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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-K**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| (Mark One) |  |  |  |
| ☒ | ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 | | |
|  | For the fiscal year ended | | December 31, 2019 |
|  | |  | 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** | **9800 N.W. 41st Street,** | | | | **Miami,** | **Florida** | **33178** | **59-2459427** |
| (State or other jurisdiction of  incorporation or organization) | (Address of Principal Executive Offices) (Zip Code) | | | | | | | (I.R.S. Employer  Identification No.) |
|  | Registrant’s telephone number, including area code: | | | | | | |  |
|  |  | **(** | **305** | **)** | **428-8000** | | |  |
|  | Securities registered pursuant to Section 12(b) of the Act | | | | | | |  |
| Title of each class | Trading Symbol (s) | | | | | | | Name of each exchange on which registered |
| Common Stock , $0.01 par value | INT | | | | | | | New York Stock Exchange |

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐

 No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an "emerging growth company". See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-Accelerated filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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As of June 30, 2019, the registrant’s most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the market price at which the common equity was last sold was $2,337,676,065.

As of February 21, 2020, the registrant had approximately 65,406,419 shares of outstanding common stock, par value $0.01 per share.

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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 (“2019 10‑K Report”) as “World Fuel,” “we,” “our” and “us.”

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, marine and land transportation industries. In recent years, we have expanded our product and service offerings to include energy advisory services and supply fulfillment for natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services, technology solutions, as well as sustainability products and services across the energy product spectrum. We also offer payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries. We will continue to focus on enhancing the portfolio of products and services we provide based on changes in consumer demand, including sustainability offerings and renewable fuel products.

We have offices throughout the United States ("U.S.") and in various foreign jurisdictions, including, but not limited to: Brazil, Costa Rica, Singapore, and the United Kingdom (“U.K.”). See “Part I. Item 2. Properties” for a list of principal offices by business segment and “Exhibit 21.1 – Subsidiaries of the Registrant” included in this 2019 10‑K Report for a list of our subsidiaries.

As of February 21, 2020, we employed approximately 5,500 employees globally. Our principal executive office is located at 9800 Northwest 41st Street, Miami, Florida 33178 and our telephone number at this address is 305‑428‑8000. Our internet address is http://www.wfscorp.com and the investor relations section of our website is located at http://ir.wfscorp.com. We make available free of charge, on or through the investor relations section of our website, our Annual Reports on Form 10‑K, Quarterly Reports on Form 10‑Q, Current Reports on Form 8‑K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) with the Securities and Exchange Commission (“SEC”) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Also posted on our website are our Code of Conduct (“Code of Conduct”), Board of Directors’ committee charters and Corporate Governance Principles. Our internet website and information contained on our internet website are not part of this 2019 10‑K Report and are not incorporated by reference in this 2019 10‑K Report.

**Segments**

We operate in three reportable segments consisting of aviation, land and marine. During each of the years presented on the consolidated statements of income and comprehensive income, none of our aviation, land or marine customers accounted for more than 10% of any segment or total consolidated revenue. Financial information with respect to our business segments and the geographic areas of our business is provided below and within "Note 13. Business Segments, Geographic Information and Major Customers" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report.

**Aviation Segment**

We provide global aviation fuel supply and comprehensive service solutions to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low-cost carriers, airports, fixed based operators, corporate fleets, fractional operators and private aircraft. Our aviation‑related service offerings include fuel management, price risk management, ground handling, 24/7 global dispatch services, and international trip planning services, including flight plans, weather reports and overflight permits. We also supply products and services to U.S. and foreign government and military customers, such as the North Atlantic Treaty Organization ("NATO") and the U.S. Defense Logistics Agency (collectively, "government customers"). In addition, we offer card payment solutions and related processing services and technology.

Because fuel is a major component of an aircraft’s operating costs, our customers require cost-effective and professional fuel services. We have developed an extensive network, consisting of on-airport fueling operations and third‑party suppliers and service providers that enable us to provide aviation fuel and related services throughout the world. We

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believe the breadth of our service offering combined, with our global supplier network is a strategic differentiator that allows customers to secure fuel and high‑quality services in locations worldwide on short notice.

We purchase our aviation fuel from suppliers worldwide. Fuel may be delivered into our customers’ aircraft or to a designated storage facility located at one of our locations or our suppliers’ locations pursuant to arrangements with them. Inventory is purchased at airport locations or shipped via pipelines and held at multiple locations for strategic reasons. We engage in contract sales, which are sales made pursuant to fuel purchase contracts with customers who commit to purchasing fuel from us over the contract term. We also conduct spot sales, which are sales that do not involve continuing contractual obligations by our customers to purchase fuel from us. Our cost of fuel is generally tied to market‑based formulas or government-controlled prices.

**Land Segment**

In our land segment, we primarily offer fuel, heating oil, propane, natural gas, lubricants and related products and services to petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial, residential and government customers. Our land-related services include management services for the procurement of fuel and price risk management. We primarily conduct these activities throughout most of the U.S. as well as parts of the U.K. and Brazil. We also offer advisory and fulfillment solutions with respect to power, natural gas and other energy products, as well as sustainability consulting, renewable fuel products, and carbon management and renewable energy solutions through World Kinect, our global energy management brand with offices in the U.S., Australia and throughout Europe. In addition, we offer transaction management services, which include card payment solutions, government payment systems for global fuel procurement, merchant processing services, payment solutions for tolls across Europe, and commercial payment programs.

In connection with our fuel marketing activities, we distribute fuel under long-term contracts to branded and unbranded distributors, convenience stores and retail fuel outlets operated by third parties. We also distribute heating oil to residential customers and unbranded fuel to numerous other customers, including commercial and industrial customers, such as manufacturing, mining, agriculture, construction, and oil and gas exploration companies. These transactions may be pursuant to fuel purchase contracts or through spot sales. In certain instances, we serve as a reseller, where we purchase fuel from a supplier and contemporaneously resell it to our customers through spot and contract sales. We also maintain inventory in certain strategic locations, including pipelines. Our cost of fuel is generally tied to market‑based formulas.

Finally, we provide transportation logistics for our product deliveries, including arranging for fuel products to be delivered from storage terminals to the appropriate sites through our own fleet of trucks as well as third-party transportation providers. The fuel is generally delivered to our customers directly or to a designated tanker truck loading terminal commonly referred to as “racks,” which are owned and operated by our suppliers or other third‑parties.

**Marine Segment**

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

We serve primarily as a reseller, where we take delivery for fuel purchased from our supplier at the same place and time as the fuel is sold to our customer. We also sell fuel from our inventory, which we maintain in storage facilities that we own or lease. In certain cases, we serve as a broker and are paid a commission for negotiating the fuel purchase transaction between the supplier and the end-user, as well as for expediting delivery of the fuel.

The majority of our marine segment activity consists of spot sales. Our cost of fuel is generally tied to spot pricing, market‑based formulas, or government-controlled prices. We also contract with third parties to provide various services for our customers, including fueling of vessels in ports and at sea, and transportation and delivery of fuel and fuel-related products.

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**Competitors**

We operate globally across industries that are highly fragmented with numerous competitors. Our competitors range in size and complexity from large multinational corporations, principally major oil producers, which have significantly greater capital resources than us, to relatively small and specialized firms. In our fuel distribution activities, we compete with 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 compete, among other things, on the basis of service, convenience, reliability, availability of trade credit and price. We believe that our extensive market knowledge, worldwide footprint, logistics expertise and support, the use of price risk management offerings, and value-added benefits, including single-supplier convenience, fuel quality control and fuel procurement outsourcing, give us the ability to compete within those markets.

**Seasonality**

Our operating results are subject to seasonal variability. Our seasonality results from numerous factors, including traditionally higher demand for natural gas and home heating oil during the winter months and aviation and land fuel during the summer months, as well as other seasonal weather patterns. As such, our results of operations may fluctuate from period to period.

**Environmental**

Our business activities are subject to substantial regulation by federal, state and local government agencies, inside and outside of the U.S., 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. Compliance with existing and future laws that regulate the delivery of fuel by barge, truck, vessel pipeline or car; fuel storage terminals or underground storage tanks that we own, lease or operate; or the quality of product under our control may require significant capital expenditures and increased operating and maintenance costs, particularly as we acquire businesses with more physical assets. The penalties for violations of environmental laws include injunctive relief; administrative, civil or criminal penalties; recovery of damages for injury to air, water or property; and third-party damages. Some environmental laws may also impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. See “Item 1A – Risk Factors,” and “Item 3 – Legal Proceedings.”

We may also be affected by increasingly stringent U.S. federal and foreign environmental laws and regulations that will apply to us or our customers in the future, some of which could increase the cost or reduce the demand for our products and services. For example, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas (“GHG”) emissions. In the U.S., the U.S. Environmental Protection Agency has adopted rules requiring the reporting of GHG emissions by petroleum product suppliers and facilities meeting certain annual emissions thresholds and regulating emissions from major sources of GHGs under the Clean Air Act. In other countries, proposed regulations include the adoption of cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. Although the ultimate impact of these or other future measures is difficult to accurately predict, they could make our products more expensive or reduce demand for petroleum products, as well as shift demand toward relatively lower-carbon sources. This, in turn, could affect our operations, earnings and competitive position.

**Forward-Looking Statements**

This 2019 10-K 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, contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “believe,” “anticipate,” “expect,” “estimate,” “project,” “could,” “would,” “will,” “will be,” “will continue,” “will likely result,” “plan,” or words or phrases of similar meaning. Specifically, this 2019 10-K Report includes forward-looking statements about (i) our expectations regarding the conditions in the aviation, land, and marine markets and the impact on our business, including volume, fuel prices, and the impact of the coronavirus outbreak on us and our customers, (ii) our expectations about the financial impact of portfolio rationalization and our ability to redeploy such capital into activities with sustainable revenue and expected returns, (iii) our expectations regarding sales to government customers,particularly NATO in Afghanistan, and the related impact on our profitability,

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(iv) our beliefs regarding our competitive advantages and our ability to capitalize on these to drive growth, (v) estimates regarding the short and long-term savings and synergies from our cost-savings initiatives and the benefits of our restructuring plan, (vi) our expectations regarding our working capital, liquidity, capital expenditure requirements, (vii) our expectations and estimates regarding certain tax, legal and accounting matters, including the impact on our financial statements, (viii) our expectations regarding the financial and operational impact of our investments in automation and technology, including transaction processing costs, (ix) our expectations regarding the financial impact of acquisitions and divestitures, including estimates of future expenses and our ability to realize estimated synergies, and (x) estimates regarding the financial impact of our derivative contracts. These forward-looking statements are qualified in their entirety by cautionary statements and risk factor disclosures contained in our SEC filings.

These 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. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Our actual results may differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements.

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:

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| • | customer and counterparty creditworthiness and our ability to collect accounts receivable and settle derivative contracts; |

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| • | loss of or reduced sales to NATO in Afghanistan under our supply contract; |

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| • | sudden changes in the market price of fuel; |

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| • | the availability of cash and sufficient liquidity to fund our working capital and strategic investment needs; |

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| • | changes in the political, economic or regulatory environment generally and in the markets in which we operate, such as IMO 2020 (defined below); |

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| • | our failure to effectively hedge certain financial risks and other risks associated with derivatives; |

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| • | changes in credit terms extended to us from our suppliers; |

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| • | changes in U.S. or foreign tax laws (including the Tax Cuts and Jobs Act), interpretations of such laws, changes in the mix of taxable income among different tax jurisdictions, or adverse results of tax audits, assessments, or disputes; |

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| • | non-performance of suppliers on their sale commitments and customers on their purchase commitments; |

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| • | non-performance of third-party service providers; |

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| • | adverse conditions in the industries in which our customers operate; |

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| • | our ability to meet financial forecasts associated with our operating plan; |

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| • | lower than expected valuations associated with our cash flows and revenues, which could impair our ability to realize the value of recorded intangible assets and goodwill; |

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| • | the impact of cyber and other information security-related incidents; |

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| • | currency exchange fluctuations and the impacts associated with Brexit; |

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| • | ability to effectively leverage technology and operating systems and realize the anticipated benefits; |

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| • | failure of fuel and other products we sell to meet specifications; |

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| • | our ability to effectively integrate and derive benefits from acquired businesses; |

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| • | our ability to achieve the expected level of benefit from our restructuring activities and cost reduction initiatives; |

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| • | material disruptions in the availability or supply of fuel; |

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| • | environmental and other risks associated with the storage, transportation and delivery of petroleum products; |

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| • | risks associated with operating in high-risk locations, including supply disruptions, border closures and other logistical difficulties that arise when working in these areas; |

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| • | uninsured losses; |

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| • | the impact of natural disasters, such as earthquakes and hurricanes; |

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| • | seasonal variability that adversely affects our revenues and operating results; |

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

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

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

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| • | our failure to generate sufficient future taxable income in jurisdictions with material deferred tax assets and net operating loss carryforwards; |

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

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| • | the outcome of litigation and other proceedings, including the costs associated in defending any actions; |

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| • | increases in interest rates; and |

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| • | other risks, including those described in “Item 1A - Risk Factors” in our 2019 10-K Report and those described from time to time in our other filings with the SEC. |

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. 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. Any public statements or disclosures by us following this report that modify or impact any of the forward-looking statements contained in or accompanying this 2019 10-K Report will be deemed to modify or supersede such forward-looking statements.

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

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**Item 1A. Risk Factors**

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

Our success in attracting customers has been due, in part, to our willingness to extend credit on an unsecured basis to customers as opposed to requiring prepayment, letters of credit or other forms of credit support. Even in cases where we do obtain credit enhancements, such as guarantees, offset rights, collateral or other forms of security, such rights may not be sufficient or fully collectible depending on the circumstances of the customer at the time of default. Furthermore, the diversification of our credit risk is limited, as we primarily conduct business within the aviation, marine and land transportation industries.

Our exposure to credit losses depends on the financial condition of our customers and other macroeconomic factors beyond our control, such as deteriorating conditions in the world economy or in the industries we serve, changes in oil prices and political instability. While we actively manage our credit exposure and work to respond to both changes in our customers’ financial conditions or macroeconomic events, there can be no guarantee we will be able to mitigate all of these risks successfully. Substantial credit losses could have a material adverse effect on our financial condition, results of operations and cash flows.

**A material portion of our profitability is derived from sales to government customers, particularly sales to NATO in Afghanistan, and the loss or material reduction in business from such sales, would likely have a material adverse effect on our results of operations and cash flows**.

Sales to government customers represent a material portion of our profitability.  In particular, sales to NATO in support of military operations in Afghanistan accounted for approximately 18% of our consolidated gross profit in 2019.  Our sales to government customers may fluctuate significantly as a result of the level of troop deployments and related activity in a particular region or area. The U.S. government has announced its intention to significantly reduce the level of U.S. troops in the Middle East, including the troops supporting NATO in Afghanistan.  The timing, extent and impact of any such withdrawal is currently uncertain.

In addition, our sales to government customers can fluctuate significantly due to the commencement, extension, renewal or completion of existing and new government contracts.  Our contract with NATO governing sales in Afghanistan provided for an initial two-year term expiring in December 2019, with three one-year renewal options at NATO’s discretion.  During the quarter ended September 30, 2019, NATO exercised the first of the one-year renewal options such that the current term now ends in December 2020. There is no guarantee that NATO will exercise the other two renewal options and it may decide to put the contract through a new competitive bid process.

Sales to government customers can also be materially impacted by factors such as supply disruptions, border closures, road blockages, hostility-related product losses, inventory shortages and other logistical difficulties that can arise when sourcing and delivering fuel in areas that are actively engaged in war or other military conflicts. Moreover, there is a risk of serious injury or loss of life of our employees or subcontractors operating in these high-risk locations.  We therefore may incur substantial operating costs as a result of, among other things, hostility-related product losses, utilizing alternate supply routes or maintaining the safety of our personnel, particularly where our facilities are likely to be targeted by terrorist activity.

Finally, due to complex supply logistics, the indefinite nature of government contracts, and the associated risks of doing business in areas engaged in war or military conflict, sales of products and services to government customers in support of military operations typically carry significantly higher net margins than sales to commercial customers. As a result, a significant decrease in sales to our government customers, or loss of a key contract, such as our NATO agreement, would result in a disproportionate reduction in our consolidated operating income and, thus, would likely have a material adverse effect on our financial condition, results of operations and cash flows.

**Sales to government customers involve unique risks that could have a material adverse effect on our business and results of operations.**

In addition to normal business risks, our supply of products and services to government customers subjects us to unique risks, many of which are beyond our control. These risks include:

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| • | Dependence on government spending on defense programs, which can be negatively affected by budgetary constraints, changes in defense spending policies, government shutdowns and changes in military policies or priorities; |

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| • | Contract awards that are typically made through a competitive bidding process, which can involve substantial costs and managerial time to prepare and submit bids for contracts that may not be awarded to us; |

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| • | Expense and delays that may arise if our competitors protest or challenge contract awards made to us; |

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| • | Contracts for indefinite delivery, such that there are no guarantees on the quantity or timing of the government customer’s purchase from us; and |

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| • | The ability for government customers to unilaterally modify certain terms and conditions in existing contracts or terminate existing contracts for their convenience. |

Furthermore, government customer contracts are subject to specific procurement regulations and a variety of other complex requirements, which affect how we transact business with our government customers and can impose additional costs on our business operations. Numerous laws and regulations affect our U.S. government contracts, including the Federal Acquisition Regulation, which governs the formation, administration and performance of government contracts, and the federal False Claims Act, which provides for substantial criminal and civil penalties and treble damages where a contractor presents a false or fraudulent claim to the U.S. government for payment. Similar laws and regulations also may apply to our contracts with foreign government and intergovernmental agency customers.

Government customers routinely audit government contractors to review contract performance, cost structure and compliance with applicable laws, regulations, and standards, as well as the adequacy of and compliance with internal control systems and policies. Any costs found to be misclassified or inaccurately allocated may not be reimbursable, and to the extent already reimbursed, may need to be refunded and could subject us to a variety of government claims. Also, any inadequacies in our systems and policies could result in payments being withheld, penalties and reduced future business. Improper or illegal activities, including those caused by our subcontractors, could subject us to civil or criminal penalties or administrative sanctions, including contract termination, fines, forfeiture of fees, suspension of payment and suspension or debarment from doing business with government agencies, any of which could materially adversely affect our reputation, 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 are impacted by many factors beyond our control, including:

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| • | global economic conditions; |

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| • | changes in global crude oil and natural gas prices; |

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| • | expected and actual supply and demand for fuel; |

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| • | the ability or willingness of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels for oil; |

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| • | oil and gas production levels by non-OPEC countries; |

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| • | geopolitical conditions; |

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

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| • | changes in pricing or production controls by various organizations and oil producing countries; |

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| • | energy conservation efforts and technological advances affecting energy consumption or supply; |

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| • | regulatory changes in commodities markets, including any that impact derivatives related to those commodities; |

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| • | price and availability of alternative fuels and energy sources; and |

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| • | weather and natural disasters. |

During times of high fuel prices, our customers may not be able to purchase as much fuel from us because of their credit limits with us and the resulting adverse impact on their business could cause them to be unable to make payments owed to us for fuel purchased on credit. In addition, if fuel prices increase, our own credit limits could prevent us from purchasing enough fuel from our suppliers to meet our customers’ demands or could require us to prepay for fuel purchases which would adversely impact our liquidity.

Conversely, extended periods of low fuel prices, particularly when coupled with low price volatility, can also have an adverse effect on our results of operations and overall profitability. This outcome can be due to many factors, including reduced demand from our customers involved in the oil exploration sector and for our price risk management products. Low fuel prices also facilitate increased competition by reducing financial barriers to entry and enabling existing, lower-capitalized competitors to conduct more business as a result of lower working capital requirements.

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Finally, we maintain fuel inventories for competitive or logistical reasons. Because fuel is a commodity, we have no control over the changing market value of our inventory though we may manage or hedge this price exposure with derivatives. Our inventory is principally valued using the weighted average cost methodology and is stated at the lower of average cost or net realizable value. A rapid decline in fuel prices could cause a reduction in our inventory valuation, resulting in our inventory being marked down to net realizable value or the inventory itself sold at lower prices. While we attempt to mitigate these fluctuations through hedging, such hedges may not be fully effective. Accordingly, if the market value of our inventory is less than our average cost and to the extent our hedges are not effective at mitigating fluctuations in prices, we could record a write-down of inventory on hand and incur a non-cash charge or suffer losses as fuel is sold, which could adversely impact our earnings.

**Our failure to comply with U.S. or foreign tax laws or a government challenging our tax position could adversely affect our business and future operating results.**

We are subject to various U.S. and foreign taxes, including income taxes and taxes imposed on the purchase and sale of aviation, marine and land fuel products, such as sales, excise, value-added tax (“VAT”), energy, environmental and other taxes. We have also benefited from an income tax concession in Singapore since 2008 which reduces the income tax rate on qualified sales and derivative gains and losses. Our current five year concession period began January 1, 2018. The concession is conditional upon our meeting certain employment and investment thresholds which, if not met in accordance with our agreement, may eliminate the benefit beginning with the first year in which the conditions are not satisfied. Changes in U.S. and foreign tax laws, our failure to comply with such regulations or the loss of the tax concession could adversely affect our tax expense and effective tax rate, and therefore negatively impact our results of operations and cash flows.

Furthermore, significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Our tax expense includes estimates of additional tax that may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings that could affect the valuation of our net deferred tax assets. Our operating results could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation, the results of audits and examinations of previously filed tax returns and continuing assessments of our income tax exposures.

From time to time, we are under review by the Internal Revenue Service (“IRS”) and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters and are involved in various inquiries, audits, challenges and litigation in a number of countries, including, in particular, Brazil, Denmark, South Korea and the U.S., where the amounts under controversy may be material. We are in the process of addressing and responding to inquiries in various jurisdictions and challenging a number of tax assessments in several administrative and legal proceedings, each of which is at various stages in the process. In addition, in some jurisdictions, these challenges require the posting of collateral or payment of the contested amount which may affect our flexibility in operating our business or our liquidity. If these challenges are ultimately determined unfavorably to us, these proceedings may have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, any failure to comply with applicable laws and regulations or appropriately resolve these challenges could subject us to administrative, civil or criminal penalties, including fines, penalties, disgorgement, injunctions and damage to our reputation. See notes 9 and 11 of the accompanying consolidated financial statements for additional details regarding certain tax matters.

Finally, ongoing developments including the project by the Organisation for Economic Co-operation and Development (“OECD”) on Base Erosion and Profit Shifting (“BEPS”), European Commission anti-tax avoidance directives (“ATAD”), and other initiatives, could adversely affect our worldwide effective tax rate. With the finalization of specific actions contained within the OECD’s BEPS study many OECD countries have begun to implement the actions and update their local tax laws, including ATAD directives. The extent to which countries in which we operate adopt and implement these actions could have a material adverse impact on our income tax expense, effective tax rate, financial condition, and results of operations and cash flows.

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**U.S. tax legislation, as well as future changes that may be made to regulatory, fiscal and trade policies, may materially adversely affect our financial condition, results of operations and cash flows.**

The Tax Cuts and Jobs Act (the “Tax Act”), enacted on December 22, 2017, significantly changed the U.S. Internal Revenue Code, by, among other things, reducing the U.S. corporate income tax rate, modifying or repealing many business deductions and credits, adopting elements of a territorial tax system, taxing global intangible low-taxed income (“GILTI”), assessing a repatriation tax or “toll-charge” on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain base erosion and anti-abuse minimum tax (“BEAT”) provisions. Several final and proposed regulations were issued during 2019 regarding BEAT, foreign tax credits, and GILTI, among other areas. For example, the Treasury Department released final and proposed regulations regarding BEAT on December 2, 2019 and provided an election to waive deductions for purposes of determining base erosion payments, which we elected to apply to both 2018 and 2019.

The Tax Act legislation will continue to require further interpretations and implementing regulations by the IRS, as well as state tax authorities, and the legislation could be subject to potential amendments and changes, any of which could increase certain adverse impacts or other effects of the legislation. The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from our estimates, possibly materially, due to, among other items, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to current year earnings and tax estimates.

If we are unable to successfully take actions to manage the adverse impacts of the new tax legislation, or if additional interpretations, regulations, amendments or technical corrections exacerbate the adverse impacts or other effects of the legislation, the legislation could have a material adverse effect on our tax provision, effective tax rate, financial condition, results of operations and cash flows.

**Failure to comply with applicable laws or other government regulations could result in liabilities, penalties or costs that could have a material adverse effect on our business.**

We are required to comply with extensive and complex laws and other regulations at the international, federal, state/provincial and local government levels in the countries in which we operate relating to, among other things:

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| • | the transportation, handling and delivery of fuel and fuel products; |

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| • | the operation of fuel storage, blending and distribution facilities; |

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| • | labor, employment and workplace safety; |

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| • | environmental protection, carbon emissions and hazardous waste disposal; |

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| • | consumer protection; |

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| • | intellectual property; |

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| • | data privacy and protection; |

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| • | commodities trading, brokerage, derivatives and advisory services; |

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| • | credit and payment card processing and payment services; |

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| • | government contracting and procurement; |

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| • | antitrust and competition; |

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| • | anti-money laundering, financial services, and funds transmission; and |

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| • | regulatory reporting and licensing. |

Due to the complex and technical nature of these laws and regulations, inadvertent violations may occur. If we fail to comply with these laws or regulations for any reason, we would be required to correct or implement measures to prevent a recurrence of any violations, which could increase our operating costs. If more severe violations were to occur, we could be subject to substantial fines or penalties, or to civil or criminal liability. Any substantial fines and costs incurred as a result of a violation of such regulations could have a material adverse effect on our business and results of operations.

**Our physical operations have inherent risks that could negatively impact our business, financial condition and results of operations.**

We provide various products and services to customers, directly or through third parties on our behalf, including into-plane fueling at airports, fueling of vessels in port and at sea, on the ground fueling of customer storage tanks and vehicles, and transportation, delivery and storage of fuel and fuel products. Operating fuel storage and distribution terminals and transporting fuel products involve inherent risks, including:

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| • | fires, collisions and other catastrophic disasters; |

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| • | traffic accidents, injuries and loss of life; |

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| • | spills, discharges, contaminations and other releases; |

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| • | severe damage and destruction of property and equipment; and |

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| • | loss of product and business interruption. |

Any of the foregoing could result in distribution difficulties and disruptions, environmental pollution, government-imposed fines or clean-up obligations, personal injury or wrongful death claims, or damage to our properties and the properties of others. While we keep business continuity plans to address these types of contingencies, our failure to timely or properly implement these continuity plans could exacerbate the impact on the business. We generally maintain liability insurance for these types of events, however, such insurance may be insufficient to cover certain losses which may be in excess of coverage limits or outside the scope of the coverage. If we are held liable for any damages, and the liability is not adequately covered by insurance, our financial position and results of operations will be adversely affected. Furthermore, the occurrence of any of these events could result in negative media coverage and damage to our reputation, whether or not we were ultimately held financially liable for such event, which could adversely affect our business.

In addition, as we invest more heavily in physical assets in certain locations, our ability to quickly reposition our business in the event of a downturn in the economy of a particular geographic area where we have set up the physical assets becomes increasingly more difficult. Accordingly, we may be forced to incur significant costs in maintaining or even exiting a physical location, which would have an adverse effect on our results of operations.

Finally, some of our employees are represented by labor unions under collective bargaining agreements, including certain of our truck drivers that transport and deliver fuel and fuel-related products. Employees who are not currently represented by labor unions may seek union representation in the future, and any renegotiation of current collective bargaining agreements may result in terms that are less favorable to us. Although we believe that our relations with our employees are good, if our unionized workers were to engage in a strike, work stoppage or other slowdowns in the future, we could experience a significant disruption of our operations. Such disruption could interfere with our ability to transport and deliver products on a timely basis and could have other negative effects, including decreased productivity and increased labor costs. A significant labor dispute with our own union employees, or by the union employees of third parties who provide services for our business, could have a material adverse effect on our results of operations and cash flows.

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

Because we offer fuel products and services on a worldwide basis, our business is subject to risks associated with doing business internationally. Our business and future operating results could be harmed by a variety of factors, including, but not limited to:

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

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

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

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

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| • | laws restricting us from repatriating profits earned from our activities within foreign countries, including making distributions; |

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| • | fluctuations in foreign currency exchange rates; |

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

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| • | political risks, including changes in governments; and |

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| • | terrorism, war, civil unrest and natural disasters and other weather-related events. |

In particular, we operate in certain international markets which have been plagued by corruption and have uncertain regulatory environments, either of which could have a negative impact on our operations there. Furthermore, many countries in which we operate have historically been, and may continue to be, susceptible to recessions or currency devaluations.

Finally, the U.S. has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on U.S. imports and other government regulations affecting trade between the U.S. and other countries. Recently, the Trump Administration negotiated a replacement trade deal for the North

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American Free Trade Agreement (NAFTA) with Mexico and Canada, known as the United States-Mexico-Canada Agreement, which must be ratified by Canada before going into force. The Trump administration has also announced tariffs on certain products from China, and China has imposed tariffs in response to the actions of the U.S. If additional tariffs or trade restrictions are implemented by the U.S. or other countries, whether as retaliation or in connection with a global trade war, global trade may be significantly reduced, which can adversely affect the demand for our products and services. We cannot predict the magnitude of the impact to our business as a result of these or other proposed changes to trade policies and treaties, however, to the extent these actions intensify or continue for an extended period of time, they could adversely affect our business, financial condition and results of operations.

**Adverse conditions or events affecting the aviation, marine and land transportation industries may have a material adverse effect on our business.**

Our business is focused on the marketing of fuel and other related products and services primarily to the aviation, marine and land transportation industries, which are generally affected by economic cycles. Therefore, weak economic conditions can have a negative impact on the business of our customers which may, in turn, have an adverse effect on our business. In addition, any political instability, terrorist activity, piracy, military action, transportation, terminal or pipeline capacity constraints, natural disasters and other weather-related events that disrupt shipping, flight operations, land transportation or the availability of fuel, may adversely affect us and our customers and may reduce the demand for our products and services.

Our business could also be adversely affected by increased merger activity in the aviation, marine or land transportation industries, which may reduce the number of customers that purchase our products and services, as well as the prices we are able to charge for such products and services. For example, the shipping and aviation industries have gone through a period of significant consolidation, which has created a concentration of volume among a limited number of larger shipping companies and commercial airlines. Larger shipping companies and airlines often have greater leverage, are more sophisticated purchasers of fuel and have a greater ability to buy directly from major oil companies and suppliers. Accordingly, this can negatively impact our value proposition to these types of customers and increases the risk of disintermediation.

Finally, global health crises such as the coronavirus outbreak emanating from China at the beginning of 2020, can significantly impact us and our customers and suppliers. For example, airline and cruise travel as well as the global shipping and air cargo industries have been negatively impacted by the coronavirus outbreak due to increased travel restrictions and may be further adversely affected by an extended shutdown of various businesses in the affected region. In light of this operating environment, shipping companies that carry goods from China to the rest of the world may begin to significantly reduce the number of seaborne vessels as measures to stop the spread of the coronavirus negatively impacts the demand for transport of containerized goods. This in turn can adversely affect our sales of marine fuels to these shipping customers if many vessels sit idle or are taken out of service during the outbreak. If the outbreak continues for an extended period of time, the overall financial condition of some of our customers may deteriorate such that there is a greater risk of default on the amounts they may owe to us. Any additional political or governmental developments or health concerns in China or other countries in which we or our customers operate, could also result in further social, economic or labor instability. Accordingly, the effects of these uncertainties on us or our customers could have a material adverse effect on our business, results of operations and financial condition.

**If we fail to provide products or services to our customers as agreed, it could adversely affect our business.**The success of our business depends on our ability to purchase, sell and coordinate delivery of fuel and related services to our customers. Because we rely on the availability and supply of fuel and fuel related products and third parties, our business, sales and future operating results may be negatively impacted by a variety of factors, including, but not limited to:

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| • | political instability, natural disasters or weather-related events, transportation, terrorist activity, piracy, military action or other similar conditions or events disrupting the availability or supply of fuel; |

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| • | reliance on a single or limited number of fuel suppliers in certain markets to sell us fuel on commercially reasonable terms; |

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| • | selling fuel and other products that fail to meet contractual specifications agreed to with customers or required by law or regulation, such as non-compliance with the International Maritime Association's low sulfur fuel oil requirements that went into effect on January 1, 2020 ("IMO 2020"); |

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| • | substantial costs associated with enforcing our rights against suppliers; and |

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| • | third parties we use to provide services to our customers, including into-plane fueling at airports, fueling of vessels in ports and at sea and delivering land-based fuel products, failing to perform in accordance with contractual terms. |

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If the fuel and other products we sell or the services we provide, either directly or through a third party, fail to meet the specifications we have agreed to with customers or are mandated by law or regulation, our relationship with our customers could be adversely affected and we could be subject to material claims and liabilities. We could also incur material liabilities if such products cause physical damage to a vessel or aircraft, bodily injury or result in other losses such that a customer initiates a claim or a lawsuit for which we settle or results in a decision against us. Also, adverse publicity about any allegations of contaminated products may negatively impact us, regardless of whether the allegations are true. Although most of our agreements with suppliers provide that we have recourse against them for products that fail to meet contractual specifications, such recourse may be time-barred or otherwise insufficient to adequately cover the liability we incur and our ability to enforce such recourse may be limited or costly. For example, several of our supply agreements are with foreign entities, including foreign governments, and are governed by the laws of foreign jurisdictions. Enforcing our rights against a local supplier in a foreign jurisdiction may be substantial and the ultimate outcome can be unpredictable. Any material liability in excess of any applicable insurance coverage could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also use third parties to provide various services to our customers, including into-plane fueling at airports, fueling of vessels in ports and at sea and delivering land-based fuel products. The failure of these third parties to perform these services in accordance with contractual terms for any reason, such as their inability to supply specified fuel at the requisite time or an interruption of business because of weather, environmental or labor difficulties or political unrest, could affect our relationships with our customers and subject us to claims and other liabilities that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Our operations and financial results may be adversely impacted by climate change and the market and regulatory responses to climate change.**

Climate change continues to attract considerable public and scientific attention in the U.S. and in foreign countries. As a result, numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit GHG emissions. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs, and regulations that directly limit GHG emissions from certain sources. For instance, on September 10, 2018, California enacted SB-100, which requires California to transition to a fully renewable energy grid devoid of fossil fuels by 2045 and utility providers to generate 60% of their power from renewable sources by 2030. In the EU, there is a commitment to cut carbon dioxide emissions by at least 40% by 2030 and EU member states have implemented a range of subsidies and incentives to achieve the EU’s climate change goals. Further, emissions are regulated via a number of means, including the European Union Emissions Trading System (‘‘EU ETS’’), which is a trading system across the EU for industrial emissions. The EU ETS is expected to become progressively more stringent over time, including by reducing the number of allowances to emit GHGs.

The adoption and implementation of any U.S. federal, state or local laws or regulations or foreign laws or regulations imposing obligations on, or further limiting emissions of GHGs could impose significant additional costs on us, our suppliers, our vendors, and our customers or could adversely affect demand for our energy products.  The potential increase in our operating costs could include additional costs to operate and maintain our facilities, such as installing new infrastructure or technology to respond to new mandates, or paying taxes related to our GHG emissions, among others. In addition, changes in regulatory policies that result in a reduction in the demand for hydrocarbon products that are deemed to contribute to GHGs, or restrict their use, may impact our sales of fuel products. Furthermore, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation.

Finally, the potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic areas in which we operate. These may include changes in rainfall and storm patterns and intensities, hurricanes, changing sea levels, and changing temperatures that may impact the seasonality of our business, such as our heating oil business in the U.K. The occurrence of any of the foregoing factors could increase our costs and the prices we charge our customers, reduce the demand for our products, and therefore adversely affect our business, financial condition, results of operations and cash flows.

**Advancements in technology that significantly reduce fuel consumption would adversely affect our business.**

Fuel competes with other sources of energy, some of which are less costly on an equivalent energy basis. There have been significant governmental incentives and consumer pressures to increase the use of alternative fuels in the U.S. and abroad. A number of automotive, industrial and power generation manufacturers are developing more fuel-efficient engines, hybrid engines and alternative clean power systems. The more successful these alternatives become as a

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result of governmental incentives or regulations, technological advances, consumer demand, improved pricing or otherwise, the greater the potential negative impact on pricing and demand for our products and services and accordingly, our profitability. If our customers implement new technologies that increase fuel efficiency, it will likely result in decreased demand for the fuel products we provide. For example, commercial airlines are continuing to acquire more fuel-efficient planes to lower their operating costs. Accordingly, a significant increase in fuel efficiency across a large number of planes will result in a corresponding decrease in the demand for jet fuel, which would negatively impact our sales volume to airline customers.

**Our business is dependent on our ability to adequately finance our capital requirements and fund our investments, which, if not available to us, would impact our ability to conduct our operations.**

We rely on credit arrangements with banks, suppliers and other parties as an important source of liquidity for capital requirements not satisfied by our operating cash flow. Future market volatility, generally, and persistent weakness in global energy markets may adversely affect our ability to access capital and credit markets or to obtain funds at low interest rates or on other advantageous terms. If we are unable to obtain credit as and when we need it on commercially reasonable terms or at all, such as in the event there is a substantial tightening of the global credit markets or a substantial increase in interest rates, it could have a negative impact on our liquidity, business, financial condition, and cash flows, as well as our future development and growth. Furthermore, our business is impacted by the availability of trade credit to fund fuel purchases and an actual or perceived decline in our liquidity or operations could cause our suppliers to seek credit support in the form of additional collateral, limit the extension of trade credit, or otherwise materially modify their payment terms. Adverse changes in our payment terms from principal suppliers, including shortened payment cycles, decreased credit lines or requiring prepayment could impact our liquidity, business, results of operations and cash flows.

Finally, if we are unable to obtain debt or other forms of financing and instead raise capital through equity issuance, existing shareholders would be diluted. Even if we can obtain financing, the restrictions our creditors may place on our operations or our increased interest expense and leverage could limit our ability to grow.

**Implementation of our growth strategy may place a strain on our management, operational and financial resources, as well as our information systems.**

A key element of our business strategy has been the growth of our business through acquisitions and strategic investments and divestitures. However, this growth strategy may place a strain on our management, operational and financial resources, as well as our information systems and expose us to additional business and operating risks and uncertainties, including:

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| • | our ability to effectively and efficiently integrate the operations, financial reporting, and personnel of acquired businesses and manage acquired businesses or strategic investments, while maintaining uniform standards and controls; |

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| • | the diversion of management’s time and attention from other business concerns; |

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| • | the potentially negative impact of changes in management on existing business relationships and other disruptions of our business; |

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| • | the risks associated with entering into transactions or markets in which we may have no or limited direct prior experience; |

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| • | the retention of key employees, customers or suppliers of the acquired businesses; |

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| • | a decrease in our liquidity resulting from a material portion of our available cash or borrowing capacity being used to fund acquisitions and a corresponding increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions; |

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| • | the ability to integrate the IT systems and technology of acquired businesses into our existing infrastructure and manage those systems and technologies that cannot be effectively integrated; |

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| • | the requirement to write down acquired assets in the event the acquired business or strategic investment is worth less than we paid for or invested in it; |

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| • | capital expenditure requirements that exceed our initial estimates and impact the return on our investment; |

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| • | the assumption of material liabilities, exposure to litigation, regulatory noncompliance or unknown liabilities associated with the acquired businesses, as well as no or limited indemnities from sellers or ongoing indemnity obligations to purchasers; and |

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| • | the need to implement internal controls, procedures and policies appropriate for a public company at companies that before the acquisition may have lacked such formal controls, procedures and policies. |

These risks may result in an adverse effect on our results of operations or financial condition or result in costs that outweigh the financial benefit of such opportunities. Furthermore, these acquisitions or strategic investments may result

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in us incurring significant expenses or consummating potentially dilutive issuances of equity securities to fund the required capital investment. This could adversely affect the market price of our common stock, inhibit our ability to pay dividends or otherwise restrict our operations.

**We may not be able to fully recognize the anticipated benefits of our acquisitions and other strategic investments.**

As part of our growth strategy, we have been pursuing acquisition opportunities complementary to our business portfolio. From time to time, we may also enter into strategic investments such as joint venture arrangements or equity investments intended to complement or expand a portion of our business. Our ability to successfully implement our growth strategy depends on our ability to find attractive acquisition candidates or strategic investments and consummate such transactions on economically acceptable terms. Before making acquisitions or other strategic investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. We rely, among other things, on our due diligence, representations and warranties of the sellers, financial statements and records of target businesses to establish the anticipated revenues and expenses and whether the acquisitions or strategic investments will meet our internal guidelines for current and future potential returns. Our due diligence investigation and other information we rely on with respect to any opportunity may not reveal or highlight all relevant risks and issues that may be necessary or helpful in evaluating such opportunity. Consequently, these transactions could result in (i) an adverse impact on our overall profitability if the acquisitions or strategic investments do not achieve the projected financial results, (ii) unanticipated costs that may impact our results of operations, and (iii) increased demands on our cash resources that may, among other things, impact our ability to explore other opportunities. If our acquisitions or strategic investments do not achieve the financial results anticipated, it could adversely affect our revenues and results of operations.

Integration difficulties, or any other factors that make operating the acquired businesses more challenging following the completion of the acquisitions, may also prevent us from realizing the benefits from the recent acquisitions or any future acquisitions to the extent, or in the time frame, anticipated by us. We have incurred, and expect to continue incurring, expenses related to the integration of acquisitions. These transaction and integration expenses could, particularly in the near term, exceed the savings and synergies that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the acquired businesses following the completion of the recent acquisitions. Any of these factors could have an adverse effect on our business, financial condition, results of operations and cash flows.

**As a result of our acquisition activity, our goodwill and intangible assets have increased substantially in recent years and we have incurred, and may continue to incur, impairments to goodwill or intangible assets.**

When we acquire a business, a substantial portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. In accordance with applicable acquisition accounting rules, we are required to record as goodwill on our consolidated balance sheet the amount by which the purchase price exceeds the net fair value of the tangible and intangible assets and liabilities acquired as of the acquisition date. We review our indefinite-lived intangible assets, including goodwill, for impairment annually in the fourth fiscal quarter or whenever events or changes in circumstances indicate that a potential impairment exists. Factors that may be considered in assessing whether goodwill or intangible assets may be impaired include a decline in our stock price or market capitalization, changes in our marketing or branding strategy, reduced estimates of future cash flows in our annual operating plan and slower growth rates in our industry.

Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on a number of factors including industry experience, internal benchmarks, and the economic environment. We also rely heavily on projections of future operating performance. If our annual operating plan is not achieved or if there are other variations to our estimates and assumptions, particularly in the expected growth rates and profitability embedded in our cash flow projections or the discount rate used, there is the potential for a partial or total impairment of the carrying amount of goodwill within one or more of our reporting units.

In the past, we have recorded impairment charges in connection with various factors such as exiting certain markets or lines of business. Due to continual changes in market and general business conditions, we cannot predict whether, and to what extent, our goodwill and long-lived intangible assets may be impaired in future periods. Any resulting impairment loss would have a negative effect on our results of operations. See Note 7 in the accompanying Notes to Consolidated Financial Statements for more information.

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**We may be unable to realize the level of benefit that we expect from our restructuring activities and cost reduction initiatives which may hurt our profitability and our business otherwise might be adversely affected**.

We continually assess the strategic fit of our existing businesses and seek the most cost-effective means and efficient structure to serve our customers and suppliers and respond to changes in the markets in which we operate. In line with this commitment, we have in the past and may, in the future, divest of certain non-core assets, exit lines of businesses that are not achieving the desired return on investment or generate low or highly variable economic value, or otherwise restructure certain of our operations to improve operating efficiencies, cost competitiveness and profitability. We have also engaged in various cost reduction initiatives and restructuring activities beginning in 2017 and throughout 2018 and 2019 and expect to continue to evaluate areas for additional restructuring and cost reduction opportunities, as well as potential divestitures.

We may not be able to achieve the level of benefit that we expect to realize from our past or future restructuring activities or divestitures. For example, we may be unable to produce returns on the reinvestment of proceeds that are greater than that of the divested activity. We may also materially alter various aspects of our business, or our business model, and we cannot provide any assurances that such changes will be successful or that they will not ultimately have a negative effect on our business and results of operations. Further, these types of restructuring activities could result in unintended consequences such as diversion of our management and employees’ attention from ongoing business operations, business disruption, including as a result of any interconnectivity between our retained business and the one divested, attrition beyond any planned reduction in workforce, potential loss of key customers, inability to attract or retain key personnel and reduced employee productivity or morale, which could adversely affect our business. Finally, restructuring activities and divestitures may result in restructuring charges and material write-offs, including those related to goodwill and other intangible assets, as well as ongoing indemnity obligations to purchasers, any of which could have a material adverse effect on our results of operations and financial condition.

**Our business is subject to extensive laws and regulations pertaining to environmental protection, health, safety and security that can result in material costs and liabilities.**

Our business is subject to numerous federal, state, local and foreign environmental laws and regulations. A violation of, liability under, or noncompliance with these laws and regulations, or any future environmental law or regulation, could result in significant liability, including administrative, civil or criminal penalties, remediation costs for natural resource damages as well as third-party damages. Some environmental laws impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. In our marine segment we utilize fuel delivery barges and store refined products adjacent to water, thereby potentially subjecting us to strict, joint, and potentially unlimited liability for removal costs and other consequences of an oil spill where the spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. Any of these occurrences and any resulting negative media coverage could have a material adverse effect on our stock price and on our business, financial condition, results of operations and cash flows.

In addition, increasingly stringent U.S. and foreign environmental laws and regulations have resulted and will likely continue to increase our operating costs. For example, compliance with existing and future laws that regulate the delivery of fuel by barge, truck, vessel, pipeline or railcar; or fuel storage terminals or underground storage tanks that we own, lease or operate may require significant capital expenditures and increased operating and maintenance costs, particularly as we acquire businesses with more physical assets. In addition, continuing changes in environmental laws and regulations may also require capital expenditures by our customers or otherwise increase our customers’ operating costs, which could in turn, reduce the demand for our products and services or impact the pricing or availability of the products we sell. Although the ultimate impact of any regulations is difficult to predict accurately, the occurrence of any of the foregoing could have an adverse effect on our business or on the businesses of our customers.

**Information technology (**“**IT**”**) failures and data security breaches, including as a result of cybersecurity attacks, could negatively impact our results of operations and financial condition, subject us to increased operating costs, and expose us to litigation.**

We rely heavily on our computer systems, information technology and network infrastructure across our operations, particularly as we seek to grow our technology offerings, digitize our business and drive internal efficiencies. Despite our implementation of security and back-up measures, our technology systems are vulnerable to damage, disability or failures due to physical theft, fire, power loss, telecommunications failure, operational error, or other catastrophic events. Our technology systems, and those of third party service providers, are subject to cybersecurity attacks including malware, ransomware, computer viruses and other malicious software, social engineering attacks (such as phishing email attacks and impersonation), attempts to gain unauthorized access to our data, the unauthorized release, corruption or loss of our data, loss or damage to our data delivery systems, and other electronic security breaches. The techniques used to conduct cybersecurity attacks and breaches of IT systems, as well as the sources and targets

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of these attacks, change frequently and at times are not recognized until they have been in place for a period of time, which can exacerbate the effects of such attacks. In the event our systems and procedures for protecting against such attacks and mitigating such risks prove to be insufficient in the future, such attacks could have an adverse impact on our business and operations, including damage to our reputation and competitiveness, as well as subject us to significant remediation costs, litigation or regulatory actions, fines and penalties. In addition, as technologies evolve, and these cyber security attacks become more sophisticated, we may incur significant costs to upgrade or enhance our security measures to protect against such attacks and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm.

Furthermore, due to the large number of transactions that run through our systems each day, significant system downtime, slow-down or denial of service and other cyber attacks, could have a material impact on our, and in the case of our technology offerings, our customers’, ability to conduct business, process and record transactions, make operational and financial decisions or damage our reputation with customers or suppliers, particularly in the event of billing errors or payment delays. While we have been increasing our use of cloud-based technology and computing platforms operated by third parties, if we are unable to continually and effectively upgrade our IT systems, our operations and our business will be negatively affected. In addition, if our use of these cloud services, or the third party service providers who operate them, is disrupted either due to system failures, or physical or electronic security breaches that lead to disruptions in our critical systems, or if the infrastructure which allows us to connect to the third party systems is interrupted, it could adversely impact our operations and our business. We also cannot guarantee that our third-party service providers will effectively protect and handle our IT systems infrastructure, which can result in disruptions to our business operations. Finally, we may not have adequate recourse against these third parties in the event they experience a cybersecurity attack or other security breach and our data is compromised.

In addition to our vulnerabilities, our reliance on email transmissions over public networks to process certain transactions exposes us to risks associated with the failure of our employees, customers, business partners and other third parties to use appropriate controls to protect sensitive information, as well as to risks of online fraud and email scams. External parties may attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information to gain access to our data or use electronic means to induce us to enter into fraudulent transactions. Past and future occurrences of such attacks could damage our reputation and our ability to conduct our business, impact our credit and risk exposure decisions, cause us to lose customers or revenues, subject us to litigation and require us to incur substantial expenses to address, remediate, and/or enhance the security measures we employ to resolve these issues. Any of the foregoing, if of sufficient magnitude, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We currently maintain insurance to protect against cybersecurity risks and incidents. However, insurance coverage may not be available in the future on commercially reasonable terms or at commercially reasonable rates. In addition, insurance coverage may be insufficient or may not cover certain of these cybersecurity risks and, even if available, the insurance proceeds received for any loss or damage may be insufficient to cover our losses or liabilities without adversely affecting our business, financial condition and results of operations.

**The personal information that we collect may be vulnerable to breach, theft, loss or misuse that could increase operational costs, result in regulatory penalties and adversely affect our results of operation and financial condition.**

In connection with various businesses we operate, including our transaction management and payment processing businesses, we have access to sensitive, confidential or personal data or information from our employees, customers (both corporate and individual consumers), suppliers and other third parties, some of which may be subject to privacy and security laws, regulations and customer-imposed controls. In the ordinary course of business, we collect, process, transmit and retain sensitive information regarding these parties. Despite our efforts to protect this information, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data and programming and human errors that could potentially lead to such information being compromised.

There has been increased public attention regarding the use of personal information and data transfers, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer and personal privacy. The law in these areas continues to develop and the changing nature of privacy laws in the U.S., the European Union (“E.U.”) and elsewhere could impact our processing of this sensitive, personal information, including requiring us to make costly changes to our IT systems to properly protect the information. In 2018, the E.U.’s General Data Protection Regulation (“GDPR”) went into effect, which imposes strict rules on controlling and processing customer data originating from the E.U. with significant fines and sanctions for violations. We have substantial operations in the

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E.U. and are therefore subject to these heightened standards. Similarly, the State of California legislature passed the California Consumer Privacy Act of 2018 (“CCPA”), effective January 1, 2020, which grants certain rights to California residents with respect to their personal information and requires companies take certain actions, including notifications for certain security incidents. As interpretation and enforcement of the CCPA evolves, it may create a range of new compliance obligations, which could cause us to change our business practices, with the possibility for significant financial penalties for noncompliance that could have an adverse effect on our financial condition and results of operations.

We expect that there will continue to be new laws, regulations and industry standards concerning data privacy and data protection in the U.S., the EU and other jurisdictions. While we cannot yet determine the full impact such laws, regulations, and interpretations may have on our business, our failure to adequately protect personal information could lead to substantial fines, penalties, third-party liability, remediation costs, potential cancellation of existing contracts and the inability to compete for future business. We have taken steps to address the requirements of GDPR, CCPA and other data privacy regulations applicable to our operations, including implementing enhanced network security and internal control measures, however, these steps may not prevent data security breaches and any significant data security breach could have a material adverse effect on our business and reputation, as well as our financial condition, results of operations and cash flows.

**Our international operations subject us to a number of international trade control, anti-money laundering and anti-corruption laws, particularly from the U.S. and U.K., which can impose substantial compliance costs and subject us to civil or criminal penalties for non-compliance.**

Our global operations are subject to anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act (“FCPA”) and, in certain circumstances, the U.K. Bribery Act 2010 (“Bribery Act”), anti-money laundering laws, international trade controls, and antitrust and competition laws. The FCPA prohibits us from providing anything of value to foreign officials for the purposes of improperly influencing official decisions or improperly obtaining or retaining business. Where applicable, the Bribery Act prohibits public and commercial bribery both in the U.K. and internationally.

As part of our business, we regularly deal with state-owned enterprises whose employees may be considered government officials under applicable anti-corruption laws. In addition, some of the international jurisdictions in which we operate lack a developed legal system and have higher than normal levels of corruption. Our activities in these countries may increase the risk of improper payment demands made to, or offers made by, one of our employees or other parties acting on our behalf, and the rejection of demands to make such improper payments may also negatively impact our activities in those countries. The risk of enforcement has also grown beyond the U.S. and the U.K. as more and more countries that we operate in have passed laws in recent years targeting bribery and corruption and with global authorities prioritizing enforcement, resulting in significant fines and penalties

International trade controls, including economic sanctions such as those administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), export controls and anti-boycott regulations, restrict our business dealings with certain countries and individuals, are complex and continually changing. Additional restrictions may be enacted, amended, enforced or interpreted in a manner that materially impacts our operations. From time to time, certain of our subsidiaries have limited business dealings in countries subject to comprehensive OFAC administered sanctions. These business dealings currently represent an immaterial amount of our consolidated revenue and income and are undertaken pursuant to general and/or specific licenses issued by OFAC or as otherwise permitted by applicable sanctions regulations. However, as a result of the above activities, we are exposed to a heightened risk of violating trade control regulations, which could result in significant penalties.

We have established policies and procedures designed to assist with our compliance with these laws and regulations and maintaining and enhancing our policies and procedures in response to changing laws and regulations or business circumstances can be costly and place restrictions on our operations. Furthermore, such policies and procedures may not always prevent us, our employees, third parties or agents from violating these laws and regulations. Violations are punishable by fines and expose us and/or employees to criminal sanctions and civil suits and subject us to other adverse consequences including the denial of export privileges, injunctions, asset seizures, debarment from government contracts, revocations or restrictions of licenses. In addition, the costs associated with responding to a government investigation and remediating any violations can be substantial. Accordingly, violations could adversely affect, among other things, our reputation, business, financial condition, results of operations and cash flows. Furthermore, violations could also cause an event of default under our Credit Facility, which if not waived, could result in the acceleration of any outstanding indebtedness, could trigger cross-defaults under other agreements to which we are a party (such as certain derivative contracts), and would impair our ability to obtain working capital advances and

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letters of credit. Any of the foregoing events could therefore adversely affect our business, financial condition, results of operations and cash flows.

**Our business is subject to seasonal variability, which has caused our revenues and operating results to fluctuate and can adversely affect the market price of our shares.**

Our operating results are subject to seasonal variability. Seasonality results from numerous factors, including traditionally higher demand for natural gas and home heating oil during the winter months and for aviation and land fuel during the summer months, as well as other seasonal weather patterns. As such, our results for the second and third quarters of the year tend to be the strongest for our aviation segment and our results for the fourth and first quarters of the year tend to be the strongest for our land segment. However, extreme or unseasonable weather conditions can substantially reduce the demand for our products and services or significantly increase the prices of the fuel products we sell which can, in turn, adversely impact our results of operations. For example, in the first half of 2019, unseasonably warm winter weather in the U.S. and U.K. adversely impacted our results. Furthermore, we cannot provide any assurances that the seasonal variability will continue in future periods. Accordingly, results for any one quarter may not necessarily be indicative of the results that may be achieved for such quarter the following year or for the full fiscal year. These seasonal fluctuations in our quarterly operating results can therefore adversely affect the market price of our shares.

**The U.K.’s withdrawal from the E.U. could harm our business and financial results.**

We have substantial operations in the U.K., particularly in our land segment. On June 23, 2016, the U.K. held a referendum in which British voters approved an exit from the E.U., commonly referred to as “Brexit”. On January 31, 2020, the U.K. finally exited the E.U. pursuant to the terms of a withdrawal agreement concluded between the U.K. government and the E.U. Council (the “Withdrawal Agreement”). The Withdrawal Agreement allows for a transition period through December 31, 2020, during which the U.K.’s trading relationship with the E.U. will remain largely unchanged and the U.K. and the E.U. will continue to negotiate the terms of their ongoing relationship. Accordingly, uncertainty remains over the U.K.’s future relationship with the E.U. after 2020.

We face risks associated with the potential uncertainty and consequences that may follow Brexit, including potential disruption of our supply chains and the free movement of goods, services and people between the U.K. and the E.U and adverse changes to tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, including with respect to certain licenses or other rights granted to us under E.U. laws, as the U.K. determines which E.U. laws to replace or replicate. Finally, concern over the implications of Brexit have caused, and may continue to cause, volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. Any of these effects of Brexit, among others, could have a material adverse impact on our results of operations, financial condition and cash flows.

**Our derivative transactions with customers, suppliers, merchants and financial institutions expose us to price and credit risks, which could have a material adverse effect on our business.**

As part of our price risk management services, we offer customers various pricing structures for the purchase of fuel, including derivatives products designed to hedge exposure to fluctuations in fuel prices. In the ordinary course of business, we enter into fixed forward contracts with some of our counterparties under which we agree to sell or purchase certain volumes of fuel at fixed prices. In addition, we may act as a counterparty in over-the-counter swap transactions with some of our customers where the customer may be required to pay us in connection with changes in the price of fuel. Further, we may use derivatives to hedge price risks associated with our fuel inventories and purchase and sale commitments. We typically hedge our price risk in any of the foregoing types of transactions by entering into derivative instruments with large energy companies, trading houses and financial institutions.

If we have not required a customer to post collateral in connection with a fixed forward contract or swap transaction and there is an outstanding mark-to-market liability owing, we will have effectively extended unsecured credit to that customer and such amounts could be substantial. Based on the volatility of fuel prices, our counterparties may not be willing or able to fulfill their obligations to us under their fixed forward contracts or swap transactions. In such cases, we would be exposed to potential losses or costs associated with any resulting default. For example, in the event the spot market price of fuel at the time of delivery is substantially less than the fixed price of the contract with the customer, a customer could default on its purchase obligation to us and purchase the fuel at a lower “spot” market price from another supplier. Meanwhile, we may have entered into a corresponding commitment with a supplier to offer our customer specified fixed pricing or terms and would be obligated to perform our fixed price purchase obligations to such supplier. Similarly, the counterparties with whom we may hedge our price risk exposure may not be willing or able to fulfill their obligations to us under their swap transactions.

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While we monitor and manage our credit exposures to our counterparties, credit defaults may still occur and the actual recovery will depend on the financial condition of that counterparty and our ability to enforce any obligation owed to us. Accordingly, if we are unable to recover such losses from a defaulting counterparty, we could sustain substantial losses that would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Finally, our hedging activities also result in additional costs and can require cash deposits for margin calls. If there is a sudden a significant change in fuel prices, the amount of cash necessary to cover margin calls can be material and impact our liquidity.

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

We enter into financial derivative contracts primarily to mitigate the risk of market price fluctuations in fuel products, to offer our customers fuel pricing alternatives to meet their needs, to manage price exposures associated with our inventories, and to mitigate the risk of fluctuations in foreign currency exchange rates. However, our efforts to hedge our exposure to fuel price and exchange rate fluctuations may be ineffective in certain instances. For example, we hedge jet fuel prices with derivatives tied to other petroleum products that have historically been correlated to aviation jet fuel (e.g. heating oil in the U.S. or gasoil in Europe or Asia). If the price of aviation jet fuel at a specific location experiences a divergence to historical correlations, our attempts to mitigate price risk associated with our aviation business may not be effective. Moreover, there may be times where the change in the price of jet fuel at a specific location is disrupted (e.g. hurricanes) and is not correlated to the underlying hedges when compared to historical prices.

We may also enter into proprietary derivative transactions, which are not intended to hedge our own risk but rather make a profit by capitalizing on arbitrage opportunities associated with basis, time, quality or geographic spreads related to fuel products we sell. Proprietary derivative transactions, by their nature, expose us to changes in the underlying commodity prices of the proprietary positions taken. Although we have established limits on such exposure, any adverse changes could result in losses which can be further exacerbated by volatility in the financial and other markets. In addition, our employees may fail to comply with our policies and procedures with respect to hedging or proprietary trading, such as engaging in unauthorized trading activity, failing to hedge a specific price risk or failing to comply with our internal limits on exposure or any applicable statutory or regulatory requirements. Furthermore, the enforceability of our derivative transactions may depend on our compliance with applicable statutory, commodity and other regulatory requirements, which if violated could lead to our derivative transaction being voided. The impact of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

Competitive pressures in our markets could adversely affect our competitive position, leading to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. Our competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources than we do, to relatively small and specialized firms. Industry developments, such as fuel price transparency, procurement technology tools, increased regulation and increasing customer sophistication may, over time, reduce demand for our services and thereby exacerbate the competition. In addition, we rely on a single or limited number of suppliers for the provision of fuel and related products and services in certain markets. These parties may have significant negotiating leverage over us, and if they are unable or unwilling to supply us on commercially reasonable terms, our business would be adversely affected.

Finally, in addition to competing with resellers, we also compete with the major oil producers that market fuel and other energy products directly to the large commercial airlines, shipping companies and commercial and industrial users. In recent years, a low fuel price environment has caused many major oil companies to remain in or re-enter the downstream markets. Our business could be adversely affected and subject to the risk of disintermediation if our suppliers choose to increase their direct marketing to compete with us or provide less advantageous price and credit terms to us than to our fuel reseller competitors.

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

We have the ability to borrow money pursuant to a Credit Facility and Term Loans, which we amended on July 23, 2019, to among other things, (i) increase our borrowing capacity to $1.3 billion, (ii) increase the Term Loans to $525.0 million, (iii) modify and extend the final maturity date to July 2024, and (iv) modify certain financial and other covenants to reduce costs and provide greater operating flexibility. Our Credit Facility and Term Loans impose certain operating and financial covenants on us, which, among other things, restrict our ability to (i) pay dividends or make certain other restricted payments, (ii) incur additional debt, (iii) create liens, (iv) sell assets, and (v) engage in mergers or acquisitions. Our failure or inability to comply with the requirements of these facilities, including meeting certain financial ratios or other covenants, could limit the availability under our Credit Facility or result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under these facilities, could trigger cross-defaults under other agreements to which we are a party (such as certain derivative contracts), and would impair our ability to obtain working capital advances and letters of credit, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

**Insurance coverage for some of our operations may be insufficient to cover losses, which may have a material adverse effect on our financial condition and results of operations.**

We maintain insurance to cover various risks associated with the operation of our business. Certain risks, however, such as environmental risks, are not fully insurable and our insurance coverage does not cover all potential losses, costs, or liabilities. Accordingly, our insurance policies may not adequately cover or may have exclusions of coverage for certain losses. Therefore, our insurance coverage may not be available or, if available, may not be adequate to cover claims that may arise.

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

**Current and future litigation could have a material adverse effect on our business and results of operations.**

We are currently, and may in the future be, involved in legal proceedings that arise in the ordinary course of our business. Lawsuits and other administrative or legal proceedings, as well as any governmental investigations, can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. Although we generally maintain insurance to mitigate certain exposures, costs associated with lawsuits or other legal proceedings may exceed the limits of insurance policies, which could adversely impact our results of operations. Furthermore, our business, financial condition, results of operations and cash flows could be adversely affected if a judgment, penalty or fine is not fully covered by insurance.

**Item 1B. Unresolved** **Staff Comments**

None.

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**Item 2. Properties**

The following table sets forth our principal properties, the majority of which are leased, as of February 21, 2020. 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 2020 in any material respect.

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**

**PROPERTIES**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| **Location** |  | **Principal Use** |  | **Lease Expiration** |
|  |  |  |  |  |
| 9800 Northwest 41st Street Miami, FL 33178, USA |  | Executive, administrative, operations and sales office for corporate, aviation, land and marine segments |  | August 2031 |
|  |  |  |  |  |
| 62 Buckingham Gate London, United Kingdom SW1E 6AJ |  | Administrative, operations and sales office for aviation, land and marine segments |  | June 2028 |
|  |  |  |  |  |
| 238A Thompson Road #08-01/10 Novena Square Tower A Singapore 307684 |  | Administrative, operations and sales office for aviation and marine segments |  | March 2023 |
|  |  |  |  |  |
| Office No. 2003, Swiss Tower Plot No. Y3, Jumeirah Lakes Towers Dubai, United Arab Emirates |  | Sales and marketing office for aviation and marine segments |  | March 2022 |
|  |  |  |  |  |
| Praia do Flamengo, 200, 22nd floor Rio de Janeiro, Brazil 22210 030 |  | Administrative, operations and sales office for aviation, land and marine segments |  | November 2021 |
|  |  |  |  |  |
| Forum 2, Building N, Level 4, Radial Santa Ana Belén (Lindoral), Pozos, Santa Ana San José, Costa Rica |  | Administrative, operations and sales office for aviation and marine segments |  | December 2024 |
|  |  |  |  |  |
| 605 North Highway 169, Suites 1100 & 1200 Plymouth, MN 55441, USA |  | Administrative, operations and sales office for land segment |  | June 2023 |
|  |  |  |  |  |
| 25 Mill Street Parish, NY 13131, USA |  | Administrative, operations and sales office for aviation segment |  | April 2025 |
|  |  |  |  |  |
| Strommen 6 9400 Norresundby, Denmark |  | Administrative, operations and sales office for aviation and land segments |  | Month-to-month |
|  |  |  |  |  |
| 6000 Metcalf Avenue Overland Park, KS 66202, USA |  | Administrative, operations and sales office for land segment |  | August 2024 |
|  |  |  |  |  |
| 8650 College Boulevard Overland Park, KS 66210, USA |  | Administrative, operations and sales office for aviation, land and marine segments |  | August 2024 |
|  |  |  |  |  |
| Causeway End, Brinkworth, Chippenham SN15 5DN, United Kingdom |  | Administrative, operations and sales office for land segment |  | Owned |
|  |  |  |  |  |
| 300 Flint Ridge Road Webster, Texas 77598, USA |  | Administrative, operations and sales office for aviation segment |  | Owned |
|  |  |  |  |  |
| Fantoftvegen 38, 5072  Bergen, Norway |  | Administrative, operations and sales office for land segment |  | November 2023 |
|  |  |  |  |  |
| 2320 Milwaukee Way,  Tacoma, Washington 98421, USA |  | Administrative, operations and sales office for land segment |  | June 2026 |
|  |  |  |  |  |
| 4920 Southern Boulevard Virginia Beach, VA 23462, USA |  | Administrative, operations and sales office for land segment |  | Owned |
|  |  |  |  |  |
| 1B North Mole Road (C.P. No. 1360) Gibraltar |  | Administrative, operations and sales office for marine segment |  | May 2021 |
|  |  |  |  |  |
| Lange Kleiweg 28, 8th Floor Rijswijk, Netherlands 2228 |  | Administrative, operations and sales office for aviation, land and marine segments |  | September 2022 |
|  |  |  |  |  |

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**Item 3. Legal Proceedings**

From time to time, we are under review by the IRS and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters and are involved in various inquiries, audits, challenges and litigation in a number of countries, including, in particular, Brazil, Denmark, South Korea and the U.S. where the amounts under controversy may be material. "Note 9. Commitments and Contingencies" and "Note 11. Income Taxes" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report for additional details regarding certain tax matters.

We are also a party to various claims, complaints and proceedings arising in the ordinary course of our business including, but not limited to, environmental claims, commercial and governmental contract claims, such as property damage, demurrage, personal injury, billing and fuel quality claims, as well as bankruptcy preference claims and administrative claims. We are not currently a party to any such claim, complaint or proceeding that we expect to have a material adverse effect on our business or financial condition. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular reporting period could have a material adverse effect on our consolidated financial statements or disclosures for that period.

**Item 4. Mine Safety Disclosures**

Not applicable.

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**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 December 31, 2019, the closing price of our stock on the NYSE was $43.42.

As of February 21, 2020, there were 247 shareholders of record of our common stock.

**Cash Dividends**

The following table sets forth the amount, the declaration date, record date and payment date for each quarterly cash dividend declared in 2019 and 2018:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |
|  | **Per Share Amount** | | |  | **Declaration Date** |  | **Record Date** |  | **Payment Date** |
| **2019** |  | | |  |  |  |  |  |  |
| First quarter | $ | 0.0600 |  |  | March 8, 2019 |  | March 22, 2019 |  | April 12, 2019 |
| Second quarter | 0.1000 | |  |  | May 29, 2019 |  | June 10, 2019 |  | July 5, 2019 |
| Third quarter | 0.1000 | |  |  | September 10, 2019 |  | September 25, 2019 |  | October 11, 2019 |
| Fourth quarter | 0.1000 | |  |  | November 22, 2019 |  | December 20, 2019 |  | January 10, 2020 |
|  |  | | |  |  |  |  |  |  |
| **2018** |  | | |  |  |  |  |  |  |
| First quarter | $ | 0.0600 |  |  | March 1, 2018 |  | March 16, 2018 |  | April 6, 2018 |
| Second quarter | 0.0600 | |  |  | May 24, 2018 |  | June 8, 2018 |  | July 6, 2018 |
| Third quarter | 0.0600 | |  |  | September 6, 2018 |  | September 21, 2018 |  | October 12, 2018 |
| Fourth quarter | 0.0600 | |  |  | November 30, 2018 |  | December 14, 2018 |  | January 7, 2019 |

We have historically paid quarterly cash dividends. Dividend payments are dependent upon our results of operations, financial condition, cash requirements, and other factors deemed relevant by our Board of Directors. Our Credit Facility restricts the payment of cash dividends to a maximum of the sum of (i) $100.0 million, plus (ii) 50% of the cumulative consolidated net income for each fiscal quarter beginning with the fiscal quarter ended March 31, 2016, plus (iii) 100% of the net proceeds of all equity issuances made after October 2013. If the foregoing maximum has been reached, we may still pay cash dividends so long as both before and after giving effect to such dividend payment, no event of default (as defined in the Credit Facility) has occurred and our Consolidated Total Leverage Ratio (as defined in the Credit Facility) does not exceed 2.5 to 1.

For additional information regarding our Credit Facility and Term Loans, see "Note 8. Debt, Interest Income, Expense and Other Finance Costs" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" and “Liquidity and Capital Resources” in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this 2019 10-K Report.

**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, 2014 through December 31, 2019. The cumulative return includes reinvestment of dividends.

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**Issuer Purchases of Equity Securities**

The following table presents information with respect to repurchases of common stock made by us during the quarterly period ended December 31, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Period** | **Total Number of Shares Purchased (1)** | |  | **Average Price Paid Per Share** | | |  | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | |  | **Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)** | | |
| 10/1/2019 - 10/31/2019 | — |  |  | $ | — |  |  | — |  |  | $ | 114,580,349 |  |
| 11/1/2019 - 11/30/2019 | — |  |  | — | |  |  | — |  |  | 114,580,349 | |  |
| 12/1/2019 - 12/31/2019 | — |  |  | — | |  |  | — |  |  | 114,580,349 | |  |
| Total | — |  |  | $ | — |  |  | — |  |  | $ | 114,580,349 |  |

|  |  |
| --- | --- |
|  |  |
| (1) | These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by employees to satisfy the required withholding taxes related to share-based payment awards, which are not deducted from shares available to be purchased under publicly announced programs. |

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|  |  |
| --- | --- |
|  |  |
| (2) | In October 2017, our Board of Directors ("Board") approved a new common stock repurchase program which replaced the remainder of the existing program and authorized the purchase of up to $100 million in common stock (the “Repurchase Program”).  In May 2019, our Board approved a $100 million increase to the Repurchase Program, increasing the available authorization remaining to approximately $150 million. The Repurchase Program does not require a minimum number of shares of common stock to be purchased, has no expiration date and may be suspended or discontinued at any time. As of December 31, 2019, $114.6 million remains available for purchase under the Repurchase Program. The timing and amount of shares of common stock to be repurchased under the Repurchase Program will depend on market conditions, share price, securities law and other legal requirements and factors. |

For information on repurchases of common stock for the first three quarters of 2019, see the corresponding Quarterly Reports on Forms 10-Q.

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**Item 6. Selected Financial** **Data**

The following selected consolidated financial data should be read in conjunction with "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto within "Part IV. Item 15." and other financial data and "Part IA. Risk Factors” included elsewhere in this 2019 10‑K Report. The historical results are not necessarily indicative of the operating results to be expected in the future. All financial information presented has been prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**

**SELECTED CONSOLIDATED FINANCIAL DATA**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | **For the Year ended December 31,** | | | | | | | | | | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |  | **2016** | | |  | **2015** | | |  |
| Revenue | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | 33,695.5 |  |  | $ | 27,015.8 |  |  | $ | 30,381.4 |  |  |
| Cost of revenue | 35,707.0 | |  |  | 38,731.8 | |  |  | 32,763.3 | |  |  | 26,116.8 | |  |  | 29,520.4 | |  |  |
| Gross profit | 1,112.0 | |  |  | 1,018.5 | |  |  | 932.2 | |  |  | 899.0 | |  |  | 861.0 | |  |  |
| Operating expenses | 812.3 | |  |  | 758.8 | |  |  | 886.6 | |  |  | 710.1 | |  |  | 615.3 | |  |  |
| Income from operations | 299.7 | |  |  | 259.7 | |  |  | 45.6 | |  |  | 188.9 | |  |  | 245.7 | |  |  |
| Non-operating expenses, net | (62.4 | | ) |  | (74.8 | | ) |  | (66.7 | | ) |  | (46.7 | | ) |  | (27.9 | | ) |  |
| Income (loss) before income taxes | 237.3 | |  |  | 184.9 | |  |  | (21.1 | | ) |  | 142.1 | |  |  | 217.7 | |  |  |
| Provision for income taxes | 56.2 | |  |  | 55.9 | |  |  | 149.2 | |  |  | 15.7 | |  |  | 47.2 | |  |  |
| Net income (loss) including noncontrolling interest | 181.1 | |  |  | 129.0 | |  |  | (170.3 | | ) |  | 126.4 | |  |  | 170.5 | |  |  |
| Net income (loss) attributable to noncontrolling interest | 2.2 | |  |  | 1.3 | |  |  | (0.1 | | ) |  | — | |  |  | (3.9 | | ) |  |
| Net income (loss) attributable to World Fuel | $ | 178.9 |  |  | $ | 127.7 |  |  | $ | (170.2 | ) |  | $ | 126.5 |  |  | $ | 174.5 |  |  |
| Basic earnings (loss) per common share | $ | 2.71 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |  | $ | 1.82 |  |  | $ | 2.49 |  |  |
| Basic weighted average common shares | 66.1 | |  |  | 67.4 | |  |  | 68.1 | |  |  | 69.3 | |  |  | 70.2 | |  |  |
| Diluted earnings (loss) per common share | $ | 2.69 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |  | $ | 1.81 |  |  | $ | 2.47 |  |  |
| Diluted weighted average common shares | 66.5 | |  |  | 67.7 | |  |  | 68.1 | |  |  | 69.8 | |  |  | 70.7 | |  |  |
| Cash dividends declared per common share | $ | 0.36 |  |  | $ | 0.24 |  |  | $ | 0.24 |  |  | $ | 0.24 |  |  | $ | 0.24 |  |  |

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|  | **As of December 31,** | | | | | | | | | | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |  | **2016** | | |  | **2015** | | |  |
| Cash and cash equivalents | $ | 186.1 |  |  | $ | 211.7 |  |  | $ | 372.3 |  |  | $ | 698.6 |  |  | $ | 582.5 |  |  |
| Accounts receivable, net | 2,891.9 | |  |  | 2,739.6 | |  |  | 2,705.6 | |  |  | 2,344.0 | |  |  | 1,812.6 | |  |  |
| Total current assets | 4,170.1 | |  |  | 3,974.8 | |  |  | 3,940.4 | |  |  | 3,836.7 | |  |  | 3,246.0 | |  |  |
| Total assets | 5,992.4 | |  |  | 5,676.9 | |  |  | 5,587.8 | |  |  | 5,412.6 | |  |  | 4,525.3 | |  |  |
| Total current liabilities | 3,162.4 | |  |  | 2,935.9 | |  |  | 2,718.6 | |  |  | 2,182.7 | |  |  | 1,754.2 | |  |  |
| Total long-term liabilities | 936.1 | |  |  | 909.3 | |  |  | 1,131.3 | |  |  | 1,290.1 | |  |  | 865.3 | |  |  |
| Total equity | 1,893.9 | |  |  | 1,831.6 | |  |  | 1,738.0 | |  |  | 1,940.0 | |  |  | 1,905.9 | |  |  |

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| (1) | We completed an asset acquisition, and asset and business dispositions in 2019, which were not material individually or in the aggregate. The financial position and results of operations of any acquisitions have been included in our consolidated financial statements since their acquisition date. |

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| (2) | We completed one acquisition in 2018 which was not material. The financial position and results of operations of this acquisition have been included in our consolidated financial statements since its acquisition date. |

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| (3) | In 2017, we acquired the assets of certain ExxonMobil affiliates in Italy, Germany, Australia and New Zealand and completed five additional acquisitions which were not material, individually or in the aggregate. The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since their respective acquisition dates. |

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| (4) | Operating expenses for 2017 includes goodwill and other impairments of $91.9 million and restructuring related charges of $59.6 million. Provision for income taxes for 2017 consists of a $143.7 million expense related to the one-time transition tax on accumulated foreign earnings recorded as a result of the Tax Act. |

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| (5) | In 2016, we acquired the assets of certain ExxonMobil affiliates in Canada, France, and the U.K., as well as all of the outstanding stock of PAPCO, Inc. and Associated Petroleum Products, Inc. We also completed six additional acquisitions which were not material, individually or in the aggregate. The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since their respective acquisition dates. |

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| (6) | Certain prior period amounts have been revised to reflect the impact of adjustments made to our provision for income taxes. |

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| (7) | In 2015, we acquired all the outstanding stock of Pester Marketing Company and completed four additional acquisitions which were not material, individually or in the aggregate. The financial position and results of operations of these acquisitions have been included in our consolidated financial statements since their respective acquisition dates. |

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| (8) | For years 2019, 2018, 2017, 2016, and 2015, respectively, operating expenses included total non‑cash compensation costs associated with share‑based payment awards of $22.4 million, $7.7 million, $21.2 million, $19.3 million, and $17.0 million; and for the same years, respectively, intangible amortization expense of $32.9 million, $35.9 million, $41.9 million, $39.7 million, and $30.4 million. |

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| (9) | For years 2019, 2018, 2017, 2016, and 2015, respectively, we repurchased 2.1 million shares of common stock for an aggregate value of $65.4 million, 0.7 million shares of common stock for an aggregate value of $20.0 million, 1.7 million shares of our common stock for an aggregate value of $61.9 million, 1.0 million shares of our common stock for an aggregate value of $41.2 million, and 1.6 million shares of our common stock for an aggregate value of $70.5 million. |

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| (10) | On January 1, 2019, we recognized right of use assets of $167.3 million and lease liability of $173.6 million as a result of the adoption of the new accounting standard for leases (ASC 842), impacting total assets and total current and long-term liabilities. As we used the modified retrospective approach, the prior period amounts have not been restated. |

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

The following discussion should be read in conjunction with “Part II. Item 6. Selected Financial Data,” and with the accompanying consolidated financial statements and related notes thereto appearing within "Part IV. Item 15." in this 2019 10‑K Report. The following discussion may contain forward‑looking statements, and our actual results may differ materially 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” and under “Forward-Looking Statements.”

We have elected to omit in this 2019 10‑K Report, discussion on the earliest of the three years covered by the consolidated financial statements presented. Refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations located in our Form 10-K for the fiscal year ended December 31, 2018 (herein incorporated by reference), filed with the SEC on March 1, 2019, for management's discussion of the fiscal year ended December 31, 2017.

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**Business Overview**

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, marine and land transportation industries. In recent years, we have expanded our product and service offerings to include energy advisory services and supply fulfillment for natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services, technology solutions, as well as sustainability products and services across the energy product spectrum. We also offer payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries. We will continue to focus on enhancing the portfolio of products and services we provide based on changes in consumer demand, including sustainability offerings and renewable fuel products.

The overall aviation market has been strong, benefiting from growth in global passenger demand, and global airline profitability levels have been healthy. Our aviation segment has benefited from growth in our fuel-related services offerings, as well as our improving logistics capability and we have expanded our aviation fueling operations footprint into additional international airport locations. Our aviation segment has also benefited from continued strong sales to NATO in Afghanistan, which account for a material portion of our aviation segment's profitability. The current contract for these sales to NATO has been renewed through December 2020 and has two additional one-year renewal options at NATO's discretion. While our government-related operations remain strong, global events and military-related activities, as well as the level of troop deployments, can cause our government customer sales to vary significantly from period to period and materially impact our results of operations. Recently, the U.S. government has announced its intention to significantly reduce the level of U.S. troops in the Middle East, including the troops supporting NATO in Afghanistan.  The timing, extent and impact of any such withdrawal is currently uncertain.

Our land segment has grown primarily through acquisitions as we seek to build out our land fuel distribution capabilities in the U.S. and the U.K. Recently, our land segment has been negatively impacted by our decision to reposition the portfolio and reduce certain supply and trading activities which were not generating a sufficient or predictable economic return as a result of market conditions. In addition, our operating results in the U.S. and U.K. are impacted by weather conditions and accordingly, unseasonably warm weather has adversely impacted our year-to-date results in 2019. Meanwhile, our land segment has continued to benefit from strong sales to NATO in Afghanistan, however, these sales can also be significantly impacted by global events and military-related activities, as well as the level of troop deployments as described above. We continue to focus on supplying more sustainable end-user demand to provide greater leverage and ratability in our operating model, as well as driving operational excellence and improving our technology platform to reduce transaction processing costs.

Our marine segment results have also been strong in recent periods despite challenging conditions within the global shipping and offshore exploration markets. We believe overall volumes in our marine segment have stabilized and higher average fuel prices, combined with our focus on prudent credit risk management and cost management, have improved profitability. The implementation of mandatory fuel standards, such as IMO 2020 that became effective on January 1, 2020, resulted in certain supply imbalances and price volatility in 2019 that has positively impacted our results in recent quarters. We believe that these changes in the regulatory landscape will provide additional opportunities for us to create value-added solutions for our customers and further enhance profitability.

Finally, the coronavirus outbreak emanating from China at the beginning of 2020 may significantly impact our customers and reduce fuel demand. For example, airline and cruise travel as well as the global shipping and air cargo industries have been negatively impacted by the coronavirus outbreak due to increased travel restrictions and may be further adversely affected by an extended shutdown of various businesses in the affected regions. Additionally, the financial condition of some of our customers may be negatively impacted, resulting in increased credit risk. While we have not yet experienced a material negative impact from the outbreak, if the actions being taken to contain its spread continue for an extended period of time, our business and that of our customers could be adversely affected.

We continue to focus on rationalizing our operating model and portfolio of businesses to gain efficiencies through various initiatives that are ongoing throughout the company. We have been investing in automation and technology throughout our businesses, which we expect will ultimately enhance our value proposition while lowering our cost, reducing cycle time and improving scalability. Furthermore, we also recently completed a restructuring plan designed to streamline the organization and reallocate resources to align more effectively our organizational structure and costs with our ultimate strategy to improve operating efficiencies. The restructuring program involved rationalizing non-core businesses and investments, refining our organizational structure, as well as exiting certain business activities and seeking opportunities to reinvest in our core businesses to improve scalability. We will continue to focus

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on investing in activities with sustainable revenue and adequate returns while also seeking to manage our working capital and inventory in a volatile fuel price environment.

**Reportable Segments**

We operate in three reportable segments consisting of aviation, land and marine. In our aviation segment, we offer fuel and related products and services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low cost carriers, airports, fixed based operators, corporate fleets, fractional operators, and government customers. In our land segment, we offer fuel, lubricants, power and natural gas solutions and related products and services to customers including petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial, residential and government customers. Our marine segment product and service offerings include fuel, lubricants and related products and services to a broad base of customers, including international container and tanker fleets, commercial cruise lines, yachts and time-charter operators, offshore rig owners and operators, the U.S. and foreign governments as well as other fuel suppliers. Within each of our segments, we may enter into derivative contracts to mitigate the risk of market price fluctuations and also to offer our customers fuel pricing alternatives to meet their needs.

In our aviation segment, we primarily purchase and resell fuel and other products, as well as provide aviation fueling and other related services. Profit from our aviation segment is primarily determined by the volume and the gross profit achieved on fuel sales and related services. In our marine and land segments, we primarily purchase and resell fuel and also act as brokers for others. Profit from our marine and land segments is determined largely by the volume and gross profit achieved on fuel resales and by the volume and commission rate of the brokering business. Profitability in all of our segments also depends on our operating expenses, which can be materially affected to the extent that we are required to provide for potential bad debt.

Corporate expenses are allocated to each segment based on usage, where possible, or other factors according to the nature of the activity. We evaluate and manage our business segments using the performance measurement of income from operations.

Selected financial information with respect to our business segments is provided in "Note 13. Business Segments, Geographic Information and Major Customers" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report.

**Results of Operations**

**2019 compared to 2018**

*Revenue.* Our revenue for 2019 was $36.8 billion, a decrease of $2.9 billion, or 7.4%, as compared to 2018. Our revenue during these periods was attributable to the following segments (in millions):

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|  | **2019** | | |  | **2018** | | |  | **$ Change** | | |
| Aviation segment | $ | 18,479.5 |  |  | $ | 19,119.7 |  |  | $ | (640.2 | ) |
| Land segment | 10,280.9 | |  |  | 11,381.1 | |  |  | (1,100.1 | | ) |
| Marine segment | 8,058.5 | |  |  | 9,249.5 | |  |  | (1,191.0 | | ) |
| Total | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | (2,931.3 | ) |

Revenues in our aviation segment were $18.5 billion for the year ended 2019, a decrease of $0.6 billion, or 3.3% as compared to 2018. The decrease in aviation revenues was driven principally by lower average jet fuel prices per gallon sold during the year ended 2019, where the average price per gallon sold was $2.05, as compared to $2.33 in 2018. The decrease in average price per gallon was partially offset by higher volumes sold during the period, and primarily attributable to growth in our international fueling operations in Europe and Mexico. Total volumes in our aviation segment for the year ended 2019 were 8.5 billion gallons, an increase of 3.7%, as compared to 2018.

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Revenues in our land segment were $10.3 billion for the year ended 2019, a decrease of $1.1 billion, or 9.7%, as compared to 2018. Lower average fuel prices influenced the overall decrease in land revenues during the year ended 2019, where the average price per gallon sold was $1.87, as compared to $2.04 in 2018. Volumes in our land segment for the year ended 2019 were 5.5 billion gallons, a decrease of 2.5%, as compared to 2018. The decrease in volumes was driven principally by our decision to reposition the portfolio and exit certain non-core supply and low-margin trading activities in North America, which were not generating a sufficient economic return.

Revenues in our marine segment were $8.1 billion for the year ended 2019, a decrease of $1.2 billion, or 12.9%, as compared to 2018.  The decrease in revenues was driven primarily by lower volume sold in 2019. Volumes in our marine segment for the year ended 2019 were 20.9 million metric tons, a decrease of 2.8 million metric tons or 11.9%, from 2018, driven principally by our decision to discontinue certain low margin, low return activities in Asia. The average bunker price per metric ton sold was $385.49, as compared to $390.00 in 2018, mostly flat year-over-year.

*Gross Profit*. Our gross profit for the year ended 2019 was $1.1 billion, an increase of $93.4 million, or 9.2%, as compared to 2018. Our gross profit was attributable to the following segments (in millions):

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|  | **2019** | | |  | **2018** | | |  | **$ Change** | | |
| Aviation segment | $ | 551.6 |  |  | $ | 507.8 |  |  | $ | 43.8 |  |
| Land segment | 378.9 | |  |  | 364.9 | |  |  | 13.9 | |  |
| Marine segment | 181.5 | |  |  | 145.8 | |  |  | 35.7 | |  |
| Total | $ | 1,112.0 |  |  | $ | 1,018.5 |  |  | $ | 93.4 |  |

Our aviation segment gross profit for the year ended 2019 was $551.6 million, an increase of $43.8 million, or 8.6%, as compared to 2018. The increase in aviation gross profit was primarily due to further growth in our government-related operations. Continued strength in our core commercial and business aviation activities, as well as our fuel-related services and technology offerings, was largely offset by the negative impact of declining market prices during 2019 as compared to 2018.

Our land segment gross profit for the year ended 2019 was 378.9 million, an increase of $13.9 million, or 3.8%, as compared to 2018. The increase in land segment gross profit was primarily attributable to growth in our government-related operations, Multi Service payment solutions business and Kinect global energy services platform, partly offset by weather-related decreases in the U.K.

Our marine segment gross profit for the year ended 2019 was $181.5 million, an increase of $35.7 million, or 24.5%, as compared to 2018. The gross profit increase was principally driven by stronger performance in our core resale operations.

*Operating Expenses.* Total operating expenses for 2019 were $812.3 million, an increase of $53.5 million, or 7.0%, as compared to 2018. The following table sets forth our expense categories (in millions):

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|  | **2019** | | |  | **2018** | | |  | **$ Change** | | |
| Compensation and employee benefits | $ | 470.4 |  |  | $ | 442.1 |  |  | $ | 28.3 |  |
| General and administrative | 322.2 | |  |  | 299.6 | |  |  | 22.6 | |  |
| Restructuring charges | 19.7 | |  |  | 17.1 | |  |  | 2.6 | |  |
| Total | $ | 812.3 |  |  | $ | 758.8 |  |  | $ | 53.5 |  |

The total increase in operating expenses was primarily due to higher employee incentive compensation costs as a result of improved operating performance, as well as increases in software subscription services fees, card processing fees, depreciation expense, professional services fees, and data center costs.

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*Income (loss) from Operations.* Our income from operations for 2019 was $299.7 million, an increase of $40.0 million, or 15.4%, as compared to 2018. Income from operations during these periods was attributable to the following segments (in millions):

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|  | **2019** | | |  | **2018** | | |  | **$ Change** | | |
| Aviation segment | $ | 283.9 |  |  | $ | 250.6 |  |  | $ | 33.3 |  |
| Land segment | 55.0 | |  |  | 47.8 | |  |  | 7.1 | |  |
| Marine segment | 67.1 | |  |  | 37.8 | |  |  | 29.3 | |  |
|  | 406.1 | |  |  | 336.3 | |  |  | 69.8 | |  |
| Corporate overhead - unallocated | 106.4 | |  |  | 76.6 | |  |  | 29.8 | |  |
| Total | $ | 299.7 |  |  | $ | 259.7 |  |  | $ | 40.0 |  |

Our income from operations, including unallocated corporate overhead, for the year ended 2019 was $299.7 million, an increase of $40.0 million, or 15.4%, as compared to 2018, and includes $3.4 million of operating income, which was recorded during the quarter ending March 31, 2019, to correct an item that should have been recognized in 2018. The improved operating income was primarily the result of higher profitability across all three reporting segments, offset by a write-off of certain information technology-related assets.

Income from operations in our aviation segment for the year ended 2019 was $283.9 million, an increase of $33.3 million as compared to 2018. Our aviation segment benefited from higher profitability in our government-related operations and continued strength in our core commercial and business aviation activities, as well as our fuel-related services and technology offerings, partially offset by an increase in employee benefits and general and administrative costs.

In our land segment, income from operations for the year ended 2019 was $55.0 million, an increase of $7.1 million as compared to 2018. The improved profitability was driven primarily by growth in our government-related operations, as well as Kinect, our global energy services offering. The growth in profitability was partially offset by increases in employee benefits and provision for bad debt.

Our marine segment income from operations for the year ended 2019 was $67.1 million, an increase of $29.3 million as compared to 2018, driven by higher profitability from the core resale business, partially offset by an increase in incentive compensation, employee benefits and general and administrative costs.

*Non-Operating Expenses, net*. We had non-operating expenses of $62.4 million and $74.8 million for the year ended 2019 and 2018, respectively. The decrease of $12.4 million as compared to 2018 was driven principally by gains on the disposal of our non-core propane businesses in the land segment.

*Income Taxes*. For the year ended 2019, our effective income tax rate was 23.7%, and our income tax provision was $56.2 million, as compared to an effective income tax rate of 30.2% and an income tax provision of $55.9 million in 2018. The lower effective income tax rate for 2019, as compared to 2018, resulted principally from differences in the results of our subsidiaries in tax jurisdictions with different income tax rates and certain one-time benefit related impact to GILTI, foreign currency statutory adjustments, and favorable effect on the adoption of the BEAT proposed regulations issued during the fourth quarter of 2019.

*Net Income and Diluted Earnings per Common Share*. Our net income for the year ended 2019 was $178.9 million as compared to net income of $127.7 million in 2018. Diluted earnings per common share for the year ended 2019 was $2.69 per common share as compared to diluted earnings per common share of $1.89 in 2018.

Our net income for the year ending December 31, 2019 includes a net discrete tax benefit of $6.6 million ($3.2 million recorded in March 2019 and $3.5 million in September 2019) with respect to foreign tax filings and $3.4 million of operating income ($2.3 million after-tax) recorded in March 2019. All of which should have been recognized in prior periods. Excluding these misstatements, which we have determined were not material to the three months ending March 31, 2019, three and nine months ending September 30, 2019 and 2018 nor to the years ending December 31, 2019 and 2018, our net income would have been $169.9 million, or $2.56 per diluted common share for the year ending December 31, 2019.

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**Liquidity and Capital Resources**

Our liquidity, consisting of cash and cash equivalents and availability under the Credit Facility fluctuates based on a number of factors, including the timing of receipts from our customers and payments to our suppliers as well as changes in fuel prices. Availability under our Credit Facility is also limited by, among other things, our financial leverage ratio, which limits the total amount of indebtedness we may incur, and may, therefore, fluctuate from period to period.

Cash and liquidity are significant priorities for us and our primary use of cash and liquidity is to fund working capital and strategic investments. Increases in fuel prices can negatively affect liquidity by increasing the amount of cash required to fund fuel purchases. In addition, while we are usually extended unsecured trade credit from our suppliers for our fuel purchases, higher fuel prices may reduce the amount of fuel we can purchase on an unsecured basis, and in certain cases, we may be required to prepay fuel purchases, which would negatively impact our liquidity. Fuel price increases may also negatively impact our customers, in that they may not be able to purchase as much fuel from us because of their credit limits with us and the resulting adverse impact on their business could cause them to be unable to make payments owed to us for fuel purchased on credit. They may also choose to reduce the amount of fuel they consume in their operations to reduce costs. In any such event, the volume of orders from our customers may thereafter decrease, and we may not be able to replace lost volumes with new or existing customers.

We believe that our cash and cash equivalents as of December 31, 2019 and available funds from our Credit 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 and 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 financial performance (as measured by various factors, including cash provided by operating activities), the state of worldwide credit markets, and our levels of outstanding debt. Depending on the severity and direct impact of these factors on us, financing may be limited or unavailable on terms favorable to us.

*Cash Flows*

The following table reflects the major categories of cash flows for the years ended December 31, 2019, 2018 and 2017 (in millions). For additional details, please see the consolidated statements of cash flows.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Net cash provided by (used in) operating activities\* | $ | 228.8 |  |  | $ | (182.5 | ) |  | $ | (133.6 | ) |
| Net cash provided by (used in) investing activities\* | (50.5 | | ) |  | 286.0 | |  |  | 158.7 | |  |
| Net cash used in financing activities | (204.9 | | ) |  | (257.1 | | ) |  | (361.6 | | ) |

\*The adoption of ASU 2016-15 resulted in operating cash flow decreases and investing cash flow increases of $369.8 million, and $338.8 million for the years ended December 31, 2018 and 2017.

***2019 compared to 2018***

At the beginning of 2018, accounting standards update 2016-15 (“ASU 2016-15”) became effective for us and provided revised guidance on the presentation of certain items, including those associated with retained beneficial interests in accounts receivable sale programs. Under the terms of our receivables purchase agreements (“RPAs”) with Wells Fargo and Citibank, we were entitled to retained beneficial interests, which gave us the right to receive additional cash consideration of either 10% or 6%, as a result of receiving cash consideration equal to either 90% or 94%, respectively of the total accounts receivables balance. Under the revised guidance, previously disclosed cash inflows attributable to held beneficial interests were no longer treated as a component of accounts receivables, net in operating activities, but instead were classified separately as an investing activity. During the quarter ended September 30, 2018, however, we amended the RPAs with Wells Fargo and Citibank to remove the retained beneficial interests, allowing us to sell 100% of our outstanding qualifying accounts receivable balances and receive cash consideration equal to the total balance, less a discount margin equal to LIBOR plus 1% to 3%.

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*Operating Activities*. Net cash provided by operating activities in 2019 was $228.8 million as compared to $182.5 million used in 2018. The $411.2 million increase in cash provided by operating activities was primarily due to year-over-year changes in accounts receivable and payable. Cash used resulting from changes in accounts receivable decreased by $281.1 million, mainly impacted by higher cash collections and the adoption of Accounting Standards Update 2016-15 that resulted in a decrease in the amount classified as operating activity in 2018. Cash provided by changes in accounts and transaction taxes payable increased by $37.9 million, primarily due to the timing of payments.

*Investing Activities*. Net cash used in investing activities in 2019 was $50.5 million as compared to net cash provided by investing activities of $286.0 million in 2018. The $336.5 million decrease in cash from investing activities was principally due to a reduction in cash receipts provided by retained beneficial interests in accounts receivable sales resulting from the adoption of Accounting Standards Update 2016-15, partially offset by proceeds received from the sale of our propane business.

*Financing Activities*. Net cash used in financing activities in 2019 was $204.9 million as compared to $257.1 million in 2018. The $52.2 million decrease in net cash used was primarily due to a $140.4 million decrease in net repayment of debt under our credit facility in 2019 as compared to 2018, partly offset by a $32.7 million acquisition of noncontrolling interest in a consolidated subsidiary and a $45.4 million increase in cash used for common stock repurchases.

**Other Liquidity Measures**

*Cash and Cash Equivalents.* As of December 31, 2019 and 2018, we had cash and cash equivalents of $186.1 million and $211.7 million, respectively. Our primary uses of cash and cash equivalents are to make strategic investments, primarily acquisitions, and to purchase inventory. We are provided unsecured trade credit by nearly all of our suppliers for our fuel purchases; however, a small number of suppliers require us to either prepay or provide a letter of credit. 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 that we can purchase on an unsecured basis from our suppliers.

*Credit Facility and Term Loans*. In July 2019, we amended our Credit Agreement to, among other things, (i) increase the borrowing capacity of the Credit Facility to $1.3 billion, (ii) increase the Term Loans to $525.0 million, (iii) extend the maturity date to July 2024, and (iv) modify certain financial and other covenants to reduce costs and provide greater operating flexibility.

Our Credit Agreement, as amended through December 31, 2019, consists of a revolving loan under which up to $1.3 billion aggregate principal amount could be borrowed, repaid and redrawn, based upon specific financial ratios and subject to the satisfaction of other customary conditions to borrowing. Our Credit Facility includes a sublimit of $400.0 million for the issuance of letters of credit and bankers' acceptances, and we have the right to request increases in available borrowings up to an additional $200.0 million, subject to the satisfaction of certain conditions. In addition, as of December 31, 2019 and 2018, we had $515.6 million and $514.8 million in Term Loans outstanding, respectively.

We had outstanding borrowings under our Credit Facility totaling $55.0 million and $170.0 million as of December 31, 2019 and 2018, respectively. Our issued letters of credit under the Credit Facility totaled $4.3 million and $4.1 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the unused portion of our Credit Facility was $1.2 billion and $985.9 million, respectively. The unused portion of our Credit Facility is limited by, among other things, our financial leverage ratio, which limits the total amount of indebtedness we may incur, and may, therefore, fluctuate from period to period.

Borrowings under our Credit Facility and Term Loans related to base rate loans or Eurodollar rate loans bear floating interest rates plus applicable margins. As of December 31, 2019, the applicable margins for base rate loans and Eurodollar rate loans were 0.75% and 1.75%, respectively.

Our liquidity, consisting of cash and cash equivalents and availability under the Credit Facility, fluctuates based on a number of factors, including the timing of receipts from our customers and payments to our suppliers as well as commodity prices. Availability under our Credit Facility is principally limited by the ratio of adjusted total debt to adjusted EBITDA, as defined in the agreement, which limits the total amount of indebtedness we may incur to not more than 3.75 to 1. Accordingly, our availability under the Credit Facility may fluctuate from period to period.

Our Credit Facility and Term Loans contain certain financial and other covenants with which we are required to comply. Our failure to comply with the covenants contained in our Credit Facility and our Term Loans could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under

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the Credit Facility and our Term Loans, trigger cross-defaults under certain other agreements to which we are a party and impair our ability to obtain working capital advances and issue letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. As of December 31, 2019, we were in compliance with all financial covenants contained in our Credit Facility and our Term Loans.

*Other Credit Lines and Receivables Purchase Agreements.* Additionally, we have other uncommitted credit lines primarily for the issuance of letters of credit, bank guarantees and bankers’ acceptances. These credit lines are renewable on an annual basis and are subject to fees at market rates. As of December 31, 2019 and 2018, our outstanding letters of credit and bank guarantees under these credit lines totaled $375.2 million and $303.6 million respectively. We also have RPAs that allow for the sale of our accounts receivable. Under the RPAs, sold accounts receivable which remained outstanding at December 31, 2019 and 2018, were $405.9 million and $508.2 million, respectively.

*Short-Term Debt*. As of December 31, 2019, our short-term debt of $54.1 million primarily represents the current maturities (within the next twelve months) of Term Loan borrowings, finance lease obligations, and a secured borrowing associated with the transfer of tax receivables.

**Contractual Obligations and Off‑Balance Sheet Arrangements**

Our 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 "Note 8. Debt, Interest Income, Expense and Other Finance Costs" and "Note 9. Commitments and Contingencies" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report.

**Contractual Obligations**

*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.

*Other Obligations.* These obligations primarily consist of deferred compensation arrangements.

*Unrecognized Income Tax Liabilities.* As of December 31, 2019, our gross liabilities for unrecognized income tax benefits (“Unrecognized Tax Liabilities”), including penalties and interest, were $83.9 million. The timing of any settlement of our Unrecognized Tax Liabilities with the respective taxing authority cannot be reasonably estimated.

As of December 31, 2019, our contractual obligations were as follows (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Total** | | |  | **< 1 year** | | |  | **1-3 years** | | |  | **3-5 years** | | |  | **> 5 years** | | |
| Debt and interest obligations | $ | 760.2 |  |  | $ | 82.0 |  |  | $ | 106.9 |  |  | $ | 568.7 |  |  | $ | 2.7 |  |
| Operating lease obligations | 197.6 | |  |  | 43.7 | |  |  | 87.5 | |  |  | 16.3 | |  |  | 50.1 | |  |
| Finance lease obligations | 20.4 | |  |  | 4.8 | |  |  | 10.0 | |  |  | 1.8 | |  |  | 3.8 | |  |
| Employment agreement obligations | 0.9 | |  |  | 0.9 | |  |  | — | |  |  | — | |  |  | — | |  |
| Derivatives obligations | 54.1 | |  |  | 50.3 | |  |  | 3.8 | |  |  | — | |  |  | — | |  |
| Purchase commitment obligations | 73.6 | |  |  | 57.2 | |  |  | 16.3 | |  |  | — | |  |  | — | |  |
| Other obligations | 5.5 | |  |  | 0.6 | |  |  | 1.7 | |  |  | 1.3 | |  |  | 1.9 | |  |
| Total | $ | 1,112.3 |  |  | $ | 239.5 |  |  | $ | 226.2 |  |  | $ | 588.1 |  |  | $ | 58.5 |  |

Additionally, we have certain purchase contracts, that run through 2026, under which we agreed to purchase annually between 1.79 million barrels and 2.02 million barrels of aviation fuel at future market prices.

**Off-Balance Sheet Arrangements**

*Letters of Credit and Bank Guarantees.* 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, 2019, we had issued letters of credit and bank guarantees totaling $379.5 million under our Credit Facility and other uncommitted credit lines. For additional information on our Credit Facility and other credit lines, see the discussion in “Liquidity and Capital Resources” above.

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*Surety Bonds.* In the normal course of business, we are required to post bid, performance and other surety-related bonds. The majority of the surety bonds posted relate to our aviation and land segments. We had outstanding bonds that were executed in order to satisfy various security requirements of $53.1 million as of December 31, 2019.

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included elsewhere in this 2019 10‑K Report, which has been prepared in accordance with U.S. GAAP. 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 associated costs of sales, bad debt, goodwill and identifiable intangible assets, certain accrued liabilities, and income taxes. We base our estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. For a detailed discussion on the application of these and other significant accounting policies, see "Note 1. Basis of Presentation, New Accounting Standards and Significant Accounting Policies" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report.

**Accounts Receivable and Allowance for Bad Debt**

We extend credit on an unsecured basis to most of our customers. Credit extension, monitoring and collection are performed for each of our business segments. Each business segment has a credit function that is responsible for establishing initial credit limits, approving limits changes from previously approved credit limits, as well as managing the overall quality of the credit portfolio. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current creditworthiness, as determined by our review of our customer’s credit information. Accounts receivable payment terms are based on customer creditworthiness along with the contractual terms agreed to with our customers. Our accounts receivables credit terms are generally 30-60 days, although certain markets and customers may warrant longer payment terms. Accounts receivable balances that are not paid within the terms of the sales agreement are generally subject to finance fees, based on the outstanding balance. Although we analyze customers’ payment history and creditworthiness, we cannot predict with certainty that the customers to whom we extend credit will be able to remit payments on a timely basis, or at all. Because we extend credit on an unsecured basis to most of our customers, there is a possibility that any accounts receivable not collected will ultimately need to be written off.

The health of accounts receivable is continuously monitored, taking into consideration both the timeliness and predictability of collections and payments from our customers. We maintain a provision for estimated credit losses based upon our historical experience with our customers, along with any specific customer collection issues that we have identified. Principally based on these factors, an internally derived risk-based reserve is established and applied to all accounts receivable portfolios, on a quarterly basis. Customer account balances that are deemed to be at high risk of collectability are reserved at higher rates than customer account balances which we deem expected to be collected without issue.

Historical payment trends may not be an accurate indicator of current or future creditworthiness of our customers, particularly in difficult economic and financial markets. As a result of the limited predictability inherent in estimating which customers are less likely or unlikely to remit amounts owed to us, our provision for estimated credit losses may not be sufficient. Any write-off of accounts receivable in excess of our provision for credit losses would have an adverse effect on our results of operations. If credit losses exceed established allowances, our business, financial condition, results of operations and cash flows may be adversely affected. For additional information on the credit risks inherent in our business, see “Item 1A – Risk Factors” in this 2019 10‑K Report.

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**Inventories**

Inventories are measured primarily using weighted average cost, and first-in-first-out in certain limited locations, and are measured at the lower of cost or net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in earnings in the period in which it occurs. We utilize a variety of fuel indices and other indicators of market value. Sharp negative changes in these indices can result in a reduction of our inventory valuation, which could have an adverse impact on our results of operations in the period in which we take the adjustment. These adjustments may have a material impact on our consolidated statements of operations. Components of inventory include fuel purchase costs, the related transportation costs and changes in the estimated fair market values for inventories included in a fair value hedge relationship.

**Business Combinations**

Before we apply the acquisition method, we determine whether a transaction meets the definition of a business combination. For a transaction to meet the definition of a business combination, the entity or net assets acquired must meet the definition of a business in ASC 805. If the assets acquired are not a business, we account for the transaction or other event as an asset acquisition. We account for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to all identifiable assets acquired, liabilities assumed and any noncontrolling interest at the fair value as of the acquisition date. We generally calculate the fair value using the income approach. The estimated future cash flows are based on the best information available to us at the time, acquisition-related costs incurred in connection with a business combination are expensed as incurred.

**Goodwill and Identifiable Intangible Assets**

Goodwill arises because the purchase price paid reflects numerous factors, including the strategic fit and expected synergies these acquisitions bring to our existing operations. Goodwill is recorded at fair value and is reviewed at least annually at year-end (or more frequently under certain circumstances) for impairment.

Goodwill is evaluated for impairment at the reporting unit level and is initially based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of any individual reporting unit is less than its carrying amount. Such events or circumstances could include limited market volatility, which adversely impacts our supply and trading activities, or material and sustained adverse changes in macroeconomic conditions or in the industries and markets where we operate, overall financial performance, and our market capitalization, among others. Management conducts an impairment test as of December 31 of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired, as further described below. Based on the quantitative impairment test as of December 31, 2019, there were no impairments recorded for any of our reporting units.

To determine whether goodwill is impaired, we would compare the fair value of the reporting units to which goodwill was assigned to their respective carrying values to measure the amount of goodwill impairment, if any. In calculating fair value, we use a combination of both an income and market approach as our primary indicator of fair value. Under the market approach, we use a selection of global companies that correspond to each reporting unit to derive a market-based multiple. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. The estimated future cash flows are based on the best information available to us at the time, including our annual operating plan, which is completed annually during the fourth quarter and is approved by our Board of Directors. Our estimates are considered supportable assumptions that we believe are reasonable based on information available to us at that time, and are based on a number of factors including industry experience, internal benchmarks and the economic environment. Our cash flow estimates are discounted using rates that correspond to a weighted-average cost of capital consistent with those used internally for investment decisions.

If our annual operating plan is not achieved or if there are other variations to our estimates and assumptions, particularly in the expected growth rates and profitability embedded in our cash flow projections or the discount rate used, there is the potential for a partial or total impairment of the carrying amount of goodwill within one or more of our reporting units. If we are required to impair all or a substantial amount of the goodwill attributable to one or more of our reporting units, our financial results of operations and financial condition could be adversely affected.

In connection with our acquisitions, we record identifiable intangible assets at fair value. The determination of the fair values of our identifiable intangible assets involves a significant amount of forecasting and other assumptions associated with recently acquired businesses for which we may not have as much historical information or trend data as we would for our existing businesses. Definitive-lived intangible assets are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess indefinite-lived intangible assets at least annually during the fourth quarter of each year for potential impairment. This impairment analysis (primarily used for trademarks and/or trade

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names) generally involves the use of qualitative and quantitative analysis to estimate whether the estimated future cash flows generated as a result of these assets will be greater than or equal to the carrying value assigned to such assets.

**Revenue Recognition**

We execute contracts with customers, which are primarily a combination of master sales agreements with different types of nominations or standalone agreements. Our contracts primarily require us to deliver fuel and fuel-related products, while other arrangements require us to complete agreed-upon services. Our contracts may contain fixed or variable pricing or some combination of those.

The majority of our consolidated revenues are generated through the sale of fuel and fuel-related products. We generally recognize fuel sales and services revenue on a gross basis as we have control of the products or services before they are delivered to our customers. In drawing this conclusion, we considered various factors, including inventory risk management, latitude in establishing the sales price, discretion in the supplier selection and that we are normally the primary obligor in our sales arrangements. Revenue from the sale of fuel is recognized when our customers obtain control of the fuel, which is typically upon delivery of each promised gallon or barrel to an agreed-upon delivery point.

Revenue from services, including energy procurement advisory services and international trip planning support, and transaction and payment management processing, are recognized over the contract period when services have been performed and we have the right to invoice for those services.

**Income Taxes**

The Tax Cuts and Jobs Act (the “Tax Act”), enacted on December 22, 2017, significantly changed the U.S. Internal Revenue Code, by, among other things, reducing the U.S. corporate income tax rate, modifying or repealing many business deductions and credits, adopting elements of a territorial tax system, taxing global intangible low-taxed income (“GILTI”), assessing a repatriation tax or “toll-charge” on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain base erosion and anti-abuse minimum tax (“BEAT”) provisions. Several final and proposed regulations were issued during 2019 regarding BEAT, foreign tax credits, and GILTI, among other areas. For example, the Treasury Department released final and proposed regulations regarding BEAT on December 2, 2019 and provided an election to waive deductions for purposes of determining base erosion payments, which we elected to apply to both 2018 and 2019.

Because of the complexity of the GILTI tax rules effective in 2018, we previously evaluated this provision of the Tax Act and the application of ASC 740, Income Taxes. Under US GAAP, we made an accounting policy choice to treat taxes due on future US GILTI inclusions as a current period expense when incurred (the "period cost method").

The Tax Act legislation will continue to require further interpretations and implementing regulations by the IRS, as well as state tax authorities, and the legislation could be subject to potential amendments and changes, any of which could increase certain adverse impacts or other effects of the legislation. The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from our estimates, possibly materially, due to, among other items, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to current year earnings and tax estimates.

**Leases**

We enter into lease arrangements for the use of offices, operational facilities, vehicles, vessels, storage tanks and other assets for our operations around the world. Some of these leases are embedded within other arrangements. When an arrangement includes both lease and non-lease components, we have elected to combine them and treat them as a lease component for all of our current leased asset classes.

We determine if an arrangement is a lease at its inception. Determining whether a contract contains a lease includes judgment regarding whether the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Assessing whether we have obtained the right to substantially all of the economic benefits and the ability to direct how, and for what purpose, the asset is used requires more judgment in storage arrangements where we must determine whether our rights to capacity may represent substantially all of the available capacity at a location.

Some of these arrangements are for periods of twelve months or less, while others are for longer periods, and may

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include optional renewals, terminations or purchase options, which are considered in our assessments when they are reasonably certain to occur. In addition, certain of these arrangements contain payments based on an index, market-based escalation or volume which may impact future payments. Most of our leases typically contain general covenants, restrictions or requirements such as maintaining minimum insurance coverage.

We account for our lease-related assets and liabilities based on their classification as operating leases or finance leases, following the relevant accounting guidance. We measure lease related assets and liabilities based on the present value of lease payments, including in-substance fixed payments, variable payments that depend on an index or rate measured at the commencement date, and the amount we believe is probable we will pay the lessor under residual value guarantees when applicable. We discount lease payments based on our estimated incremental borrowing rate at lease commencement (or modification), which is primarily based on our estimated credit rating, the lease term at commencement, and the contract currency of the lease arrangement. We have elected to exclude short term leases (leases with an original lease term less than one year) from the measurement of lease related assets and liabilities.

**Recent Accounting Pronouncements**

Information regarding accounting standards adopted during 2019 is included in "Note 1. Basis of Presentation, New Accounting Standards and Significant Accounting Policies" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report.

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**Item 7A. Quantitative** **and Qualitative Disclosures About Market Risk**

**Derivative and Financial Instruments Market Risk**

We use commodity-based derivative contracts and financial instruments, when we deem it appropriate, to manage the risks associated with changes in the prices of fuel and fuel-related products, fluctuations in foreign currency exchange rates and interest rates, or to capture market opportunities. We utilize hedge accounting and formally designate certain of our derivative instruments as either cash flow or fair value hedges. Derivative instruments that are not designated are considered non-designated hedges and are designed to achieve an economic offset of the underlying price risk exposure. Financial instruments and positions affecting our financial statements are described below and are held primarily for hedging purposes. As a result, any changes in income associated with our derivatives contracts are substantially offset by corresponding changes in the value of the underlying risk being mitigated.

Commodity Price Risk

Our commercial business segments use derivative instruments, primarily futures, forward, swap, and options contracts, in various markets to manage price risk inherent in the purchase and sale of fuel. Certain of these derivative instruments are utilized to mitigate the risk of price volatility in forecasted transactions in a cash flow hedge relationship and to mitigate the risk of changes in the price of our inventory in a fair value hedge relationship. In addition, we use derivatives as economic hedges or to optimize the value of our fuel inventory to capitalize on anticipated market opportunities. As of December 31, 2019 and 2018, the notional and fair market values of our commodity-based derivative instruments position were as follows (in millions, except weighted average contract price):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Commodity Contracts (In millions of BBL)** | | |  | **As of December, 31 2019** | | | | | | | |  | **As of December, 31 2018** | | | | | | | |
| **Hedge Strategy** | **Derivative Instrument** | **Settlement  Period** |  | **Notional  Net  Long/**  **(Short)** | | **Weighted  Average  Contract**  **Price** | | | **Fair**  **Value Amount** | | |  | **Notional  Net  Long/**  **(Short)** | | **Weighted  Average  Contract**  **Price** | | | **Fair**  **Value Amount** | | |
| Designated hedge | Commodity contracts hedging inventory | 2019 |  | — |  | $ | — |  | $ | — |  |  | (2.6 | ) | $ | 77.074 |  | $ | 46.0 |  |
|  |  | 2020 |  | (4.1 | ) | 79.910 | |  | (18.3 | | ) |  | (1.7 | ) | 78.456 | |  | 10.1 | |  |
|  |  |  |  |  | |  | | | (18.3 | | ) |  |  | |  | | | 56.1 | |  |
|  |  |  |  |  | |  | | |  | | |  |  | |  | | |  | | |
| Non-designated hedge | Commodity contracts | 2019 |  | — |  | — | |  | — | |  |  | 12.6 |  | 2.991 | |  | 14.0 | |  |
|  |  | 2020 |  | 13.5 |  | 2.190 | |  | 16.1 | |  |  | 0.9 |  | 0.854 | |  | 2.1 | |  |
|  |  | 2021 |  | 0.8 |  | 4.343 | |  | 3.6 | |  |  | (0.2 | ) | 6.544 | |  | 0.7 | |  |
|  |  | 2022 |  | (0.4 | ) | 8.711 | |  | 1.4 | |  |  | (0.1 | ) | 6.026 | |  | 0.2 | |  |
|  |  | 2023 |  | (0.1 | ) | 5.705 | |  | 0.3 | |  |  | — |  | 3.973 | |  | 0.1 | |  |
|  |  | Thereafter |  | (0.2 | ) | 6.629 | |  | 0.9 | |  |  |  |  |  | |  |  | |  |
|  |  |  |  |  | |  | | | 22.3 | |  |  |  | |  | | | 17.1 | |  |
| Total commodity derivative contracts | | |  |  | |  | | | $ | 4.0 |  |  |  | |  | | | $ | 73.2 |  |

**Foreign Currency Exchange Risk**

We hedge our exposure to currency exchange rate changes, such as foreign-currency-denominated trade receivables, payables, or local currency tax payments. The foreign currency exchange rate risk results primarily from our international operations and is economically hedged using forward and swap contracts. The changes in the fair value of these foreign currency exchange derivatives are recorded in earnings. Since the gains or losses on the forward and swap contracts are substantially offset by the gains or losses from remeasuring the hedged foreign-currency-denominated exposure, we do not believe that a hypothetical 10% change in exchange rates at December 31, 2019 would have a material impact on our income from operations.

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The foreign currency denominated notional amounts and fair values in U.S. dollars of our exposures from our foreign currency exchange derivatives at December 31, 2019, were primarily related to the following (in millions, except weighted average contract price):

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
| **As of December, 31 2019** | | | | | | | | | | |
| **Settlement Period** | **Unit** | **Notional**  **Net Long/(Short)** | |  | **Weighted Average**  **Contract Price** | |  | **Fair Value Amount** | | |
|  |  |  | |  |  | |  |  | | |
| 2020 | CAD | (63.5 | ) |  | 1.325 |  |  | (1.0 | | ) |
| 2020 | EUR | (104.4 | ) |  | 1.106 |  |  | (1.8 | | ) |
| 2020 | GBP | (27.2 | ) |  | 1.253 |  |  | (2.0 | | ) |
| 2020 | KRW | (20,817.2 | ) |  | 1,199.845 |  |  | (0.7 | | ) |
| 2020 | MXN | (270.4 | ) |  | 19.946 |  |  | (0.9 | | ) |
| 2020 | NOK | (286.0 | ) |  | 8.889 |  |  | (1.1 | | ) |
| 2020 | PHP | (337.9 | ) |  | 53.591 |  |  | (0.3 | | ) |
| 2020 | ZAR | (244.7 | ) |  | 15.493 |  |  | (1.7 | | ) |
| Total foreign currency exchange derivative contracts | | | | | | |  | $ | (9.5 | ) |

The total fair value of these contracts as of December 31, 2019, was a liability of $9.5 million and will be settled in 2020. At December 31, 2018, the fair value of our foreign currency exchange derivatives was $3.4 million, the majority of which were settled in 2019. Refer to "Note 4. Derivative Instruments" within "Part IV. Item 15. Notes to the Consolidated Financial Statements" included in this 2019 10-K Report for additional details.

**Interest Rate Risk**

Borrowings under our Credit Facility and Term Loans related to base rate loans or Eurodollar rate loans bear floating interest rates plus applicable margins. As of December 31, 2019, the applicable margins for base rate loans and Eurodollar rate loans were 0.75% and 1.75%, respectively. As of December 31, 2019, we had outstanding borrowings under our Credit Facility totaling $55.0 million and $515.6 million in Term Loans. As of December 31, 2019, the aggregate outstanding balance of our finance lease obligations was $18.7 million which bear interest at annual rates ranging from 1.0% to 5.4%. Our other remaining outstanding debt of $39.5 million, as of December 31, 2019, primarily relates to acquisition promissory notes and loans payable to noncontrolling shareholders of a consolidated subsidiary which are payable in varying amounts throughout 2020 and bear interest at annual rates ranging from 3.6% to 8.6%. The weighted average interest rate on our short‑term debt was 3.6% as of December 31, 2019. A 1.0% fluctuation in the interest rate on our outstanding debt would result in a $5.7 million change in interest expense during the next twelve months.

**Item 8. Financial** **Statements and Supplementary Data**

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 28, 2020, and the Selected Quarterly Financial Data (Unaudited), are set forth in Item 15 of this 2019 10‑K Report.

**Item 9. Changes** **in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

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**Item 9A. Controls** **and Procedures**

**Management’s Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of our CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a‑15(e). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2019.

**Management’s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a‑15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 using the framework specified in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing herein.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended December 31, 2019.

**Effectiveness of Internal Control**

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

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**Item 9B. Other Information**

None.

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**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

We have adopted a Code of Conduct that applies to all of our employees, officers (including our principal executive, financial and accounting officers) and directors. The Code of Conduct is located on our website at http://www.wfscorp.com under “Investor Relations – Corporate Governance – Code of Conduct.” We intend to disclose any amendments to our Code of Conduct or waivers with respect to our Code of Conduct granted to our principal executive, financial and accounting officers on our website.

The remaining information regarding our directors, executive officers and corporate governance is incorporated herein by reference from our Definitive Proxy Statement for the 2020 Annual Meeting of Shareholders (“2020 Proxy”) to be filed pursuant to Regulation 14A within 120 days after the close of the fiscal year ended December 31, 2019.

**Item 11. Executive** **Compensation**

Information on executive compensation is incorporated herein by reference from our 2020 Proxy to be filed pursuant to Regulation 14A within 120 days after the close of the fiscal year ended December 31, 2019.

**Item 12. Security** **Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

Information on security ownership of certain beneficial owners and management and related shareholder matters is incorporated herein by reference from our 2020 Proxy to be filed pursuant to Regulation 14A within 120 days after the close of the fiscal year ended December 31, 2019.

**Item 13. Certain** **Relationships and Related Transactions, and Director Independence**

Information on certain relationships and related transactions and director independence is incorporated herein by reference from our 2020 Proxy to be filed pursuant to Regulation 14A within 120 days after the close of the fiscal year ended December 31, 2019.

**Item 14. Principal** **Accounting Fees and Services**

Information on principal accounting fees and services is incorporated herein by reference from our 2020 Proxy to be filed pursuant to Regulation 14A within 120 days after the close of the fiscal year ended December 31, 2019.

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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| (a)(1) | The following consolidated financial statements are filed as a part of this 2019 10‑K Report: | | |
|  |  |  |  |
|  | [(i)](#s44E6550DA6C1538684870CD7ACEB1E60) | [Report of Independent Registered Public Accounting Firm](#s44E6550DA6C1538684870CD7ACEB1E60) | [48](#s44E6550DA6C1538684870CD7ACEB1E60) |
|  |  |  |  |
|  | [(ii)](#s404BA0DF4BE4544F84EC5FE9EA627FA5) | [Consolidated Balance Sheets](#s404BA0DF4BE4544F84EC5FE9EA627FA5) | [51](#s404BA0DF4BE4544F84EC5FE9EA627FA5) |
|  |  |  |  |
|  | [(iii)](#s18F8D51484A150ED9AC2115F74E9CB07) | [Consolidated Statements of Income and Comprehensive Income](#s18F8D51484A150ED9AC2115F74E9CB07) | [52](#s18F8D51484A150ED9AC2115F74E9CB07) |
|  |  |  |  |
|  | [(iv)](#sEEC9AAA567F850659B49548D2D282D46) | [Consolidated Statements of Shareholders’ Equity](#sEEC9AAA567F850659B49548D2D282D46) | [53](#sEEC9AAA567F850659B49548D2D282D46) |
|  |  |  |  |
|  | [(v)](#s5922660893CA5227A23FD41AC886D42C) | [Consolidated Statements of Cash Flows](#s5922660893CA5227A23FD41AC886D42C) | [54](#s5922660893CA5227A23FD41AC886D42C) |
|  |  |  |  |
|  | [(vi)](#s734134EAB5D65CCBB607A0EB209C79BB) | [Notes to the Consolidated Financial Statements](#s734134EAB5D65CCBB607A0EB209C79BB) | [58](#s734134EAB5D65CCBB607A0EB209C79BB) |
|  |  |  |  |
| (a)(2) | Consolidated financial statement schedules have been omitted either because the required information is set forth in the consolidated financial statements or notes thereto, or the information called for is not required. | | |
|  |  | | |
| (b) | The exhibits set forth in the following index of exhibits are filed or incorporated by reference as a part of this 2019 10‑K Report: | | |

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| **Exhibit No.** |  | **Description** |
| [3.1](http://www.sec.gov/Archives/edgar/data/789460/000119312505018689/dex992.htm) |  | Restated Articles of Incorporation (incorporated by reference herein from Exhibit 99.2 to our Current Report on Form 8‑K filed on February 3, 2005). |
| [3.2](http://www.sec.gov/Archives/edgar/data/789460/000115752309008255/a6106663ex3_1.txt) |  | Articles of Amendment to Restated Articles of Incorporation (incorporated by reference herein from Exhibit 3.1 to our Current Report on Form 8‑K filed on November 23, 2009). |
| [3.3](http://www.sec.gov/Archives/edgar/data/789460/000115752311005202/a6842908_ex31.htm) |  | By‑Laws, amended and restated as of August 26, 2011 (incorporated by reference herein from Exhibit 3.1 to our Current Report on Form 8‑K filed on August 29, 2011). |
| [4.1](a2019q410kex41.htm) |  | Description of Capital Stock. |
| [10.1](http://www.sec.gov/Archives/edgar/data/789460/000119312508061911/dex102.htm) |  | Agreement between World Fuel Services Corporation and Michael J. Kasbar, dated March 14, 2008 (incorporated by reference herein from Exhibit 10.2 to our Current Report on Form 8‑K filed on March 20, 2008). \* |
| [10.2](http://www.sec.gov/Archives/edgar/data/789460/000115752311005202/a6842908_ex101.htm) |  | Amendment No. 1, dated August 26, 2011, to Agreement between World Fuel Services Corporation and Michael J. Kasbar (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8‑K filed on August 29, 2011). \* |
| [10.3](http://www.sec.gov/Archives/edgar/data/789460/000115752312001808/a50230904ex10_1.htm) |  | Amendment No. 2, dated April 9, 2012, to Agreement between World Fuel Services Corporation and Michael J. Kasbar (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8‑K filed on April 13, 2012). \* |
| [10.4](http://www.sec.gov/Archives/edgar/data/789460/000110465914027167/a14-10353_1ex10d2.htm) |  | Amendment No. 3, dated April 11, 2014, to Agreement between World Fuel Services Corporation and Michael J. Kasbar (incorporated by reference herein from Exhibit 10.2 to our Current Report on Form 8‑K filed on April 11, 2014). \* |
| [10.5](http://www.sec.gov/Archives/edgar/data/789460/000119312507081302/dex102.htm) |  | Executive Severance Agreement between World Fuel Services Corporation and Ira M. Birns, dated April 16, 2007 (incorporated by reference herein from Exhibit 10.2 to our Current Report on Form 8‑K filed on April 16, 2007). \* |
| [10.6](http://www.sec.gov/Archives/edgar/data/789460/000162828017007371/a2017q2ex101.htm) |  | World Fuel Services Corporation Executive Severance Policy, effective as of December 31, 2016 (incorporated by reference herein from Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on July 28, 2017 ("2017 10-Q")). \* |
| [10.7](http://www.sec.gov/Archives/edgar/data/789460/000119312509088539/ddef14a.htm) |  | 2006 Omnibus Plan (incorporated by reference herein from Appendix A to our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 27, 2009). \* |
| [10.8](http://www.sec.gov/Archives/edgar/data/789460/000110465916125102/a16-12742_1ex10d1.htm) |  | 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8-K filed on June 2, 2016). \* |
| [10.9](http://www.sec.gov/Archives/edgar/data/789460/000155837016003246/int-20151231ex1024bff55.htm) |  | Form of Non-Employee Director 2017 Restricted Stock Unit Grant Agreement under the 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.24 to our Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 16, 2016). \* |
| [10.10](http://www.sec.gov/Archives/edgar/data/789460/000162828019002382/a2018q4ex1010.htm) |  | Form of Non-Employee Director Restricted Stock Unit Grant Agreement under the 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.10 to our 2019 10-K). \* |
| [10.11](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1010.htm) |  | Form of Named Executive Officer Restricted Stock Unit Grant Agreement under the 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 28, 2018 ("2017 10-K"). \* |
| [10.12](http://www.sec.gov/Archives/edgar/data/789460/000155837015001275/int-20150630ex1015b0497.htm) |  | Form of Named Executive Officer Long-Term Incentive Restricted Stock Unit Grant Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.1 to our Quarterly Report on Form 10‑Q for the quarter ended June 30, 2015 filed on July 30, 2015). \* |
| [10.13](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1012.htm) |  | Form of Named Executive Officer 2017 Performance-Based Restricted Stock Unit Grant Agreement under the 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.12 to our 2017 10-K). \* |
| [10.14](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1014.htm) |  | Form of Michael J. Kasbar Restricted Stock Unit Grant Agreement under the 2006 and 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.14 to our 2017 10-K). \* |
| [10.15](http://www.sec.gov/Archives/edgar/data/789460/000110465914054975/a14-13976_1ex10d1.htm) |  | Form of Michael J. Kasbar Stock-Settled Stock Appreciation Right Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on July 30, 2014 ("2014 10-Q"). \* |
| [10.16](http://www.sec.gov/Archives/edgar/data/789460/000162828017001482/a2016q4ex1015.htm) |  | Form of Michael J. Kasbar Stock-Settled Stock Appreciation Right Agreement (3-year Cliff Vesting) under the 2006 and 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.15 to our Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 21, 2017 ("2016 10-K"). \* |
| [10.17](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1017.htm) |  | Form of Ira M. Birns Restricted Stock Unit Grant Agreement under the 2016 Omnibus Plan (incorporated by reference herein from Exhibit 10.17 to our 2017 10-K). \* |
| [10.18](http://www.sec.gov/Archives/edgar/data/789460/000110465914054975/a14-13976_1ex10d2.htm) |  | Form of Ira M. Birns Stock-Settled Stock Appreciation Right Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.2 to our 2014 10-Q). \* |

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| **Exhibit No.** |  | **Description** |
| [10.19](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1021.htm) |  | Form of Michael J. Crosby and John P. Rau 2016 Performance-Based Restricted Stock Unit Grant Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.21 to our 2017 10-K). \* |
| [10.20](http://www.sec.gov/Archives/edgar/data/789460/000162828017007371/a2017q2ex104.htm) |  | Form of Michael J. Crosby and John P. Rau Restricted Stock Grant Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.4 to our 2017 10-Q). \* |
| [10.21](http://www.sec.gov/Archives/edgar/data/789460/000162828017007371/a2017q2ex105.htm) |  | Form of John P. Rau Restricted Stock Grant Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.5 to our 2017 10-Q). \* |
| [10.22](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1024.htm) |  | Form of Michael J. Crosby and John P. Rau Restricted Stock Unit Grant Agreement under the 2006 Omnibus Plan (incorporated by reference herein from Exhibit 10.24 to our 2017 10-K). \* |
| [10.23](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1025.htm) |  | Performance-Based Restricted Stock Unit Grant Agreement, dated as of November 10, 2017, between World Fuel Services Corporation and Jeffrey P. Smith (incorporated by reference herein from Exhibit 10.25 to our 2017 10-K). \* |
| [10.24](http://www.sec.gov/Archives/edgar/data/789460/000110465913075419/a13-22173_1ex10d1.htm) |  | Fourth Amended and Restated Credit Agreement, dated as of October 10, 2013, among World Fuel Services Corporation, World Fuel Services Europe, Ltd. and World Fuel Services (Singapore) Pte Ltd, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 11, 2013).\* |
| [10.25](http://www.sec.gov/Archives/edgar/data/789460/000155837015000030/int-20150130ex10147ad65.htm) |  | Amendment No. 1 to the Fourth Amended and Restated Credit Agreement, and Joinder Agreement, dated as of January 30, 2015, among World Fuel Services Corporation, World Fuel Services Europe, Ltd. and World Fuel Services (Singapore) Pte Ltd, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8-K filed on February 5, 2015). |
| [10.26](http://www.sec.gov/Archives/edgar/data/789460/000162828016020385/amendmentno2.htm) |  | Amendment No. 2 to the Fourth Amended and Restated Credit Agreement, and Joinder Agreement, dated as of October 26, 2016, among World Fuel Services Corporation, World Fuel Services Europe, Ltd. and World Fuel Services (Singapore) Pte Ltd, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8-K filed on October 27, 2016). |
| [10.27](http://www.sec.gov/Archives/edgar/data/789460/000162828017007371/a2017q2ex102.htm) |  | Amendment No. 3 to the Fourth Amended and Restated Credit Agreement, dated as of May 12, 2017, among World Fuel Services Corporation, World Fuel Services Europe, Ltd. and World Fuel Services (Singapore) Pte Ltd, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated by reference herein from Exhibit 10.2 to our 2017 10-Q). |
| [10.28](http://www.sec.gov/Archives/edgar/data/789460/000162828018002457/a2017q4ex1030.htm) |  | Amendment No. 4 to the Fourth Amended and Restated Credit Agreement, dated as January 30, 2018, among World Fuel Services Corporation, World Fuel Services Europe, Ltd. and World Fuel Services (Singapore) Pte Ltd, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated by reference herein from Exhibit 10.30 to our 2017 10-K). |
| [10.29](http://www.sec.gov/Archives/edgar/data/789460/000162828019008923/annexitoamendmentno5.htm) |  | Amendment No. 5 to the Fourth Amended and Restated Credit Agreement, dated as of October 26, 2016, among World Fuel Services Corporation, World Fuel Services Europe, Ltd., World Fuel Services (Singapore) Pte Ltd, and certain other Subsidiaries, as borrowers, Bank of America, N.A., as administrative agent, and the financial institutions named therein as lenders (incorporated by reference herein from Exhibit 10.1 to our Current Report on Form 8-K filed on July 24, 2019). |
| [21.1](a2019q410kex211.htm) |  | Subsidiaries of the Registrant. |
| [23.1](a2019q410kex231.htm) |  | Consent of Independent Registered Public Accounting Firm. |
| [31.1](a2019q4ex311.htm) |  | Certification of the Chief Executive Officer pursuant to Rule 13a‑14(a) or Rule 15d‑14(a). |
| [31.2](a2019q4ex312.htm) |  | Certification of the Chief Financial Officer pursuant to Rule 13a‑14(a) or Rule 15d‑14(a). |
| [32.1](a2019q4ex321.htm) |  | Statement of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes‑Oxley Act of 2002 (18 U.S.C. Section 1350). |
| 101 |  | The following materials from World Fuel Services Corporation’s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Shareholders’ Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements. |
| 104 |  | Cover page interactive file (formatted in Inline XBRL and contained in Exhibit 101). |

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\*Management contracts and compensatory plans or arrangements required to be filed as exhibits to this form, pursuant to Item 15(b).

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of World Fuel Services Corporation

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of World Fuel Services Corporation and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions

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are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Goodwill Impairment Assessment - Land Reporting Unit*

As described in Notes 1 and 7 to the consolidated financial statements, the Company’s consolidated goodwill balance was $843.7 million as of December 31, 2019, and the goodwill associated with the Land reporting unit was $455.5 million. Goodwill is reviewed at least annually at year-end (or more frequently under certain circumstances) for impairment. To determine whether goodwill is impaired, management compares the fair value of the reporting units to which goodwill was assigned to their respective carrying values to measure the amount of goodwill impairment, if any. In calculating fair value, management uses a combination of both an income and market approach. Under the market approach, management uses a selection of global companies that correspond to each reporting unit to derive a market-based multiple. Under the income approach, management calculates the fair value of a reporting unit based on the present value of estimated future cash flows, which include assumptions related to expected growth rates, profitability, and a discount rate that corresponds to a weighted-average cost of capital.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Land reporting unit is a critical audit matter are there was significant judgment by management when developing the fair value of the Land reporting unit, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating the estimated future cash flows, which include significant assumptions related to expected growth rates, profitability, and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessment, including controls over the determination of the reporting units and key assumptions used in the estimated future cash flows. These procedures also included, among others, testing management’s process for developing the fair value estimate, evaluating the appropriateness of the income and market approaches, testing the completeness and accuracy of underlying data used, and evaluating the significant assumptions used by management, including expected growth rates, profitability, and the discount rate. Evaluating management’s assumptions related to expected growth rates and profitability involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company’s income and market approaches and certain significant assumptions, including the discount rate.

/s/PricewaterhouseCoopers LLP

Miami, Florida

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February 28, 2020

We have served as the Company’s auditor since 2002.

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**WORLD FUEL SERVICES CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

(In millions, except per share data)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Assets: |  | | |  |  | | |
| Current assets: |  | | |  |  | | |
| Cash and cash equivalents | $ | 186.1 |  |  | $ | 211.7 |  |
| Accounts receivable, net | 2,891.9 | |  |  | 2,739.6 | |  |
| Inventories | 593.3 | |  |  | 523.1 | |  |
| Prepaid expenses | 80.6 | |  |  | 65.7 | |  |
| Short-term derivative assets, net | 59.5 | |  |  | 155.2 | |  |
| Other current assets | 358.8 | |  |  | 279.5 | |  |
| Total current assets | 4,170.1 | |  |  | 3,974.8 | |  |
| Property and equipment, net | 360.9 | |  |  | 350.3 | |  |
| Goodwill | 843.7 | |  |  | 852.7 | |  |
| Identifiable intangible and other non-current assets | 617.7 | |  |  | 499.0 | |  |
| Total assets | $ | 5,992.4 |  |  | $ | 5,676.9 |  |
| Liabilities: |  | | |  |  | | |
| Current liabilities: |  | | |  |  | | |
| Current maturities of long-term debt | $ | 54.1 |  |  | $ | 41.1 |  |
| Accounts payable | 2,602.7 | |  |  | 2,399.6 | |  |
| Customer deposits | 126.7 | |  |  | 118.2 | |  |
| Accrued expenses and other current liabilities | 378.9 | |  |  | 377.0 | |  |
| Total current liabilities | 3,162.4 | |  |  | 2,935.9 | |  |
| Long-term debt | 574.7 | |  |  | 659.9 | |  |
| Non-current income tax liabilities, net | 210.1 | |  |  | 194.6 | |  |
| Other long-term liabilities | 151.3 | |  |  | 54.9 | |  |
| Total liabilities | 4,098.5 | |  |  | 3,845.3 | |  |
| Commitments and contingencies |  | | |  |  | | |
| Equity: |  | | |  |  | | |
| World Fuel shareholders' equity: |  | | |  |  | | |
| Preferred stock, $1.00 par value; 0.1 shares authorized, none issued | — | |  |  | — | |  |
| Common stock, $0.01 par value; 100.0 shares authorized, 65.2 and 67.0 issued and outstanding as of December 31, 2019 and December 31, 2018, respectively | 0.7 | |  |  | 0.7 | |  |
| Capital in excess of par value | 274.7 | |  |  | 340.4 | |  |
| Retained earnings | 1,761.3 | |  |  | 1,606.1 | |  |
| Accumulated other comprehensive loss | (146.3 | | ) |  | (131.7 | | ) |
| Total World Fuel shareholders' equity | 1,890.4 | |  |  | 1,815.4 | |  |
| Noncontrolling interest | 3.5 | |  |  | 16.1 | |  |
| Total equity | 1,893.9 | |  |  | 1,831.6 | |  |
| Total liabilities and equity | $ | 5,992.4 |  |  | $ | 5,676.9 |  |

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

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**WORLD FUEL SERVICES CORPORATION**

**CONSOLIDATED STATEMENTS OF INCOME AND**

**COMPREHENSIVE INCOME**

(In millions, except earnings per share data)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **For the Year ended December 31,** | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Revenue | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | 33,695.5 |  |
| Cost of revenue | 35,707.0 | |  |  | 38,731.8 | |  |  | 32,763.3 | |  |
| Gross profit | 1,112.0 | |  |  | 1,018.5 | |  |  | 932.2 | |  |
| Operating expenses: |  | | |  |  | | |  |  | | |
| Compensation and employee benefits | 470.4 | |  |  | 442.1 | |  |  | 428.2 | |  |
| General and administrative | 322.2 | |  |  | 299.6 | |  |  | 306.9 | |  |
| Goodwill & Other Impairments | — | |  |  | — | |  |  | 91.9 | |  |
| Restructuring charges | 19.7 | |  |  | 17.1 | |  |  | 59.6 | |  |
|  | 812.3 | |  |  | 758.8 | |  |  | 886.6 | |  |
| Income from operations | 299.7 | |  |  | 259.7 | |  |  | 45.6 | |  |
| Non-operating expenses, net: |  | | |  |  | | |  |  | | |
| Interest expense and other financing costs, net | (73.9 | | ) |  | (71.0 | | ) |  | (60.3 | | ) |
| Other income (expense), net | 11.5 | |  |  | (3.8 | | ) |  | (6.4 | | ) |
|  | (62.4 | | ) |  | (74.8 | | ) |  | (66.7 | | ) |
| Income (loss) before income taxes | 237.3 | |  |  | 184.9 | |  |  | (21.1 | | ) |
| Provision for income taxes | 56.2 | |  |  | 55.9 | |  |  | 149.2 | |  |
| Net income (loss) including noncontrolling interest | 181.1 | |  |  | 129.0 | |  |  | (170.3 | | ) |
| Net income (loss) attributable to noncontrolling interest | 2.2 | |  |  | 1.3 | |  |  | (0.1 | | ) |
| Net income (loss) attributable to World Fuel | $ | 178.9 |  |  | $ | 127.7 |  |  | $ | (170.2 | ) |
| Basic earnings per common share | $ | 2.71 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |
| Basic weighted average common shares | 66.1 | |  |  | 67.4 | |  |  | 68.1 | |  |
| Diluted earnings per common share | $ | 2.69 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |
| Diluted weighted average common shares | 66.5 | |  |  | 67.7 | |  |  | 68.1 | |  |
| Comprehensive income: |  | | |  |  | | |  |  | | |
| Net income (loss) including noncontrolling interest | $ | 181.1 |  |  | $ | 129.0 |  |  | $ | (170.3 | ) |
| Other comprehensive income (loss): |  | | |  |  | | |  |  | | |
| Foreign currency translation adjustments | 8.2 | |  |  | (27.3 | | ) |  | 30.1 | |  |
| Cash flow hedges, net of income tax benefit of $8.7, expense of $7.0, and benefit of $0.3 for 2019, 2018, and 2017, respectively | (25.5 | | ) |  | 21.0 | |  |  | (0.3 | | ) |
| Other comprehensive income (loss): | (17.3 | | ) |  | (6.3 | | ) |  | 29.8 | |  |
| Comprehensive income (loss) including noncontrolling interest | 163.7 | |  |  | 122.6 | |  |  | (140.5 | | ) |
| Comprehensive income (loss) attributable to noncontrolling interest | (2.7 | | ) |  | (1.2 | | ) |  | 1.5 | |  |
| Comprehensive income (loss) attributable to World Fuel | $ | 166.5 |  |  | $ | 123.8 |  |  | $ | (142.0 | ) |

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

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**WORLD FUEL SERVICES CORPORATION**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY**

(In millions)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Common Stock** | | | | | |  | **Capital in Excess of Par Value** | | |  |  | | |  | **Accumulated Other Comprehensive Loss** | | |  | **Total World Fuel Shareholders’ Equity** | | |  | **Noncontrolling Interest** | | |  |  | | |
|  | **Shares** | |  | **Amount** | | |  |  | **Retained Earnings** | | |  |  | **Total Equity** | | |
| Balance as of December 31, 2016 | 69.9 |  |  | $ | 0.7 |  |  | $ | 399.9 |  |  | $ | 1,679.3 |  |  | $ | (154.8 | ) |  | $ | 1,925.0 |  |  | $ | 15.0 |  |  | $ | 1,940.0 |  |
| Net income | — |  |  | — | |  |  | — | |  |  | (170.2 | | ) |  | — | |  |  | (170.2 | | ) |  | (0.1 | | ) |  | (170.3 | | ) |
| Cash dividends declared | — |  |  | — | |  |  | — | |  |  | (16.3 | | ) |  | — | |  |  | (16.3 | | ) |  | — | |  |  | (16.3 | | ) |
| Distribution of noncontrolling interest | — |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | (0.4 | | ) |  | (0.4 | | ) |
| Amortization of share-based payment awards | — |  |  | — | |  |  | 21.3 | |  |  | — | |  |  | — | |  |  | 21.3 | |  |  | — | |  |  | 21.3 | |  |
| Issuance (cancellation) of common stock related to share-based payment awards | (0.4 | ) |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | (0.1 | ) |  | — | |  |  | (4.3 | | ) |  | — | |  |  | — | |  |  | (4.3 | | ) |  | — | |  |  | (4.3 | | ) |
| Purchases of common stock | (1.7 | ) |  | — | |  |  | (61.9 | | ) |  | — | |  |  | — | |  |  | (61.9 | | ) |  | — | |  |  | (61.9 | | ) |
| Other comprehensive income (loss) | — |  |  | — | |  |  | — | |  |  | — | |  |  | 28.3 | |  |  | 28.3 | |  |  | 1.5 | |  |  | 29.8 | |  |
| Balance as of December 31, 2017 | 67.7 |  |  | 0.7 | |  |  | 354.9 | |  |  | 1,492.8 | |  |  | (126.5 | | ) |  | 1,721.9 | |  |  | 16.0 | |  |  | 1,738.0 | |  |
| Net income | — |  |  | — | |  |  | — | |  |  | 127.7 | |  |  | — | |  |  | 127.7 | |  |  | 1.3 | |  |  | 129.0 | |  |
| Cash dividends declared | — |  |  | — | |  |  | — | |  |  | (16.1 | | ) |  | — | |  |  | (16.1 | | ) |  | — | |  |  | (16.1 | | ) |
| Amortization of share-based payment awards | — |  |  | — | |  |  | 7.7 | |  |  | — | |  |  | — | |  |  | 7.7 | |  |  | — | |  |  | 7.7 | |  |
| Issuance (cancellation) of common stock related to share-based payment awards | 0.2 |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | — |  |  | — | |  |  | (2.1 | | ) |  | — | |  |  | — | |  |  | (2.1 | | ) |  | — | |  |  | (2.1 | | ) |
| Purchases of common stock | (0.7 | ) |  | — | |  |  | (20.0 | | ) |  | — | |  |  | — | |  |  | (20.0 | | ) |  | — | |  |  | (20.0 | | ) |
| Other comprehensive income (loss) | — |  |  | — | |  |  | — | |  |  | — | |  |  | (5.2 | | ) |  | (5.2 | | ) |  | (1.2 | | ) |  | (6.3 | | ) |
| Reclassification of certain tax effects from US Tax Reform | — |  |  | — | |  |  | (0.2 | | ) |  | 1.6 | |  |  | — | |  |  | 1.4 | |  |  | — | |  |  | 1.4 | |  |
| Balance as of December 31, 2018 | 67.0 |  |  | 0.7 | |  |  | 340.4 | |  |  | 1,606.1 | |  |  | (131.7 | | ) |  | 1,815.4 | |  |  | 16.1 | |  |  | 1,831.6 | |  |
| Net income | — |  |  | — | |  |  | — | |  |  | 178.9 | |  |  | — | |  |  | 178.9 | |  |  | 2.2 | |  |  | 181.1 | |  |
| Cash dividends declared | — |  |  | — | |  |  | — | |  |  | (23.6 | | ) |  | — | |  |  | (23.6 | | ) |  | — | |  |  | (23.6 | | ) |
| Amortization of share-based payment awards | — |  |  | — | |  |  | 22.4 | |  |  | — | |  |  | — | |  |  | 22.4 | |  |  | — | |  |  | 22.4 | |  |
| Issuance (cancellation) of common stock related to share-based payment awards | 0.3 |  |  | — | |  |  | 0.7 | |  |  | — | |  |  | — | |  |  | 0.7 | |  |  | — | |  |  | 0.7 | |  |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | — |  |  | — | |  |  | (2.8 | | ) |  | — | |  |  | — | |  |  | (2.8 | | ) |  | — | |  |  | (2.8 | | ) |
| Purchases of common stock | (2.1 | ) |  | — | |  |  | (65.4 | | ) |  | — | |  |  | — | |  |  | (65.4 | | ) |  | — | |  |  | (65.4 | | ) |
| Acquisition of remaining noncontrolling interest | — |  |  | — | |  |  | (20.6 | | ) |  | — | |  |  | — | |  |  | (20.6 | | ) |  | (12.1 | | ) |  | (32.7 | | ) |
| Other comprehensive income (loss) | — |  |  | — | |  |  | — | |  |  | — | |  |  | (14.6 | | ) |  | (14.6 | | ) |  | (2.7 | | ) |  | (17.3 | | ) |
| Balance as of December 31, 2019 | 65.2 |  |  | $ | 0.7 |  |  | $ | 274.7 |  |  | $ | 1,761.3 |  |  | $ | (146.3 | ) |  | $ | 1,890.4 |  |  | $ | 3.5 |  |  | $ | 1,893.9 |  |

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

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**WORLD FUEL SERVICES CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **For the Year ended December 31,** | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Cash flows from operating activities: |  | | |  |  | | |  |  | | |
| Net income (loss) including noncontrolling interest | $ | 181.1 |  |  | $ | 129.0 |  |  | $ | (170.3 | ) |
| Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities: |  | | |  |  | | |  |  | | |
| Depreciation and amortization | 87.4 | |  |  | 81.5 | |  |  | 86.0 | |  |
| Provision for bad debt | 25.9 | |  |  | 25.1 | |  |  | 9.3 | |  |
| Share-based payment award compensation costs | 23.6 | |  |  | 8.3 | |  |  | 21.2 | |  |
| Deferred income tax expense (benefit) | 3.3 | |  |  | (3.2 | | ) |  | 13.9 | |  |
| Goodwill and other impairments | — | |  |  | — | |  |  | 91.9 | |  |
| Restructuring charges | 12.6 | |  |  | — | |  |  | 25.7 | |  |
| Foreign currency (gains) losses, net | 10.8 | |  |  | 8.7 | |  |  | (0.6 | | ) |
| (Gain) loss on sale of business | (13.9 | | ) |  | — | |  |  | — | |  |
| Other | (1.8 | | ) |  | (3.3 | | ) |  | (1.2 | | ) |
| Changes in assets and liabilities, net of acquisitions: |  | |  |  |  | | |  |  | | |
| Accounts receivable, net (reduced by beneficial interests received in exchange for accounts receivables sold of $369.8 and $338.8 for the years ended December 31, 2018 and 2017, respectively) | (164.1 | | ) |  | (445.2 | | ) |  | (705.4 | | ) |
| Inventories | (61.3 | | ) |  | (11.8 | | ) |  | (43.9 | | ) |
| Prepaid expenses | (17.8 | | ) |  | (5.3 | | ) |  | (19.7 | | ) |
| Short-term derivative assets, net | 132.0 | |  |  | (151.3 | | ) |  | (0.2 | | ) |
| Other current assets | (52.8 | | ) |  | (53.1 | | ) |  | (13.9 | | ) |
| Cash collateral with financial counterparties | (42.7 | | ) |  | 29.2 | |  |  | (26.7 | | ) |
| Other non-current assets | 33.6 | |  |  | (61.5 | | ) |  | (30.3 | | ) |
| Accounts payable | 143.7 | |  |  | 171.3 | |  |  | 451.2 | |  |
| Customer deposits | 8.1 | |  |  | 11.8 | |  |  | 13.4 | |  |
| Accrued expenses and other current liabilities | (91.9 | | ) |  | 72.5 | |  |  | 77.7 | |  |
| Non-current income tax, net and other long-term liabilities | 12.8 | |  |  | 14.8 | |  |  | 88.4 | |  |
| Total adjustments | 47.7 | |  |  | (311.5 | | ) |  | 36.7 | |  |
| Net cash provided by (used in) operating activities | 228.8 | |  |  | (182.5 | | ) |  | (133.6 | | ) |
| Cash flows from investing activities: |  | | |  |  | | |  |  | | |
| Cash receipts of retained beneficial interests in receivable sales | — | |  |  | 369.8 | |  |  | 338.8 | |  |
| Acquisition of businesses, net of cash acquired | — | |  |  | (21.3 | | ) |  | (120.7 | | ) |
| Proceeds from sale of business | 30.8 | |  |  | — | |  |  | — | |  |
| Capital expenditures | (80.9 | | ) |  | (72.3 | | ) |  | (54.0 | | ) |
| Other investing activities, net | (0.4 | | ) |  | 9.8 | |  |  | (5.4 | | ) |
| Net cash provided by (used in) investing activities | (50.5 | | ) |  | 286.0 | |  |  | 158.7 | |  |
| Cash flows from financing activities: |  | | |  |  | | |  |  | | |
| Borrowings | 5,001.7 | |  |  | 6,188.4 | |  |  | 4,472.7 | |  |
| Repayments of debt | (5,080.2 | | ) |  | (6,407.3 | | ) |  | (4,749.7 | | ) |
| Dividends paid on common stock | (21.1 | | ) |  | (16.2 | | ) |  | (16.3 | | ) |
| Repurchases of common stock | (65.4 | | ) |  | (20.0 | | ) |  | (61.9 | | ) |
| Other financing activities, net\* | (39.9 | | ) |  | (2.1 | | ) |  | (6.3 | | ) |
| Net cash used in financing activities | (204.9 | | ) |  | (257.1 | | ) |  | (361.6 | | ) |
| Effect of exchange rate changes on cash and cash equivalents | 1.0 | |  |  | (7.0 | | ) |  | 10.3 | |  |
| Net (decrease) increase in cash and cash equivalents | (25.6 | | ) |  | (160.6 | | ) |  | (326.2 | | ) |
| Cash and cash equivalents, as of the beginning of the period | 211.7 | |  |  | 372.3 | |  |  | 698.6 | |  |
| Cash and cash equivalents, as of the end of the period | $ | 186.1 |  |  | $ | 211.7 |  |  | $ | 372.3 |  |

\* Includes $32.7 million cash paid for the acquisition of 30% non-controlling interest of a consolidated subsidiary, Avinode Group AB.

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

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**WORLD FUEL SERVICES CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS** **– (CONTINUED)**

(In millions)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **For the Year ended December 31,** | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| **Supplemental Disclosures of Cash Flow Information** |  | | |  |  | | |  |  | | |
| Cash paid during the year for: |  | | |  |  | | |  |  | | |
| Interest, net of capitalized interest | $ | 77.0 |  |  | $ | 73.8 |  |  | $ | 64.9 |  |
| Income taxes | $ | 82.9 |  |  | $ | 85.3 |  |  | $ | 50.8 |  |

**Supplemental Schedule of Noncash Investing and Financing Activities**

Cash dividends declared, but not yet paid, were $6.5 million as of December 31,2019 and $4.0 million as of December 2018 and 2017 respectively.

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

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**WORLD FUEL SERVICES CORPORATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation, New Accounting Standards and Significant Accounting Policies**

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 (“2019 10‑K Report”) as “World Fuel,” “we,” “our” and “us.”

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, marine and land transportation industries. In recent years, we have expanded our product and service offerings to include energy advisory services and supply fulfillment with respect to natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services, technology solutions, as well as sustainability products and services across the energy product spectrum. We also offer payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries.

**A. Basis of Presentation**

The consolidated financial statements and related notes include our parent company and all wholly‑owned and majority‑owned subsidiaries and joint ventures where we exercise control. Our consolidated financial statements include the operations of an acquired business after the completion of the acquisition. The decision of whether or not to consolidate an entity requires consideration of majority voting interests, as well as effective economic or other control over the entity. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our fiscal year-end is as of and for the year ended December 31 for each year presented. All intercompany transactions among our businesses have been eliminated.

For additional information pertaining to our acquisitions, refer to "Note 3. Acquisitions and Divestitures."

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Our net income for the year ending December 31, 2019 of $178.9 million, or $2.69 per diluted common share, includes net discrete tax benefits of $6.6 million ($3.2 million recorded in March 2019 and $3.5 million in September 2019) with respect to foreign tax filings and $3.4 million of operating income ($2.3 million after-tax) recorded in March 2019. All of these amounts should have been recognized in prior periods. Excluding these misstatements, which we have determined were immaterial to the three months ending March 31, 2019, three and nine months ending September 30, 2019 and 2018 and immaterial to the years ending December 31, 2019 and 2018, our net income would have been $169.9 million, or $2.56 per diluted common share for the year ended December 31, 2019.

**B. New Accounting Standards**

Adoption of New Accounting Standards

We included below a description of recent new accounting standards that had an impact on the Company’s consolidated financial statements. New accounting standards or accounting standards updates not listed below were assessed and determined to be either not applicable or did not have a material impact on the Company’s consolidated financial statements or processes.

*Leases (Topic 842).* In February 2016, ASU 2016-02 was issued. The primary objective of the new standard, which amended the previous lease guidance and included additional disclosures, was to increase transparency and comparability among organizations by recognizing all lease assets and lease liabilities on the balance sheet, including operating leases that under the previous standard were off-balance sheet.

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Topic 842 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

The Company adopted ASU 2016-02, including the related codification amendments, in the first quarter of 2019 utilizing the modified retrospective transition method and applying the transition provisions at the effective date. We implemented the new standard using the package of practical expedients under the transition provisions that allowed us not to reassess whether a contract contains a lease, how the lease is classified and if initial direct costs can be capitalized. For all the lessee arrangements, we have elected an accounting policy to combine non-lease components with the related lease components and treat the combined items as a lease for accounting purposes. Lastly, we have elected not to recognize the lease asset and related lease liability for leases with a lease term of 12 months or less.

As of the date of implementation on January 1, 2019, the impact of the adoption of the new lease standard resulted in the recognition of the right of use assets of $167.3 million and lease liability of $173.6 million on the Company’s consolidated balance sheet where the right of use assets are presented within "Identifiable intangible and other non-current assets" and lease liabilities within both "Accrued expenses and other current liabilities" and "Other long-term liabilities." The difference between the right of use assets and lease liabilities was primarily the result of accrued lease payments and cumulative lease prepayments, as well as the remaining balance of lease incentives received. Subsequently to the adoption, the impact on the Company's results of operations and cash flows was not material.

Accounting Standards Issued But Not Yet Adopted

We included below a description of recent new accounting standards that could have an impact on the Company’s consolidated financial statements once adopted. New accounting standards or accounting standards updates not listed below were assessed and determined to be either not applicable or are not expected to have a material impact on the Company’s consolidated financial statements or processes.

*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In June 2016, ASU 2016-13 was issued, which replaces the incurred loss impairment model in current US GAAP with a model that reflects expected credit losses over the lifetime of the asset and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The guidance in this update, including the subsequent related codification amendments, will change how entities account for credit impairment from trade and other receivables, net investments arising from sales-type and direct financing leases, debt securities, purchased-credit impaired financial assets and other instruments in addition to loans. For receivables and certain other instruments that are not measured at fair value, entities will be required to estimate expected credit losses. Under the expected loss model, an entity recognizes a loss upon initial recognition of the asset that reflects all future events that will lead to a loss being realized, regardless of whether it is probable that the future event will occur.

ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 (including interim periods within those fiscal years). The Company will adopt ASU 2016-13, including the related codification amendments, as of January 1, 2020 utilizing the modified retrospective transition method.

The Company is completing final changes to business processes and implementation of new controls that will support the new standard. Furthermore, the Company has substantially finalized the impact of adopting the standard on its consolidated financial statements. As of the date of implementation on January 1, 2020, it is expected that the new model will not have a significant impact to the consolidated balance sheet given the short-term nature of its receivables. The main driver of the consolidated impact at transition is related to the exclusion of freestanding credit enhancements when estimating the expected credit loss and estimating the lifetime credit losses of financing receivables. Subsequent to the adoption, the Company does not anticipate a material impact on its results.

**C. Estimates and Assumptions**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could materially differ from estimated amounts. We evaluate our estimated assumptions based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

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**D. Cash and Cash Equivalents**

Our cash equivalents consist principally of overnight investments, bank money market accounts and bank time deposits which have an original maturity date of less than 90 days. These securities are carried at cost, which approximates market value.

**E. Accounts Receivable and Allowance for Bad Debt**

We extend credit on an unsecured basis to most of our customers. Credit extension, monitoring and collection are performed for each of our business segments. Each business segment has a credit function that is responsible for establishing initial credit limits, approving limits changes from previously approved credit limits, as well as managing the overall quality of the credit portfolio. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current creditworthiness, as determined by our review of our customer’s credit information. Accounts receivable payment terms are based on customer creditworthiness along with the contractual terms agreed to with our customers. Our accounts receivables credit terms are generally 30-60 days, although certain markets and customers may warrant longer payment terms. Accounts receivable balances that are not paid within the terms of the sales agreement are generally subject to finance fees, based on the outstanding balance. Although we analyze customers’ payment history and creditworthiness, we cannot predict with certainty that the customers to whom we extend credit will be able to remit payments on a timely basis, or at all. Because we extend credit on an unsecured basis to most of our customers, there is a possibility that any accounts receivable not collected will ultimately need to be written off.

The health of accounts receivable is continuously monitored, taking into consideration both the timeliness and predictability of collections and payments from our customers. We maintain a provision for estimated credit losses based upon our historical experience with our customers, along with any specific customer collection issues that we have identified. Principally based on these factors, an internally derived risk-based reserve is established and applied to all accounts receivable portfolios, on a quarterly basis. Customer account balances that are deemed to be at high risk of collectability are reserved at higher rates than customer account balances which we deem expected to be collected without issue.

Historical payment trends may not be an accurate indicator of current or future creditworthiness of our customers, particularly in difficult economic and financial markets. As a result of the limited predictability inherent in estimating which customers are less likely or unlikely to remit amounts owed to us, our provision for estimated credit losses may not be sufficient. Any write-off of accounts receivable in excess of our provision for credit losses would have an adverse effect on our results of operations. If credit losses exceed established allowances, our business, financial condition, results of operations and cash flows may be adversely affected.

**F. Inventories**

Inventories are valued primarily using weighted average cost, and first-in-first-out in certain limited locations, and are stated at the lower of average cost or net realizable value. We utilize a variety of fuel indices and other indicators of market value. Sharp negative changes in these indices can result in a reduction of our inventory valuation, which could have an adverse impact on our results of operations in the period in which we make the adjustment. These adjustments may have a material impact on our consolidated statements of operations. Components of inventory include fuel purchase costs, the related transportation costs and changes in the estimated fair market values for inventories included in a fair value hedge relationship.

**G. Business Combinations**

We account for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. We calculate the fair value based on the present value of estimated future cash flows. The estimated future cash flows are based on the best information available to us at the time. Acquisition-related costs incurred in connection with a business combination are expensed as incurred.

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**H. Fair Value of Financial Instruments**

We measure the fair value of financial instruments using observable and unobservable inputs. Observable inputs reflect what market participants would use in pricing the instrument, based on publicly available market data obtained from sources independent of us. Unobservable inputs are inputs for which market data are not available and reflect internal market assumptions.

The accounting guidance establishes the following fair value hierarchy:

Level 1 Inputs - Quoted prices in active markets.

Level 2 Inputs - Quoted prices for similar instruments in active markets other than quoted prices included within Level 1, quoted prices for identical or similar instruments in markets that are not active; and model-based valuations whose inputs are observable.

Level 3 Inputs - Inputs that are unobservable.

Our policy is to recognize transfers between levels as of the beginning of the reporting period in which the event or change in circumstances caused the transfer to occur. There were no significant changes to our valuation techniques during 2019 and 2018. For additional information pertaining to our fair value measurements, see "Note 12. Fair Value Measurements."

**I. Derivatives**

We enter into financial derivative contracts to mitigate the risk of market price fluctuations in aviation, land and marine fuel, to offer our customers fuel pricing alternatives to meet their needs and to mitigate the risk due to changes in foreign currency exchange rates. While we currently believe that our derivative contracts will be effective in mitigating the associated price risks, it is possible that our derivative instruments will be ineffective at mitigating material changes in prices, which could have an adverse impact on our financial position and results of operations. At the inception and on an ongoing basis, we assess the hedging relationship to determine its effectiveness in offsetting changes in cash flows or fair value attributable to the hedged risk.

Our derivative contracts are recognized at their estimated fair market value in accordance with the accounting guidance for fair value measurements. The fair value of our derivatives is derived using observable and certain unobservable inputs, such as basis differentials, which are based on the difference between the historical prices of our prior transactions and the underlying observable data. Measurement of the fair value of our derivatives also requires the assessment of certain risks related to non-performance, which requires a significant amount of judgment. The effect on our income before income taxes of a 10% change in the model input for non-performance risk would not be material to our consolidated statements of operations.

If the derivative instrument is not designated as a hedge, changes in the estimated fair market value are recognized as a component of revenue, cost of revenue or other income (expense), net (based on the underlying transaction type) in the consolidated statements of income and comprehensive income. Derivatives which qualify for hedge accounting may be designated as either a fair value or cash flow hedge. For our fair value hedges, changes in the estimated fair market value of the hedging instrument and the hedged item are recognized in the same line item as the underlying transaction type in the consolidated statements of income and comprehensive income. For our cash flow hedges, the changes in the fair market value of the hedging instrument are initially recognized as a component of other comprehensive income and subsequently reclassified into the same line item as the underlying forecasted transaction when both are settled or deemed probable of not occurring. 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 will be classified in a manner consistent with the nature of the instrument. For more information on our derivatives, see "Note 4. Derivatives Instruments."

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**J. Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily by using the straight‑line method over the estimated useful lives of the assets. Costs of major additions and improvements are capitalized while expenditures for maintenance and repairs, which do not extend the life of the asset, are expensed. Upon sale or disposition of property and equipment, the cost and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Long‑lived assets held and used by us are reviewed based on market factors and operational considerations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Purchases of computer software are capitalized. External costs and certain internal costs directly associated with developing significant computer software applications for internal use are capitalized. Computer software costs are amortized using the straight‑line method over the estimated useful life of the software.

**K. Goodwill and Identifiable Intangible Assets**

Goodwill arises because the purchase price paid reflects numerous factors, including the strategic fit and expected synergies these acquisitions bring to our existing operations. Goodwill is recorded at fair value and is reviewed at least annually at year-end (or more frequently under certain circumstances) for impairment.

Goodwill is evaluated for impairment at the reporting unit level and is initially based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of any individual reporting unit is less than its carrying amount. Such events or circumstances could include a material adverse change in the markets where we operate, similar to the current conditions within the shipping and offshore markets, limited market volatility, which adversely impacts our supply and trading activities, among others.

To determine whether goodwill is impaired, we would compare the fair value of the reporting units to which goodwill was assigned to their respective carrying values to measure the amount of goodwill impairment, if any. In calculating fair value, we use a combination of both an income and market approach as our primary indicator of fair value. Under the market approach, we use a selection of global companies that correspond to each reporting unit to derive a market-based multiple. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. The estimated future cash flows are based on the best information available to us at December 31, 2019 , including our annual operating plan, which is completed annually during the fourth quarter and is approved by our Board of Directors. Our estimates are considered supportable assumptions that we believe are reasonable based on information available to us at December 31, 2019, and are based on a number of factors including industry experience, internal benchmarks, and the economic environment. Our cash flow estimates are discounted using rates that correspond to a weighted-average cost of capital consistent with those used internally for investment decisions.

If our annual operating plan is not achieved or if there are other variations to our estimates and assumptions, particularly in the expected growth rates and profitability embedded in our cash flow projections or the discount rate used, there is the potential for a partial or total impairment of the carrying amount of goodwill within one or more of our reporting units. If we are required to impair all or a substantial amount of the goodwill attributable to one or more of our reporting units, our financial results of operations and financial condition could be adversely affected.

In connection with our acquisitions, we record identifiable intangible assets at fair value. The determination of the fair values of our identifiable intangible assets involves a significant amount of forecasting and other assumptions associated with recently acquired businesses for which we may not have as much historical information or trend data as we would for our existing businesses. Identifiable intangible assets subject to amortization are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess identifiable intangible assets not subject to amortization during the fourth quarter of each year for potential impairment. Our impairment analysis of our intangible assets not subject to amortization (primarily trademarks and/or trade names) generally involves the use of qualitative and quantitative analyses to estimate whether the estimated future cash flows generated as a result of these assets will be greater than or equal to the carrying value assigned to such assets.

For information pertaining to our 2019 impairment assessment, see "Note 7. Goodwill and Identifiable Intangible Assets."

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**L. Other Investments**

Our other investments consist primarily of equity investments, net of basis adjustments. These investments are accounted for under the equity method as we own less than 50% of the entities and exercise significant influence over the investee, but do not have operational or financial control. As of December 31, 2019 and 2018, we had other investments of $85.1 million and $73.7 million, respectively, which are included within identifiable intangible and other non‑current assets.

**M. Revenue Recognition**

The majority of our consolidated revenues are generated through the sale of fuel and fuel-related products. We generally recognize fuel sales and services revenue on a gross basis as we have control of the products or services before they are delivered to our customers. In drawing this conclusion, we considered various factors, including inventory risk management, latitude in establishing the sales price, discretion in the supplier selection and that we are normally the primary obligor in our sales arrangements.

Revenue from the sale of fuel is recognized when our customers obtain control of the fuel, which is typically upon delivery of each promised gallon or barrel to an agreed-upon delivery point. Revenue from services, including energy procurement advisory services and international trip planning support, and transaction and payment management processing, are recognized over the contract period when services have been performed and we have the right to invoice for those services.

We have elected not to adjust the contract consideration for the effect of a significant financing component for any contract in which the period between when the Company transfers the promises in the contract and when the customer pays is a year or less. In addition, we have elected to exclude from the transaction price the amount of certain taxes assessed by a government authority that we collect (or recover) from our customer and remit in connection with our sales transactions, such as certain sales or excise taxes.

**N. 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 outstanding share‑based payment awards. We utilize our historical forfeiture rates to calculate future expected forfeitures. These estimates can vary significantly from actual forfeiture rates experienced. Our estimated forfeiture rates have historically approximated actual forfeitures.

**O. Foreign Currency**

The functional currency of our U.S. and foreign subsidiaries is the U.S. dollar, except for certain subsidiaries which utilize their respective local currency as their functional currency. Foreign currency transaction gains and losses are recognized upon settlement of foreign currency transactions. In addition, for unsettled foreign currency transactions, foreign currency translation gains and losses are recognized for changes between the transaction exchange rates and month‑end exchange rates. Foreign currency transaction gains and losses are included in other income (expense), net, in the accompanying consolidated statements of income and comprehensive income in the period incurred.

Revenues and expenses of the subsidiaries that have a functional currency other than the U.S. dollar have been translated into U.S. dollars at average exchange rates prevailing during the period. The assets and liabilities of these subsidiaries have been translated at the rates of exchange on the balance sheet dates. The resulting translation gain and loss adjustments are recorded in accumulated other comprehensive income as a separate component of shareholders’ equity.

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**P. Income Taxes**

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and income tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recorded as a component of the income tax provision in the period that includes the enactment date.

Regular assessments are made on the likelihood that our deferred tax assets will be recovered from our future taxable income. Our evaluation is based on estimates, assumptions, and includes an analysis of available positive and negative evidence, giving weight based on the evidence’s relative objectivity. Sources of positive evidence include estimates of future taxable income, future reversal of existing taxable temporary differences, taxable income in carryback years, and available tax planning strategies. Sources of negative evidence include current and cumulative losses in recent years, losses expected in early future years, any history of operating losses or tax credit carryforwards expiring unused, and unsettled circumstances that, if unfavorably resolved, would adversely affect future profit levels.

The remaining carrying value of our deferred tax assets, after recording the valuation allowance on our deferred tax assets, is based on our present belief that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to utilize such deferred tax assets. The amount of the remaining deferred tax assets considered recoverable could be adjusted if our estimates of future taxable income during the carryforward period change favorably or unfavorably. To the extent we believe that it is more likely than not that some or all of the remaining deferred tax assets will not be realized, we must establish a valuation allowance against those deferred tax assets, resulting in additional income tax expense in the period such determination is made. To the extent a valuation allowance currently exists, we will continue to monitor all positive and negative evidence until we believe it is more likely than not that it is no longer necessary, resulting in an income tax benefit in the period such determination is made.

Significant judgment is required in evaluating our tax positions, and in determining our provisions for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We establish reserves when, despite our belief that the income tax return positions are fully supportable, certain positions are likely to be challenged and we may ultimately not prevail in defending those positions.

**Q. Earnings per Common Share**

Basic earnings per common share is computed by dividing net income attributable to World Fuel and available to common shareholders by the sum of the weighted average number of shares of common stock. Diluted earnings per common share is computed by dividing net income attributable to World Fuel and available to common shareholders by the sum of the weighted average number of shares of common stock and the number of additional shares of common stock that would have been outstanding if our outstanding potentially dilutive securities had been issued. Potentially dilutive securities include restricted stock subject to forfeitable dividends, non‑vested RSUs and SSAR Awards. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of our common stock can result in a greater dilutive effect from potentially dilutive securities.

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Numerator: |  | | |  |  | | |  |  | | |
| Net income (loss) attributable to World Fuel | $ | 178.9 |  |  | $ | 127.7 |  |  | $ | (170.2 | ) |
| Denominator: |  | | |  |  | | |  |  | | |
| Weighted average common shares for basic earnings per common share | 66.1 | |  |  | 67.4 | |  |  | 68.1 | |  |
| Effect of dilutive securities | 0.4 | |  |  | 0.3 | |  |  | — | |  |
| Weighted average common shares for diluted earnings per common share | 66.5 | |  |  | 67.7 | |  |  | 68.1 | |  |
| Weighted average securities which are not included in the calculation of diluted earnings per common share because their impact is anti-dilutive or their performance conditions have not been met | 1.4 | |  |  | 1.2 | |  |  | 1.4 | |  |
| Basic earnings (loss) per common share | $ | 2.71 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |
| Diluted earnings (loss) per common share | $ | 2.69 |  |  | $ | 1.89 |  |  | $ | (2.50 | ) |

**R. Leases**

We determine if an arrangement is a lease at inception. Determining whether a contract contains a lease includes judgment regarding whether the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Assessing whether we have obtained the right to substantially all of the economic benefits and the ability to direct how, and for what purpose, the asset is used requires more judgment in storage arrangements where we must determine whether our rights to capacity may represent substantially all of the available capacity at a location.

We account for our lease-related assets and liabilities based on their classification as operating leases or finance leases, following the relevant accounting guidance. For all the lessee arrangements, we have elected an accounting policy to combine non-lease components with the related-lease components and treat the combined items as a lease for accounting purposes. We measure lease related assets and liabilities based on the present value of lease payments, including in-substance fixed payments, variable payments that depend on an index or rate measured at the commencement date, and the amount we believe is probable we will pay the lessor under residual value guarantees when applicable. We discount lease payments based on our estimated incremental borrowing rate at lease commencement (or modification), which is primarily based on our estimated credit rating, the lease term at commencement, and the contract currency of the lease arrangement. We have elected to exclude short term leases (leases with an original lease term less than one year) from the measurement of lease-related assets and liabilities.

**2. Accounts Receivable**

We had accounts receivable of $2.9 billion and $2.7 billion, net of an allowance for bad debt of $35.5 million and $39.4 million, as of December 31, 2019 and 2018, respectively.

The following table sets forth activities in our allowance for bad debt (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Balance as of beginning of period | $ | 39.4 |  |  | $ | 27.8 |  |  | $ | 24.9 |  |
| Charges to provision for bad debt | 25.9 | |  |  | 25.1 | |  |  | 9.3 | |  |
| Write-off of uncollectible accounts receivable | (32.2 | | ) |  | (16.2 | | ) |  | (8.7 | | ) |
| Recoveries of bad debt | 2.4 | |  |  | 2.9 | |  |  | 2.0 | |  |
| Translation Adjustments | — | |  |  | (0.1 | | ) |  | 0.3 | |  |
| Balance as of end of period | $ | 35.5 |  |  | $ | 39.4 |  |  | $ | 27.8 |  |

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**Trade Accounts Receivable Sale Programs**

We have accounts receivable financing programs under Receivables Purchase Agreements (“RPAs”) with Wells Fargo Bank, N.A. and Citibank, N.A. that allow for the sale of our accounts receivable in an amount up to 100% of our outstanding qualifying accounts receivable balances and receive cash consideration equal to the total balance, less a discount margin equal to LIBOR plus 1% to 3%. Receivables sold under the RPAs are accounted for as sales, in accordance with ASC Topic 860, Transfers and Servicing, and excluded from accounts receivable, net on the accompanying consolidated balance sheets. Fees and interest paid under the RPAs are recorded within "Interest expense and other financing costs, net" in the Consolidated Statements of Comprehensive Income.

Under the RPAs, sold accounts receivable which remained outstanding at December 31, 2019 and 2018, were $405.9 million and $508.2 million, respectively. The fees and interest paid under the RPA were $25.9 million, $19.9 million, and $12.4 million, for 2019, 2018 and 2017, respectively. For the years ended December 31, 2019, 2018 and 2017, cash payments to the owners of account receivables were $8.2 billion, $7.9 billion and $6.1 billion respectively and cash proceeds from the sale of account receivables were $8.2 billion, $7.9 billion and $5.9 billion respectively.

**3. Acquisitions and Divestitures**

**2019 Acquisitions and Divestitures**

We made no material acquisitions or divestitures during 2019.

**2018 Acquisitions**

During 2018, we completed one acquisition in the land segment. The financial position, results of operations and cash flows of the 2018 acquisition has been included in our consolidated financial statements since its acquisition date and did not have a material impact on our consolidated financial statements as of and for the year ended December 31, 2018.

**2017 Acquisitions**

During the first quarter of 2017, we completed the acquisition of certain aviation fueling operations in Italy, Germany, Australia and New Zealand associated with the ExxonMobil transaction, further described below. We also completed five acquisitions during 2017 which were not material individually or in the aggregate.

The following table summarizes the aggregate consideration paid for acquisitions during 2017 and the provisional amounts of the assets acquired and liabilities assumed, recognized at the acquisition date:

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| (In millions) |  |  | |  |
| **Cash paid for acquisition of businesses, net of cash acquired** |  | $ | 108.2 |  |
| Cash and cash equivalents |  | 4.5 | |  |
| Amounts due to sellers |  | 0.7 | |  |
| Non-monetary consideration |  | 4.2 | |  |
| **Estimated purchase price** |  | $ | 117.6 |  |
|  |  |  | | |
| **Assets acquired:** |  |  | | |
| Cash and cash equivalents |  | $ | 4.5 |  |
| Property and equipment |  | 10.6 | |  |
| Goodwill and identifiable intangible assets |  | 105.2 | |  |
| Other current and long-term assets |  | 10.2 | |  |
|  |  |  | | |
| **Liabilities assumed:** |  |  | | |
| Accrued expenses and other current liabilities |  | (3.7 | | ) |
| Long-term liabilities and deferred tax liabilities |  | (9.1 | | ) |
| **Estimated purchase price** |  | $ | 117.6 |  |

In connection with the 2017 acquisitions, we recorded goodwill of $63.5 million, of which $29.5 million is anticipated to be deductible for tax purposes. The goodwill, of which $51.3 million and $12.2 million is assigned to the aviation segment and land segment, respectively, is attributable primarily to the expected synergies and other benefits that we believe will result from combining the operations of the acquired businesses with the operations of World Fuel Services' aviation and land segments. The identifiable intangible assets consist of $41.7 million of customer relationships with weighted average lives of 8.0 years.

The financial position, results of operations and cash flows of the 2017 acquisitions have been included in our consolidated financial statements since their respective acquisition dates and did not have a material impact on our consolidated revenue and net income for 2017. Accordingly, pro forma information for the 2017 acquisitions has not been provided as the impact is not material.

**4. Derivative Instruments**

The following describes our derivative classifications:

*Cash Flow Hedges.* Includes certain derivative contracts we execute to mitigate the risk of price volatility in forecasted transactions.

*Fair Value Hedges.* Includes derivative contracts we hold to hedge the risk of changes in the price of our inventory.

*Non-designated Derivatives.* Includes derivatives we primarily transact to mitigate the risk of market price fluctuations in the form of swap or futures contracts as well as certain forward fixed price purchase and sale contracts, and for portfolio optimization. In addition, non-designated derivatives are held to hedge the risk of currency rate fluctuations.

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The following table presents the gross fair value of our derivative instruments and their locations on the consolidated balance sheets (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Gross Derivative Assets** | | | | | | | |  | **Gross Derivative Liabilities** | | | | | | | |
|  |  |  | **As of December 31,** | | | | | | | |  | **As of December 31,** | | | | | | | |
| **Derivative Instruments** |  | **Balance Sheet Location** |  | **2019** | |  |  | **2018** | |  |  |  | **2019** | |  |  | **2018** | |  |
| **Derivatives designated as hedging instruments** | | |  |  | | |  |  | | |  |  |  | | |  |  | | |
| Commodity contracts |  | Short-term derivative assets, net |  | $ | — |  |  | $ | 168.5 |  |  |  | $ | — |  |  | $ | 122.5 |  |
|  |  | Identifiable intangible and other non-current assets |  | — | |  |  | 19.7 | |  |  |  | — | |  |  | 9.6 | |  |
|  |  | Accrued expenses and other current liabilities |  | 1.7 | |  |  | 0.1 | |  |  |  | 20.0 | |  |  | — | |  |
| **Total derivatives designated as hedging instruments** | | |  | $ | 1.7 |  |  | $ | 188.2 |  |  |  | $ | 20.0 |  |  | $ | 132.2 |  |
|  |  |  |  |  | | |  |  | | |  |  |  | | |  |  | | |
| **Derivatives not designated as hedging instruments** | | |  |  | | |  |  | | |  |  |  | | |  |  | | |
| Commodity contracts | | Short-term derivative assets, net |  | $ | 65.7 |  |  | $ | 537.6 |  |  |  | $ | 7.2 |  |  | $ | 429.0 |  |
|  |  | Identifiable intangible and other non-current assets |  | 23.0 | |  |  | 71.7 | |  |  |  | 4.8 | |  |  | 40.0 | |  |
|  |  | Accrued expenses and other current liabilities |  | 161.0 | |  |  | 30.7 | |  |  |  | 203.4 | |  |  | 126.4 | |  |
|  |  | Other long-term liabilities |  | 7.7 | |  |  | 12.9 | |  |  |  | 19.7 | |  |  | 40.4 | |  |
|  |  |  |  | $ | 257.3 |  |  | $ | 652.9 |  |  |  | $ | 235.0 |  |  | $ | 635.8 |  |
|  |  |  |  |  | | |  |  | | |  |  |  | | |  |  | | |
| Foreign currency contracts | | Short-term derivative assets, net |  | $ | 1.2 |  |  | $ | 4.4 |  |  |  | $ | 0.2 |  |  | $ | 0.8 |  |
|  |  | Identifiable intangible and other non-current assets |  | — | |  |  | 0.1 | |  |  |  | — | |  |  | — | |  |
|  |  | Accrued expenses and other current liabilities |  | 0.9 | |  |  | 0.1 | |  |  |  | 11.4 | |  |  | 0.4 | |  |
|  |  |  |  | $ | 2.0 |  |  | $ | 4.6 |  |  |  | $ | 11.6 |  |  | $ | 1.2 |  |
| **Total derivatives not designated as hedging instruments** | | |  | $ | 259.4 |  |  | $ | 657.5 |  |  |  | $ | 246.6 |  |  | $ | 637.0 |  |
|  |  |  |  |  | | |  |  | | |  |  |  | | |  |  | | |
| **Total derivatives** |  |  |  | $ | 261.1 |  |  | $ | 845.8 |  |  |  | $ | 266.6 |  |  | $ | 769.1 |  |

For information regarding our derivative instruments measured at fair value after netting and collateral see "Note 12. Fair Value Measurements."

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The following table summarizes the gross notional values of our commodity and foreign currency exchange derivative contracts used for risk management purposes that were outstanding as of December 31, 2019 (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
|  |  |  |  |  |  |
|  | **As of December 31,** | | | | |
| **Derivative Instruments** |  | **Units** |  | **2019** |  |
| **Commodity contracts** |  |  |  |  | |
| Long |  | BBL |  | 56.3 |  |
| Short |  | BBL |  | (46.8 | ) |
|  |  |  |  |  | |
| **Foreign currency exchange contracts** |  |  |  |  | |
| Sell U.S. dollar, buy other currencies |  | USD |  | (56.2 | ) |
| Buy U.S. dollar, sell other currencies |  | USD |  | 345.3 |  |

For additional information about our use of derivative instruments, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk*."*

As of December 31, 2019 and 2018, the following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges (in million):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Line item in the Consolidated Balance Sheets in which the hedged item is included** |  | **Carrying Amount of Hedged Asset/(Liabilities)** | | | | | | |  | **Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset/(Liabilities)** | | | | | | |
|  |  | **As of** | | | | | | |  | **As of** | | | | | | |
|  |  | **December 31, 2019** | | |  | **December 31, 2018** | | |  | **December 31, 2019** | | |  | **December 31, 2018** | | |
| Inventory |  | $ | 30.7 |  |  | $ | 44.7 |  |  | $ | 2.3 |  |  | $ | (6.6 | ) |

The following table presents the effect of fair value and cash flow hedges on income and expense line items in our Consolidated Statements of Income and Comprehensive Income (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Location and Amount of Gain and (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships** | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  | **For the Twelve Months Ended December 31,** | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  | **2019** | | | | | | |  | **2018** | | | | | | |  | **2017** | | | | | | |
|  | |  | Revenue | | |  | Cost of Revenue | | |  | Revenue | | |  | Cost of Revenue | | |  | Revenue | | |  | Cost of Revenue | | |
| Total amounts of income and expense line items in which the effects of fair value or cash flow hedged are recorded | |  | $ | 36,819.0 |  |  | $ | 35,707.0 |  |  | $ | 39,750.3 |  |  | $ | 38,731.8 |  |  | $ | 33,695.5 |  |  | $ | 32,763.3 |  |
| Gains or Loss on fair value hedge relationships | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodity contracts | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
|  | Hedged Item |  | — | |  |  | 18.1 | |  |  | — | |  |  | (1.6 | | ) |  | — | |  |  | 13.0 | |  |
|  | Derivatives designated as hedging instruments |  | — | |  |  | (16.1 | | ) |  | — | |  |  | 0.5 | |  |  | — | |  |  | (35.7 | | ) |
| Gains or Loss on cash flow hedge relationships | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodity contracts | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
|  | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income |  | (8.5 | | ) |  | 36.6 | |  |  | (23.5 | | ) |  | 45.5 | |  |  | (41.3 | | ) |  | 33.7 | |  |
| Total amount of income and expense line items excluding the impact of hedges | |  | $ | 36,827.5 |  |  | $ | 35,745.6 |  |  | $ | 39,773.7 |  |  | $ | 38,776.1 |  |  | 33,736.8 | |  |  | 32,774.2 | |  |

For the twelve months ended December 31, 2019, 2018 and 2017, there were no gains or losses recognized in earnings related to our fair value or cash flow hedges that were excluded from the assessment of hedge effectiveness.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Effective Portion)** | **For the Year Ended** | | | | | | | | | | | |  | **Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Effective Portion)** | **For the Year Ended** | | | | | | | | | | | |
|  | **December 31,** | | | | | | | | | | | |  |  | **December 31,** | | | | | | | | | | | |
| **Derivative Instruments** |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |  | **Location** |  | **2019** | |  |  | **2018** | |  |  | **2017** | |  |
| Commodity contracts |  | $ | (157.9 | ) |  | $ | 130.3 |  |  | $ | (7.8 | ) |  | Revenue |  | $ | (8.5 | ) |  | $ | (23.5 | ) |  | $ | (41.3 | ) |
| Commodity contracts |  | 160.6 | |  |  | (87.8 | | ) |  | (0.1 | | ) |  | Cost of revenue |  | 36.6 | |  |  | 45.5 | |  |  | 33.7 | |  |
| Foreign Currency contracts |  | — | |  |  | (1.1 | | ) |  | — | |  |  | Other Income (expense) net |  | — | |  |  | (1.1 | | ) |  | — | |  |
| Total gain (loss) |  | $ | 2.7 |  |  | $ | 41.5 |  |  | $ | (7.9 | ) |  | Total gain (loss) |  | $ | 28.1 |  |  | $ | 20.9 |  |  | $ | (7.6 | ) |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Amount of Realized and Unrealized Gain (Loss)** |  | **For the Year Ended** | | | | | | | | | | | |
|  |  | **December 31,** | | | | | | | | | | | |
| **Derivative Instruments - Non-designated** | **Location** |  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Commodity contracts | |  |  | | |  |  | | |  |  | | |
|  | Revenue |  | $ | 269.5 |  |  | $ | 147.6 |  |  | $ | (0.5 | ) |
|  | Cost of revenue |  | (221.8 | | ) |  | (119.8 | | ) |  | 62.3 | |  |
|  |  |  | $ | 47.7 |  |  | $ | 27.8 |  |  | $ | 61.8 |  |
| Foreign currency contracts | |  |  | | |  |  | | |  |  | | |
|  | Revenue |  | $ | (0.3 | ) |  | $ | 1.4 |  |  | $ | (3.2 | ) |
|  | Other (expense) income, net |  | (0.5 | | ) |  | 5.3 | |  |  | (7.8 | | ) |
|  |  |  | $ | (0.7 | ) |  | $ | 6.7 |  |  | $ | (11.0 | ) |
| Total gain |  |  | $ | 46.9 |  |  | $ | 34.5 |  |  | $ | 50.8 |  |

**Credit-Risk-Related Contingent Features**

We enter into derivative contracts which may require us to post collateral periodically. Certain of these derivative contracts contain credit-risk-related contingent clauses which are triggered by credit events. These credit events may include the requirement to post additional collateral or the immediate settlement of the derivative instruments upon the occurrence of a credit downgrade or if certain defined financial ratios fall below an established threshold. The following table presents the potential collateral requirements for derivative liabilities with credit-risk-contingent features (in millions):

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Potential Collateral Requirements for**  **Derivative Liabilities with**  **Credit-Risk-Contingent Features** | | | | | | | | | |
|  |  |  | **As of December 31,** | | | | | | | |
|  |  |  | **2019** | |  |  |  | **2018** | |  |
| Net derivative liability positions with credit contingent features |  |  | $ | 45.6 |  |  |  | $ | 7.2 |  |
| Maximum potential collateral requirements |  |  | $ | 45.6 |  |  |  | $ | 7.2 |  |

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At December 31, 2019 and 2018, there was no collateral held by our counterparties on these derivative contracts with credit-risk-contingent features.

**5. Restructuring**

During the fourth quarter of 2017, we initiated an enterprise-wide restructuring plan that was designed to streamline the organization and reallocate resources to better align our organizational structure and costs with our strategy. The restructuring plan involves reviewing certain non-core businesses and assets, our organizational structure, and expected business prospects in the markets we serve, as well as our existing technology platforms. These activities were completed in December 2019.

For the year ended December 31, 2019, we incurred $19.7 million in restructuring costs, comprised principally of certain information technology-related asset write-offs and employee-related costs, which are included in restructuring charges in our consolidated statements of income and comprehensive income. Our accrued restructuring charges as of December 31, 2019, are included in accrued expenses and other current liabilities on our consolidated balance sheet.

The following table provides a summary of our restructuring activities (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Aviation** | | | **Land** | | | **Marine** | | | **Corporate** | | | **Consolidated** | | |
| Balance as of December 31, 2017 | 0.7 | |  | 25.0 | |  | 1.3 | |  | 5.0 | |  | 32.0 | |  |
| Restructuring related costs | 1.6 | |  | 6.5 | |  | 4.5 | |  | 4.5 | |  | 17.1 | |  |
| Paid during the period | (0.8 | | ) | (18.9 | | ) | (3.3 | | ) | (5.5 | | ) | (28.5 | | ) |
| Balance as of December 31, 2018 | 1.4 | |  | 12.6 | |  | 2.6 | |  | 4.0 | |  | 20.7 | |  |
| Restructuring related costs | $ | 1.2 |  | $ | 4.4 |  | $ | 1.2 |  | $ | 13.0 |  | $ | 19.7 |  |
| Paid during the period | (2.1 | | ) | (9.6 | | ) | (2.4 | | ) | (16.8 | | ) | (30.8 | | ) |
| Restructuring charges as of December 31, 2019 | $ | 0.5 |  | $ | 7.5 |  | $ | 1.3 |  | $ | 0.2 |  | $ | 9.5 |  |

**6. Property and Equipment**

The amount of property and equipment and their respective estimated useful lives are as follows (in millions):

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | **As of December 31,** | | | | | | |  | **Estimated** |
|  |  | **2019** | | |  | **2018** | | |  | **Useful Lives** |
| Land |  | $ | 22.3 |  |  | $ | 27.3 |  |  | Indefinite |
| Buildings and leasehold improvements |  | 84.8 | |  |  | 81.0 | |  |  | 3 - 40 years |
| Office equipment, furniture and fixtures |  | 16.9 | |  |  | 20.6 | |  |  | 3 -  7  years |
| Computer equipment and software costs |  | 261.4 | |  |  | 194.7 | |  |  | 3 -  9  years |
| Machinery, equipment and vehicles |  | 269.3 | |  |  | 276.7 | |  |  | 3 - 40 years |
|  |  | 654.8 | |  |  | 600.3 | |  |  |  |
| Accumulated depreciation and amortization |  | 293.9 | |  |  | 249.9 | |  |  |  |
|  |  | $ | 360.9 |  |  | $ | 350.3 |  |  |  |

For 2019, 2018 and 2017, we recorded depreciation expense of $54.5 million, $45.6 million and $44.1 million, respectively.

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The amount of computer software costs, including capitalized internally developed software costs are as follows (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Computer software costs | $ | 169.9 |  |  | $ | 115.6 |  |
| Accumulated amortization | 110.0 | |  |  | 91.2 | |  |
| Computer software costs, net | $ | 59.9 |  |  | $ | 24.5 |  |

Included in capitalized computer software costs are costs incurred in connection with software development in progress of $22.5 million and $46.2 million as of December 31, 2019 and 2018, respectively. For 2019, 2018 and 2017, we recorded amortization expense related to computer software costs of $17.8 million, $10.9 million and $11.0 million, respectively.

**7.** **Goodwill and Identifiable Intangible Assets**

In 2019, we used a combination of qualitative and quantitative factors to review goodwill and identifiable intangible assets for impairment for all of our reporting units. As a result of performing these assessments, we determined that no impairment existed as of December 31, 2019 and, therefore, there were no write-downs to any of our goodwill or identifiable intangible assets not subject to amortization.

**Goodwill**

The following table provides information regarding changes in goodwill (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Aviation**  **Segment** | | |  | **Land**  **Segment (1)** | | |  |  | **Total** | | |
| As of December 31, 2017 | $ | 326.9 |  |  | $ | 518.5 |  |  |  | $ | 845.5 |  |
| 2018 acquisitions | — | |  |  | 13.4 | |  |  |  | 13.4 | |  |
| Adjustment of purchase price allocations | (2.2 | | ) |  | 4.5 | |  |  |  | 2.3 | |  |
| Foreign currency translation of non-USD functional currency subsidiary goodwill | (1.8 | | ) |  | (6.7 | | ) |  |  | (8.4 | | ) |
| As of December 31, 2018 | 322.9 | |  |  | 529.7 | |  |  |  | 852.7 | |  |
| Adjustment for sale of business | — | |  |  | (13.3 | | ) |  |  | (13.3 | | ) |
| Foreign currency translation of non-USD functional currency subsidiary goodwill | 0.7 | |  |  | 3.6 | |  |  |  | 4.3 | |  |
| As of December 31, 2019 | $ | 323.6 |  |  | $ | 520.1 |  |  |  | $ | 843.7 |  |

(1) At December 31, 2019, $455.5 million of the land segment's goodwill amount relates to the land reporting unit.

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**Identifiable Intangible Assets**

The following table provides information about our identifiable intangible assets (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **As of December 31, 2019** | | | | | | | | | | |  | **As of December 31, 2018** | | | | | | | | | | |
|  | **Gross Carrying Amount** | | |  | **Accumulated Amortization (1)** | | |  | **Net** | | |  | **Gross Carrying Amount** | | |  | **Accumulated Amortization (1)** | | |  | **Net** | | |
| Intangible assets subject to amortization: |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Customer relationships | $ | 382.0 |  |  | $ | 226.5 |  |  | $ | 155.5 |  |  | $ | 373.8 |  |  | $ | 198.7 |  |  | $ | 175.1 |  |
| Supplier agreements | 39.0 | |  |  | 19.8 | |  |  | 19.2 | |  |  | 39.0 | |  |  | 17.6 | |  |  | 21.4 | |  |
| Others | 40.1 | |  |  | 33.5 | |  |  | 6.6 | |  |  | 40.0 | |  |  | 30.5 | |  |  | 9.5 | |  |
|  | 461.1 | |  |  | 279.8 | |  |  | 181.3 | |  |  | 452.8 | |  |  | 246.8 | |  |  | 206.0 | |  |
| Intangible assets not subject to amortization: |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Trademark/trade name rights | 40.4 | |  |  |  | |  |  | 40.4 | |  |  | 39.4 | |  |  |  | |  |  | 39.4 | |  |
|  | $ | 501.5 |  |  | $ | 279.8 |  |  | $ | 221.7 |  |  | $ | 492.2 |  |  | $ | 246.8 |  |  | $ | 245.4 |  |

(1) Includes the impact of foreign exchange

Intangible amortization expense for 2019, 2018 and 2017 was $32.9 million, $35.9 million and $41.9 million, respectively.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| **Year Ended December 31,** | | | |
| 2020 | $ | 31.5 |  |
| 2021 | 29.1 | |  |
| 2022 | 27.6 | |  |
| 2023 | 19.4 | |  |
| 2024 | 18.0 | |  |
| Thereafter | 55.7 | |  |
|  | $ | 181.3 |  |

**8. Debt, Interest Income, Expense and Other Finance Costs**

In July 2019, we amended our Credit Agreement to, among other things, (i) increase the borrowing capacity of the Credit Facility to $1.3 billion, (ii) increase the Term Loans to $525.0 million, (iii) extend the maturity date to July 2024, and (iv) modify certain financial and other covenants to reduce costs and provide greater operating flexibility.

Our Credit Agreement, as amended through December 31, 2019 and which matures in July 2024, consists of a revolving loan under which up to $1.3 billion aggregate principal amount could be borrowed, repaid and redrawn, based upon specific financial ratios and subject to the satisfaction of other customary conditions to borrowing. Our Credit Facility includes a sublimit of $400.0 million for the issuance of letters of credit and bankers' acceptances, and we have the right to request increases in available borrowings up to an additional $200.0 million, subject to the satisfaction of certain conditions. We had outstanding borrowings under our Credit Facility totaling $55.0 million and $170.0 million as of December 31, 2019 and 2018, respectively.

Our issued letters of credit under the Credit Facility totaled $4.3 million and $4.1 million as of December 31, 2019 and 2018, respectively. Additionally, as of December 31, 2019 and 2018, we had $515.6 million and $514.8 million in Term Loans outstanding, respectively.

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As of December 31, 2019 and 2018, the unused portion of our Credit Facility was $1.2 billion and $985.9 million, respectively. The unused portion of our Credit Facility is limited by, among other things, our financial leverage ratio, which limits the total amount of indebtedness we may incur, and may, therefore, fluctuate from period to period.

Borrowings under our Credit Facility and Term Loans related to base rate loans or Eurodollar rate loans bear floating interest rates plus applicable margins. As of December 31, 2019, the applicable margins for base rate loans and Eurodollar rate loans were 0.75% and 1.75%, respectively.

Our Credit Facility and Term Loans contain certain financial and other covenants with which we are required to comply. Our failure to comply with the covenants contained in our Credit Facility and our Term Loans 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 and our Term Loans, trigger cross-defaults under certain other agreements to which we are a party and impair our ability to obtain working capital advances and issue letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. As of December 31, 2019, we were in compliance with all financial covenants contained in our Credit Facility and our Term Loans.

Outside of our Credit Facility, we have other uncommitted credit lines primarily for the issuance of letters of credit, bank guarantees and bankers’ acceptances. These credit lines are renewable on an annual basis and are subject to fees at market rates. As of December 31, 2019 and 2018, our outstanding letters of credit and bank guarantees under these credit lines totaled $375.2 million and $303.6 million, respectively. Substantially all of the letters of credit and bank guarantees issued under our Credit Facility and the uncommitted credit lines were provided to suppliers in the normal course of business and generally expire within one year of issuance. Expired letters of credit and bank guarantees are renewed as needed.

Our debt consisted of the following (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Credit Facility | $ | 55.0 |  |  | $ | 170.0 |  |
| Term Loans | 515.6 | |  |  | 514.8 | |  |
| Finance leases | 18.7 | |  |  | 13.8 | |  |
| Other\* | 39.5 | |  |  | 2.3 | |  |
| Total debt | 628.8 | |  |  | 701.0 | |  |
| Current maturities of long-term debt and finance leases\* | 54.1 | |  |  | 41.1 | |  |
| Long-term debt | $ | 574.7 |  |  | $ | 659.9 |  |

\*Includes secured borrowing of $37.3 million (EUR 33.6 million) for the transfer of tax receivables.

As of December 31, 2019, the aggregate annual maturities of debt are as follows (in millions):

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| **Year Ended December 31,** | | | |
| 2020 | $ | 54.1 |  |
| 2021 | 23.5 | |  |
| 2022 | 29.7 | |  |
| 2023 | 29.0 | |  |
| 2024 | 489.9 | |  |
| Thereafter | 2.6 | |  |
|  | $ | 628.8 |  |

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The following table provides additional information about our interest income, interest expense and other financing costs, net (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Interest income | $ | 6.2 |  |  | $ | 3.9 |  |  | $ | 6.0 |  |
| Interest expense and other financing costs | (80.0 | | ) |  | (74.8 | | ) |  | (66.3 | | ) |
|  | $ | (73.9 | ) |  | $ | (71.0 | ) |  | $ | (60.3 | ) |

**9. Commitments and Contingencies**

**Surety Bonds**

In the normal course of business, we are required to post bid, performance and other surety-related bonds. The majority of the surety bonds posted relate to our aviation and land segments. We had outstanding bonds that were executed in order to satisfy various security requirements of $53.1 million and $73.0 million, as of December 31, 2019 and 2018, respectively.

**Sales and Purchase Commitments**

As of December 31, 2019, the notional value associated with fixed sales and purchase commitments under our derivative programs amounted to $372.6 million and $73.6 million, respectively with delivery dates from 2020 through 2026. Additionally, we have certain purchase contracts that extend through 2026, under which we agreed to purchase annually between 1.79 million barrels and 2.02 million barrels of aviation fuel at future market prices.

**Agreements with Executive Officers and Key Employees**

We have an agreement with our Chairman, President and Chief Executive Officer, Michael J. Kasbar (“Mr. Kasbar”), for his continued employment with us which provides for an annual base salary as determined by our Compensation Committee in its sole discretion (currently $900,000), termination severance benefits, and such incentives and other compensation and amounts as our Compensation Committee may determine from time to time in its sole discretion. Mr. Kasbar's employment agreement, as amended, expires each year on December 31st and automatically extends for successive one-year terms unless either party provides written notice to the other at least one year prior to the expiration of the current term that such party does not want to extend the term. Pursuant to the terms of his agreement, Mr. Kasbar is entitled to receive cash severance payments if: (a) we terminate his employment without cause following a change of control or for any reason other than death, disability or cause; (b) he resigns for good reason (generally a reduction in his responsibilities or compensation, or a breach by us), or resigns following a change of control; or (c) either he elects or we elect not to extend the term of the agreement, as amended. The severance payments are generally equal to $5.0 million for a termination following a change of control and $3.0 million in the other scenarios described above, a portion of which is payable two years after the termination of Mr. Kasbar’s employment.

Subject to the terms of the applicable equity awards, all of Mr. Kasbar’s outstanding SSAR Awards and RSUs (collectively, “outstanding equity awards”) will immediately vest in each scenario described in (a) and (b) above following a change of control, except for awards assumed or substituted by a successor company, in which case, such awards shall continue to vest in accordance with their applicable terms. In each scenario described in (a), (b) or (c) above where there has not been a change of control, Mr. Kasbar’s outstanding equity awards will generally vest over a two-year period following termination of his employment, with any remaining unvested awards vesting on the last day of such two-year period. For each scenario described above, awards with multiple annual performance conditions must satisfy certain other requirements in order to have their vesting terms accelerated.

Our other executive officers either participate in our Executive Severance Plan or are parties to a separation agreement. These arrangements provide for severance benefits payable upon termination under certain circumstances.  In addition, the applicable equity awards generally vest similarly to Mr. Kasbar's equity awards following a change of control.

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As of December 31, 2019, the approximate future minimum commitments under these agreements, excluding discretionary and performance bonuses, are as follows (in millions):

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| **Year Ended December 31,** | | | |
| 2019 | $ | 0.9 |  |

**Deferred Compensation Plans**

We maintain a 401(k) defined contribution plan which covers all U.S. employees who meet minimum requirements and elect to participate. We are currently making a match contribution of 50% for each 1% of the participants' contributions up to 6% of the participants' contributions. Annual contributions by us are made at our sole discretion, as approved by the Compensation Committee. Additionally, certain of our foreign subsidiaries have defined contribution plans, which allow for voluntary contributions by the employees. In some cases, we make employer contributions on behalf of the employees. The expenses for our contributions under these plans were not material during each of the years presented on the consolidated statements of income and comprehensive income.

We offer a non-qualified deferred compensation (“NQDC”) plan to certain eligible employees, whereby the participants may defer a portion of their compensation. We do not match any participant deferrals under the NQDC plan. Participants can elect from a variety of investment choices for their deferred compensation and gains and losses on these investments are credited to their respective accounts. The deferred compensation payable amount under this NQDC plan is subject to the claims of our general creditors and was $9.7 million and $6.4 million as of December 31, 2019 and December 31, 2018, respectively, which was included in other long-term liabilities in the accompanying consolidated balance sheets.

**Environmental and Other Liabilities; Uninsured Risks**

Our business is subject to numerous federal, state, local and foreign environmental laws and regulations, including those relating to fuel storage and distribution, terminals, underground storage tanks, the release or discharge of regulated materials into the air, water and soil, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the exposure of persons to regulated materials. A violation of, liability under, or noncompliance with these laws and regulations, or any future environmental law or regulation, could result in material liabilities, including administrative, civil or criminal penalties, remediation costs as well as third-party damages. From time to time, we may be responsible for remediating contamination at properties we own or lease and can be entitled to reimbursement for certain of these costs from state trust funds, as well as various third-party contractual indemnities and insurance policies, subject to eligibility requirements, deductibles, and aggregate caps. Although we continuously review the adequacy of our insurance coverage, we may lack adequate coverage for various risks, including environmental claims. If we are uninsured or under‑insured for a claim or claims of sufficient magnitude arising out of our activities, it will have a material adverse effect on our financial position, results of operations and cash flows.

We accrue for environmental assessment and remediation expenses when the future costs are probable and reasonably estimable. At December 31, 2019 and 2018, accrued liabilities for remediation were not material. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed.

**Tax Matters**

From time to time, we are under review by various domestic and foreign tax authorities with regard to indirect tax matters and are involved in various challenges and litigation in a number of countries, including, in particular, Brazil and South Korea, where the amounts under controversy may be material. We believe that these assessments are without merit and are currently appealing the actions.

During the quarter ended December 31, 2016, the Korean branch (“WFSK”) of one of our subsidiaries received assessments of approximately $9.8 million (KRW 11.3 billion) and during the quarter ended June 30, 2017, an assessment for an additional $17.4 million (KRW 20.1 billion) from the regional tax authorities of Seoul, South Korea (“SRTO”). The assessments primarily consist of fines and penalties for allegedly failing to issue Value Added Tax ("VAT") invoices and report certain transactions during the period 2011-2014. These assessments do not involve failure to pay or collect VAT. We believe that these assessments are without merit and are currently appealing the actions.

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We are also involved in a number of tax disputes with federal, state and municipal tax authorities in Brazil, relating primarily to a VAT tax known as "ICMS". These disputes are at various stages of the legal process, including the administrative review phase and the collection action phase, and include assessments of fixed amounts of principal and penalties, plus interest. One of our Brazilian subsidiaries is currently appealing an assessment of approximately $12.2 million (BRL 49.1 million) from the Brazilian tax authorities relating to the ICMS rate used for certain transactions.  The assessment primarily consists of interest and penalties.  We believe that the assessment is without merit and are pursuing our remedies in the judicial court system.

When we deem it appropriate and the amounts are reasonably estimable, we establish reserves for potential adjustments to our provision for the accrual of indirect taxes that may result from examinations or other actions by tax authorities. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period we determine the liabilities are no longer necessary. If our estimates of any of our federal, state, and foreign indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense. Except with respect to the matters described above, we believe that the final outcome of any pending examinations, agreements, administrative or judicial proceedings will not have a material effect on our results of operations or cash flows.

**Other Matters**

We are also a party to various claims, complaints and proceedings arising in the ordinary course of our business including, but not limited to, environmental claims, commercial and governmental contract claims, such as property damage, demurrage, personal injury, billing and fuel quality claims, as well as bankruptcy preference claims and tax and administrative claims. We have established loss provisions for these ordinary course claims as well as other matters in which losses are probable and can be reasonably estimated. As of December 31, 2019, we had recorded certain reserves which were not material. For those matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses will not have a material adverse effect on our consolidated financial statements. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular period could have a material adverse effect on our consolidated financial statements or disclosures for that period.

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

**10. Shareholders’ Equity**

**Cash Dividends**

During the years ended December 31, 2019, 2018 and 2017, the Company's Board of Directors declared aggregate cash dividends of $0.36, $0.24, and $0.24 per common share, representing $24 million, $16 million, $16 million in total dividends, respectively. Our Credit Facility and Term Loans have restrictions regarding the maximum amount of cash dividends allowed to be paid. The payments associated with the above referenced cash dividends were in compliance with our Credit Facility and Term Loans.

**Stock Repurchase Programs**

In October 2017, our Board of Directors ("Board") approved a new common stock repurchase program which replaced the remainder of the existing program and authorized the purchase of up to $100 million in common stock (the “Repurchase Program”).  In May 2019, our Board approved a $100 million increase to the Repurchase Program, increasing the available authorization remaining to approximately $150 million. The Repurchase Program does not require a minimum number of shares of common stock to be purchased, has no expiration date and may be suspended or discontinued at any time. As of December 31, 2019, $114.6 million remains available for purchase under the Repurchase Program. The timing and amount of shares of common stock to be repurchased under the Repurchase Program will depend on market conditions, share price, securities law and other legal requirements and factors.

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In 2019, we repurchased 2.1 million shares of common stock for an aggregate value of $65.4 million. In 2018 and 2017, respectively, we repurchased 0.7 million shares of common stock for an aggregate value of $20.0 million and 1.7 million shares of our common stock for an aggregate value of $61.9 million

**Share-Based Payment Plans**

**Plan Summary and Description**

In May 2016, our shareholders approved the 2016 Omnibus Plan (the “2016 Plan”), which replaced our previously adopted 2006 Omnibus Plan, as amended and restated in 2009 (the “2006 Plan”). The 2016 Plan is administered by the Compensation Committee of the Board of Directors (the “Compensation Committee”). The purpose of the 2016 Plan is to (i) attract and retain persons eligible to participate in the 2016 Plan; (ii) motivate participants, by means of appropriate incentives, to achieve long‑range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align participants’ interests with those of our other shareholders through compensation that is based on the value of our common stock. The goal is to promote the long‑term financial interest of World Fuel and its subsidiaries, including the growth in value of our equity and enhancement of long‑term shareholder return. The persons eligible to receive awards under the 2016 Plan are our employees, officers, and members of the Board of Directors, or any consultant or other person who performs services for us.

The provisions of the 2016 Plan authorize the grant of stock options which can be “qualified” or “nonqualified” under the Internal Revenue Code of 1986, as amended, restricted stock, RSUs, SSAR Awards, performance shares and performance units and other share‑based awards. The 2016 Plan is unlimited in duration and, in the event of its termination, the 2016 Plan will remain in effect as long as any awards granted under it remain outstanding. No awards may be granted under the 2016 Plan after May 2026. The term and vesting period of awards granted under the 2016 Plan are established on a per grant basis, but options and SSAR Awards may not remain exercisable after the seven‑year anniversary of the date of grant.

Under the 2016 Plan, 2.5 million shares of common stock are authorized for issuance plus any shares of common stock with respect to awards that were granted under the 2006 Plan but are forfeited or canceled (e.g., due to the recipient's failure to satisfy applicable service or performance conditions) after May 2016. As of December 31, 2019, approximately 3.4 million shares of common stock were subject to outstanding awards under the 2016 and 2006 Plans (assuming maximum achievement of performance goals for restricted stock and target achievement of performance goals for RSUs, where applicable).

The following table summarizes the outstanding awards issued pursuant to the 2016 Plan described above as of December 31, 2019 and the remaining shares of common stock available for future issuance (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Plan name** | **Restricted Stock** | |  | **RSUs** | |  | **SSAR Awards** | |  | **Remaining shares of common stock available for future issuance** | |
| 2016 Plan (1) | — |  |  | 0.8 |  |  | 2.1 |  |  | 2.9 |  |
| 2006 Plan (2) | — |  |  | 0.4 |  |  | 0.1 |  |  | — |  |

(1)As of December 31, 2019, unvested RSUs will vest between February 2020 and August 2023 and the outstanding SSAR Awards will expire between March 2023 and March 2025.

(2)As of December 31, 2019, unvested restricted stock will vest between February 2020 and February 2021, unvested RSUs will vest between February 2020 and May 2021 and the outstanding SSAR Awards will expire between March 2021 and March 2022. RSUs granted to non‑employee directors under the 2006 Plan prior to 2011 remain outstanding until the date the non‑employee director ceases, for any reason, to be a member of the Board of Directors.

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**Restricted Stock Awards**

The following table summarizes the status of our unvested restricted stock outstanding and related transactions for each of the following years (in millions, except weighted average grant-date fair value price and weighted average remaining vesting term data):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Unvested Restricted Stock** |  | **Weighted Average Grant date Fair Value Price** | | |  | **Aggregate Intrinsic Value** | | |  | **Weighted Average Remaining Vesting Term (in Years)** |
| As of December 31, 2016 | 1.2 |  | $ | 43.10 |  |  | $ | 55.7 |  |  | 0.8 |
| Granted | — |  | — | |  |  |  | | |  |  |
| Vested | (0.2) |  | 43.69 | |  |  |  | | |  |  |
| Forfeited | (0.7) |  | 41.50 | |  |  |  | | |  |  |
| As of December 31, 2017 | 0.3 |  | 45.80 | |  |  | 9.7 | |  |  | 0.9 |
| Granted | — |  | — | |  |  |  | | |  |  |
| Vested | (0.2) |  | 47.48 | |  |  |  | | |  |  |
| Forfeited | (0.1) |  | 44.77 | |  |  |  | | |  |  |
| As of December 31, 2018 | 0.1 |  | 43.63 | |  |  | 1.4 | |  |  | 1.0 |
| Granted | — |  | — | |  |  |  | | |  |  |
| Vested | — |  | 45.35 | |  |  |  | | |  |  |
| Forfeited | — |  | 51.47 | |  |  |  | | |  |  |
| As of December 31, 2019 | — |  | $ | 41.56 |  |  | $ | 1.3 |  |  | 0.7 |

The aggregate value of restricted stock which vested during 2019, 2018 and 2017 was $1.0 million, $3.8 million and $7.8 million, respectively, based on the average high and low market price of our common stock at the vesting date.

**RSU Awards**

The following table summarizes the status of our RSUs and related transactions for each of the following years (in millions, except for weighted average grant‑date fair value data and weighted average remaining contractual life):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **RSUs Outstanding** | | | | | | | | | | | |
|  | **RSUs** |  | **Weighted Average Grant date Fair Value Price** | | |  | **Aggregate Intrinsic Value** | | |  | **Weighted Average Remaining Contractual Life (in Years)** |
| As of December 31, 2016 | 1.2 |  | $ | 43.28 |  |  | $ | 55.7 |  |  | 1.6 |
| Granted | 0.6 |  | 37.74 | |  |  |  | | |  |  |
| Vested | (0.2) |  | 43.06 | |  |  |  | | |  |  |
| Forfeited | (0.1) |  | 42.43 | |  |  |  | | |  |  |
| As of December 31, 2017 | 1.6 |  | 41.01 | |  |  | 43.9 | |  |  | 1.4 |
| Granted | 0.2 |  | 22.02 | |  |  |  | | |  |  |
| Vested | (0.3) |  | 46.31 | |  |  |  | | |  |  |
| Forfeited | (0.2) |  | 41.17 | |  |  |  | | |  |  |
| As of December 31, 2018 | 1.3 |  | 37.17 | |  |  | 28.3 | |  |  | 1.0 |
| Granted | 0.3 |  | 29.69 | |  |  |  | | |  |  |
| Vested | (0.4) |  | 37.34 | |  |  |  | | |  |  |
| Forfeited | (0.1) |  | 39.86 | |  |  |  | | |  |  |
| As of December 31, 2019 | 1.2 |  | $ | 32.50 |  |  | $ | 53.2 |  |  | 0.9 |

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The aggregate intrinsic value of RSUs issued during 2019, 2018 and 2017 was $10.4 million, $5.8 million and $7.7 million, respectively.

**SSAR Awards**

The following table summarizes the status of our outstanding and exercisable SSAR Awards and related transactions for each of the following years (in millions, except weighted average exercise price and weighted average remaining contractual life data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **SSAR Awards Outstanding** | | | | | | | | **SSAR Awards Exercisable** | | | | | | | |
|  | **SSAR Awards** | **Weighted Average Exercise Price** | | | **Aggregate Intrinsic Value** | | | **Weighted Average Remaining Contractual Life (in Years)** | **SSAR Awards** | **Weighted Average Exercise Price** | | | **Aggregate Intrinsic Value** | | | **Weighted Average Remaining Contractual Life (in Years)** |
| As of December 31, 2016 | 0.3 | $ | 44.97 |  | $ | 0.3 |  | 2.4 | 0.2 | $ | 42.15 |  | $ | 0.7 |  | 1.3 |
| Granted | 0.4 | 36.31 | |  |  | | |  |  |  | | |  | | |  |
| Exercised | — | — | |  |  | | |  |  |  | | |  | | |  |
| Forfeited | — | — | |  |  | | |  |  |  | | |  | | |  |
| As of December 31, 2017 | 0.7 | 40.27 | |  | — | |  | 3.0 | 0.2 | 42.76 | |  | — | |  | 0.4 |
| Granted | 1.2 | 27.08 | |  |  | | |  |  |  | | |  | | |  |
| Exercised | — | — | |  |  | | |  |  |  | | |  | | |  |
| Forfeited | (0.4) | 38.53 | |  |  | | |  |  |  | | |  | | |  |
| As of December 31, 2018 | 1.5 | 29.75 | |  | — | |  | 4.0 | — | 57.48 | |  | — | |  | 1.2 |
| Granted | 0.7 | 29.68 | |  |  | | |  |  |  | | |  | | |  |
| Exercised | — | — | |  |  | | |  |  |  | | |  | | |  |
| Forfeited | — | $ | — |  |  | | |  |  |  | | |  | | |  |
| As of December 31, 2019 | 2.2 | $ | 29.72 |  | $ | 31.3 |  | 3.4 | 0.1 | $ | 50.12 |  | $ | — |  | 1.1 |

The aggregate intrinsic value of SSAR Awards exercised during 2019 and 2018 was $0.0 million and $0.0 million, respectively.

As discussed in "Note 1. Basis of Presentation, New Accounting Standards and Accounting Policies," we currently use the Black Scholes option pricing model to estimate the fair value of SSAR Awards granted to employees. The weighted average fair value of the SSAR Awards for 2019 was $9.15 and the assumptions used to determine such fair value were as follows: expected term of 4.5 years, volatility of 36.1%, dividend yields of 0.9% and risk-free interest rates of 2.4%. The weighted average fair value of the SSAR Awards for 2018 was $6.56 and the assumptions used to determine such fair value were as follows: expected term of 4.5 years, volatility of 30.8%, dividend yields of 1.0% and risk-free interest rates of 2.6%. The weighted average fair value of the SSAR Awards for 2017 was $8.82 and the assumptions used to determine such fair value were as follows: expected term of 4.3 years, volatility of 28.6%, dividend yields of 0.7% and risk-free interest rates of 1.8%.

**Unrecognized Compensation Cost**

As of December 31, 2019, there was $24.6 million of total unrecognized compensation cost related to unvested share-based payment awards, which is included as capital in excess of par value in the accompanying consolidated balance sheets. The unrecognized compensation cost as of December 31, 2019 is expected to be recognized as compensation expense over a weighted average period of 0.9 years as follows (in millions):

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|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| **Year Ended December 31,** | | | |
| 2020 | $ | 16.2 |  |
| 2021 | 7.2 | |  |
| 2022 | 1.1 | |  |
| 2023 | — | |  |
| 2024 | — | |  |
|  | $ | 24.6 |  |

**Other Comprehensive Loss and Accumulated Other Comprehensive Loss**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Foreign Currency Translation Adjustments** | | |  | **Cash Flow Hedges** | | |  | **Accumulated Other Comprehensive Loss** | | |
| Balance as of December 31, 2017 | $ | (118.8 | ) |  | $ | (7.7 | ) |  | $ | (126.5 | ) |
| Other comprehensive income (loss) | (27.3 | | ) |  | 21.0 | |  |  | (6.3 | | ) |
| Less: Net other comprehensive (income) loss attributable to noncontrolling interest | 1.2 | |  |  | — | |  |  | 1.2 | |  |
| Balance as of December 31, 2018 | (145.0 | | ) |  | 13.3 | |  |  | (131.7 | | ) |
| Other comprehensive income (loss) | 8.2 | |  |  | (25.5 | | ) |  | (17.3 | | ) |
| Less: Net other comprehensive (income) loss attributable to noncontrolling interest | 2.7 | |  |  | — | |  |  | 2.7 | |  |
| Balance as of December 31, 2019 | $ | (134.1 | ) |  | $ | (12.2 | ) |  | $ | (146.3 | ) |

The foreign currency translation adjustment gain for 2019 was primarily due to the effect of weakness in the U.S. dollar against certain foreign currencies, including the British Pound and the South African Rand. The foreign currency translation adjustment loss for 2018 was primarily due to the strengthening of the U.S. dollar compared to most foreign currencies, including the British Pound.

**11. Income Taxes**

U.S. and foreign income before income taxes consist of the following (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| United States | $ | (59.1 | ) |  | $ | (63.6 | ) |  | $ | (152.3 | ) |
| Foreign | 296.4 | |  |  | 248.5 | |  |  | 131.2 | |  |
|  | $ | 237.3 |  |  | $ | 184.9 |  |  | $ | (21.1 | ) |

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The income tax provision (benefit) related to income before income taxes consists of the following components (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Current: |  | | |  |  | | |  |  | | |
| U.S. federal statutory tax | $ | (4.0 | ) |  | $ | 8.2 |  |  | $ | 94.6 |  |
| State | 1.6 | |  |  | (1.6 | | ) |  | 5.6 | |  |
| Foreign | 35.9 | |  |  | 46.3 | |  |  | 34.2 | |  |
|  | 33.5 | |  |  | 52.9 | |  |  | 134.4 | |  |
| Deferred: |  | | |  |  | | |  |  | | |
| U.S. federal statutory tax | 11.0 | |  |  | 4.0 | |  |  | 15.1 | |  |
| State | 4.6 | |  |  | (6.2 | | ) |  | 8.9 | |  |
| Foreign | (12.2 | | ) |  | (1.0 | | ) |  | (10.0 | | ) |
|  | 3.4 | |  |  | 3.2 | |  |  | 13.9 | |  |
| Non-current tax expense (income) | 19.3 | |  |  | 6.2 | |  |  | 0.9 | |  |
|  | $ | 56.2 |  |  | $ | 55.9 |  |  | $ | 149.2 |  |

Non-current tax expense (income) is primarily related to income tax associated with the reserve for uncertain tax positions, including associated interest and penalties.

A reconciliation of the U.S. federal statutory income tax rate to our effective income tax rate is as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  | **2019** | |  | **2018** | |  | **2017** | |
| U.S. federal statutory tax rate | 21.0 | % |  | 21.0 | % |  | 35.0 | % |
| Foreign earnings, net of foreign taxes | (13.8 | ) |  | (11.6 | ) |  | 245.4 |  |
| State income taxes, net of U.S. federal income tax benefit | 2.2 |  |  | (3.3 | ) |  | (51.8 | ) |
| U.S. tax on deemed dividends | 0.9 |  |  | (0.4 | ) |  | (14.0 | ) |
| Tax Act - Transition Tax | 0.5 |  |  | 0.7 |  |  | (704.3 | ) |
| Tax Reform - GILTI | 6.0 |  |  | 9.7 |  |  | — |  |
| Tax Reform - BEAT | 0.1 |  |  | 2.8 |  |  | — |  |
| Deferred tax impact on foreign unrepatriated earnings | 0.5 |  |  | (1.0 | ) |  | (65.5 | ) |
| Goodwill impairment | — |  |  | — |  |  | (81.5 | ) |
| Uncertain tax positions | 8.2 |  |  | 3.4 |  |  | (4.1 | ) |
| Foreign currency adjustments | (6.1 | ) |  | 2.2 |  |  | (0.7 | ) |
| Intercompany interest transfer pricing adjustment | 1.4 |  |  | 1.5 |  |  | — |  |
| Tax authority settlements | — |  |  | — |  |  | (10.0 | ) |
| Nontaxable interest income | (2.3 | ) |  | (2.7 | ) |  | 36.9 |  |
| Nondeductible interest expense | 1.8 |  |  | — |  |  | (12.6 | ) |
| Valuation allowance | 1.2 |  |  | 3.0 |  |  | (19.6 | ) |
| Other permanent differences | 2.4 |  |  | 5.0 |  |  | (60.4 | ) |
| Effective income tax rate | 23.7 | % |  | 30.2 | % |  | (707.1 | )% |

For the year ended 2019, our effective income tax rate was 23.7%, and our income tax provision was $56.2 million, as compared to an effective income tax rate of 30.2% and an income tax provision of $55.9 million for 2018. The lower effective income tax rate for 2019, as compared to 2018, resulted principally from the benefits of differences in the results of our subsidiaries in tax jurisdictions with different income tax rates, the impacts of base erosion and anti-abuse minimum tax ("BEAT") and global intangible low-taxed income (“GILTI”), other permanent tax differences, and one-time return-to-provision foreign exchange statutory adjustments. These benefits were reduced by increases in uncertain tax positions and the effect of state income taxes. Several final and proposed regulations were issued for

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U.S. federal income tax purposes during 2019 regarding BEAT, foreign tax credits, and GILTI, among other areas. The Treasury Department and IRS released final and proposed regulations regarding BEAT on December 2, 2019 and provided an election to waive deductions for purposes of determining base erosion payments which we elected to apply to both 2018 and 2019. Our 2019 effective income tax rate and income tax expense reflect the results of this election for 2019 and the one-time benefit for 2018.

For 2018, our effective income tax rate was 30.2%, for an income tax provision of $55.9 million, as compared to an effective income tax rate of (707.1)% and an income tax provision of $149.2 million for 2017. The lower effective income tax rate for 2018 resulted primarily from the effects of the Tax Act's $143.7 million one-time transition tax on historic accumulated foreign earnings. Without the transition tax charge, the effective income tax rate for 2017 would have been (25.9)%.

For 2017, our effective income tax rate was (707.1)%, for an income tax provision of $149.2 million, which was primarily a result of differences in the results of our subsidiaries in tax jurisdictions with different income tax rates, the effects of the Act's $143.7 million one-time transition tax on historic accumulated foreign earnings, and a goodwill impairment. Without the transition tax charge, the effective income tax rate for 2017 would have been (25.9)%.

We have analyzed our global working capital and cash requirements and the potential tax liabilities attributable to repatriation and have determined that we intend to continue our assertion that the earnings of certain of our non-U.S. subsidiaries are indefinitely reinvested. At December 31, 2019, $923.9 million of our foreign earnings are permanently reinvested in non-US business operations. For these investments, if not reinvested indefinitely, we could potentially owe approximately $203.3 million in foreign withholding tax. For the remaining $1.3 billion accumulated foreign earnings that are actually or deemed repatriated, we have made an estimate of the associated foreign withholding and state income tax effects of $12.0 million for 2019.

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The temporary differences which comprise our net deferred tax liabilities are as follows (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Gross Deferred Tax Assets: |  | | |  |  | | |
| Bad debt reserve | $ | 4.2 |  |  | $ | 4.7 |  |
| Net operating loss | 40.1 | |  |  | 33.7 | |  |
| Accrued and other share-based compensation | 27.1 | |  |  | 23.2 | |  |
| Accrued expenses | 6.0 | |  |  | 10.2 | |  |
| U.S. foreign income tax credits | 3.0 | |  |  | 2.3 | |  |
| Other income tax credits | 0.2 | |  |  | 0.2 | |  |
| Customer deposits | 3.1 | |  |  | 3.1 | |  |
| Investments | 1.9 | |  |  | 1.9 | |  |
| Cash flow hedges | 3.9 | |  |  | — | |  |
| Other | 0.7 | |  |  | — | |  |
| Total gross deferred tax assets | 90.1 | |  |  | 79.4 | |  |
| Less: Valuation allowance | 32.5 | |  |  | 24.3 | |  |
| Gross deferred tax assets, net of valuation allowance | 57.6 | |  |  | 55.1 | |  |
| Deferred Tax Liabilities: |  | | |  |  | | |
| Depreciation | (11.7 | | ) |  | (11.2 | | ) |
| Goodwill and intangible assets | (53.5 | | ) |  | (47.5 | | ) |
| Unrealized foreign exchange | (6.3 | | ) |  | (4.5 | | ) |
| Prepaid expenses, deductible for tax purposes | (4.2 | | ) |  | (3.9 | | ) |
| Deferred tax costs on foreign unrepatriated earnings | (12.0 | | ) |  | (11.3 | | ) |
| Unrealized derivatives | (3.8 | | ) |  | (4.1 | | ) |
| Cash flow hedges | — | |  |  | (2.5 | | ) |
| Other | — | |  |  | (3.5 | | ) |
| Total gross deferred tax liabilities | (91.6 | | ) |  | (88.5 | | ) |
| Net deferred tax liability | $ | 34.0 |  |  | $ | 33.4 |  |
| Net deferred tax asset | — | |  |  | — | |  |
| Reported on the consolidated balance sheets as: |  | | |  |  | | |
| Identifiable intangible and other non-current assets for deferred tax assets, non-current | $ | 20.7 |  |  | $ | 11.4 |  |
|  |  | |  |  |  | |  |
| Non-current income tax liabilities, net of deferred tax liabilities, non-current | $ | 54.1 |  |  | $ | 44.8 |  |

As of December 31, 2019 and 2018, we had gross net operating losses (“NOLs”) of approximately $375.9 million and $275.3 million, respectively. The NOLs as of December 31, 2019, originated in various U.S. states and non-U.S. countries. We have recorded a deferred tax asset of $40.1 million reflecting the benefit of the NOL carryforward as of December 31, 2019. This deferred tax asset expires as follows (in millions):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| **Net Operating Loss** | **Expiration Date** | **Deferred Tax Asset** | | |
| US States | 2020-2039 | $ | 11.2 |  |
| US States | Indefinite | $ | 2.5 |  |
| Foreign | 2020-2039 | $ | 3.1 |  |
| Foreign | Indefinite | $ | 23.3 |  |
|  | Total | $ | 40.1 |  |

We assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, as of December 31, 2019, a valuation

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allowance of $32.5 million has been recorded to recognize only the portion of the deferred tax assets that are more likely than not to be realized, $27.1 million of which relates to the deferred tax asset for NOLs.  The amount of the deferred tax asset considered realizable could be adjusted if estimates of future taxable income during the carryforward period change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as growth projections.

We operate under a special income tax concession in Singapore which began January 1, 2008 and is subject to renewal. Our current five-year income tax concession period began on January 1, 2018 and is conditional upon our meeting certain employment and investment thresholds which, if not met in accordance with our agreement, may eliminate the benefit beginning with the first year in which the conditions are not satisfied. The income tax concession reduces the income tax rate on qualified sales and derivative gains and losses. The impact of this tax concession decreased foreign income taxes by $4.3 million, $0, and $1.3 million for 2019, 2018, and 2017 respectively. The impact of the income tax concession on basic earnings per common share was $0.07, $0, and $0.02 for 2019, 2018, and 2017 respectively. On a diluted earnings per common share basis, the impact was $0.06, $0, and $0.02 for 2019, 2018, and 2017 respectively.

**Income Tax Contingencies**

We recorded a net increase of $9.5 million of liabilities related to unrecognized income tax benefits (“Unrecognized Tax Liabilities”) and a net decrease of $4.1 million of assets related to unrecognized income tax benefits (“Unrecognized Tax Assets”) during 2019. In addition, during 2019, we recorded a decrease of $0.2 million to our Unrecognized Tax Liabilities related to a foreign currency translation loss, which is included in other income (expense), net, in the accompanying consolidated statements of income and comprehensive income. As of December 31, 2019, our Unrecognized Tax Liabilities, including penalties and interest, were $84.0 million and our Unrecognized Tax Assets were $25.5 million.

During 2018, we recorded a net decrease of $1.8 million of liabilities related to Unrecognized Tax Benefits and a net increase of $4.3 million of assets related to Unrecognized Tax Benefits. In addition, during 2018, we recorded an increase of $0.9 million to our Unrecognized Tax Liabilities related to a foreign currency translation loss, which is included in other income (expense), net, in the accompanying consolidated statements of income and comprehensive income. As of December 31, 2018, our Unrecognized Tax Liabilities, including penalties and interest, were $70.2 million and our Unrecognized Tax Assets were $29.7 million.

The following is a tabular reconciliation of the total amounts of gross unrecognized income tax liabilities for the year (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Gross Unrecognized Tax Liabilities – opening balance | $ | 57.0 |  |  | $ | 58.8 |  |  | $ | 62.2 |  |
| Gross increases – tax positions in prior period | 12.2 | |  |  | 3.6 | |  |  | 10.9 | |  |
| Gross decreases – tax positions in prior period | (13.5 | | ) |  | (10.6 | | ) |  | — | |  |
| Gross increases – tax positions in current period | 14.9 | |  |  | 11.5 | |  |  | 10.7 | |  |
| Gross decreases – tax positions in current period | — | |  |  | — | |  |  | — | |  |
| Settlements | (1.4 | | ) |  | (1.5 | | ) |  | (23.0 | | ) |
| Lapse of statute of limitations | (2.7 | | ) |  | (4.8 | | ) |  | (2.1 | | ) |
| Gross Unrecognized Tax Liabilities – ending balance | $ | 66.5 |  |  | $ | 57.0 |  |  | $ | 58.8 |  |

If our gross Unrecognized Tax Liabilities, net of our Unrecognized Tax Assets of $25.5 million, as of December 31, 2019, are settled by the taxing authorities in our favor or otherwise resolved, our income tax expense would be reduced by $41.1 million (exclusive of interest and penalties) in the period the matter is considered settled or resolved in accordance with Accounting Standards Codification 740. This would have the impact of reducing our 2019 effective income tax rate by 17.3%. As of December 31, 2019, it is possible that approximately $9 million of our unrecognized income tax liabilities may decrease within the next twelve months.

We record accrued interest and penalties related to unrecognized income tax benefits as income tax expense. Related to the uncertain income tax benefits noted above, for interest we recorded expense of $4.6 million, $1.2 million and $3.4 million during 2019, 2018, and 2017, respectively. For penalties, we recorded income of $0.2 million and $1.9

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million and expense of $0.1 million during 2019, 2018 and 2017, respectively. As of December 31, 2019 and 2018, we had recognized liabilities of $13.1 million and $8.5 million for interest and $4.4 million and $4.6 million for penalties, respectively.

We have various tax returns under examination both in the U.S. and foreign jurisdictions. The most significant of these are in Denmark for the 2013 - 2015 tax years, South Korea for the 2011 - 2014 tax years, and the U.S. for 2017 - 2018 tax years. In 2018, one of our subsidiaries in Denmark received an audit inquiry from the Danish tax authorities regarding transfer pricing and other related matters for the tax years 2013-2015. In Q2 2019, it received a proposed income adjustment of approximately $1.7 million related to the 2013 tax year. We are currently responding to the proposed income adjustment and other information requests from the Danish tax authorities. In 2017, the Korean Branch of one of our subsidiaries received income tax assessment notices for $9.8 million (KRW 11.3 billion) from the South Korea tax authorities. We believe that these assessments are without merit and are currently appealing the actions. In addition, in January of 2020, we received a notice of examination from the IRS for the 2017 - 2018 tax years. An unfavorable resolution of one or more of the above matters could have a material adverse effect on our result of operations or cash flows in the quarter or year in which the adjustments are recorded, or the tax is due or paid. As examinations are still in process or have not yet reached the final stages of the appeals process, the timing of the ultimate resolution or payments that may be required cannot be determined at this time.

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The following table summarizes these open tax years by jurisdiction with material uncertain tax positions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
|  | **Open Tax Year** | | |
| **Jurisdiction** | **Examination in progress** |  | **Examination not yet initiated** |
| Denmark | 2013 - 2015 |  | 2016 - 2019 |
| South Korea | 2011 - 2014 |  | 2015 - 2019 |
| United Kingdom | 2017 |  | 2018 - 2019 |
| Other non-U.S. | None |  | 2014 - 2019 |

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**12. Fair Value Measurements**

The carrying amounts of cash and cash equivalents, net accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short‑term maturities of these instruments. The carrying values of our debt and notes receivable approximate fair value since these instruments bear interest either at variable rates or fixed rates which are not significantly different from market rates. Based on the fair value hierarchy, our total debt of $0.6 billion and $0.7 billion as of December 31, 2019 and 2018, respectively, and our notes receivable of $21.0 million and $28.2 million as of December 31, 2019 and 2018, respectively are categorized in Level 2.

*Recurring Fair Value Measurements.*

The following table presents information about our gross assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019 and 2018 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Fair Value Measurements as of December 31, 2019** | | | | | | | | | | | | | | | |
|  |  | **Level 1 Inputs** | | |  | **Level 2 Inputs** | | |  | **Level 3 Inputs** | | |  | **Total Fair Value** | | |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 148.3 |  |  | $ | 100.0 |  |  | $ | 10.7 |  |  | $ | 259.0 |  |
| Foreign currency contracts |  | — | |  |  | 2.0 | |  |  | — | |  |  | 2.0 | |  |
| Cash surrender value of life insurance |  | — | |  |  | 9.4 | |  |  | — | |  |  | 9.4 | |  |
| Total assets at fair value |  | $ | 148.3 |  |  | $ | 111.4 |  |  | $ | 10.7 |  |  | $ | 270.4 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 177.6 |  |  | $ | 69.3 |  |  | $ | 8.1 |  |  | $ | 255.0 |  |
| Foreign currency contracts |  | — | |  |  | 11.6 | |  |  | — | |  |  | 11.6 | |  |
| Total liabilities at fair value |  | $ | 177.6 |  |  | $ | 80.9 |  |  | $ | 8.1 |  |  | $ | 266.6 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Fair Value Measurements as of December 31, 2018** | | | | | | | | | | | | | | | |
|  |  | **Level 1 Inputs** | | |  | **Level 2 Inputs** | | |  | **Level 3 Inputs** | | |  | **Total Fair Value** | | |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 585.6 |  |  | $ | 254.6 |  |  | $ | 0.9 |  |  | $ | 841.2 |  |
| Foreign currency contracts |  | — | |  |  | 4.6 | |  |  | — | |  |  | 4.6 | |  |
| Cash surrender value of life insurance |  | — | |  |  | 6.3 | |  |  | — | |  |  | 6.3 | |  |
| Total assets at fair value |  | $ | 585.6 |  |  | $ | 265.6 |  |  | $ | 0.9 |  |  | $ | 852.1 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 556.5 |  |  | $ | 211.2 |  |  | $ | 0.2 |  |  | $ | 767.9 |  |
| Foreign currency contracts |  | — | |  |  | 1.2 | |  |  | — | |  |  | 1.2 | |  |
| Total liabilities at fair value |  | $ | 556.5 |  |  | $ | 212.4 |  |  | $ | 0.2 |  |  | $ | 769.1 |  |

The fair values of our commodity contracts measured using Level 3 inputs were not material at December 31, 2019 and 2018, respectively.

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

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The following tables summarize those commodity derivative balances subject to the right of offset as presented on our consolidated balance sheet. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements when a legal right of offset exists.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Fair Value as of December 31, 2019** | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Gross Amounts Recognized** | | |  | **Gross Amounts Offset** | | |  | **Net Amounts Presented** | | |  | **Cash Collateral** | | |  | **Gross Amounts Without Right of Offset** | | |  | **Net Amounts** | | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 259.0 |  |  | $ | 130.0 |  |  | $ | 129.0 |  |  | $ | — |  |  | $ | — |  |  | $ | 129.0 |  |
| Foreign currency contracts |  | 2.0 | |  |  | 1.0 | |  |  | 1.0 | |  |  | — | |  |  | — | |  |  | 1.0 | |  |
| Total assets at fair value |  | $ | 261.1 |  |  | $ | 131.1 |  |  | $ | 130.0 |  |  | $ | — |  |  | $ | — |  |  | $ | 130.0 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 255.0 |  |  | $ | 130.0 |  |  | $ | 125.0 |  |  | $ | 29.3 |  |  | $ | — |  |  | $ | 95.7 |  |
| Foreign currency contracts |  | 11.6 | |  |  | 1.0 | |  |  | 10.5 | |  |  | — | |  |  | — | |  |  | 10.5 | |  |
| Total liabilities at fair value |  | $ | 266.6 |  |  | $ | 131.1 |  |  | $ | 135.5 |  |  | $ | 29.3 |  |  | $ | — |  |  | $ | 106.3 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Fair Value as of December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Gross Amounts Recognized** | | |  | **Gross Amounts Offset** | | |  | **Net Amounts Presented** | | |  | **Cash Collateral** | | |  | **Gross Amounts Without Right of Offset** | | |  | **Net Amounts** | | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 841.2 |  |  | $ | 646.0 |  |  | $ | 195.1 |  |  | $ | 3.0 |  |  | $ | — |  |  | $ | 192.1 |  |
| Foreign currency contracts |  | 4.6 | |  |  | 0.9 | |  |  | 3.7 | |  |  | — | |  |  | — | |  |  | 3.7 | |  |
| Total assets at fair value |  | $ | 845.8 |  |  | $ | 647.0 |  |  | $ | 198.8 |  |  | $ | 3.0 |  |  | $ | — |  |  | $ | 195.8 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commodities contracts |  | $ | 767.9 |  |  | $ | 646.0 |  |  | $ | 121.9 |  |  | $ | — |  |  | $ | — |  |  | $ | 121.9 |  |
| Foreign currency contracts |  | 1.2 | |  |  | 0.9 | |  |  | 0.3 | |  |  | — | |  |  | — | |  |  | 0.3 | |  |
| Total liabilities at fair value |  | $ | 769.1 |  |  | $ | 647.0 |  |  | $ | 122.2 |  |  | $ | — |  |  | $ | — |  |  | $ | 122.2 |  |

At December 31, 2019 and 2018, we did not present any amounts gross on our consolidated balance sheet where we had the right of setoff.

**Concentration of Credit Risk**

The individual over-the-counter (OTC) counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant nonperformance. At December 31, 2019, one of our OTC counterparties with an exposure amount of $7.3 million, represented over 10% of our total credit exposure to OTC derivative counterparties.

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**13. Business Segments, Geographic Information and Major Customers**

**Business Segments**

We operate in three reportable segments consisting of aviation, land and marine. Corporate expenses are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. Our operating segments are determined based on the different markets in which we provide products and services, which are defined primarily by the customers and the products and services provided to those customers. Accordingly, our aviation, land and marine segments are organized based on the specific markets their functional business components serve, which are primarily businesses and governmental customers operating in those respective markets.

In our aviation segment, we offer fuel and related products and services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low-cost carriers, airports, fixed based operators, corporate fleets, fractional operators, private aircraft. In addition, we supply products and services to U.S. and foreign government, intergovernmental and military customers, such as the North Atlantic Treaty Organization (NATO) and the U.S. Defense Logistics Agency.

In our land segment, we offer fuel, lubricants, power and natural gas solutions through Kinect, our global energy management services platform, and related products and services to customers including petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial, residential and government customers.

Our marine segment product and service offerings include fuel, lubricants and related products and services to a broad base of customers, including international container and tanker fleets, commercial cruise lines, yachts and time charter operators, offshore rig owners and operators, the U.S. and foreign governments as well as other fuel suppliers.

Within each of our segments, we may enter into derivative contracts to mitigate the risk of market price fluctuations and also to offer our customers fuel pricing alternatives to meet their needs.

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

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **For the Year Ended December 31,** | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Revenue: |  | | |  |  | | |  |  | | |
| Aviation segment | $ | 18,479.5 |  |  | $ | 19,119.7 |  |  | $ | 14,538.2 |  |
| Land segment | 10,280.9 | |  |  | 11,381.1 | |  |  | 10,958.0 | |  |
| Marine segment | 8,058.5 | |  |  | 9,249.5 | |  |  | 8,199.3 | |  |
|  | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | 33,695.5 |  |
| Gross profit: |  | | |  |  | | |  |  | | |
| Aviation segment | $ | 551.6 |  |  | $ | 507.8 |  |  | $ | 440.5 |  |
| Land segment | 378.9 | |  |  | 364.9 | |  |  | 365.8 | |  |
| Marine segment | 181.5 | |  |  | 145.8 | |  |  | 126.0 | |  |
|  | $ | 1,112.0 |  |  | $ | 1,018.5 |  |  | $ | 932.2 |  |
| Income from operations:(1)(2) |  | | |  |  | | |  |  | | |
| Aviation segment | $ | 283.9 |  |  | $ | 250.6 |  |  | $ | 192.9 |  |
| Land segment | 55.0 | |  |  | 47.8 | |  |  | (7.9 | | ) |
| Marine segment | 67.1 | |  |  | 37.8 | |  |  | (57.8 | | ) |
|  | 406.1 | |  |  | 336.3 | |  |  | 127.2 | |  |
| Corporate overhead - unallocated | (106.4 | | ) |  | (76.6 | | ) |  | (81.6 | | ) |
|  | $ | 299.7 |  |  | $ | 259.7 |  |  | $ | 45.6 |  |
| Depreciation and amortization: |  | | |  |  | | |  |  | | |
| Aviation segment | $ | 28.5 |  |  | $ | 27.5 |  |  | $ | 26.8 |  |
| Land segment | 48.0 | |  |  | 46.5 | |  |  | 49.8 | |  |
| Marine segment | 4.5 | |  |  | 2.2 | |  |  | 5.8 | |  |
| Corporate | 6.4 | |  |  | 5.3 | |  |  | 3.5 | |  |
|  | $ | 87.4 |  |  | $ | 81.5 |  |  | $ | 86.0 |  |
| Capital expenditures: |  | | |  |  | | |  |  | | |
| Aviation segment | $ | 23.0 |  |  | $ | 19.7 |  |  | $ | 12.3 |  |
| Land segment | 26.9 | |  |  | 30.9 | |  |  | 21.0 | |  |
| Marine segment | 28.3 | |  |  | 2.9 | |  |  | 1.5 | |  |
| Corporate | 2.7 | |  |  | 18.8 | |  |  | 19.1 | |  |
|  | $ | 80.9 |  |  | $ | 72.3 |  |  | $ | 54.0 |  |

|  |  |
| --- | --- |
|  |  |
| (1) | Includes $19.7 million, $17.1 million and $52.4 million of restructuring charges for the years ended December 31, 2019, 2018 and 2017, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes a $79.1 million impairment charge attributable to the impairment of goodwill and other long term assets, and $1.4 million of restructuring charges in 2017. |

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Information concerning our accounts receivable, net, and total assets by segment is as follows (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Accounts receivable, net: |  | | |  |  | | |
| Aviation segment, net of allowance for bad debt of $14.6 and $17.7 as of December 31, 2019 and December 31, 2018, respectively | $ | 1,098.2 |  |  | $ | 992.2 |  |
| Land segment, net of allowance for bad debt of $2.8 and $2.7 as of December 31, 2019 and December 31, 2018, respectively | 863.2 | |  |  | 846.1 | |  |
| Marine segment, net of allowance for bad debt of $18.0 and $19.0 as of December 31, 2019 and December 31, 2018, respectively | 930.5 | |  |  | 901.2 | |  |
|  | $ | 2,891.9 |  |  | $ | 2,739.6 |  |
| Total assets: |  | | |  |  | | |
| Aviation segment | $ | 2,416.5 |  |  | $ | 2,261.0 |  |
| Land segment | 2,089.4 | |  |  | 2,178.1 | |  |
| Marine segment | 1,189.7 | |  |  | 1,124.2 | |  |
| Corporate | 296.8 | |  |  | 113.6 | |  |
|  | $ | 5,992.4 |  |  | $ | 5,676.9 |  |

**Geographic Information**

Information concerning our revenue and property and equipment, net, as segregated between the Americas, EMEA (Europe, Middle East and Africa) and the Asia Pacific regions, is presented as follows, based on the country of incorporation of the relevant subsidiary (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **For the Year ended December 31,** | | | | | | | | | | |
|  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Revenue: |  | | |  |  | | |  |  | | |
| United States | $ | 19,365.2 |  |  | $ | 20,555.5 |  |  | $ | 17,938.0 |  |
| EMEA (1) (3) | 9,235.1 | |  |  | 9,721.9 | |  |  | 7,553.3 | |  |
| Asia Pacific (2) (3) | 4,581.1 | |  |  | 5,537.2 | |  |  | 4,923.0 | |  |
| Americas, excluding United States | 3,637.6 | |  |  | 3,935.6 | |  |  | 3,281.2 | |  |
| Total | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | 33,695.5 |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Property and equipment, net: |  | | |  |  | | |
| United States | $ | 173.0 |  |  | $ | 175.1 |  |
| EMEA | 135.7 | |  |  | 124.5 | |  |
| Asia Pacific | 44.2 | |  |  | 7.5 | |  |
| Americas, excluding United States | 8.0 | |  |  | 43.1 | |  |
| Total | $ | 360.9 |  |  | $ | 350.3 |  |

|  |  |
| --- | --- |
|  |  |
| (1) | Includes revenue related to the U.K. of $5.5 billion, $6.3 billion and $5.0 billion for 2019, 2018 and 2017, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes revenue related to Singapore of $4.5 billion, $5.4 billion and $4.8 billion for 2019, 2018 and 2017, respectively. |

|  |  |
| --- | --- |
|  |  |
| (3) | Geographic revenue information in this table includes impacts from derivatives and hedging activities, which are excluded from that geographic revenue information presented at Note 15. Revenue. |

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**Major Customers**

During each of the periods presented on the consolidated statements of income and comprehensive income, none of our customers accounted for more than 10% of total consolidated revenue. Sales to government customers, which principally consist of sales to NATO in support of military operations in Afghanistan, have accounted for a material portion of our profitability in recent years. The profitability associated with our government business can be significantly impacted by supply disruptions, border closures, road blockages, hostility-related product losses, inventory shortages and other logistical difficulties that can arise when sourcing and delivering fuel in areas that are actively engaged in war or other military conflicts. Our sales to government customers may fluctuate significantly from time to time as a result of the foregoing factors, as well as the level of troop deployments and related activity in a particular region or area or the commencement, extension, renewal or completion of existing and new government contracts.

**14. Summary Quarterly Information (Unaudited)**

The following is a summary of the unaudited quarterly results for 2019 and 2018 (in millions, except earnings per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **March 31,** | | |  | **June 30,** | | |  | **September 30,** | | |  | **December 31,** | | |
|  | **2019** | | |  | **2019** | | |  | **2019** | | |  | **2019** | | |
| Revenue | $ | 8,678.8 |  |  | $ | 9,459.4 |  |  | $ | 9,322.7 |  |  | $ | 9,358.1 |  |
| Gross profit | $ | 251.1 |  |  | $ | 268.6 |  |  | $ | 305.7 |  |  | $ | 286.6 |  |
| Net income including noncontrolling interest | $ | 37.3 |  |  | $ | 37.6 |  |  | $ | 49.4 |  |  | $ | 56.8 |  |
| Net income attributable to World Fuel | $ | 37.2 |  |  | $ | 37.0 |  |  | $ | 48.2 |  |  | $ | 56.5 |  |
| Basic earnings per common share (1) | $ | 0.55 |  |  | $ | 0.56 |  |  | $ | 0.74 |  |  | $ | 0.86 |  |
| Diluted earnings per common share (1) | $ | 0.55 |  |  | $ | 0.55 |  |  | $ | 0.73 |  |  | $ | 0.86 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **March 31,** | | |  | **June 30,** | | |  | **September 30,** | | |  | **December 31,** | | |
|  | **2018** | | |  | **2018** | | |  | **2018** | | |  | **2018** | | |
| Revenue | $ | 9,181.3 |  |  | $ | 10,150.8 |  |  | $ | 10,429.5 |  |  | $ | 9,988.6 |  |
| Gross profit | $ | 243.4 |  |  | $ | 246.2 |  |  | $ | 266.7 |  |  | $ | 262.2 |  |
| Net income including noncontrolling interest | $ | 31.3 |  |  | $ | 29.2 |  |  | $ | 38.7 |  |  | $ | 29.8 |  |
| Net income attributable to World Fuel | $ | 31.2 |  |  | $ | 28.7 |  |  | $ | 38.2 |  |  | $ | 29.6 |  |
| Basic earnings per common share (1) | $ | 0.46 |  |  | $ | 0.42 |  |  | $ | 0.57 |  |  | $ | 0.44 |  |
| Diluted earnings per common share (1) | $ | 0.46 |  |  | $ | 0.42 |  |  | $ | 0.56 |  |  | $ | 0.44 |  |

(1) Basic and diluted earnings per share are computed independently for each quarter and the full year based upon respective weighted average shares outstanding. Therefore, the sum of the quarterly basic and diluted earnings per share amounts may not equal the annual basic and diluted earnings per share amounts reported.

**15. Revenue from Contracts with Customers**

Our contracts with customers, which are mainly master sales agreements in combination with different types of nominations or standalone agreements, primarily require us to deliver fuel and fuel-related products, while other arrangements require us to complete agreed-upon services. As our contracts go through a formal credit approval process, we only enter into contracts when we determine the amount we expect to be entitled to is probable of collections. Our billing and payment terms generally include monthly invoicing for the prior month's activities with average payment terms of one to three months. We have elected not to adjust the contract consideration for the effect of a significant financing component for any contract in which the period between when the Company transfers the promises in the contract and when the customer pays is a year or less. However, since our contracts have relatively short payment terms, they do not typically result in the provision of significant financing.

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We generally recognize fuel sales and services revenue on a gross basis as we have control of the products or services before they are delivered to our customers. In drawing this conclusion, we considered various factors, including inventory risk management, latitude in establishing the sales price, discretion in the supplier selection and that we are normally the primary obligor in our sales arrangements.

The majority of our consolidated revenues are generated through the sale of fuel and fuel-related products. Revenue from the sale of fuel is recognized when our customers obtain control of the fuel, which is typically upon delivery of each promised gallon or barrel to an agreed-upon delivery point. We have determined that each gallon or barrel represents a separate performance obligation, and revenue is recognized at the point in time when control of each gallon or barrel transfer to our customer. We may also incur costs for the transportation of products to the delivery points. Reimbursements of such costs are normally included in the transaction price. In the limited cases, when we coordinate shipping and handling activities after our customer obtains control of goods or services, we have elected to account for these shipping and handling costs as activities to fulfill the promise to transfer the goods.

Our contracts may contain fixed or variable pricing (such as market or index-based pricing) or some combination of those. The pricing structures of our fuel sales that involve variable prices, such as market or index-based pricing or reimbursements of costs, typically correspond to our efforts to transfer the promised fuel, and we recognize revenue based on those variable prices for the related gallons or barrels that we have delivered. In addition, we have elected to exclude from the transaction price the amount of certain taxes assessed by a government authority that we collect (or recover) from our customer and remit in connection with our sales transactions, such as certain sales or excise taxes.

Within our land and aviation segments, contracts with customers may include multi-year sales contracts, which are priced at market-based indices and require minimum volume purchase commitments from our customers. The consideration expected from these contracts is considered variable due to the market-based pricing and the variability is not resolved until delivery is made to our customers. We have elected to apply the optional exemption from estimating and disclosing the variable consideration from our remaining performance obligations under these contracts.

We also have fixed price fuel and fuel-related product sale contracts with a contract term of less than one year (typically one month). For these contracts, we apply the optional exemption, to not disclose the amount of transaction price allocated to remaining performance obligations. We also apply this exemption to those contracts in which the right to consideration corresponds directly with the value to the customer of the entity's performance to date. In limited cases, we may have multi-period fixed price contracts. Because our long-term supply arrangements that exceed one year are typically based on market index prices as previously discussed, the transaction price associated with remaining performance obligations under multi-year fixed price fuel sale contracts are not significant.

We also earn a minor amount of revenue from contracts to provide services, including energy procurement advisory services, international trip planning support, and transaction and payment management processing, which typically represent a single performance obligation for the series of daily services. We generally recognize revenue over the contract period when services have been performed based on our right to invoice for those services.

**Disaggregated revenue**

The following table presents (in millions) our revenues from contracts with customers disaggregated by major geographic areas and by segment. Prior period amounts (2017) have not been adjusted as the company elected the modified retrospective transition method.

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|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **For the For the Year ended December 31,** | | | | | | | | | | |
|  |  | **2019** | | |  | **2018** | | |  | **2017** | | |
| Aviation |  | $ | 1,410.2 |  |  | $ | 1,564.6 |  |  | $ | 1,086.8 |  |
| Land |  | 18.2 | |  |  | 3.3 | |  |  | 3.0 | |  |
| Marine |  | 2,929.2 | |  |  | 3,552.1 | |  |  | 3,347.0 | |  |
| Asia Pacific |  | $ | 4,357.7 |  |  | $ | 5,120.1 |  |  | $ | 4,436.8 |  |
|  |  |  | | |  |  | | |  |  | | |
| Aviation |  | $ | 3,824.3 |  |  | $ | 3,641.4 |  |  | $ | 2,532.1 |  |
| Land |  | 2,425.4 | |  |  | 2,563.6 | |  |  | 2,290.7 | |  |
| Marine |  | 2,739.1 | |  |  | 3,148.3 | |  |  | 2,605.2 | |  |
| EMEA |  | $ | 8,988.9 |  |  | $ | 9,353.4 |  |  | $ | 7,428.1 |  |
|  |  |  | | |  |  | | |  |  | | |
| Aviation |  | $ | 2,347.1 |  |  | $ | 1,931.6 |  |  | $ | 1,365.5 |  |
| Land |  | 612.4 | |  |  | 631.8 | |  |  | 705.6 | |  |
| Marine |  | 678.1 | |  |  | 610.2 | |  |  | 548.8 | |  |
| LATAM |  | $ | 3,637.7 |  |  | $ | 3,173.6 |  |  | $ | 2,619.8 |  |
|  |  |  | | |  |  | | |  |  | | |
| Aviation |  | $ | 10,933.0 |  |  | $ | 12,025.7 |  |  | $ | 9,644.5 |  |
| Land |  | 7,017.0 | |  |  | 8,038.0 | |  |  | 7,912.8 | |  |
| Marine |  | 1,415.2 | |  |  | 1,480.5 | |  |  | 1,063.3 | |  |
| North America |  | $ | 19,365.1 |  |  | $ | 21,544.2 |  |  | $ | 18,620.6 |  |
|  |  |  | | |  |  | | |  |  | | |
| Other revenues (excluded from ASC 606) |  | $ | 469.6 |  |  | $ | 559.0 |  |  | $ | 590.2 |  |
|  |  |  | | |  |  | | |  |  | | |
|  |  | $ | 36,819.0 |  |  | $ | 39,750.3 |  |  | $ | 33,695.5 |  |

Other revenues (excluded from ASC 606) in the table above includes revenue from leases and other transactions that we account for following separate guidance.

**Accounts receivable, contract assets and contract liabilities**

The nature of the receivables related to revenue from contracts with customers and other revenue, are substantially similar, given that they are generated from transactions with the same type of counterparties (e.g., separate fuel sales and storage lease with the same counterparty) and are entered into considering the same credit approval and monitoring procedures for all customers. As such, we believe the risk associated with the cash flows from the different types of receivables is not meaningful to separately disaggregate the Accounts receivable balance presented on our Consolidated Balance Sheet. Furthermore, as of December 31, 2019 and 2018, the contract assets and contracts liabilities recognized by the Company were not material.

**16. Leases**

We enter into lease arrangements for the use of offices, operational facilities, vehicles, vessels, storage tanks and other assets for our operations around the world. Some of these leases are embedded within other arrangements. Some of these arrangements are for periods of twelve months or less, while others are for longer periods, and may include optional renewals, terminations or purchase options, which are considered in our assessments when they are reasonably certain to occur. In addition, certain of these arrangements contain payments based on an index, market-based escalation or volume which may impact future payments. Most of our leases typically contain general covenants, restrictions or requirements such as maintaining minimum insurance coverage.

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For the twelve months ended December 31, 2019, we recognized the following total lease cost related to our lease arrangements (in millions):

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
|  | **For the Twelve months ended** | | |
|  | **December 31, 2019** | | |
| Finance lease cost: |  | | |
| Amortization of right-of-use assets | $ | 4.2 |  |
| Interest on lease liabilities | 0.5 | |  |
| Operating lease cost | 53.2 | |  |
| Short-term lease cost | 18.3 | |  |
| Variable lease cost | 5.0 | |  |
| Sublease income | (11.4 | | ) |
| Total lease cost | $ | 69.6 |  |

We incurred rental expense for all properties and equipment of $48.7 million and $40.3 million for 2018 and 2017, respectively.

As of December 31, 2019, our remaining lease payments were as follows (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **Operating Leases** | | |  | **Finance Leases** | | |
| 2020 | $ | 43.7 |  |  | $ | 4.8 |  |
| 2021 | 35.6 | |  |  | 3.8 | |  |
| 2022 | 29.0 | |  |  | 3.5 | |  |
| 2023 | 22.9 | |  |  | 2.8 | |  |
| 2024 | 16.3 | |  |  | 1.8 | |  |
| Thereafter | 50.1 | |  |  | 3.8 | |  |
| Total remaining lease payments (undiscounted) | 197.6 | |  |  | 20.4 | |  |
| Less: imputed interest | 37.2 | |  |  | 1.7 | |  |
| Present value of lease liabilities | $ | 160.3 |  |  | $ | 18.7 |  |

As of December 31, 2018, our future minimum lease payments under noncancelable operating leases were as follows (in millions):

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
|  |  |  |  |
| **Year Ended December 31,** | | | |
| 2019 | $ | 50.7 |  |
| 2020 | 37.1 | |  |
| 2021 | 30.7 | |  |
| 2022 | 23.7 | |  |
| 2023 | 17.8 | |  |
| Thereafter | 48.5 | |  |
| Total future minimum lease payments under noncancelable operating leases | $ | 208.6 |  |

The assets and accumulated amortization recorded under finance leases are as follows (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **As of December 31,** | | | | | | |
|  | **2019** | | |  | **2018** | | |
| Finance leases | $ | 32.6 |  |  | $ | 30.9 |  |
| Accumulated amortization | 14.8 | |  |  | 18.4 | |  |
| Finance leases, net | $ | 17.8 |  |  | $ | 12.4 |  |

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Supplemental balance sheet information related to leases (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
|  |  |  |  |  |  |
|  | **Classification** |  | **As of December 31, 2019** | | |
| Assets |  |  |  | | |
| Operating Lease Assets | Identifiable intangible and other non-current assets |  | $ | 153.7 |  |
| Finance Lease Assets | Property and equipment, net |  | 17.8 | |  |
|  |  |  |  | |  |
| Liabilities |  |  |  | |  |
| Operating Lease Liability - Current | Accrued expenses and other current liabilities |  | 35.6 | |  |
| Operating Lease Liability - Long Term | Other long-term liabilities |  | 124.7 | |  |
| Finance Lease Liability - Current | Current maturities of long-term debt |  | 4.3 | |  |
| Finance Lease Liability - Long Term | Long-term debt |  | 14.4 | |  |

Other information related to leases as of December 31, 2019:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **Operating Leases** | | |  | **Finance Leases** | | |
| Weighted-average remaining lease term (years) | 6.5 | |  |  | 5.6 | |  |
| Weighted-average discount rate | 5.9 | | % |  | 3.2 | | % |
| Cash paid for amounts included in the measurement of lease liabilities (in millions): |  | | |  |  | |  |
| Operating cash flows from finance leases | $ | — |  |  | $ | 0.5 |  |
| Operating cash flows from operating leases | 52.9 | |  |  | — | |  |
| Financing cash flows from finance leases | — | |  |  | 4.0 | |  |
| Right of use assets obtained in exchange for new operating lease liability (noncash in millions) | 30.2 | |  |  | — | |  |
| Right of use assets obtained in exchange for new financing lease liability (noncash in millions) | — | |  |  | 8.2 | |  |

**Item 16. Form 10-K Summary**

We have elected not to include the voluntary, summary information required by Form 10-K under this Item 16.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10‑K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 28, 2020.

WORLD FUEL SERVICES CORPORATION

|  |  |
| --- | --- |
|  | |
|  |  |
| /s/ MICHAEL J. KASBAR |  |
| Michael J. Kasbar   Chairman, President and Chief Executive Officer | |
|  |  |
| /s/ IRA M. BIRNS |  |
| Ira M. Birns   Executive Vice President and Chief Financial Officer | |

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10‑K has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2020.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| **Signature** |  | **Title** |
| /s/ MICHAEL J. KASBAR |  | Chairman, President and Chief Executive Officer |
| Michael J. Kasbar |  | (Principal Executive Officer) |
|  |  |  |
| /s/ IRA M. BIRNS |  | Executive Vice President and Chief Financial Officer |
| Ira M. Birns |  | (Principal Financial and Accounting Officer) |
|  |  |  |
| /s/ KEN BAKSHI |  | Director |
| Ken Bakshi |  |  |
|  |  |  |
| /s/ JORGE L. BENITEZ |  | Director |
| Jorge L. Benitez |  |  |
|  |  |  |
| /s/ SHARDA CHERWOO |  | Director |
| Sharda Cherwoo |  |  |
| /s/ STEPHEN J. GOLD |  | Director |
| Stephen J. Gold |  |  |
|  |  |  |
| /s/ RICHARD A. KASSAR |  | Director |
| Richard A. Kassar |  |  |
|  |  |  |
| /s/ JOHN L. MANLEY |  | Director |
| John L. Manley |  |  |
|  |  |  |
| /s/ STEPHEN K. RODDENBERRY |  | Director |
| Stephen K. Roddenberry |  |  |
|  |  |  |
| /s/ PAUL H. STEBBINS |  | Director |
| Paul H. Stebbins |  |  |
|  |  |  |

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