013, our derivative instruments, at their respective fair value positions were as follows (in thousands, except weighted average fixed price and weighted average mark-to-market amount):

Hedge Strategy	Settlement Period	Derivative Instrument	Notional	Unit	Weighted Average Fixed Price	Weighted Average Mark-to-Market Amount	Fair Value Amount
Cash Flow Hedge	2013	Foreign currency contracts (long)	333	EUR	$ 1.24	$ 0.11	$ 38
Fair Value Hedge	2013	Commodity contracts for inventory hedging (long)	322	BBL	$ 112.71	$ (0.78)	$ (252)
	2013	Commodity contracts for inventory hedging (short)	2,293	BBL	118.61	2.56	5,879
	2014	Commodity contracts for inventory hedging (short)	12	BBL	115.93	6.50	78
							$ 5,705
Non-Designated	2013	Commodity contracts (long)	20,078	BBL	$ 72.44	$ 0.15	$ 2,967
	2013	Commodity contracts (short)	16,540	BBL	89.59	0.23	3,848
	2014	Commodity contracts (long)	11,275	BBL	82.69	0.02	218
	2014	Commodity contracts (short)	8,445	BBL	100.43	0.63	5,338
	2015	Commodity contracts (long)	532	BBL	118.22	3.71	1,972
	2015	Commodity contracts (short)	590	BBL	90.20	(2.97)	(1,755)
	2013	Foreign currency contracts (long)	1,905	AUD	0.91	0.03	48
	2013	Foreign currency contracts (short)	5,461	AUD	0.90	(0.03)	(169)
	2013	Foreign currency contracts (long)	2,730	BRL	2.32	(0.00)	(6)
	2013	Foreign currency contracts (short)	134	BRL	2.41	(0.03)	(4)
	2013	Foreign currency contracts (long)	15,941	CAD	1.04	0.01	169
	2013	Foreign currency contracts (short)	26,615	CAD	1.04	(0.01)	(318)
	2013	Foreign currency contracts (long)	813,772	CLP	506.18	(0.00)	(4)
	2013	Foreign currency contracts (short)	1,542,720	CLP	509.97	(0.00)	(30)
	2013	Foreign currency contracts (long)	34,247,444	COP	1,916.12	(0.00)	(10)
	2013	Foreign currency contracts (short)	28,827,902	COP	1,919.49	(0.00)	(32)
	2013	Foreign currency contracts (long)	17,197	DKK	5.62	0.00	76
	2013	Foreign currency contracts (long)	7,330	EUR	1.32	0.03	202
	2013	Foreign currency contracts (short)	32,293	EUR	1.32	(0.04)	(1,334)
	2013	Foreign currency contracts (long)	73,437	GBP	1.54	0.08	5,615
	2013	Foreign currency contracts (short)	141,332	GBP	1.55	(0.08)	(10,989)
	2013	Foreign currency contracts (short)	111,367	INR	60.45	0.00	70
	2013	Foreign currency contracts (long)	205,458	JPY	98.93	0.00	12
	2013	Foreign currency contracts (short)	467,248	JPY	98.88	(0.00)	(40)
	2013	Foreign currency contracts (long)	1,290,707	MXN	12.99	(0.00)	(1,501)
	2013	Foreign currency contracts (short)	1,147,876	MXN	12.96	0.00	1,335
	2013	Foreign currency contracts (long)	16,897	NOK	6.08	0.00	16
	2013	Foreign currency contracts (short)	39,031	NOK	6.02	(0.00)	(62)
	2013	Foreign currency contracts (long)	2,055	PLN	3.20	0.01	16
	2013	Foreign currency contracts (short)	3,127	PLN	3.28	(0.02)	(54)
	2013	Foreign currency contracts (short)	12,791	RON	3.38	(0.01)	(133)
	2013	Foreign currency contracts (long)	23,530	SGD	1.27	0.01	211
	2013	Foreign currency contracts (short)	35,063	SGD	1.27	(0.01)	(284)
	2013	Foreign currency contracts (long)	33,118	ZAR	10.05	0.00	37
	2013	Foreign currency contracts (short)	93,162	ZAR	10.05	(0.00)	(59)
	2014	Foreign currency contracts (short)	1,391	CAD	1.03	0.00	1

2014	Foreign currency contracts (long)	4,146	DKK	5.51	(0.00)	(1)
2014	Foreign currency contracts (short)	94	EUR	1.35	(0.01)	(1)
2014	Foreign currency contracts (long)	1,750	GBP	1.58	0.06	104
2014	Foreign currency contracts (short)	14,240	GBP	1.56	(0.06)	(856)
2014	Foreign currency contracts (long)	88,534	JPY	98.16	0.00	1
2014	Foreign currency contracts (short)	1,384	NOK	6.05	(0.00)	(1)
2014	Foreign currency contracts (long)	5,434	SGD	1.25	(0.00)	(3)
2014	Foreign currency contracts (short)	13,570	ZAR	10.22	(0.00)	(7)
2015	Foreign currency contracts (short)	2,500	GBP	1.59	(0.02)	(52)
						$ 4,551

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The following table presents information about our derivative instruments measured at fair value and their locations on the consolidated balance sheets (in thousands):

	Balance Sheet Location	As of September 30, 2013	As of December 31, 2012
Derivative assets:			
Derivatives designated as hedging instruments			
Commodity contracts	Other current assets	$ 6,345	$ 991
Foreign currency contracts	Accrued expenses and other current liabilities	38	148
		6,383	1,139
Derivatives not designated as hedging instruments			
Commodity contracts	Other current assets	59,536	67,533
Commodity contracts	Identifiable intangible and other non-current assets	4,022	1,423
Commodity contracts	Accrued expenses and other current liabilities	4,385	5,776
Commodity contracts	Other long-term liabilities	1,106	46
Foreign currency contracts	Other current assets	4,564	741
Foreign currency contracts	Accrued expenses and other current liabilities	3,954	1,545
		77,567	77,064
		$ 83,950	$ 78,203
Derivative liabilities:			
Derivatives designated as hedging instruments			
Commodity contracts	Other current assets	$ 572	$ 2,284
Commodity contracts	Accrued expenses and other current liabilities	68	
		640	2,284
Derivatives not designated as hedging instruments			
Commodity contracts	Other current assets	34,828	41,410
Commodity contracts	Identifiable intangible and other non-current assets	2,222	47
Commodity contracts	Accrued expenses and other current liabilities	17,843	20,927
Commodity contracts	Other long-term liabilities	1,568	1,034
Foreign currency contracts	Other current assets	3,990	595
Foreign currency contracts	Accrued expenses and other current liabilities	12,477	3,151
Foreign currency contracts	Other long-term liabilities	88	99
		73,016	67,263
		$ 73,656	$ 69,547

The following table presents the effect and financial statement location of our derivative instruments and related hedged items in fair value hedging relationships on our consolidated statements of income and comprehensive income (in thousands):

Derivative Instruments	Location	Realized and Unrealized Gain (Loss) 2013	Realized and Unrealized Gain (Loss) 2012	Hedged Items	Location	Realized and Unrealized Gain (Loss) 2013	Realized and Unrealized Gain (Loss) 2012

Three months ended September 30,										
Commodity contracts	Cost of revenue	$	(12,032)	$	(38,337)	Inventories	Cost of revenue	$	10,937	$	44,615
Nine months ended September 30,											
Commodity contracts	Revenue	$		$	265	Firm commitments	Revenue	$		$	(201)
Commodity contracts	Cost of revenue				(1,417)	Firm commitments	Cost of revenue				739
Commodity contracts	Cost of revenue		7,593		(28,144)	Inventories	Cost of revenue		(7,224)		41,196
		$	7,593	$	(29,296)			$	(7,224)	$	41,734

There were no gains or losses for the three and nine months ended September 30, 2013 and 2012 that were excluded from the assessment of the effectiveness of our fair value hedges.

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The following table presents the effect and financial statement location of our derivative instruments in cash flow hedging relationships on our accumulated other comprehensive income and consolidated statements of income and comprehensive income (in thousands):

Derivative Instruments	Amount of Gain Recognized in Accumulated Other Comprehensive Income (Effective Portion) 2013	2012	Location of Realized Gain (Effective Portion)	Amount of Gain Reclassified from Accumulated Other Comprehensive Income (Effective Portion) 2013	2012
Three months ended September 30,					
Foreign currency contracts	$ 33	$ 127	Other (expense) income, net	$ 47	$ 13
Nine months ended September 30,					
Foreign currency contracts	$ 9	$ 127	Other (expense) income, net	$ 119	$ 13

In the event forecasted cash outflows are less than the hedged amounts, a portion or all of the gains or losses recorded in accumulated other comprehensive income are reclassified to the consolidated statements of income and comprehensive income. As of September 30, 2013, the maximum amount that could be reclassified to the consolidated statements of income and comprehensive income for the next twelve months is not significant.

The following table presents the effect and financial statement location of our derivative instruments not designated as hedging instruments on our consolidated statements of income and comprehensive income (in thousands):

Derivatives	Location	Realized and Unrealized Gain (Loss) 2013	2012
Three months ended September 30,			
Commodity contracts	Revenue	$ 6,589	$ 30,928
Commodity contracts	Cost of revenue	(521)	(29,272)
Foreign currency contracts	Revenue	(1,992)	(1,392)
Foreign currency contracts	Other (expense) income, net	(6,105)	(785)
		$ (2,029)	$ (521)
Nine months ended September 30,			
Commodity contracts	Revenue	$ 26,096	$ 14,156
Commodity contracts	Cost of revenue	893	298
Foreign currency contracts	Revenue	748	(2,120)
Foreign currency contracts	Other (expense) income, net	(2,263)	(1,469)
		$ 25,474	$ 10,865

We enter into derivative instrument contracts which may require us to periodically post collateral. Certain of these derivative contracts contain clauses that are similar to credit-risk-related contingent features, including material adverse change, general adequate assurance and internal credit review clauses that may require additional collateral to be posted and/or settlement of the instruments in the event an aforementioned clause is triggered. The triggering events are not a quantifiable measure; rather they are based on good faith and reasonable determination by the counterparty that the triggers have occurred. The net liability position for such contracts, the collateral posted and the amount of assets required to be posted and/or to settle the positions should a contingent feature be triggered is not significant as of September 30, 2013.

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3. Property and Equipment

The amount of property and equipment is as follows (in thousands):

	As of September 30, 2013	As of December 31, 2012
Land	$ 4,653	$ 4,653
Buildings and leasehold improvements	47,731	21,081
Office equipment, furniture and fixtures	12,878	8,415
Computer equipment and software costs	84,665	80,233
Machinery, equipment and vehicles	83,640	66,122
	233,567	180,504
Accumulated depreciation and amortization	80,554	67,979
	$ 153,013	$ 112,525

4. Shareholders Equity

Stock Repurchase Programs

In October 2008, our Board of Directors authorized a $50.0 million common stock repurchase program. During the three months ended September 30, 2013, we repurchased 536 thousand shares of our common stock for an aggregate value of $20.0 million. The remaining amount available under our common stock repurchase program is $30.0 million.

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

Our other comprehensive income (loss), consisting of foreign currency translation adjustments related to our subsidiaries that have a functional currency other than the U.S. dollar and cash flow hedges, was as follows (in thousands):

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2012	$ (16,130)	$ 112	$ (16,018)
Other comprehensive loss	(8,975)	(85)	(9,060)
Balance as of September 30, 2013	$ (25,105)	$ 27	$ (25,078)

The foreign currency translation adjustment losses for the nine months ended September 30, 2013 were primarily due to the strengthening of the U.S. dollar as compared to the Brazilian Real.

Additional information relating to our cash flow hedges for the periods presented is included in Note 2 - Derivatives.

5. Debt

On October 10, 2013, we amended our senior revolving credit facility (Credit Facility) to, among other things, increase the maximum availability under the Credit Facility from $800.0 million to $1.1 billion, increase the sublimit for the issuance of letters of credit and banker s acceptances from $300.0 million to $400.0 million and extend the maturity date to October 2018. Under the Credit Facility, we have the right to request increases in available borrowings up to an additional $150.0 million, subject to the satisfaction of certain conditions. Additionally, we extended the maturity of our existing $242.5 million senior term loans (Term Loans) to October 2018.

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Our debt consisted of the following (in thousands):

	As of	
	September 30, 2013	December 31, 2012
Credit Facility	$ 190,000	$ 100,500
Term Loans	242,500	247,500
Acquisition promissory notes	18,070	25,878
Other	8,075	6,440
Total debt	458,645	380,318
Current maturities of long-term debt	28,642	26,065
Long term-debt	$ 430,003	$ 354,253

The following table provides additional information about our interest income, expense and other financing costs, net, for the periods presented (in thousands):

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013	2012	2013	2012
Interest income	$ 1,432	$ 256	$ 2,357	$ 781
Interest expense and other financing costs	(6,012)	(4,561)	(15,175)	(15,184)
	$ (4,580)	$ (4,305)	$ (12,818)	$ (14,403)

6. Income Taxes

Our income tax provision for the periods presented and the respective effective income tax rates for such periods are as follows (in thousands, except for income tax rates):

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013	2012	2013	2012
Income tax provision	$ 8,191	$ 14,683	$ 32,090	$ 33,249
Effective income tax rate	14.0%	21.7%	17.3%	17.5%

Our provision for income taxes for each of the three-month and nine-month periods ended September 30, 2013 and 2012 were calculated based on the estimated annual effective income tax rate for the full 2013 and 2012 fiscal years. The provision for income taxes for the three and nine months ended September 30, 2013 includes an adjustment for an income tax benefit of $1.4 million for a discrete item related to a lapse in the statute of limitations. The provision for income taxes for the nine months ended September 30, 2012 includes an adjustment for an income tax benefit of $3.3 million for a discrete item related to a change in estimate in an uncertain income tax position. The actual effective income tax rate for the full 2013 fiscal year may be materially different as a result of differences between estimated versus actual results and the geographic tax jurisdictions in which the results are earned.

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7. Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share for the periods presented (in thousands, except per share amounts):

	For the Three Months ended September 30, 2013	For the Three Months ended September 30, 2012	For the Nine Months ended September 30, 2013	For the Nine Months ended September 30, 2012
Numerator:				
Net income attributable to World Fuel	$ 51,472	$ 51,494	$ 151,213	$ 146,509
Denominator:				
Weighted average common shares for basic earnings per common share	71,371	71,216	71,387	71,128
Effect of dilutive securities	506	600	583	663
Weighted average common shares for diluted earnings per common share	71,877	71,816	71,970	71,791
Weighted average securities which are not included in the calculation of diluted earnings per common share because their impact is anti-dilutive or their performance conditions have not been met	457	452	455	307
Basic earnings per common share	$ 0.72	$ 0.72	$ 2.12	$ 2.06
Diluted earnings per common share	$ 0.72	$ 0.72	$ 2.10	$ 2.04

8. Commitments and Contingencies

Legal Matters

Lac-Mégantic, Quebec

We, on behalf of DPTS Marketing LLC (DPM), a crude oil marketing joint venture in which we own a 50% membership interest, purchased crude oil from various producers in the Bakken region of North Dakota. Dakota Petroleum Transport Solutions, LLC (DPTS), a crude oil transloading joint venture in which we also own a 50% membership interest, arranged for the transloading of the crude oil for DPM into tank cars at the joint venture s facility in New Town, North Dakota. We leased the tank cars used in the transloading from a number of third party lessors and subleased these tank cars to DPM. We, on behalf of DPM, contracted with Canadian Pacific Railway (CPR) for the transportation of the tank cars and the crude oil from New Town, North Dakota to a customer in New Brunswick, Canada. CPR subcontracted a portion of that route to Montreal, Maine and Atlantic Railway (MMA). On July 6, 2013, the freight train operated by MMA with 72 tank cars carrying approximately 50,000 barrels of the crude oil derailed in Lac-Mégantic, Quebec. The derailment resulted in significant loss of life, damage to the environment from spilled crude oil and extensive property damage.

In July and August 2013, we, certain of our subsidiaries, DPM and DPTS, along with a number of third parties, including MMA and certain of its affiliates, as well as several manufacturers and lessors of tank cars, were named as defendants in twenty complaints filed in Illinois. The complaints generally allege wrongful death and negligence in the failure to provide for the proper and safe transportation of crude oil and seek economic and compensatory damages, as well as costs. In addition, in July and August 2013, we and certain of our subsidiaries, along with a number of other third parties, including CPR, MMA and certain of its affiliates, as well as several manufacturers and lessors of tank cars, were named as defendants in a motion filed in Quebec Superior Court to authorize the bringing of a class-action lawsuit seeking economic, compensatory and punitive damages, as well as costs. The motion generally alleges wrongful death and negligence in the failure to provide for the proper and safe transportation of crude oil.

Furthermore, in July 2013, an order was issued by the government of Quebec against MMA and us, which was modified in August 2013 to add CPR as a party, requiring MMA, CPR and us to recover the spilled crude oil caused by the incident and to otherwise fully remediate the impact of the incident on the environment. We have filed a contestation of the order and the modified order before the Tribunal administratif du Québec, an administrative body responsible for hearing such proceedings, challenging the legality and validity of the orders on various grounds.

In addition to these proceedings, we have received demands for indemnification from certain tank car lessors pursuant to our lease agreements with such parties. We are currently assessing the merits of these demands as well as of the underlying claims for which such indemnification is sought. Additional claims, lawsuits, proceedings, investigations and orders may be filed, commenced or issued with respect to the incident, which may involve civil claims for damages or governmental investigative, regulatory or enforcement actions against us.

While we and our joint ventures, DPM and DPTS, maintain insurance to mitigate the costs of environmental releases as well as other results of unexpected events, including loss of life, property damage and defense costs, there can be no guarantee that our insurance will be adequate to cover all liabilities that may be incurred as a result of this incident.

We are separately evaluating potential claims that we, DPM or DPTS may assert against third parties to recover costs and other liabilities that may be incurred as a result of this incident. We can provide no guarantee that any such claims, if brought by us, will be successful or, if successful, that the responsible parties will have the financial resources to address any such claims.

We are currently unable to determine the probability of loss, or reasonably estimate a range of potential losses related to the above proceedings. Accordingly, we have not made any provision for these potential losses in our consolidated financial statements.

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As of September 30, 2013, we have recorded liabilities of $14.2 million in accrued expenses and other current liabilities in the accompanying consolidated balance sheets based on estimated losses related to the value of the tank cars involved in the incident, as well as legal costs incurred in connection with the incident, which we believe are probable and for which a reasonable estimate can be made. We believe that a substantial portion of this liability is covered by insurance and have recognized a receivable of $13.4 million, recorded in other current assets, in the accompanying consolidated balance sheets.

Cathay Pacific Litigation

Since April 2012, one of our subsidiaries, World Fuel Services (Singapore) Pte Ltd. (WFSS) has been involved in litigation with Cathay Pacific Airways Limited (Cathay) arising out of the emergency landing of a Cathay aircraft in Hong Kong in 2010, which Cathay alleges was caused by contaminated fuel supplied by WFSS. Cathay claims damages relating to the incident of approximately $34.0 million. As of September 30, 2013, we have recorded a current liability for the estimated loss with an offsetting receivable from insurance in the accompanying consolidated balance sheets, which amounts were not significant.

Other Matters

We are a party to various claims, complaints and proceedings arising in the ordinary course of our business including, but not limited to, environmental claims, commercial and governmental contract claims, such as property damage, demurrage, billing and fuel quality claims, as well as bankruptcy preference claims. We have established loss provisions for these ordinary course claims as well as other matters in which losses are probable and can be reasonably estimated. As of September 30, 2013, we had recorded certain reserves which were not significant. For those matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses will not have a material adverse effect on our consolidated financial statements. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular period could have a material adverse effect on our results of operations or cash flow for that period.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates.

Other Contingencies

On June 7, 2013, STX Pan OceanCo. Ltd (STX Pan Ocean), one of our customers in our marine segment, filed for bankruptcy protection in Korea which was subsequently recognized in the United States on July 12, 2013. On August 22, 2013, we agreed with STX Pan Ocean and its parent company, STX Corporation (STX Corp) to allow the assignment of all of the outstanding receivables owing from STX Corp to STX Pan Ocean. Concurrently, we entered into a settlement agreement with STX Pan Ocean whereby it agreed to repay the outstanding balance of $20.8 million through a lump sum payment of $3.2 million, with the remaining balance to be paid over the next year.

9. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, net, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturities of these instruments. We believe the carrying values of our debt and notes receivable approximate fair value since these instruments bear interest either at variable rates or fixed rates which are not significantly different than market rates. Based on the fair value hierarchy, our debt of $458.6 million and $380.3 million as of September 30, 2013 and December 31, 2012, respectively, and our notes receivable of $9.5 million and $12.7 million as of September 30, 2013 and December 31, 2012, respectively, are categorized in Level 3.

The following table presents information about our financial assets and liabilities that are measured at estimated fair value on a recurring basis (in thousands):

	Level 1	Level 2	Level 3	Sub-Total	Netting and Collateral	Total
As of September 30, 2013						
Assets:						
Commodity contracts	$ 30,913	$ 44,481	$	$ 75,394	$ (43,448)	$ 31,946
Foreign currency contracts		8,556		8,556	(7,982)	574
Total	$ 30,913	$ 53,037	$	$ 83,950	$ (51,430)	$ 32,520
Liabilities:						
Commodity contracts	$ 14,141	$ 42,960	$	$ 57,101	$ (43,113)	$ 13,988
Foreign currency contracts		16,555		16,555	(7,982)	8,573
Inventories		6,952		6,952		6,952
Total	$ 14,141	$ 66,467	$	$ 80,608	$ (51,095)	$ 29,513
As of December 31, 2012						
Assets:						
Commodity contracts	$ 18,087	$ 57,682	$	$ 75,769	$ (56,115)	$ 19,654
Foreign currency contracts		2,434		2,434	(2,289)	145
Inventories		818		818	(525)	293
Total	$ 18,087	$ 60,934	$	$ 79,021	$ (58,929)	$ 20,092
Liabilities:						
Commodity contracts	$ 20,970	$ 44,732	$	$ 65,702	$ (49,562)	$ 16,140
Foreign currency contracts		3,845		3,845	(2,289)	1,556
Inventories		525		525	(525)	
Total	$ 20,970	$ 49,102	$	$ 70,072	$ (52,376)	$ 17,696

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The following table presents information regarding the balance sheet location of our commodity and foreign currency contracts net assets and liabilities (in thousands):

	As of	
	September 30, 2013	December 31, 2012
Commodity Contracts		
Assets:		
Other current assets	$ 30,146	$ 18,277
Identifiable intangible and other non-current assets	1,800	1,377
Total net assets	$ 31,946	$ 19,654
Liabilities:		
Accrued expenses and other current liabilities	$ 13,526	$ 15,152
Other long-term liabilities	462	988
Total net liabilities	$ 13,988	$ 16,140
Foreign Currency Contracts		
Assets:		
Other current assets	$ 574	$ 145
Total net assets	$ 574	$ 145
Liabilities:		
Accrued expenses and other current liabilities	$ 8,485	$ 1,458
Other long-term liabilities	88	98
Total net liabilities	$ 8,573	$ 1,556

For our derivative contracts, we may enter into master netting, collateral and offset agreements with counterparties. These agreements provide us the ability to offset a counterparty s rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default. We net fair value of cash collateral paid or received against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting or offset agreement.

As of September 30, 2013, we had $3.1 million of cash collateral deposits held by financial counterparties included in other current assets in the accompanying consolidated balance sheets. Additionally, as of September 30, 2013, we have offset $0.3 million of cash collateral received from customers against the total amount of commodity fair value assets in the above table. As of December 31, 2012, we had $22.9 million of cash collateral deposits held by financial counterparties included in other current assets in the accompanying consolidated balance sheets. Additionally, as of December 31, 2012, we had offset $6.6 million of cash collateral received from customers against the total amount of commodity fair value assets in the above table.

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The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis that utilized Level 3 inputs for the periods presented (in thousands):

	Beginning of Period	Total Gains (Losses) Included in Earnings	Settlements	End of Period	Change in Unrealized Gains Relating to Assets that are Held at end of Period	Location of Total Gains Included in Earnings
Three months ended September 30, 2013						
Liabilities:						
Commodity contracts	$ 89	$ 69	$ 20	$	$	Cost of revenue
Three months ended September 30, 2012						
Assets:						
Commodity contracts	$	$ 2,060	$ 313	$ 1,747	$ 1,747	Revenue
Nine months ended September 30, 2013						
Liabilities:						
Commodity contracts	$	$ (20)	$ 20	$	$	Cost of revenue
Nine months ended September 30, 2012						
Assets:						
Commodity contracts	$	$ 2,060	$ 313	$ 1,747	$ 1,747	Revenue
Liabilities:						
Earn-out	$ 4,194	$ (110)	$ 4,304	$	$	Other (expense) income, net

There were no transfers between Level 1, 2 or 3 during the periods presented. In addition, there were no significant Level 3 settlements, purchases, sales or issuances for the periods presented.

10. Business Segments

Based on the nature of operations and quantitative thresholds pursuant to accounting guidance for segment reporting, we have three reportable operating business segments: aviation, marine and land. Corporate expenses are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. Our results of operations include (i) the results of the acquisition of certain assets of CarterEnergy Corporation in our land segment commencing on September 1, 2012, its acquisition date, and (ii) the results of the acquisition of certain assets of Multi Service Corporation, primarily in our land segment, commencing on December 31, 2012, its acquisition date. The accounting policies of the reportable operating segments are the same as those described in the Summary of Significant Accounting Policies (see Note 1).

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Information concerning our revenue, gross profit and income from operations by segment is as follows (in thousands):

	For the Three Months ended September 30,				For the Nine Months ended September 30,			
		2013		2012		2013		2012
Revenue:								
Aviation segment	$	4,179,018	$	3,823,338	$	11,854,676	$	10,782,756
Marine segment		3,575,777		3,630,094		11,260,025		11,301,429
Land segment		2,738,866		2,458,241		8,042,593		6,925,340
	$	10,493,661	$	9,911,673	$	31,157,294	$	29,009,525
Gross profit:								
Aviation segment	$	89,758	$	84,197	$	242,783	$	218,282
Marine segment		40,223		53,960		134,237		160,785
Land segment		56,360		42,595		180,158		131,043
	$	186,341	$	180,752	$	557,178	$	510,110
Income from operations:								
Aviation segment	$	41,002	$	39,808	$	109,755	$	92,601
Marine segment		17,019		27,296		56,340		82,672
Land segment		15,106		18,185		63,608		62,737
		73,127		85,289		229,703		238,010
Corporate overhead - unallocated		8,924		14,241		29,823		35,348
	$	64,203	$					