WORLD FUEL SERVICES CORP
Form 10-K
February 26, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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:	**Name of each exchange**

	on which registered:
Common Stock, par value $0.01 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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 x

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

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

As of June 30, 2008, the aggregate market value of the voting stock 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 approximately $604,317,000.

The registrant had approximately 29,347,000 shares of common stock, par value $0.01 per share, outstanding as of February 20, 2009.

Documents incorporated by reference:

Part III Specified Portions of the Registrant s Definitive Proxy Statement for the 2009 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 (Form 10-K) as World Fuel, we, our and us. We commenced business as a recycler and reseller of used oil and provider of aviation services. We have since ceased the activities of a recycler and reseller of used oil. In 1986, we diversified our operations by entering the aviation fuel business. In 1995, we entered the marine fuel and related services business by acquiring the Trans-Tec group of companies. In 2003, we entered the land fuel and related services business.

We are engaged in the marketing and sale of marine, aviation and land fuel products and related services on a worldwide basis. We compete by providing our customers 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: marine, aviation and land. In our marine segment, we offer fuel and related services to a broad base of maritime customers, including international container and tanker fleets, commercial cruise lines and time-charter operators, as well as to the United States and foreign governments. 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, corporate fleets, fractional operators, private aircraft, military fleets and to the United States and foreign governments, as well as a private label charge card used to purchase aviation fuel and related services by customers in the general aviation industry. In our land segment, we offer fuel and related services to petroleum distributors operating in the land transportation market, retail petroleum operators and other end users. In June 2008, we acquired certain assets of Texor Petroleum Company, Inc., including the assets comprising its wholesale motor fuel distribution business and the Texor Petroleum trade name (collectively, the Texor business). The Texor business is primarily an independent distributor of branded and unbranded gasoline and diesel fuel to retail petroleum operators and industrial, commercial and government customers and operates a small number of retail gasoline stations.

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, Canada and South Africa. See Item 2 Properties for a list of principal offices by business segment and Exhibit 21.1 Subsidiaries of the Registrant included in this Form 10-K for a list of our subsidiaries.

Financial information with respect to our business segments and the geographic areas of our business is provided in Note 12 to the accompanying consolidated financial statements included in this Form 10-K.

Our principal executive offices are located at 9800 Northwest 41st Street, Suite 400, Miami, Florida 33178 and our telephone number at this address is (305) 428-8000. Our internet address is 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, 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 (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. If we make any substantive amendments to our Code of Corporate Conduct and Ethics (the Code) or grant any waiver, including any implicit waiver, from a provision of the Code to our Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Corporate Controller, we will disclose the date and nature of such amendment or

waiver on our internet website or in a Current Report on Form 8-K. Our internet website and information contained on our internet website are not part of this Form 10-K and are not incorporated by reference in this Form 10-K.

Marine Segment

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

Through our extensive network of offices, we provide our customers global market intelligence and rapid access to quality and competitively priced marine fuel, 24 hours a day, every day of the year. Our marine 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. Our customers require cost effective and professional fuel services, since the cost of fuel is a major component of a vessel s operating overhead.

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

In our marine segment, we primarily act as a reseller. When acting as a reseller, we contemporaneously purchase fuel from a supplier, mark it up, and resell the fuel to a customer, normally taking delivery for purchased fuel at the same place and time as we make delivery for fuel sold. We extend unsecured credit to most of our customers. We also act as a broker. When acting as a broker, we negotiate the transaction by arranging the fuel purchase contract between the supplier and the end user, and expedite the arrangements for the delivery of fuel. When acting as a broker, we are paid a commission by the supplier.

We purchase our marine fuel from suppliers worldwide. We enter into derivative contracts in order to mitigate the risk of market price fluctuations, and to offer our customers fuel pricing alternatives to meet their needs. Our cost of fuel is generally tied to spot pricing, market-based formulas or is government controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts or when limited by the amount of credit extended to us by suppliers, or as required to transact business in certain countries.

Because we typically arrange to have fuel delivered by our suppliers directly to our customers, inventory is maintained only for competitive reasons at three locations and is hedged in an effort to protect us against price risk. We have arrangements with our suppliers and other third parties for the storage and delivery of fuel.

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

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

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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, corporate fleets, fractional operators, private aircraft, military fleets and to the United States and foreign governments. Our aviation-related services include fuel management, price risk management, arranging ground handling and arranging and providing international trip planning, including flight plans, weather reports and overflight permits. We also offer a private label charge card to customers in the general aviation industry. We have developed an extensive network that enables us to provide aviation fuel and related services throughout most of the world under the following trade names: World Fuel, PetroServicios de Mexico, Tramp Oil, PetroServicios de Costa Rica, Baseops, Airdata and AVCARD.

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

We purchase our aviation fuel from suppliers worldwide. Our cost of fuel is generally tied to market-based formulas or is government controlled. We are usually extended unsecured trade credit from our suppliers for our fuel purchases. However, certain suppliers require us to provide a letter of credit. We may prepay our fuel purchases to take advantage of financial discounts or 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 and to offer our customers fuel pricing alternatives to meet their needs.

Fuel is typically delivered into our customers aircraft or designated storage directly from our suppliers or from our fuel inventory. Inventory is held at multiple locations for competitive reasons. Inventory is purchased at airport locations or shipped via pipelines. Inventory in pipelines is hedged in an effort to protect us against price risk. We have arrangements with our suppliers and other third parties for the storage and delivery of fuel. We engage in spot sales and contract sales. Spot sales are sales that do not involve continuing contractual obligations by our customers to purchase fuel from us, whereas contract sales are made pursuant to fuel purchase contracts with our customers who commit to purchasing specified volume of fuel from us over the contract term.

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

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

Land Segment

We market fuel and related services to petroleum distributors operating in the land transportation market; and through our acquisition of the Texor business in June 2008, we also offer branded and unbranded gasoline and diesel fuel to retail petroleum operators and industrial, commercial and government customers and operate a small number of retail gasoline stations. Our land-related services include management services for the procurement of fuel and price risk management. We provide land fuel and related services throughout most of the United States as well as parts of Brazil and the United Kingdom under the following trade names: World Fuel, Tobras and Texor.

In our land segment, we principally act as a reseller. When acting as a reseller, we contemporaneously purchase fuel from a supplier, mark it up and resell it to our customers through spot sales and contract sales. We purchase our land fuel from suppliers throughout the United States as well as parts of Brazil and the

United Kingdom. Our suppliers typically extend us unsecured trade credit for our fuel purchases. Our cost of fuel is generally tied to market-based formulas. We extend unsecured credit to most of our customers and offer them fuel-pricing alternatives through our price risk management services.

Fuel is delivered to our customers directly at designated tanker truck loading terminals commonly referred to as racks or directly to customer locations through third party carriers. These racks are owned and operated by our suppliers or third-party consortiums. We engage in spot sales and contract sales. Spot sales are sales that do not involve continuing contractual obligations by our customers to purchase fuel from us. Contract sales are made pursuant to fuel purchase contracts with our customers who commit to purchasing specified volume of fuel from us over the contract term. We also enter into derivative contracts to offer our customers fuel pricing alternatives to meet their needs.

During each of the years presented in the accompanying consolidated statements of 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 marine, aviation 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, world-wide presence, 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 20, 2009, we employed 1,164 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.

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, woul 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 which may cause actual results to 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 report include, but are not limited to, our expectations regarding our business strategy, business prospects, operating results, 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, outcomes of pending litigation, competitive conditions, general economic conditions and synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect.

Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, 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 political, economic or regulatory conditions generally and in the markets in which we operate;

our failure to effectively hedge certain financial risks associated with the use of derivatives;

non-performance by counterparties or customers on derivatives 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;

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;

material disruptions in the availability or supply of fuel;

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);

the liquidity and solvency of banks within our Credit Facility and the facility to sell certain of our accounts receivable;

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;

increased levels of competition;

the outcome of litigation;

our ability to comply with federal and state laws and regulations, including those related to environmental matters; and

other risks, including those described in Item 1A Risk Factors and those described from time to time in our 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 annual 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 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act).

Item 1A. Risk Factors

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

We extend unsecured credit to most of our customers in connection with their purchases of fuel 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 their suppliers of fuel and related services. While no single customer generates more than 10% of our total consolidated revenue, diversification of credit risk is limited because we sell primarily within the marine, aviation 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 marine, aviation or land transportation industries, political instability, terrorist activities, military action and natural disasters in our market areas. The unprecedented levels of disruption and volatility in the credit and financial markets 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 and results of operations.

We are exposed to counterparty risk in connection with certain of our contracts. The soundness of our counterparties, which include our customers and suppliers and financial institutions, could adversely affect us.

We have exposure to the marine, aviation and land fuel industries as well as to our customers and suppliers in those industries. As part of our price risk management services, we offer our customers various pricing

structures on future purchases of fuel, as well as derivative products designed to assist our customers in hedging their exposure to fluctuations in fuel prices. For example, in the ordinary course of our business we enter into fixed forward pricing contracts with our customers and suppliers under which we agree to sell or purchase, as the case may be, fuel at fixed prices and they agree to purchase or sell, as the case may be, fixed volumes of fuel during the term of the contract. If there is a significant fluctuation in the price of fuel there is a risk they could decide to, or be forced to, default under their obligations to us. Even if the counterparty to a fixed forward pricing contract does not default, if a customer has agreed to purchase fuel from us at a fixed price and the price of fuel drops, we will be functionally extending unsecured credit to that customer at the time the fuel is purchased. We have credit standards and perform credit evaluations of our customers and suppliers, which are based in part on our credit history with the applicable party. In this difficult economic environment, our credit evaluations may be inaccurate and we cannot assure you that credit performance will not be materially worse than anticipated, and, as a result, materially and adversely affect our business, financial position and results of operations.

We also use derivatives to hedge certain of our fuel inventories and certain purchase and sale commitments. In connection with these activities, we are exposed to financial risk associated with fluctuations in fuel prices. We typically hedge this risk by entering into commodity-based derivative instruments with financial institution counterparties, such as broker/dealers, commercial banks and investment banks. These transactions are typically done on an unsecured basis and should the counterparty fail to honor its obligations under our agreements with them, we could sustain significant losses which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to various risks in connection with our use of derivatives.

We enter into financial derivative transactions to hedge our fuel inventories and certain purchase and sale commitments. The majority of our derivatives are not designated as cash flow hedges for accounting purposes and therefore changes in the fair market value of such derivatives are recognized as a component of revenue or cost of revenue (based on the underlying transaction type) in our consolidated income statement. Our efforts to hedge our exposure to fuel price fluctuations could be ineffective. For example, there currently is no market for aviation jet fuel futures so we enter into hedging transactions with respect to our aviation business by trading in heating oil futures. To the extent the price of aviation jet fuel and heating oil are not correlated, then 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 it is not unseen for short-term significant differences in the pricing to occur. For example, in the period immediately following Hurricane Katrina in 2005, the price of aviation jet fuel increased substantially while the price of heating oil remained relatively constant. Our hedging activity is in the Level II and Level III categories within the fair value hierarchy set out in Statement of Financial Accounting Standard (FAS) No. 157, Fair Value Measurements, and as such requires a high degree of subjective assessment and judgment by management in connection with determining fair value. The risks we face because of our use of financial derivatives have been exacerbated by the recent volatility in the financial and other markets. In addition, we may fail to adequately hedge our risks if our employees fail to comply with our policies and procedures on hedging, for example by failing to hedge a specific financial risk, which could subject us to significant financial losses which could have a material adverse effect on our business, financial condition and results of operations.

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

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

- expected and actual supply and demand for fuel;
- political conditions
- changes in pricing or production controls by OPEC;
- technological advances affecting energy consumption and supply;

- energy conversation efforts;
- price and availability of alternative fuels; and
- weather.

A rapid decline in fuel prices could adversely affect our profitability due to our average costing methodology which may cause our inventory value to be higher than market resulting in our inventory being marked-to-market, and the inventory itself may ultimately have to be sold at lower prices. If fuel prices increase, our customers may not be able to purchase as much fuel from us because of their credit limits, which could also adversely impact their businesses sufficiently to cause them to be unable to make payments owed to us for fuel we permitted them to purchase on credit. They may also choose to reduce the amount of fuel they consume in their operations to reduce costs. 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 by courting 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 use so much cash for fuel purchases as to impair our liquidity.

We maintain fuel inventories for competitive reasons. Because fuel is essentially 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 cost of market. Accordingly, if the market value of our inventory was less than our average cost, we would record a write-down of inventory and a non-cash charge to cost of revenue. In addition, we may not be able to sell our inventory at the market value or average cost reflected in our financial statements at any given time.

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

Because we resell fuel worldwide, 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 doing 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;
- political risks specific to foreign jurisdictions; and
- terrorism, war, civil unrest and natural disasters.

In particular, we operate in emerging 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.

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

The majority of our business transactions are denominated in U.S. dollars. However, in certain markets, 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, which 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 such risk may be hedged and such risk may be substantial. As a result, fluctuations in foreign exchange rates could adversely affect our profitability.

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

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

We use third parties to provide various services to our customers, including into-plane fueling at airports, 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 the agreed terms for any reason, such as an interruption of their business because of weather (such as Hurricane Katrina), environmental or labor difficulties or political unrest, could affect our relationships with our customers and subject us to claims and other liabilities which might have a material adverse effect on our business, financial condition and results of operations.

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

If the fuel we purchase from our suppliers fails to meet the 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 fails to meet the specifications we have agreed to supply to our customers, our relationship with our customers could be adversely affected and we could be subject to claims and other liabilities which could have a material adverse effect on our business, financial condition and results of operations. Although in most cases we have recourse against our suppliers for fuel which fails to meet agreed specifications, such recourse cannot be assured.

Non-performance of suppliers on their sale commitments and customers on their purchase commitments could disrupt our business.

We enter into sale and purchase agreements with customers and suppliers for fuel at fixed prices. To the extent either a customer or supplier fails to perform on their commitment, we may be required to sell or purchase the fuel at prevailing market rates, which could be significantly different than the fixed price within the sale and purchase agreements and therefore could have a material adverse effect on our business, financial condition and results of operations.

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

The success 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, such as hurricanes, terrorist activity, military action or other conditions disrupt the availability or supply of fuel.

Adverse conditions in the marine, aviation 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 marine, aviation and land transportation industries. Therefore, any adverse economic conditions in these industries may have an adverse

effect on our business. Recently, the aviation industry has experienced a decline in passenger traffic, and the marine industry has witnessed a slowdown in shipping, in both cases as a result of the deterioration of the global economy generally. In addition, any political instability, natural disasters (such as Hurricane Katrina), 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 marine, aviation and 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.

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

We do not maintain any insurance coverage for various risks, such as certain environmental claims, the acts or omissions of our subcontractors, and war and terrorism. Even if we are faced with a liability in connection with which we do maintain insurance, our insurance coverage may be inadequate. Also, if we take, or fail to take, certain actions, such as, our insurance carriers may refuse to pay particular claims. If the cost of insurance increases, we may decide to discontinue certain insurance coverage or reduce our level of coverage to offset the cost increase. In addition, insurance coverage that we currently have could become difficult or impossible to obtain in the future.

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

We borrow money pursuant to a Credit Facility that imposes certain operating and financial covenants on us, such as limiting or prohibiting our ability to pay dividends incur additional debt, create liens, make restricted payments, sell assets or engage in mergers or acquisitions. Our failure to comply with obligations under the Credit Facility, including meeting certain financial ratios, could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the Credit Facility, could trigger cross-defaults under other agreements to which we are a party, such as certain derivatives contracts and promissory notes issued in connection with acquisitions, and would impair our ability to obtain working capital advances and letters of credit, which would have a material adverse effect on our business, financial condition and results of operations.

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

Our cash equivalents, principally consisting of overnight investments, bank money market accounts, bank time deposits and investment grade commercial paper, and investments are subject to credit, liquidity, market and interest rate risk, which have all been exacerbated recently due to the unprecedented volatility of the capital markets. Adverse changes to these risks have resulted, and could further result, in the decline of the fair value in our cash equivalents and investments, and could materially affect our financial condition, results of operations, and cash flows.

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

Borrowings under our Credit Facility are subject to variable interest rates. However, from time to time, we may enter into interest rate protection arrangements that, in effect, fix the rate of interest on our debt. The amount of debt covered by such arrangements may change depending on our working capital needs. As of December 31, 2008, we had no outstanding borrowings under our Credit Facility or outstanding interest rate protection arrangements. Should we borrow under our Credit Facility, an increase in interest rates, our failure to maintain adequate interest rate protection arrangements or both would increase our interest expense and could adversely affect our cash flow and our ability to service our indebtedness.

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 because of the recent tightening and volatility of the credit and 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. There has been a substantial tightening of the global credit markets recently, which, along with our then-current financial condition and the restrictions in our existing debt agreements, 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, outstanding equity interests would be diluted. Even if we are able to obtain debt financing, the restrictions creditors place on our operations and our increased interest expense and leverage could limit our ability to grow.

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

Our ability to maintain our competitive position is dependent largely on the services of our senior management and professional team. 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 the existing senior management and professional personnel, or to attract other qualified senior management and professional 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 as a result of our loss of the officer, 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 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 related service businesses. For example, we purchased the Texor business in 2008 and AVCARD in 2007. We cannot assure you, however, 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. Even if we are able to acquire new businesses in the future, they could result in the incurrence of substantial additional indebtedness and other expenses or potentially dilutive issuances of equity securities and may affect the market price of our common stock, inhibit our ability to pay dividends or restrict our operations.

These investments could expose us to additional business and operating risks and uncertainties, including:

- the ability to effectively integrate and manage acquired businesses or strategic investments, while maintaining uniform standards and controls;
- the 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 risk of entering 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 requirement to write-down acquired assets as a result of the acquired business being worth less than we paid for it;

- additional capital expenditure requirements;
- the risk that an acquisition or strategic investment could reduce our future earnings; and
- the assumption of material liabilities, exposure to unknown liabilities, and no or limited indemnities.

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 imposed on the purchase and sale of marine, aviation and land fuel products. These taxes include sales, excise, GST, VAT, and other taxes. Changes in U.S. and foreign tax laws or our failure to comply with those tax laws could adversely affect our business and operating results.

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, 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. Our business could be adversely affected because of increased competition from the larger oil companies, who may choose to directly market to smaller airlines, shipping companies and petroleum distributors operating in the land transportation market, or to provide less advantageous price and credit terms to us than to our fuel reseller competitors.

If we fail to comply with environmental laws and government regulations, 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 regulations at the international, federal, state and local government levels relating to, among other things:

- the 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 should fail to comply with these regulations, we could be subject to substantial fines or penalties and to civil and 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 could have a material adverse effect on our business, financial condition and results of operations. 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 underground storage tanks located at the retail gasoline stations that we 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. We pay tank registration fees and other taxes to state trust funds established in our operating areas and maintain private insurance coverage to support future remediation obligations, but if any of the state trust funds become insolvent or are discontinued for any reason, or if they or our insurers fail to pay for remediation, we would be obligated to make those payments, which could be substantial.

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

We have exited several businesses, such as the used oil recycling business, that handled hazardous and non-hazardous waste. We treated and/or transported this waste to various disposal facilities in the U.S. 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 United States 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.

Our operations may be adversely affected by competition from other energy sources.

Fuel competes with other sources of energy, some of which are less costly on an equivalent energy basis. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Current and future litigation could have an adverse effect on the Company.

The Company is currently involved in certain legal proceedings in the ordinary course of its business. Lawsuits and other legal proceedings can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. Although insurance is maintained to mitigate these costs, there can be no assurance that costs associated with lawsuits or other legal proceedings will not exceed the limits of insurance policies. The Company s results of operations 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 for the fiscal year ended December 31, 2008, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. However, neither our management s evaluation of our internal control over financial reporting nor the audit of internal controls included the Texor business. In addition, we have expansive international operations, the scope and breadth of which exacerbate the risks associated with our internal controls. Accordingly, we expect to continue to incur increased expense and to devote additional 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 concerns about our internal control system, it may not prevent all potential errors or fraud.

We may not achieve sufficient earnings to pay dividends to our shareholders.

We currently intend to pay regular cash dividends on a quarterly basis, but may be restricted from doing so by the terms of our Credit Facility or may not achieve sufficient earnings to pay some or any dividends. The amount of cash we have available for distribution depends primarily on our cash flow, and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

An increase in interest rates may cause the market price of our common shares to decline.

Like all equity investments, an investment in our common shares is subject to certain risks. In exchange for accepting these risks, investors may expect to receive a higher rate of return than would otherwise be obtainable from lower-risk investments. Accordingly, as interest rates rise, the ability of investors to obtain higher risk-adjusted rates of return by purchasing government-backed debt securities may cause a corresponding decline in demand for riskier investments generally, including yield-based equity investments such as publicly traded corporate interests. Reduced demand for our common shares resulting from investors seeking other more favorable investment opportunities may cause the trading price of our common shares to decline.

Failure to comply with state laws regulating the sale of alcohol and tobacco products in our convenience stores may result in the loss of necessary licenses and the imposition of penalties on us, which could have an adverse effect on our business.

State laws regulate the sale of alcohol and tobacco products in our convenience stores. A violation or change of these laws could adversely affect our business, financial condition and results of operations because state and local regulatory agencies have the power to approve, revoke, suspend or deny applications for, and renewals of, permits and licenses relating to the sale of these products or to seek other remedies.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth our principal properties, all of which are leased, as of February 20, 2009. 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 2009 in any material respect.

WORLD FUEL SERVICES CORPORATION and SUBSIDIARIES

PROPERTIES

Location	Principal Use	Lease Expiration
9800 Northwest 41st Street, Suite 400 Miami, FL 33178, USA	Executive, administrative, operations and sales office for corporate, marine, aviation and land segments	Three leases: May 2011, March 2013 and January 2014
333 Cypress Run #200 Houston, Texas 77094, USA	Administrative, operations and sales office for aviation and land segments	April 2014
Raritan Plaza III 105 Fieldcrest Avenue, Suite 203 Edison, NJ 08837, USA	Administrative, operations and sales office in marine segment	January 2010
3340 S. Harlem Avenue Riverside, IL. 60546, USA	Administrative, operations and sales office for land segment	June 2018
4 North Park Drive, suite 412 Hunt Valley, Maryland 21030	Administrative, operations and sales office for aviation segment	May 2010
1101 Fifth Avenue, Suite 280 San Rafeal, CA 94901, USA	Administrative, operations and sales office in marine segment	July 2013
Portland House 13th Floor Bressenden Place London UK SW1E6BH	Administrative, operations and sales office for marine segment	March 2015
Kingfisher House North Park Gatwick Road Crawley, West Sussex, 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 marine and aviation segments	December 2009
No. 93 Jafee Road Nos. 21-25, Luard Road Wanchai, Hong Kong	Marketing office for marine segment	February 2010
9 F/L., Dongwon-Bldg., 128-27 Dangju Dong, Chongno Ku Seoul, 110-759, South Korea	Marketing office for marine segment	September 2010
4th floor, Tozan Building, 4-4-2 Nihonbashi Hon-Cho, Chuo-Ku	Marketing office for marine segment	June 2010

Tokyo 103-0023, Japan		
The Fairmont Dubai Hotel Building, Office 1701, Sheikh Zayed Road Dubai, United Arab Emirates	Marketing office for marine segment	February 2009
The Foundry, 4th Floor, Unit 1, Cardiff Rd Green Point, South Africa 8001	Marketing office for marine segment	August 2011
Av. Rio Branco 181/3004 Rio de Janeiro, Brazil 20040 007	Sales office for marine segment	August 2009
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 2011
Calle 93B No. 11A-33, oficina 303 Bogota, Colombia	Administrative, operations and sales office for aviation segment	July 2009
Oficentro Ejécutivo La Sabana Sur, Edificio #7, Piso 2 San José, Costa Rica	Administrative, operations and sales office for marine and aviation segments	Two Leases: May 2009 and March 2013

Item 3. Legal Proceedings

Miami Airport Litigation

In April 2001, Miami-Dade County, Florida (the County) filed suit (the County Suit) in the state circuit court in and for Miami-Dade County against 17 defendants to seek reimbursement for the cost of remediating environmental contamination at Miami International Airport (the Airport).

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

If we are added as a defendant in the County Suit, we would vigorously defend any claims, and we believe our liability in these matters (if any) should be adequately covered by the indemnification obligations of the County.

Panama Litigation

In July 2005, Atlantic Service Supply, S.A. (Atlantic), a Panamanian fuel barge operator, filed suit against Tramp Oil & Marine Limited (TOM), one of our subsidiaries, alleging that TOM is jointly and severally liable for barging fees of approximately $1.0 million owed to Atlantic by Isthmian Petroleum Supply & Services, S.A. (Isthmian). In July 2007, the court ruled against Atlantic, finding that TOM was not liable for any barging fees owed to Atlantic by Isthmian. Isthmian has appealed this ruling. TOM and Isthmian were parties to an agreement pursuant to which Isthmian provided storage, delivery and other fuel-related services to TOM in Panama. In its suit, Atlantic alleges (1) Isthmian breached a barge charter agreement entered into between the two parties, (2) Isthmian entered into the agreement as an agent on behalf of TOM, and (3) TOM is liable, as a principal, for Isthmian s breach of the agreement. Although TOM utilized the services of Isthmian for storage and delivery of fuel, at no time did TOM request or authorize Isthmian to enter into any agreement with Atlantic, nor did TOM request that Isthmian utilize Atlantic to provide services on its behalf. We do not believe that Isthmian acted as TOM s agent in its dealings with Atlantic, and we do not believe TOM is responsible for any liabilities of Isthmian. We believe this suit is without merit and we intend to vigorously defend the action.

In August 2005, TOM filed a lawsuit against Isthmian seeking damages of approximately $3.1 million for breach of contract and wrongful conversion of fuel owned by TOM. In September 2005, Isthmian filed a counterclaim against TOM alleging that TOM is in breach of contract and seeking $5.0 million in damages. These actions are pending in a Panamanian maritime court. We believe Isthmian s suit against TOM is without merit and we intend to vigorously defend the action.

Brendan Airways Litigation

One of our subsidiaries, World Fuel Services, Inc. (WFSI), is involved in a dispute with Brendan Airways, LLC (Brendan), an aviation fuel customer, with respect to certain amounts Brendan claims to have been overcharged in connection with fuel sale transactions from 2003 to 2006. In August 2007, WFSI filed an action in the state circuit court in and for Miami-Dade County, Florida, seeking declaratory relief with respect to the matters disputed by Brendan. In October 2007, Brendan filed a counterclaim against WFSI in which Brendan asserted various causes of action, including breach of contract, fraud, and other claims. In February 2008, the court dismissed WFSI s declaratory action. Brendan s counterclaim remains pending as a separate lawsuit against WFSI, but the court has dismissed several of the claims included in Brendan s original counterclaim, including the claims for fraud. Brendan is seeking $3.5 million in damages. We believe that Brendan s claims are without merit and we intend to vigorously defend these claims.

C.L.G. Properties Litigation

In July 2008, C.L.G. Properties, LLC (CLG) filed a lawsuit in the Los Angeles, California Superior Court against Kropp Holdings, Inc. d/b/a AVCARD, one of our subsidiaries (AVCARD), and two other defendants. CLG claims that AVCARD asserted an improper lien on an airplane owned by CLG and is seeking damages of approximately $3.0 million. In January 2009, upon request by CLG, the court dismissed CLG s complaint against AVCARD without prejudice.

Other Matters

As of December 31, 2008, we had recorded certain reserves related to the proceedings described above which were not significant. Because the outcome of litigation is inherently uncertain, we may not prevail in these proceedings and we cannot estimate our ultimate exposure in such proceedings if we do not prevail. Accordingly, a ruling against us in any of the above proceedings could have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

No matter was submitted to a vote of shareholders, through the solicitation of proxies or otherwise, during the quarter ended December 31, 2008.

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 20, 2009, there were 246 shareholders of record of our common stock and the closing price of our stock on the NYSE was $26.64. The following table sets forth, for each quarter in 2008 and 2007, the high and low closing sales prices of our common stock as reported by the NYSE.

	Price	
	High	**Low**
2008		
First quarter	$ 31.28	$ 24.42
Second quarter	31.71	21.19
Third quarter	29.75	19.57
Fourth quarter	38.46	15.61
2007		
First quarter	$ 47.84	$ 40.58
Second quarter	48.23	38.56
Third quarter	44.75	34.22
Fourth quarter	44.56	28.91

Dividends

The following table sets forth the amount, the declaration date, record date, and payment date for each quarterly dividend declared in 2008 and 2007.

	Per Share Amount	Declaration Date	Record Date	Payment Date
2008				
First quarter	$ 0.0375	March 7, 2008	March 21, 2008	April 9, 2008
Second quarter	0.0375	June 6, 2008	June 18, 2008	July 9, 2008
Third quarter	0.0375	September 5, 2008	September 19, 2008	October 8, 2008
Fourth quarter	0.0375	December 5, 2008	December 19, 2008	January 7, 2009
2007				
First quarter	$ 0.0375	March 9, 2007	March 23, 2007	April 11, 2007
Second quarter	0.0375	June 8, 2007	June 22, 2007	July 11, 2007
Third quarter	0.0375	September 7, 2007	September 21, 2007	October 10, 2007
Fourth quarter	0.0375	December 7, 2007	December 21, 2007	January 9, 2008

Our Credit Facility restricts the payment of cash dividends to a maximum of 50% of our net income for the four quarters preceding the date of the dividend. The payments of the above dividends were in compliance with the Credit Facility. For additional information regarding our Credit Facility, see Note 7 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.

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, 2003 through December 31, 2008. The cumulative return includes reinvestment of dividends.

* $100.00 invested on December 31, 2003 in stock or index-including reinvestment of dividends. Fiscal year ending December 31st.

** As of the close of the market on such day.

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Equity Compensation Plans

The following table summarizes securities authorized for issuance related to outstanding stock options and stock-settled stock appreciation rights, which are referred to collectively as Option Awards and restricted stock units (RSUs) under our various equity compensation plans (which were all approved by our shareholders) as of December 31, 2008 (in thousands, except weighted average price data):

Plan name or description	(a) Maximum number of securities to be issued upon exercise of outstanding Option Awards and RSUs	(b) Weighted average exercise or conversion price of outstanding option Awards and RSUs	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
2006 Omnibus Plan	860	$ 28.72	985
2001 Omnibus Plan	950	30.85	
1996 Employee Stock Option Plan	129	5.60	
1993 Non-Employee Directors Stock Option Plan	98	23.89	
	2,037	$ 28.01	985

There are no outstanding warrants to purchase our common stock.

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, 2008 (in thousands, except average price per share):

Period	Total Number of Shares Purchased	Average Price Per Share Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Total Cost of Shares Purchased as Part of Publicly Announced Plans or Programs	Remaining Authorized Stock Repurchases under Publicly Announced Plans or Programs
10/1/08-10/31/08	1	$ 21.59		$	$ 50,000
11/1/08-11/30/08					50,000
12/1/08-12/31/08					50,000
Total	1	$ 21.59		$	

The above shares relate to the purchase of stock tendered by employees to exercise share-based payment awards and satisfy the required withholding taxes related to share-based payment awards.

In October 2008, our Board of Directors authorized a $50.0 million share repurchase program. The program does not require a minimum number of shares to be purchased and may be suspended or discontinued at any time. As of December 31, 2008, no shares of our common stock had been repurchased under this program. The timing and amount of shares 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 2008, see the corresponding Form 10-Q for each such quarter.

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 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 FINANCIAL DATA

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

	For the Year ended December 31,				
	2008 (1)	2007 (2)	2006	2005	2004 (3)
Revenue	$ 18,509,403	$ 13,729,555	$ 10,785,136	$ 8,733,947	$ 5,654,373
Cost of sales	18,114,020	13,484,283	10,571,067	8,555,283	5,524,417
Gross profit	395,383	245,272	214,069	178,664	129,956
Operating expenses (4)	241,643	159,384	137,423	122,044	91,984
Income from operations	153,740	85,888	76,646	56,620	37,972
Other (expense) income, net	(16,165)	698	4,753	(792)	(2,138)
Income from operations before income taxes	137,575	86,586	81,399	55,828	35,834
Provision for income taxes	32,370	21,235	17,353	15,475	6,969
	105,205	65,351	64,046	40,353	28,865
Minority interest in income of consolidated subsidiaries	166	578	98	744	306
Net income	$ 105,039	$ 64,773	$ 63,948	$ 39,609	$ 28,559
Basic earnings per share:	$ 3.66	$ 2.30	$ 2.33	$ 1.67	$ 1.29
Basic weighted average shares	28,697	28,102	27,467	23,700	22,104
Diluted earnings per share:	$ 3.62	$ 2.23	$ 2.21	$ 1.57	$ 1.22
Diluted weighted average shares	29,029	29,062	28,923	25,214	23,454
Cash dividends declared per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

	As of December 31,				
	2008 (1)	2007 (2)	2006	2005 (5)	2004 (3)
Cash, cash equivalents and short-term investments	$ 322,452	$ 44,251	$ 188,995	$ 143,284	$ 64,178
Accounts receivable, net	676,100	1,370,656	860,084	689,605	490,780
Total current assets	1,172,150	1,665,308	1,196,091	948,310	648,068
Total assets	1,404,626	1,798,046	1,277,400	1,014,001	712,171
Total current liabilities	751,046	1,231,111	826,761	635,556	466,985
Total long-term liabilities	45,693	83,058	24,670	25,098	56,683
Total shareholders equity	607,887	483,877	425,969	353,347	188,503

(1) In June 2008, we acquired the Texor business. The financial position and results of operations of this acquisition have been included in our consolidated financial statements since June 1, 2008.

(2) In December 2007, we acquired AVCARD. The financial position and results of operations of this acquisition have been included in our consolidated financial statements since December 1, 2007.

(3) We acquired Tramp Oil in April 2004. The financial position and results of operations of this acquisition have been included in our consolidated financial statements since April 1, 2004.

(4) Included in operating expenses are total compensation costs associated with share-based payment awards of $14.7 million (including special bonus awards of approximately $4.5 million which will be settled in our common stock in March 2009), $7.2 million, $7.0 million, $4.0 million and $1.7 million for 2008, 2007, 2006, 2005 and 2004, respectively.

(5) In September 2005, we completed a public offering of 4,112,000 shares of our common stock at a price of $31.00 per share. We received net proceeds of $120.3 million from the offering, after deducting $6.4 million in commissions paid to the underwriters and $0.8 million in other expenses incurred in connection with the offering, which was recorded as an increase to shareholders equity.

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 Form 10-K. The following discussion may contain forward-looking statements, and our actual results may differ significantly from the results suggested by these forward-looking statements. Some factors that may cause our results to differ materially from the results and events anticipated or implied by such forward-looking statements are described in Item 1A Risk Factors.

Overview

We are engaged in the marketing and sale of marine, aviation and land fuel products and related services on a worldwide basis. We compete by providing our customers 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: marine, aviation and land. In our marine segment, we offer fuel and related services to a broad base of maritime customers, including international container and tanker fleets, commercial cruise lines and time-charter operators, as well as to the United States and foreign governments. 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, corporate fleets, fractional operators, private aircraft, military fleets and to the United States and foreign governments, as well as a private label charge card used to purchase aviation fuel and related services to customers in the general aviation industry. In our land segment, we offer fuel and related services to petroleum distributors operating in the land transportation market and retail petroleum operators and other end users. Through our acquisition of the Texor business in June 2008, we also offer branded and unbranded gasoline and diesel fuel to retail petroleum operators and industrial, commercial and government customers and operate a small number of retail gasoline stations.

Our revenue and cost of revenue are significantly impacted by world oil prices, as evidenced in part by our revenue and cost of revenue increases year over year, while our gross profit is not necessarily impacted by the change in world oil prices. However, our gross profit can be impacted by significant movements in fuel prices during any given financial period due to our inventory average costing methodology. Changes in fuel prices can positively or negatively impact gross profit during any given financial period depending on the direction, volatility and timing of such price movements.

In our marine segment, we primarily purchase and resell fuel, and 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. 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 in the case of the aviation segment, a percentage of processed credit card charges related to our AVCARD 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.

We may experience decreases in future sales volumes and margins as a result of the ongoing deterioration in the world economy, 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 Form 10-K.

Reportable Segments

We evaluate and manage our three reportable business segments using the performance measurement of income from operations. Corporate overhead costs are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. Financial information with respect to our business segments is provided in Note 12 to the accompanying consolidated financial statements included in this Form 10-K.

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 Form 10-K, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires 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, investments, 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 accounting policies, see Note 1 to the accompanying consolidated financial statements included in this Form 10-K.

Revenue Recognition

Revenue from the sale of fuel is recognized when the sales price is fixed or determinable, collectibility is reasonably assured and title passes to the customer, which is when the delivery of fuel is made to our customer directly from 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 contemporaneously purchase fuel from the supplier, mark it up, and resell the fuel to the customer, generally taking delivery for purchased fuel at the same place and time as the delivery is made. 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 collectibility 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.

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

Revenue from charge card 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.

We use the Black-Scholes option pricing model to estimate the fair value of Option Awards. The estimation of the fair value of Option 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 Option 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.

The estimated fair value of common stock, restricted stock and restricted stock units is based on the grant-date market value of our common stock, as defined in the respective plans under which the awards were issued.

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. The credit committees are 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 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 unprecedented difficult economic and financial markets. Accounts receivable are reduced by an allowance for estimated credit losses.

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

Inventories

Inventories are valued using the average cost methodology and are stated at the lower of cost or market. Components of inventory include fuel purchase costs, the related transportation costs and storage fees.

Derivatives

We enter into derivative contracts in order to mitigate the risk of market price fluctuations in marine, aviation and land fuel, and to offer our customers fuel pricing alternatives to meet their needs. We also enter into derivatives in order to mitigate the risk of fluctuation in foreign currency exchange rates. We have applied the normal purchase and normal sales exception (NPNS), as provided by Statement of Financial Accounting Standard (FAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, to certain of our physical forward sales and purchase contracts. While these contracts are considered derivative instruments under FAS No. 133, they are not recorded at fair value, but on an accrual basis of accounting, which means the values related to such contracts are not recorded in our consolidated financial statements until physical settlement of the contract occurs. If it is determined that a transaction designated as NPNS no longer meets the scope 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 FAS No. 133 are recognized at estimated fair market value in accordance with FAS No. 157. If the derivative does not qualify as a hedge under FAS No. 133 or is not designated as a hedge, changes in the fair market value of the derivative are recognized as a component of revenue or cost of revenue (based on the underlying transaction type) in the consolidated statement of 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 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. 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 fair market value of the hedge is recognized as a component of other non-operating expense/income in the consolidated statement of 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 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 futures prices) in assessing hedge qualification, along with ineffectiveness, is included as a component of cost of revenue in earnings. Adjustment to the carrying amounts of hedged items is 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.

For additional information on derivatives, see Item 7A Quantitative and Qualitative Disclosures About Market Risk of this Form 10-K.

Goodwill and Identifiable Intangible Assets

Goodwill represents our cost in excess of the estimated fair value of net assets, including identifiable intangible assets, of acquired companies and our joint venture interest in Page Avjet Fuel Co. L.L.C., a Delaware limited liability company. Goodwill is not subject to periodic amortization; instead, it is reviewed annually at year-end (or more frequently under certain circumstances) for impairment. The initial step of the goodwill impairment test compares the estimated fair value of a reporting unit, which is the same as our reporting segments, with its carrying amount, including goodwill. The fair value of our reporting segments is estimated using discounted cash flow and market capitalization methodologies.

In connection with our acquisitions, we recorded identifiable intangible assets existing at the date of the acquisitions for customer, charge card holder and merchant relationships, supplier relationships, non-compete agreements 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. Identifiable intangible assets not subject to amortization are reviewed annually for impairment by comparing the estimated fair value of the intangible asset with its carrying value.

Results of Operations

The results of operations for 2007 do not include the results of the Texor business (in our land segment) since the acquisition was not completed until June 1, 2008, and only include the results of AVCARD (in our aviation segment) for the month of December 2007 since the acquisition was not completed until December 1, 2007. The results of operations for 2008 include the results of the Texor business since June 1, 2008 and the full-year results of AVCARD.

2008 compared to 2007

Revenue. Our revenue for 2008 was $18.5 billion, an increase of $4.8 billion, or 34.8%, as compared to 2007. The significant increase in revenue from 2007 in total is primarily due to the rise in prices during most of the first three quarters of 2008 despite a sharp decline in oil prices during the fourth quarter.

Our revenue during these years was attributable to the following segments (in thousands):

	2008	2007	$ Change
Marine segment	$ 9,915,291	$ 7,665,801	$ 2,249,490
Aviation segment	7,294,466	5,460,838	1,833,628
Land segment	1,299,646	602,916	696,730
Total	$ 18,509,403	$ 13,729,555	$ 4,779,848

Our marine segment contributed $9.9 billion in revenue for 2008, an increase of $2.2 billion, or 29.3%, as compared to 2007. Of the total increase in marine segment revenue, $1.9 billion was due to an increase in the average price per metric ton sold as a result of higher world oil prices in 2008. The remaining increase of approximately $373.6 million was due to increased sales volume to both new and existing customers.

Our aviation segment contributed $7.3 billion in revenue for 2008, an increase of $1.8 billion, or 33.6%, as compared to 2007. Of the total increase in aviation segment revenue, $2.1 billion was due to an increase in the average price per gallon sold as a result of higher world oil prices in 2008. Partially offsetting this increase was a decline of $267.5 million in decreased sales volume primarily attributable to our efforts to reduce low margin business and to eliminate certain high risk business, offset by the incremental sales volume contributed by our AVCARD acquisition.

Our land segment contributed $1.3 billion in revenue for 2008, an increase of $696.7 million as compared to $602.9 million in 2007. Of the total increase in land segment revenue, $508.1 million was due to increased sales volume attributable to incremental sales resulting from the acquisition of the Texor business, which was completed in June 2008, partially offset by decreased volume in our existing business. The remaining increase of $188.6 million was due to an increase in the average price per gallon sold as a result of higher world oil prices in 2008.

Gross Profit. Our gross profit for 2008 was $395.4 million, an increase of $150.1 million, or 61.2%, as compared to 2007. Our gross profit during these years was attributable to the following segments (in thousands):

	2008	2007	$ Change
Marine segment	$ 203,345	$ 114,505	$ 88,840
Aviation segment	165,834	122,797	43,037
Land segment	26,204	7,970	18,234
Total	$ 395,383	$ 245,272	$ 150,111

Our marine segment gross profit for 2008 was $203.3 million, an increase of $88.8 million, or 77.6%, as compared to 2007. Contributing to the total increase in marine segment gross profit was $84.5 million in increased gross profit per metric ton sold due to favorable market conditions, as well as a focus to increase our return relative to invested working capital and $4.3 million due to increased sales volume.

Our aviation segment gross profit for 2008 was $165.8 million, an increase of $43.0 million, or 35.0%, as compared to 2007. Of the increase in aviation gross profit, $48.0 million was due to higher gross profit per gallon sold, which reflects favorable market conditions and the timing of price movements relative to our inventory position as well as changes in business mix yielding higher margins. Partially offsetting this increase was a decrease in aviation gross profit of $5.0 million due to net decreased sales volume primarily attributable to our efforts to reduce low margin business and to eliminate certain high risk business and decreased gross profit related to aviation services, partially offset by the incremental sales volume contributed by our AVCARD acquisition.

Our land segment gross profit for 2008 was $26.2 million, an increase of $18.2 million, as compared to $8.0 million in 2007. The increase was primarily due to the inclusion of the results of the Texor business, as well as higher gross profit per gallon from our pre-existing business.

Operating Expenses. Total operating expenses for 2008 were $241.6 million, an increase of $82.3 million, or 51.6%, as compared to 2007. The following table sets forth our expense categories (in thousands):

	2008	2007	$ Change
Compensation and employee benefits	$ 140,280	$ 93,732	$ 46,548
Provision for bad debt	16,081	1,892	14,189
General and administrative	85,282	63,760	21,522
Total	$ 241,643	$ 159,384	$ 82,259

Of the total increase in operating expenses, approximately $46.5 million was related to compensation and employee benefits, $14.2 million was related to the provision for bad debt and $21.5 million was related to general and administrative expenses. The increase in compensation and employee benefits was primarily due to higher incentive compensation, including special bonus awards to our CEO, Chief Operating Officer, CFO and Chief Risk and Administrative Officer as a result of our strong financial performance in 2008, new hires to support our continued growing global business, and the incremental compensation and employee benefits costs related to the acquisitions of AVCARD and the Texor business. The increase in provision for bad debt was primarily due to our assessment of risk related to certain of our customers due in part to higher fuel prices and the consideration of the transportation economies of the regions in which we conduct business and its impact on our customers, which resulted in an increase in the provision for certain accounts in 2008. The increase in general and administrative expenses of $21.5 million, which includes the incremental general and administrative expenses related to the acquisitions of AVCARD and the Texor business, was primarily attributable to the following expenses: depreciation and amortization, including amortization of the intangible assets related to the acquisitions of AVCARD and the Texor business, and depreciation from our enterprise integration project that went live in February 2008, professional and consulting fees, office rent and telecommunication expenses.

Income from Operations. Our income from operations for 2008 was $153.7 million, an increase of $67.9 million, or 79.0%, as compared to 2007. Income from operations during these years was attributable to the following segments (in thousands):

	2008	2007	$ Change
Marine segment	$ 121,818	$ 50,844	$ 70,974
Aviation segment	68,142	60,796	7,346
Land segment	3,489	1,237	2,252
	193,449	112,877	80,572
Corporate overhead unallocated	(39,709)	(26,989)	(12,720)
Total	$ 153,740	$ 85,888	$ 67,852

Our marine segment earned $121.8 million in income from operations for 2008, an increase of $71.0 million as compared to $50.8 million in 2007. This increase resulted from $88.8 million in higher gross profit, partially offset by increased operating expenses of approximately $17.8 million. The increase in marine segment operating expenses, which includes an increase in allocated corporate expenses, was attributable to increases in compensation and employee benefits, primarily increases in incentive-based compensation, and general and administrative expenses, partially offset by a reduction in provision for bad debt.

Our aviation segment income from operations was $68.1 million for 2008, an increase of $7.3 million, or 12.1%, as compared to 2007. This increase resulted from $43.0 million in higher gross profit, offset by increased operating expenses of $35.7 million. The increase in aviation segment operating expenses, which includes an increase in allocated corporate expenses and AVCARD s incremental operating expenses, was attributable to increases in compensation and employee benefits, provision for bad debt and general and administrative expenses.

Our land segment income from operations was $3.5 million for 2008, an increase of $2.3 million as compared to $1.2 million in 2007. This increase resulted from the incremental income from operations as a result of the acquisition of the Texor business, partially offset by an increase in land segment operating expenses attributable to increases in compensation and employee benefits, provision for bad debt and general and administrative expenses.

Corporate overhead costs not charged to the business segments were $39.7 million for 2008, an increase of $12.7 million, or 47.1%, as compared to 2007. The increase in corporate overhead costs was primarily attributable to increases in compensation and employee benefits, including incentive-based compensation and special bonus awards, and general and administrative expenses.

Other Income and Expense, net. For 2008, we had other expense, net of $16.2 million compared to other income, net of $0.7 million for 2007. This $16.9 million change was primarily due to increased interest expense related to higher outstanding borrowings under our Credit Facility, including fees related to the establishment of a facility to sell certain of our accounts receivable, increased foreign exchange losses and decreased interest income, partially offset by a $1.9 million investment impairment charge in 2007.

Included in the fourth quarter of 2008 was approximately $4.1 million in net foreign currency losses that relate to prior quarterly periods in 2008, none of which were considered material individually or in the aggregate. In addition, because these amounts were all within 2008, there was no impact to the income statement for the full fiscal year. For additional information, see Note 13 to the accompanying consolidated financial statements included in this Form 10-K.

Taxes. For 2008, our effective tax rate was 23.5% and our income tax provision was $32.4 million, as compared to an effective tax rate of 24.5% and an income tax provision of $21.2 million for 2007. The lower effective tax rate for 2008 resulted primarily from fluctuations in the actual results achieved by our subsidiaries in tax jurisdictions with different tax rates.

Net Income and Diluted Earnings per Share. Net income for 2008 was $105.0 million, an increase of $40.3 million, or 62.2%, as compared to 2007. Diluted earnings per share for 2008 was $3.62 per share, an increase of $1.39 per share, or 62.3%, as compared to 2007.

2007 compared to 2006

Revenue. Our revenue for 2007 was $13.7 billion, an increase of $2.9 billion, or 27.3%, as compared to 2006. Our revenue during these years was attributable to the following segments (in thousands):

	2007	2006	$ Change
Marine segment	$ 7,665,801	$ 5,785,095	$ 1,880,706
Aviation segment	5,460,838	4,579,337	881,501
Land segment	602,916	420,704	182,212
Total	$ 13,729,555	$ 10,785,136	$ 2,944,419

Our marine segment contributed $7.7 billion in revenue for 2007, an increase of $1.9 billion, or 32.5%, as compared to 2006. Of the total increase in marine segment revenue, $1.1 billion was due to an increase in the average price per metric ton sold as a result of higher world oil prices in 2007. The remaining increase of $787.9 million was due to increased sales volume as a result of additional sales to both new and existing customers.

Our aviation segment contributed $5.5 billion in revenue for 2007, an increase of $881.5 million, or 19.2%, as compared to 2006. Of the total increase in aviation segment revenue, $467.0 million was due to increased sales volume primarily due to additional sales to both new and existing customers and, to a lesser extent, sales volume from the AVCARD acquisition in December 2007. The remaining increase of $414.5 million was primarily due to an increase in the average price per gallon sold as a result of higher world oil prices in 2007 and to, a small degree, increased revenue related to aviation services.

Our land segment contributed $602.9 million in revenue for 2007, an increase of $182.2 million, or 43.3%, as compared to 2006. Of the total increase in land segment revenue, $139.4 million was due to increased sales volume to both new and existing customers and $42.8 million was due to an increase in the average price per gallon sold.

Gross Profit. Our gross profit for 2007 was $245.3 million, an increase of $31.2 million, or 14.6%, as compared to 2006. Our gross profit during these years was attributable to the following segments (in thousands):

	2007	2006	$ Change
Marine segment	$ 114,505	$ 101,177	$ 13,328
Aviation segment	122,797	106,867	15,930
Land segment	7,970	6,025	1,945
Total	$ 245,272	$ 214,069	$ 31,203

Our marine segment gross profit for 2007 was $114.5 million, an increase of $13.3 million, or 13.2%, as compared to 2006. Contributing to the total increase in marine segment gross profit was approximately $12.5 million in increased sales volume and $0.8 million in increased gross profit per metric ton sold.

Our aviation segment gross profit for 2007 was $122.8 million, an increase of $15.9 million, or 14.9%, as compared to 2006. Contributing to the total increase was $10.9 million in increased sales volume and $5.0 million in higher gross profit per gallon sold and increased gross profit related to aviation services.

Our land segment gross profit for 2007 was approximately $8.0 million, an increase of approximately $1.9 million, or 32.3%, as compared to 2006. The increase in land segment gross profit was primarily due to increased sales volume.

Operating Expenses. Total operating expenses for 2007 were $159.4 million, an increase of $22.0 million, or 16.0%, as compared to 2006. The following table sets forth our expense categories (in thousands):

	2007	2006	$ Change
Compensation and employee benefits	$ 93,732	$ 82,194	$ 11,538
Executive severance costs		1,545	(1,545)
Provision for bad debts	1,892	3,869	(1,977)
General and administrative	63,760	49,815	13,945
Total	$ 159,384	$ 137,423	$ 21,961

Of the total increase in operating expenses, approximately $11.6 million was related to compensation and employee benefits and $13.9 million was related to general and administrative expenses. Partially offsetting these increases was a reduction of $2.0 million in provision for bad debt and $1.5 million in executive severance costs incurred during 2006. The increase in compensation and employee benefits was primarily due to 2007 new hires to support our continued growing global business and the full-year effect on compensation and employee benefits relating to 2006 new hires, partially offset by a decrease in incentive compensation. Included in general and administrative expenses for 2007 was an impairment charge of $2.4 million during the fourth quarter of 2007 for internally developed computer software costs related to an aviation project. The remaining increase in general and administrative expenses of $11.5 million was primarily attributable to the following expenses: systems development, which included costs related to our enterprise integration project, professional and consulting fees, business travel, depreciation and amortization, office rent and telecommunication expenses. The decrease in provision for bad debt was primarily due to an overall improved quality of our receivable portfolio during 2007 as compared to 2006, primarily in the aviation and land segments.

Income from Operations. Our income from operations for 2007 was $85.9 million, an increase of $9.2 million, or 12.1%, as compared to 2006. Income from operations during these years was attributable to the following segments (in thousands):

	2007	2006	$ Change
Marine segment	$ 50,844	$ 44,225	$ 6,619
Aviation segment	60,796	56,648	4,148
Land segment	1,237	1,138	99
	112,877	102,011	10,866
Corporate overhead unallocated	(26,989)	(25,365)	(1,624)
Total	$ 85,888	$ 76,646	$ 9,242

The marine segment earned $50.8 million in income from operations for 2007, an increase of $6.6 million, or 15.0%, as compared to 2006. This increase resulted from $13.3 million in higher gross profit, offset by increased operating expenses of $6.7 million. The increase in marine segment operating expenses, which includes an increase in allocated corporate expenses, was attributable to increases in compensation and employee benefits, provision for bad debt and general and administrative expenses.

The aviation segment income from operations was $60.8 million for 2007, an increase of $4.1 million, or 7.3%, as compared to 2006. This increase resulted from $15.9 million in higher gross profit, offset by increased operating expenses of $11.8 million. The increase in aviation segment operating expenses, which includes an increase in allocated corporate expenses, was attributable to increases in compensation and employee benefits and general and administrative expenses, partially offset by a decrease in provision for bad debt.

The land segment income from operations was $1.2 million for 2007, an increase of $0.1 million, or 8.7%, as compared to 2006. This increase resulted from $1.9 million in higher gross profit, offset by increased

operating expenses of $1.8 million. The increase in land segment operating expenses, which includes an increase in allocated corporate expenses, was attributable to increases in compensation and employee benefits and general and administrative expenses, partially offset by a decrease in provision for bad debt.

Corporate overhead costs not charged to the business segments were $27.0 million for 2007, an increase of $1.6 million, or 6.4% as compared to 2006. The increase in corporate overhead costs was attributable to increases in compensation and employee benefits and general and administrative expenses.

Other Expense and Income, net. In 2007, we had other income, net, of $0.7 million, a decrease of approximately $4.1 million, as compared to other income, net, of $4.8 million for 2006. The decrease in other income, net, was primarily due to a $1.9 million investment impairment charge resulting from the write-down of our commercial paper investment, foreign currency exchange losses reported for 2007 as compared to foreign currency exchange gains reported for 2006, and a decrease in interest income due to lower interest rates and lower average invested balances. Partially offsetting these decreases was lower interest expense as a result of the capitalization of interest expenses of approximately $1.0 million related to our enterprise integration project.

Taxes. For 2007, our effective tax rate was 24.5% and our income tax provision was $21.2 million, as compared to an effective tax rate of 21.3% and an income tax provision of $17.4 million for 2006. The higher effective tax rate for 2007 resulted primarily from additional income tax expense recorded in connection with the new accounting guidance of Financial Accounting Standard Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48) in 2007, as well as fluctuations in the actual results achieved by our subsidiaries in tax jurisdictions with different tax rates.

Net Income and Diluted Earnings per Share. Net income for 2007 was $64.8 million, an increase of $0.8 million, or 1.3%, as compared to 2006. Diluted earnings per share for 2007 was $2.23 per share, an increase of $0.02 per share, or 0.9%, as compared to 2006.

Liquidity and Capital Resources

In 2008, worldwide capital and credit markets experienced unprecedented volatility, and we continue to closely monitor the potential impact of these market conditions on our liquidity. Despite this unprecedented volatility, to date, these market conditions have not had a material adverse impact on our liquidity. In fact, our liquidity and positive cash flow have increased primarily due to decreased world oil prices, the execution of a Master Accounts Receivable Purchase Agreement and generation of positive cash flow through our focus on managing working capital, which resulted in a decrease in our net trade cycle.

Cash and cash equivalents. As of December 31, 2008, we had $314.4 million of cash and cash equivalents compared to $36.2 million of cash and cash equivalents and $10.0 million of restricted cash as of December 31, 2007. Our primary use of cash and cash equivalents is to fund accounts receivable and purchase inventory. We are usually extended unsecured trade credit from our suppliers for our fuel purchases; however, certain suppliers require us to provide a letter of credit. Our ability to fund fuel purchases, obtain trade credit from our suppliers and provide letters of credit is critical to our business. Increases in oil prices can negatively affect liquidity by increasing the amount of cash needed to fund fuel purchases as well as reducing the amount of fuel which we can purchase on an unsecured basis from our suppliers.

Short term investments. As of December 31, 2008 and 2007, our short-term investments consisted of $8.1 million of commercial paper with a par value of $10.0 million, which was investment grade when purchased. On the maturity date of the investment in August 2007, the issuer of the commercial paper defaulted on its repayment obligation. As a result, the commercial paper has been reclassified from cash equivalents to short-term investments. The commercial paper is classified as a short-term investment as of December 31, 2008 based on information available to us that suggests that it is likely there will be a cash settlement of the commercial paper within one year. Changes in facts and circumstances in future periods could lead to changes in the expected settlement date of the commercial paper balances. Accordingly, there may be changes in our classification of such balances from short-term to long-term.

In April 2008, the commercial paper issuer was placed into receivership. The commercial paper is no longer highly liquid and an observable market does not exist, therefore a readily determinable fair market value of the investment is not available. On February 4, 2009, the High Court of Justice, Chancery Division, Companies Court in the United Kingdom ruled that, based on the maturity date of the commercial paper held by us, we should receive payment ahead of other holders of the commercial paper. The judgment is subject to appeal and leave to appeal has been granted. We believe, based on discussions with our outside counsel, that we should prevail against an appeal should one be filed.

As of December 31, 2008, the receiver for the issuer provided us with information regarding the issuer s estimated investments and debt obligations. The issuer s net assets represent (1) the estimated market value of the issuer s investments using (i) the present value of future principal and interest payments receivable discounted at rates considered to reflect current market conditions; and/or (ii) individual valuation estimates of the underlying collateral using multiple indicators of value less (2) the issuer s estimated debt obligations.

In order to estimate the fair market value of our investment in the commercial paper, we gave primary consideration to the court judgment noted above as well as consideration of the probabilities of repayment from the issuer s net assets under various liquidation scenarios based on the issuer s estimated investments and debt obligations. The results of the commercial paper valuation yielded a range of estimated fair market values of approximately $4.7 million to $10.0 million. Based on the above, we believe the adjusted cost basis of our commercial paper is $8.1 million at December 31, 2008.

The estimated fair market value of our commercial paper could change significantly based on future market conditions, and the ultimate settlement of our commercial paper could be for amounts materially different from our current estimate of fair market value. As a result, additional impairment charges may be required in the future.

Credit Facility. Our Credit Facility permits borrowings of up to $475.0 million with a sublimit of $125.0 million for the issuance of letters of credit and bankers acceptances. Under the Credit Facility, we have the right to request increases in available borrowings up to an additional $75.0 million, subject to the satisfaction of certain conditions. We had no outstanding borrowings under our Credit Facility at December 31, 2008 and $40.0 million at December 31, 2007. Our issued letters of credit under the Credit Facility totaled $50.2 million and $55.1 million at December 31, 2008 and 2007, respectively. No bankers acceptances had been issued under our Credit Facility at December 31, 2008 and 2007. We had $424.8 million of availability under our Credit Facility at December 31, 2008. The Credit Facility expires on December 21, 2012.

Based on information available to us, all of the financial institutions participating under our syndicated Credit Facility are able to fulfill their commitments as of our filing date. However, there can be no assurance that the financial institutions will continue to fulfill their funding obligations under the Credit Facility in the future.

Outstanding borrowings under our Credit Facility, our cash and cash equivalents and short-term investments fluctuate primarily based on operating cash flow, most significantly, the timing of receipts from our customers and payments to our suppliers. Higher interest rates can have a negative effect on our liquidity due to higher costs of borrowing under our Credit Facility.

Our Credit Facility contains certain operating and financial covenants with which we are required to comply. Our failure to comply with the operating and financial covenants contained in our Credit Facility could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the Credit Facility, trigger cross-defaults under other agreements to which we are a party and impair our ability to obtain working capital advances and letters of credit, which would have a material adverse effect on our business, financial condition and results of operations. As of December 31, 2008, we were in compliance with all covenants contained in our Credit Facility.

Accounts Receivable Facility. In the third quarter of 2008, we entered into a Master Accounts Receivable Purchase Agreement with a syndicate of financial institutions establishing a facility (the Receivable Facility) to sell up to an aggregate of $160.0 million of our accounts receivable on a revolving basis. The Receivable Facility may be increased to up to $250.0 million, subject to the satisfaction of certain conditions, and matures in September 2010 unless an event of termination occurs or the term is extended for subsequent one-year terms with the prior written consent of the syndicate of financial institutions. The Receivable Facility contains customary termination events, including, among other things, the failure to make timely payments under the Receivable Facility, the breach of covenants, and the occurrence and continuance of events of default under our Credit Facility. As of December 31, 2008, no accounts receivable had been sold under our Receivable Facility. We are also closely monitoring the potential impact of changes in the financial conditions of our customers, which to date have not had a material adverse impact on our operating results.

Other credit lines. We have unsecured credit lines aggregating $50.0 million for the issuance of letters of credit and bank guarantees. Letters of credit issued under these credit lines are subject to fees at market rates payable semiannually and at maturity in arrears. These credit lines are renewable on an annual basis. As of December 31, 2008 and December 31, 2007, our outstanding bank guarantees under these credit lines totaled $20.9 million and $3.9 million, respectively.

Additionally, we have a separate $15.0 million credit facility for the issuance of bankers acceptances (the BA Facility) with one of the banks participating in our Credit Facility. The BA Facility is a continuing facility that will remain in full force and effect until revoked by us or the bank. Bankers acceptances issued under the BA Facility are subject to commissions and fees (finance charges) at the bank s prevailing rate on the date of acceptance. As of December 31, 2008, we recorded debt of $14.7 million, net of unamortized finance charges of $0.1 million, under the BA Facility.

We believe that available funds from existing cash and cash equivalents, our Credit Facility and the Receivable Facility, together with cash flows generated by operations, remain sufficient to fund our working capital and capital expenditure requirements for at least the next twelve months. In addition, to further enhance our liquidity profile we may choose to raise additional funds which may or may not be needed for additional working capital, capital expenditures or other strategic investments. Our opinions concerning liquidity are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity would be adversely affected. Factors that may affect the availability of trade credit, or other forms of financing, include our performance (as measured by various factors, including cash provided from operating activities), the state of worldwide credit markets, and our levels of outstanding debt. Financing may not be available when needed or desired on terms favorable to us.

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

Cash Flows

The following table reflects the major categories of cash flows 2008, 2007 and 2006. For additional details, please see the Consolidated Statements of Cash Flows in the consolidated financial statements.

	2008	2007	2006
Net cash provided by (used in) operating activities	$ 393,452	$ (77,927)	$ 67,884
Net cash (used in) provided by investing activities	(100,157)	(68,988)	(25,177)
Net cash (used in) provided by financing activities	(13,372)	6,571	504

2008 compared to 2007

Operating activities. For 2008, net cash provided by operating activities totaled $393.5 million as compared to net cash used in operating activities of $77.9 million in 2007. The increase in cash flow provided by operating activities was primarily due to increased net income and a reduction in operating assets and liabilities resulting from a decline in oil prices and an improvement in our net trade cycle as compared to 2007.

Investing activities. During 2008, net cash used in investing activities was $100.2 million as compared to $69.0 million in 2007. The increase in cash used in investing activities in 2008 was due to increased acquisition activity offset by a reduction in capital expenditures. In 2008, we acquired the Texor business for $93.4 million net of cash acquired of $0.3 million.

Financing activities. For 2008, net cash used in financing activities was $13.4 million as compared to net cash provided by financing activities of $6.6 million in 2007. The increase in cash used in financing activities in 2008 was primarily due to a $40.0 million debt repayment under our Credit Facility offset by borrowings under our BA Facility of $14.5 million, a net increase of $10.0 million resulting from the payment of restricted cash held as collateral from a customer and $5.8 million in federal and state tax benefits resulting from a tax deduction in excess of compensation cost recognized for share-based payment awards.

2007 compared to 2006

Operating activities. For 2007, net cash used in operating activities totaled approximately $77.9 million as compared to net cash provided by operating activities of $67.9 million in 2006. This $145.8 million change in cash flows from operating activities was primarily due to a net increase in working capital.

Investing activities. During 2007, net cash used in investing activities was approximately $69.0 million compared to $25.2 million in 2006. This $43.8 million increase in cash used in investing activities was due to $54.9 million cash used for the acquisition of AVCARD as compared to $2.6 million cash used for the acquisition of the minority ownership interest of Tramp Oil (Brasil) Limitada. Partially offsetting these increases in cash used in investing activities was $5.0 million of net proceeds from the sale of short-term investments and a $3.5 million decrease in capital expenditures.

Financing activities. For 2007, net cash provided by financing activities was $6.6 million as compared to $0.5 million in 2006. This $6.1 million increase was primarily due to a $20.0 million increase in net borrowings under the Credit Facility and $3.9 million U.S. federal and state tax benefits resulting from tax deductions in excess of the compensation cost recognized for share-based payment awards, partially offset by $10.0 million in restricted cash received as collateral from a customer, a $5.7 million decrease in proceeds from the exercise of stock options, a $1.3 million payment of loan costs for our Credit Facility and a $1.5 million increase in purchases of stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards.

Contractual Obligations and Off-Balance Sheet Arrangements

Our significant contractual obligations and off-balance sheet arrangements are set forth below. For additional information on any of the following and other contractual obligations and off-balance sheet arrangements, see Notes 7 and 10 in the notes to the consolidated financial statements in Item 15 of this Form 10-K.

Contractual Obligations

As of December 31, 2008, our contractual obligations were as follows (in thousands):

	Total	< 1 year	1-3 years	3-5 years	> 5 years
Debt and interest obligations	$ 35,205	$ 24,824	$ 10,286	$ 95	
Operating lease obligations	37,509	7,233	11,466	8,579	10,231
Service contract obligations	2,970	2,350	620		
Employment agreement obligations	12,481	5,081	7,400		
Derivatives obligations	66,302	66,302			
Purchase commitment obligations	86,818	86,818			
Other obligations	3,638	1,133	1,324	671	510
Total	$ 244,923	$ 193,741	$ 31,096	$ 9,345	$ 10,741

Debt and interest obligations. These obligations include principal and interest payments on fixed-rate and variable-rate, fixed-term debt, based on the expected payment dates.

Service contract obligations. These obligations consist of contracts with minimum service fees. The minimum service fee amount is shown in the table above using the straight-line method over the service years.

Derivatives obligations. See Item 7A Quantitative and Qualitative Disclosures About Market Risk included in this Form 10-K, for a discussion of our derivatives.

FIN 48 Liabilities obligations. As of December 31, 2008, our FIN 48 liabilities were $30.5 million. The timing of any settlement of our FIN 48 liabilities with the respective taxing authority cannot be reasonably estimated.

Off-Balance Sheet Arrangements

Letters of Credit. In the normal course of business, we are required to provide letters of credit to certain suppliers. A majority of these letters of credit expire within one year from their issuance, and expired letters of credit are renewed as needed. As of December 31, 2008, we had issued letters of credit totaling $71.1 million under our Credit Facility and other unsecured credit lines. For additional information on our Credit Facility and other unsecured credit lines, see the discussion thereof in Liquidity and Capital Resources above.

Surety Bonds. In the normal course of business, we are required to post bid, performance and garnishment bonds. The majority of the surety bonds posted relate to our aviation segment. As of December 31, 2008, we had $27.6 million in outstanding bonds that were arranged in order to satisfy various security requirements.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is included in Note 1 to the accompanying consolidated financial statements included in this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We enter into derivative contracts in order to mitigate the risk of market price fluctuations in marine, aviation and land fuel, and to offer our customers fuel pricing alternatives to meet their needs. We also enter into derivatives in order to mitigate the risk of fluctuation in foreign currency exchange rates. We have applied the normal purchase and normal sales exception (NPNS), as provided by FAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to certain of our physical forward sales and purchase contracts. While these

contracts are considered derivative instruments under FAS No. 133, they are not recorded at fair value, but on an accrual basis of accounting, which means the values related to such contracts are not recorded in our consolidated financial statements until physical settlement of the contract occurs. If it is determined that a transaction designated as NPNS no longer meets the scope 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.

Cash Flow Hedges. We enter into foreign currency forward contracts to manage and attempt to minimize the impact of foreign currency exchange risk. At any given time, only a portion of such risk may be hedged.

Fair Value Hedges. We enter into derivatives in order to hedge price risk associated with some of our inventory and certain firm commitments relating to fixed price purchase and sale contracts. Accordingly, these hedged items are marked-to-market through the consolidated statement of income, as is the derivative that serves as the hedge instrumen