WORLD FUEL SERVICES CORP
Form S-3/A
September 07, 2005
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As filed with the Securities and Exchange Commission on September 7, 2005

Registration No. 333-125376

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**5172**	**59-2459427**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

9800 N.W. 41st Street, Suite 400

Miami, Florida 33178

(305) 428-8000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Paul H. Stebbins

Chairman of the Board

Chief Executive Officer

9800 N.W. 41st Street, Suite 400

Miami, Florida 33178

(305) 428-8000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares, par value $0.01 per share	4,600,000(2)	$ 25.40(3)	$ 116,840,000.00(3)	$ 13,752.07(4)

(1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended.
(2) Includes 600,000 common shares subject to the underwriters over-allotment option.
(3) Based on the average of the high and low prices as reported on the New York Stock Exchange of the registrant s common shares on May 24, 2005.
(4) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated September 7, 2005

Prospectus

4,000,000 shares

Common shares

This is a public offering of 4,000,000 common shares of World Fuel Services Corporation.

Our common shares are listed on the New York Stock Exchange under the symbol INT. On September 6, 2005, the last reported sale price for our common shares on the New York Stock Exchange was $35.63.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to World Fuel Services Corporation, before expenses	$	$

World Fuel Services Corporation has granted the underwriters an option for a period of 30 days to purchase up to 600,000 additional common shares to cover any over-allotments.

Investing in our common shares involves a high degree of risk. See Risk factors beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a

criminal offense.

The underwriters expect to deliver the shares on or about September , 2005.

Sole Book-Running Manager

JPMorgan

Merrill Lynch & Co. **Stephens Inc.**

September , 2005

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Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common shares. You should read the entire prospectus carefully, including Risk factors, beginning on page 10, and our consolidated financial statements and related notes and other financial information included in this prospectus before making an investment decision.

Our business

We are a global leader in the marketing and sale of marine and aviation fuel products and related services. We provide fuel and related services to more than 1,500 marine and 1,500 aviation customers through our 43 sales offices located in 24 countries throughout the world. We offer marine fuel and related services to a broad base of maritime customers, including international container and tanker fleets and time-charter operators, as well as to the United States and foreign governments. We offer aviation fuel and related services to major commercial airlines, second- and third-tier airlines, cargo carriers, regional and low cost carriers, corporate fleets, fractional operators, private aircraft, military fleets and the United States and foreign governments. We primarily buy and resell fuel to our marine and aviation customers, but we also act as a fuel broker at the request of certain of our marine customers. We compete by providing our marine and aviation customers value-added benefits including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and fuel procurement outsourcing. We have a diverse group of marine and aviation fuel suppliers ranging from large oil companies to specialized regional suppliers. We utilize these suppliers and third parties for the delivery and storage of fuel and do not own any pipelines, tanks or fuel delivery equipment.

Marine fuel services

We believe we are a leading reseller and broker of marine fuel. In addition to acting as a reseller and a broker, we provide customers fixed fuel prices in advance of delivery dates through hedging arrangements. In 2004, we resold or brokered approximately 22 million metric tons of marine fuel.

We purchase and resell marine fuel from suppliers worldwide. As a reseller of marine fuel, we typically are not subject to price risk because substantially all of our fuel purchases are made back-to-back, meaning that simultaneous with a customer order, we purchase fuel to satisfy the order. For approximately one-third of our marine business, we act as a broker, arranging fuel purchase contracts between suppliers and customers. For this service we are paid a commission by the suppliers. We only maintain marine fuel inventories at three locations, all in the United Kingdom. We typically hedge these inventories against price risks.

Aviation fuel services

In our aviation fuel services business, we focus on reselling fuel to aviation customers. In addition, for certain airlines, we are paid a management fee to manage all fuel procurement on a fully outsourced basis. For our corporate customers, we also provide a number of aviation related services, including flight plans, weather reports, ground handling, flight permits and catering. In 2004, we resold approximately 1.8 billion gallons of aviation fuel.

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We purchase aviation fuel from suppliers worldwide. Outside of the United States, we do not maintain aviation fuel inventories because we arrange to have fuel delivered into our customers aircraft directly from our suppliers. In the United States, aviation fuel is delivered to our customers directly from our suppliers or from our fuel inventories. Our fuel inventories, which in the aggregate are typically below 2% of our annual aviation sales, are held at multiple airport locations in third party storage facilities or in transit in third party pipelines. We typically hedge our pipeline inventories against price risks.

Our industry

Marine and aviation fuel markets are highly fragmented with respect to both supply and demand. Marine and aviation fuel is supplied to wholesalers and consumers by oil companies worldwide, ranging from large multi-national oil companies to specialized regional suppliers. Purchasers of marine and aviation fuel range from worldwide shipping companies and major airlines to operators of mega-yachts and private jets. We compete with other fuel resellers as well as major oil producers that market fuel directly to large commercial airlines and shipping companies. However, we believe many major oil producers, in an effort to reduce credit risk and marketing and administrative costs, are scaling back their commitment to downstream operations, including retail sales to marine and aviation customers. In addition, marine and aviation fuel customers, faced with the challenge of managing multiple vendor relationships in diverse locations, are increasingly relying on outsourced solutions to meet their fuel purchasing needs.

Marine and aviation fuel prices are influenced by crude oil prices, which rose 34% in 2004 and continued to rise in the first six months of 2005 to historically high levels. We believe that most consumers of marine and aviation fuel lack the expertise to purchase fuel efficiently and manage price risk effectively. As fuel prices increase, the credit exposure for suppliers increases at corresponding levels as consumers purchase fuel on credit at higher costs.

Marine

There are more than 35,000 sea-going merchant ships of the size we service in operation worldwide. We estimate that the total marine fuel market is approximately 150 million metric tons annually. The cost of marine fuel is one of the biggest ongoing costs for a ship operator.

The demand for marine fuel services is driven by the number and diversity of fuel suppliers, which make it difficult for ship operators to monitor fuel price and quality effectively. Ship operators are increasingly outsourcing fuel procurement services so they can focus on core operations and cost cutting rather than attempting to monitor volatile fuel prices and the local supply, delivery and logistical details unique to each market. Moreover, marine fuel quality varies significantly from market to market and supplier to supplier, and low quality fuel can negatively affect vessel operations. Operators are increasingly relying upon outsourcers to manage fuel quality control to minimize this risk.

Aviation

There are more than 150,000 commercial aircraft in operation worldwide. Armbrust Aviation Group estimates that, the aviation industry requires approximately 60 billion gallons of aviation

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fuel per year. For a typical carrier, fuel is one of the highest expenses. For most passenger carriers, fuel expenses can represent 25% or more of operating costs.

The demand for aviation fuel services is driven by every segment of the aviation industry, including major commercial airlines, second- and third-tier airlines, cargo carriers, regional and low cost carriers, corporate fleets, fractional operators, private aircraft, military fleets and the United States and foreign governments. Each segment of the aviation industry is challenged by the complexities of managing fuel purchases and protecting against price volatility through hedging arrangements. Because many carriers lack the global and comprehensive expertise to manage these fuel purchasing and hedging decisions internally, a number of carriers have outsourced the fuel procurement function. Carriers (other than the major commercial airlines, military and government carriers) are also relying more and more on outsourcers because they can offer more competitive pricing by aggregating supply and demand. Major United States and foreign airlines have traditionally purchased fuel directly from suppliers domestically and in their major markets, but will often outsource fuel purchases outside of their home countries. Similarly, military and government carriers typically purchase fuel directly from national oil companies or other suppliers in their own countries, but often outsource fuel purchases internationally.

Our business strengths

Customer focused business model

We satisfy our customers requirements for fuel through our network of 43 offices, located in 24 countries, offering our products and services on a 24-hour basis, every day of the year. Our broad offering of fuel services allows customers to shed non-core functions and improve operating efficiency. Our ability to provide high-quality fuel to our customers in a consistent and reliable manner, combined with our wide range of services, form a comprehensive one-stop worldwide fuel services solution for our customers.

Aggregation of supply and demand

Our ability to aggregate multiple suppliers and multiple buyers is the fundamental strength of our business model. Suppliers benefit from our ability to aggregate the demand of multiple customers, which eliminates the need to market fuel to a highly fragmented group of fuel consumers. Suppliers also are able to reduce time spent evaluating the credit risks of individual customers since they rely on our creditworthiness. Our customers benefit from superior pricing because we are sometimes able to achieve cost savings through our high volume purchases from individual suppliers.

Strong industry knowledge

We continuously provide our customers global market intelligence and rapid access to competitively priced marine and aviation fuel at over 2,500 seaports and airports. We have professionals throughout the world dedicated to understanding local supply markets. Our

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integrated systems link these local market experts to our professionals in charge of customer relationships, which enables us to provide real time access to superior pricing in multiple markets. We also employ professionals with expertise in the use of derivatives to hedge price risk. We are highly skilled at helping our customers design and implement programmatic approaches to price risk management in the critical area of fuel procurement. In some instances, our marine and aviation customers completely outsource their fuel procurement function to our fuel management team, relying on our market knowledge and systems to ensure that fuel is delivered when and where it is needed. We also believe that our market knowledge allows us to be flexible so that we can quickly and efficiently reallocate resources throughout the world as necessary to satisfy customers needs.

Ability to extend trade credit and maintain effective credit management

We are able to extend unsecured trade credit to many of our customers, which gives us a competitive advantage over many other sellers and resellers of fuel. Absent the availability of unsecured trade credit, many of our customers would be required to prepay their purchases or post letters of credit. Our involvement in our customers supply chains eliminates this requirement, reduces our customers working capital investments and enhances their operating cash flow. We have substantial resources dedicated to analyzing and monitoring the particular credit situations of our customers. We have disciplined credit analysis processes that utilize centralized information technology systems to continuously monitor global economic conditions, suppliers and customer usage patterns. Our experienced credit personnel maintain high credit standards and ensure the overall quality of our credit portfolio.

Significant relationships and recognition with suppliers and customers

We have built strong brand recognition in our core marine and aviation fueling markets around the world with suppliers and customers. We have relationships with substantially all of the major international fuel suppliers as well as most of the smaller local and regional companies in our markets. We are also well known among marine and aviation fuel purchasers for our high quality service across a broad market and our ability to deliver in the most challenging of environments. We have had relationships with many of these customers for more than 10 years.

Our growth strategy

Continue organic growth

We intend to expand our presence into geographic markets that present significant opportunities for growth in both the marine and aviation segments. This includes entering into emerging markets by hiring knowledgeable local representation as well as increasing our penetration of existing markets. At the same time, we intend to evaluate new opportunities to add to our existing suite of products and services to capture more of our customers outsource spending. In addition, we plan to continue to improve our existing operations and technology systems in order to gain efficiencies and to provide the infrastructure necessary for future growth.

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Expand into complementary lines of business

We continuously work to identify opportunities for growth in complementary fuel services businesses in which we can utilize our expertise in procurement and logistics. We launched a pilot program in the United States in 2003 to provide our fuel services expertise to the land-based diesel and gasoline markets. As in our marine and aviation fuel services businesses, we believe there are opportunities to aggregate fuel purchases for land based consumers that have traditionally purchased fuel directly from the oil companies throughout the United States.

Pursue selected acquisitions and other strategic transactions

We will continue to evaluate and pursue opportunities for acquisitions, joint ventures and other strategic relationships in new and existing markets that will enhance our position in our core marine and aviation markets or provide complementary products and services to our existing customers. In the past, we have acquired and integrated companies to enter new geographic markets, add new products and services and enhance our position in our core markets.

Restatement of consolidated financial statements and identification of material weaknesses

In early 2005, we restated our consolidated financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004 and all interim periods of 2003 and 2004. The restatements related to the correction of the cutoff procedures we used for the recognition of revenue and cost of sales, the correction of our accounting for inventory derivatives, and the correction of our presentation in the statement of cash flows of borrowing and repayment activities under our revolving credit facility. The restatements are described in more detail in note 2 to our audited consolidated financial statements for the year ended December 31, 2004 included in this prospectus.

In connection with the restatements, management concluded that as of December 31, 2004, there were three material weaknesses in our internal control over financial reporting.

- We did not maintain effective controls over the recognition of revenue and cost of sales in the appropriate accounting period. We historically recognized revenue and cost of sales when supporting documentation relating to fuel deliveries and related services was received from third party service providers rather than at the time fuel deliveries were made and related services were performed as required by generally accepted accounting principles.

- We did not maintain effective controls over the accounting and financial reporting of our inventory derivative program. Historically, the gains or losses on the open position of our inventory derivatives were not accounted for until the physical inventories were sold as opposed to recording realized or unrealized gains and losses in the statements of income as required by generally accepted accounting principles.

- We did not maintain effective controls over the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility. We historically did not present such borrowings and payments on a gross basis as required by generally accepted accounting principles.

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These material weaknesses resulted in the restatements of our financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004 and all interim periods of 2003 and 2004, and audit adjustments to our financial statements. Based on these material weaknesses, management s assessment of the effectiveness of our internal control over financial reporting included in our Form 10-K for the year ended December 31, 2004, as amended, concluded that our internal control over financial reporting was not effective as of December 31, 2004 and the report of our independent registered certified public accounting firm contained an adverse opinion with respect to the effectiveness of our internal control over financial reporting as of December 31, 2004.

We implemented quarterly reviews by our controller and chief financial officer of the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility on a gross basis. As a result, management has determined that this material weakness has been fully remediated and no longer represents an internal control deficiency.

We have taken the following actions to address our material weaknesses related to the recognition of revenue and cost of sales in the appropriate accounting period and the accounting and financial reporting of our inventory derivative program:

With regard to the recognition of revenue and cost of sales in the appropriate accounting period, we implemented the following controls: (1) a formal policy and related procedures were written to accrue revenue and cost of sales based on when fuel deliveries are made and when related services are performed; and (2) supervisory reviews of the accrued revenue and cost of sales are performed monthly by the segment controllers as well as the segment chief financial officers.

We also implemented a process to record unrealized losses or gains on inventory derivatives to the statement of income. We retained a third party expert to assist management in the identification, classification and evaluation of our inventory derivatives. In addition, we are evaluating various software packages to support transaction capture, effectiveness testing, documentation and accounting and financial reporting of our inventory derivative program.

Management will continue to monitor the effectiveness of the changes implemented to determine whether the material weaknesses described above can be considered to be remediated. Management believes that these material weaknesses, if not remediated, could result in material misstatements in our annual or interim financial statements for future periods.

In addition to the above changes in accounting and reporting, we are implementing changes to strengthen the areas of internal audit and financial reporting and intend to hire additional personnel in these areas.

Corporate information

World Fuel Services Corporation is a Florida corporation. Our principal executive offices are located at 9800 Northwest 41st Street, Suite 400, Miami, Florida 33178, and our telephone number is (305) 428-8000. Our website can be found at http://www.wfscorp.com. Information on our website is not part of, and should not be construed as being incorporated by reference into, this prospectus.

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The offering

Common shares offered by us	4,000,000 shares
Over-allotment option	600,000 shares
Common shares outstanding immediately prior to the offering	23,071,373 shares
Common shares to be outstanding after the offering	27,071,373 shares (or 27,671,373 shares if the underwriters exercise in full their over-allotment option to purchase additional shares)
Use of proceeds	We intend to use the net proceeds from this offering for the short-term reduction of our revolving credit facility and general corporate purposes, which may include future acquisitions, capital expenditures and working capital. For more detailed information, see Use of proceeds beginning on page 20.
Risk factors	See Risk factors, beginning on page 10, and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common shares.
New York Stock Exchange symbol	INT

The number of common shares that are outstanding immediately prior to and immediately after the offering is based on the number of common shares outstanding as of August 31, 2005 and excludes:

- 2,160,716 common shares subject to outstanding stock options at a weighted average exercise price of $10.79 per share;
- 368,866 common shares reserved for issuance upon exercise with respect to outstanding stock appreciation rights, at a weighted average conversion price of $24.63 per share;
- 18,156 common shares reserved for issuance with respect to outstanding stock units; and
- 783,180 common shares reserved and available for future issuance under our stock-based compensation plans.

Unless we indicate otherwise, all information in this prospectus assumes no exercise of the underwriters over-allotment option to purchase additional shares and reflects the two-for-one split of our common shares announced January 20, 2005 for shareholders of record as of February 1, 2005.

See Capitalization, and Description of capital stock for additional information concerning the number of outstanding shares of our capital stock and stock options.

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Summary consolidated financial and other data

The summary condensed consolidated financial data presented below as of and for the fiscal years ended December 31, 2003 and 2004, have been derived from our audited consolidated financial statements included in this prospectus. The summary condensed consolidated financial data presented below as of December 31, 2002 have been derived from our audited consolidated financial statements. The summary condensed consolidated income statement data for the twelve months ended December 31, 2002 have been derived from our audited consolidated financial statements for the nine months ended December 31, 2002 and our unaudited internally prepared financial information for the three months ended March 31, 2002 and no adjustments were made to our financial statements for those periods. The summary condensed financial data as of and for the six months ended June 30, 2004 and 2005, have been derived from our unaudited condensed financial statements included in this prospectus. The unaudited condensed financial statements as of and for the six months ended June 30, 2004 and 2005, include all adjustments, consisting of normal recurring accruals, that we consider necessary for a fair statement of our financial position and our results of operations for these periods. Data from interim periods are not necessarily indicative of the results to be expected for a full year. It is important that you read this information together with the information under Capitalization, Management s discussion and analysis of financial condition and results of operations, and our consolidated financial statements and related notes and other financial information included in this prospectus.

	Year ended December 31,			Six months ended June 30,	
(in thousands, except per share data)	**2002[(1)(2)]**	**2003[(1)]**	**2004[(1)(3)]**	**2004[(1)(3)]**	**2005**
Revenue	$1,904,365	$2,671,557	$5,654,373	$2,294,552	$3,892,335
Gross profit	83,827	101,123	129,956	57,034	76,573
Income from operations[(4)]	20,027	27,342	36,976	16,143	20,376
Net income[(5)]	14,153	22,161	28,559	11,899	16,947
Diluted earnings per share	$0.65	$0.99	$1.22	$0.51	$0.71
Diluted weighted average shares	21,790	22,338	23,454	23,256	23,965
Cash dividends declared per share	$0.15	$0.15	$0.15	$0.075	$0.075

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(in thousands)	As of December 31, 2002[1][2]	2003[1]	2004[1][3]	As of June 30, 2004[1][3]	2005
Cash and cash equivalents	$57,776	$76,256	$64,178	$65,328	$93,831
Accounts and notes receivable, net	212,578	243,612	490,780	442,653	582,645
Total current assets	295,289	354,663	648,068	556,736	782,533
Goodwill	36,860	36,860	42,347	43,811	42,651
Identifiable intangible asset	1,472	1,104	7,486	8,210	6,762
Total assets	344,996	400,850	712,171	621,015	850,218
Total current liabilities	212,016	246,595	466,985	444,106	597,536
Total long-term liabilities	4,198	4,537	56,683	4,694	46,194
Total shareholders equity	128,782	149,718	188,503	172,215	206,488

(1) In early 2005, we restated our consolidated financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004, and for all interim periods of 2003 and 2004. The restatements related to the correction of the cutoff procedures we used for the recognition of revenue and cost of sales, the correction of our accounting for inventory derivatives, and the correction of our presentation in the statement of cash flows of borrowing and repayment activities under our revolving credit facility. See note 2 to the consolidated financial statements included in this prospectus.

(2) In August 2002, we changed our fiscal year-end from March 31st to a calendar year-end of December 31st. This change was first effective with respect to the nine months ended December 31, 2002.

(3) We acquired Tramp Oil in April 2004. This acquisition was accounted for as a purchase. Accordingly, the results of operations of this acquisition were included with our results since the acquisition date.

(4) We recorded executive severance charges of $4.5 million relating to the termination of employment of our former Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and two other executives during the year ended December 31, 2002.

(5) For the year ended December 31, 2002, we recorded after-tax charges of $1.0 million in connection with the settlement of the remaining balance due on the sale of our oil recycling segment to EarthCare and $2.7 million in connection with executive severance charges, as described in (4) above.

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Risk factors

You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, actually occur, our business, financial condition and results of operations could be materially adversely affected. In that event, the trading price of our common shares could decline, and you may lose part or all of your investment.

Risks related to us and our business

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

We extend unsecured credit to many of our marine and aviation fuel customers. Our success in attracting customers has been due, in part, to our willingness to extend credit on an unsecured basis to customers that would otherwise be required to prepay or post letters of credit with their suppliers of fuel and related services. We do not insure our receivables. Diversification of credit risk is limited because we sell primarily within the marine and aviation industries. In our marine fuel services segment, as of June 30, 2005, we had extended individual lines of credit of at least $6.0 million to 34 non-governmental customers, and nine of these customers have lines of credit ranging from $15.0 million to $35.0 million. In our aviation fuel services segment, as of June 30, 2005, we had extended lines of credit of at least $4.0 million to seven non-governmental customers, and one of those customers had a credit line of $13.1 million.

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

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

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

- trade protection measures and import or export licensing requirements, which could increase our costs of doing business internationally;
- the costs of hiring and retaining senior management in overseas operations;

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

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

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

political risks specific to foreign jurisdictions; and

terrorism, war or civil unrest and natural disasters.

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

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

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

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

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

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

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

We purchase the fuel we resell from various suppliers. If the fuel fails to meet the specifications we have agreed to supply to our customers, our relationship with our customers could be adversely affected and we could be subject to claims and other liabilities which could have a material adverse effect on our business, financial condition and results of operations.

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

As part of our price risk management services, we offer our customers various pricing structures on future purchases of fuel, as well as derivatives products designed to assist our customers in hedging their exposure to fluctuations in fuel prices. In connection with offering our customers these services, we are exposed to financial risk associated with fluctuations in fuel prices. We

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typically hedge this risk by entering into a commodity based derivative instrument with a counterparty on substantially the same terms and conditions as those entered into with our customer. Should we fail to adequately hedge the risks associated with offering these services, or should a customer or counterparty to a derivative instrument fail to honor its obligations under our agreements with them, we could sustain significant losses which could have a material adverse effect on our business, financial condition and results of operations. Also, the failure of our employees to comply with our policies and procedures concerning the administration of our price risk management services, for example by failing to hedge a specific financial risk, could subject us to significant financial losses which could have a material adverse effect on our business, financial condition and results of operations.

The impact of Hurricane Katrina could have a material adverse effect on our business, financial condition and results of operations.

In late August 2005, Hurricane Katrina struck the coast of a number of states on the Gulf of Mexico, including Louisiana, Mississippi and Alabama. The hurricane destroyed thousands of business structures and homes. It is not possible at this time to determine either the short- or long-term effects Hurricane Katrina will have on our business. Because a significant portion of the oil refining capacity of the country is located on the Gulf Coast, and because ports at the mouth of the Mississippi River and on the Gulf Coast handle a significant portion of the nation s oil shipments, following Hurricane Katrina oil prices have increased and supplies have decreased. It is likely that there will be disruptions in the supply chain. Disruptions in supply could have a material adverse effect on our business, financial condition and results of operations. Damages and higher prices caused by Hurricane Katrina could have an adverse effect on the financial condition of our customers located in the Gulf Coast region and elsewhere in the United States and could result in losses in connection with credit extended to such customers.

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

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

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

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

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

Our business is focused on the marketing of fuel and fuel-related services to the shipping and aviation industries. Therefore, any adverse economic conditions in these industries may have an

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adverse effect on our business. In addition, any political instability, natural disasters, terrorist activity or military action that disrupts shipping or flight operations will adversely affect our customers and may reduce the demand for our products and services. Our business could also be adversely affected by increased merger activity in the airline and shipping industries, which may reduce the number of customers that purchase our products and services, as well as the prices we are able to charge for such products and services.

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

We do not maintain insurance coverage for various risks, including environmental claims. Although we generally require our subcontractors to carry liability insurance, not all subcontractors carry adequate insurance. Our marine business does not have liability insurance to cover the acts or omissions of our subcontractors. In addition, our liability insurance does not cover acts of war and terrorism. A significant uninsured claim against us would have a material adverse effect on our financial position and results of operations.

Our failure to comply with the restrictions of our revolving credit facility could adversely affect our operating flexibility.

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

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

A portion of our revolving credit facility debt is subject to variable interest rates. At June 30, 2005, we had a total of $42.0 million of debt bearing a weighted average interest rate of approximately 4.50% per annum. From time to time we may enter into interest rate protection arrangements that, in effect, fix the rate of interest on our debt. The amount of debt covered by such arrangements may change depending on our working capital needs. As of June 30, 2005, we had entered into interest rate protection arrangements for $20.0 million of debt at a weighted average interest rate of 5.45% per annum, which is included in the amounts above. An increase in interest rates, our failure to maintain adequate interest rate protection arrangements or both would increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness.

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

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

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Our acquisition of Tramp Oil and businesses we acquire in the future will expose us to increased operating risks.

On April 2, 2004, we acquired the Tramp Oil group of companies, independent resellers of marine fuel. As part of our growth strategy, we intend to continue to explore additional acquisitions of fuel resellers and other fuel services businesses.

This expansion exposes us to additional business and operating risks and uncertainties, including:

- the ability to effectively integrate and manage acquired businesses;
- the ability to realize our investment in the acquired businesses;
- the diversion of management s time and attention from other business concerns;
- the risk of entering markets in which we may have no or limited direct prior experience;
- the potential loss of key employees of the acquired businesses;
- the risk that an acquisition could reduce our future earnings; and
- exposure to unknown liabilities.

Although our management will endeavor to evaluate the risks inherent in any particular transaction, we cannot assure you that we will properly ascertain all such risks. In addition, prior acquisitions have resulted, and future acquisitions could result, in the incurrence of substantial additional indebtedness and other expenses. Future acquisitions may also result in potentially dilutive issuances of equity securities. We cannot assure you that difficulties encountered with acquisitions will not have a material adverse effect on our business, financial condition and results of operations.

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

Our marine and aviation segments are affected by various United States and foreign taxes imposed on the purchase and sale of marine and aviation fuel products. These taxes include sales, excise, goods and services taxes, value added taxes, and other taxes. Changes in United States and foreign tax laws or our failure to comply with those tax laws could adversely affect our business and operating results.

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

Competitive pressures in our markets could adversely affect our competitive position, leading to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. Our competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized firms. In addition to competing with fuel resellers, we also compete with the major oil producers that market fuel directly to the large commercial airlines and shipping companies. Our business could be adversely affected because of increased competition from the larger oil companies who may choose to directly market to smaller airlines and shipping companies, or to provide less advantageous price and credit terms to us than our fuel reseller competitors.

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If we fail to comply with extensive environmental laws and governmental regulations, we could suffer penalties or be required to make significant changes to our operations.

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

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

If we are involved in a spill or other accident involving hazardous substances, if there are releases of fuel and fuel products we own, or if we are found to be in violation of environmental laws or regulations, we could be subject to liabilities that could have a material adverse effect on our business, financial condition and results of operations. We are also subject to possible claims by customers, employees and others who may be injured by a fuel spill, exposure to fuel or other accidents. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

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

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

If the material weaknesses in our internal control over financial reporting identified below are not remediated they could result in material misstatements in our financial statements in the future, which would result in additional restatements, impact our ability to timely file our financial statements, or cause defaults under our revolving credit facility.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we establish and maintain an adequate internal control structure and procedures for financial reporting and assess on an on-going basis the design and operating effectiveness of our internal control structure and procedures for financial reporting. In early 2005, we restated our consolidated financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004, and all interim periods of 2003 and 2004. The restatements related to the correction of the cutoff procedures we used for the recognition of revenue and cost of sales, the correction of our accounting for inventory derivatives, and the correction of our presentation in the statement of cash flows of borrowing and repayment activities under our revolving credit facility.

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In connection with the restatements, management concluded that as of December 31, 2004, there were three material weaknesses in our internal control over financial reporting relating to:

- the recognition of revenue and cost of sales in the appropriate accounting period;
- the accounting and financial reporting of our inventory derivative program; and
- the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility.

We have implemented measures to ensure the accuracy of our financial statements and to attempt to remediate these material weaknesses. We believe we have fully remediated the material weakness related to the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility. If the other two material weaknesses are not remediated they could result in material misstatements in our financial statements in the future, which would result in additional restatements, impact our ability to timely file our financial statements or cause defaults under our revolving credit facility. As a result, our ability to obtain additional financing on favorable terms and the market value of our securities could be materially and adversely affected, which, in turn, could materially and adversely affect our business and financial condition.

Risks related to the offering

We may invest or spend the proceeds of this offering in ways with which you may not agree.

We have broad discretion in the way we invest or spend the proceeds of this offering. We intend to use a portion of the proceeds from this offering for the short-term reduction of indebtedness under our revolving credit facility and general corporate purposes, which may include future acquisitions, capital expenditures and working capital. Because of the number and variability of factors that determine our use of offering proceeds, the actual uses may vary substantially from our current intentions to use net proceeds from this offering as described in Use of proceeds.

Provisions of our charter documents and Florida law may delay or prevent our acquisition by a third party.

Certain provisions of our articles of incorporation and bylaws or Florida law could discourage unsolicited proposals to acquire us, even though such proposals may be beneficial to you. These provisions include:

- our board s authorization to issue preferred shares on terms the board determines in its discretion without shareholder approval;
- a prohibition on cumulative voting in the election of directors, which would otherwise allow less than a majority of shareholders to elect director candidates;

restrictions on who can call a special meeting of shareholders; and

provisions of Florida law that restrict business combinations.

We are subject to the provisions of the Affiliated Transactions section of the Florida Business Corporation Act, which could prevent us from engaging in a business combination with a 10% or greater shareholder unless appropriate disinterested director or shareholder approval is obtained, and the Control Share Acquisitions section of the Florida Business Corporation Act, which could prohibit a 20% or greater shareholder from voting his, her or its shares unless appropriate disinterested shareholder approval is obtained.

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Our share price may be highly volatile, which could lead to a loss of all or part of your investment.

The market price of our common shares may fluctuate substantially due to a variety of factors, including:

- fluctuations in interest rates;
- fluctuations in the availability or the price of oil;
- fluctuations in foreign currency exchange rates;
- announcements by us or our competitors;
- changes in our relationships with customers or suppliers;
- changes in governmental regulation of the fuel industry;
- changes in United States or foreign tax laws;
- actual or anticipated fluctuations in our operating results from period to period;
- changes in financial estimates or recommendations by securities analysts;
- changes in accounting principles; and
- the loss of any of our key management personnel.

In addition, the stock market has experienced extreme price and volume fluctuations. This volatility has often been unrelated to the operating performance of particular companies. These broad market and industry forces may seriously harm the market price of our common shares, regardless of our operating performance. In the past, securities class action litigation has often been brought against companies that experience volatility in the market price of their securities. Whether or not meritorious, litigation brought against us could result in substantial costs and a diversion of management s attention and resources.

Future sales of our common shares may cause our share price to decline.

We may, in the future, sell additional common shares in subsequent public offerings and may also issue additional common shares to finance future acquisitions. Our common shares are also available for future sale pursuant to stock options that we have granted to our employees. Sales of substantial amounts of our common shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our common shares and could impair our ability to raise capital through future offerings.

We and our directors and executive officers have agreed, with certain exceptions, not to sell or otherwise transfer any of our common shares for 90 days after the date of this prospectus, without first obtaining the written consent of J.P. Morgan Securities Inc., on behalf of the underwriters. With the consent of J.P. Morgan Securities Inc., we and our directors and executive officers may sell shares before the expiration of such 90-day period without prior notice to our other shareholders or to any public market in which our common shares trade. Such sales may adversely affect prevailing market prices for our common shares.

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Disclosure regarding forward-looking statements

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

Forward-looking statements are estimates and projections reflecting our best judgment and involve risks, uncertainties or other factors which may cause actual results to differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Certain risks, uncertainties or other important factors are detailed in this prospectus and may be detailed from time-to-time in reports we file with the Securities and Exchange Commission, including on Forms 8-K, 10-Q and 10-K.

Examples of forward-looking statements in this prospectus include but are not limited to our expectations regarding our business strategy, business prospects, operating results, working capital, liquidity, capital expenditure requirements and future acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, terms and availability of fuel from suppliers, pricing levels, the timing and cost of capital expenditures, outcomes of pending litigation, competitive conditions, general economic conditions and synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, but are not limited to:

- our ability to collect accounts receivable;
- changes in the political, economic or regulatory conditions in the markets in which we operate;
- currency exchange fluctuations;
- non-performance of third party service providers;
- our failure to hedge certain financial risks associated with our business and our price risk management services;
- non-performance by counterparties to derivatives contracts;
- the impact of Hurricane Katrina;

material disruptions in the availability or supply of fuel;

changes in the market price of fuel;

adverse conditions in the shipping and aviation industries;

uninsured losses;

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- our failure to comply with restrictions in our revolving credit facility;
- increases in interest rates;
- our ability to retain and attract senior management and other key employees;
- our ability to manage growth;
- our ability to integrate acquired businesses;
- changes in United States or foreign tax laws;
- increased levels of competition;
- changes in credit terms extended to us from our suppliers;
- compliance or lack of compliance with various environmental and other applicable laws and regulations;
- our ability to remediate our material weaknesses in our internal control over financial reporting; and
- other risks, including those described in Risk factors and those described from time to time in our Securities and Exchange Commission filings.

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. We believe these forward-looking statements are reasonable. However, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to update publicly any of them in light of new information or future events.

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Use of proceeds

We estimate that our net proceeds from this offering will be approximately $134.6 million, after deducting the underwriting discounts and commissions, and approximately $0.8 million of estimated offering expenses. If the underwriters exercise their overallotment option in full, then the net proceeds will be approximately $154.9 million.

We intend to use approximately $22.0 million of the net proceeds from this offering for the short-term reduction of indebtedness under our revolving credit facility, which expires on December 19, 2006 (which will be extended to December 19, 2010 upon the completion of this offering). As of June 30, 2005, the amount outstanding under our revolving credit facility was $42.0 million and the weighted average interest rate on borrowings under our revolving credit facility was 4.50% per annum. We intend to use the balance of the net proceeds for general corporate purposes, which may include future acquisitions, capital expenditures and working capital. Pending the use of such proceeds, we intend to invest the proceeds in short-term interest-bearing marketable securities or money market obligations.

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Price range of common shares

Our common shares have been publicly traded since 1986. Our common shares are listed on the New York Stock Exchange and trade under the symbol INT.

The following table sets forth the reported high and low closing sales prices per share of our common shares on the New York Stock Exchange for the periods indicated. On January 20, 2005, we announced a two-for-one split of our common shares. The additional shares issued pursuant to the stock split were distributed on February 15, 2005 to shareholders of record as of February 1, 2005. The share prices listed below have been adjusted to reflect the stock split.

	High	Low
Fiscal year 2003:		
First quarter	$10.52	$9.85
Second quarter	12.39	9.84
Third quarter	14.20	11.72
Fourth quarter	17.00	14.15
Fiscal year 2004:		
First quarter	$18.37	$16.34
Second quarter	22.66	19.00
Third quarter	22.60	16.95
Fourth quarter	24.90	16.90
Fiscal year 2005:		
First quarter	$31.50	$23.46
Second quarter	32.82	23.25
Third quarter (through September 6, 2005)	35.63	22.68

On September 6, 2005, the last reported sale price of our common shares was $35.63.

As of August 31, 2005, there were 233 holders of record of our common shares.

Dividend policy

We paid quarterly dividends on our common shares of $0.0375 per share during 2002, 2003 and 2004 and the first and second quarters of 2005.

Our current dividend policy anticipates the payment of quarterly dividends on our common shares in the future. Our current revolving credit facility limits the payment of cash dividends and other distributions on our common shares. Pursuant to this revolving credit facility, we may not make dividend payments or other distributions that, in the annual aggregate, exceed 35% of our net income during the four fiscal quarters preceding the declaration of the applicable dividend.

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Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2005:

on an actual basis; and

on an as adjusted basis to give effect to our sale of 4,000,000 common shares at an assumed public offering price of $35.63 per share, less estimated underwriting discounts, commissions and offering expenses.

You should read this table in conjunction with Summary consolidated financial and other data, Use of proceeds, Management s discussion and analysis of financial condition and results of operations, and the consolidated financial statements and notes to those consolidated financial statements included elsewhere in this prospectus.

As of June 30, 2005 (in thousands, except share amounts)	**Actual (Unaudited)**	**As adjusted (Unaudited)**
Cash and cash equivalents	$93,831	$206,425
Short-term debt	$483	$483
Long-term debt(1)	42,000	20,000
Total debt	42,483	20,483
Shareholders equity:		
Preferred shares, $1.00 par value; 100,000 shares authorized, none issued		
Common shares, $0.01 par value; 50,000,000 shares authorized; 25,518,000 shares issued, actual; 29,518,000 shares issued, as adjusted	255	295
Capital in excess of par value	49,391	183,945
Retained earnings	174,724	174,724
Accumulated other comprehensive income	(96)	(96)
Unearned deferred compensation	(7,188)	(7,188)
Treasury stock, at cost; 2,518,000 shares	(10,598)	(10,598)
Total shareholders equity	206,488	341,082
Total capitalization	$248,971	$361,565

(1) As of June 30, 2005, we had $78.8 million, net of outstanding letters of credit of $29.2 million, of available credit under our revolving credit facility.

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Selected consolidated financial and other data

The selected consolidated financial data presented below as of and for the fiscal years ended December 31, 2003 and 2004, have been derived from our audited consolidated financial statements included in this prospectus. The summary condensed consolidated financial data presented below as of December 31, 2002 have been derived from our audited consolidated financial statements. The selected consolidated income statement data for the twelve months ended December 31, 2002 have been derived from our audited consolidated financial statements for the nine months ended December 31, 2002 and our unaudited internally prepared financial information for the three months ended March 31, 2002 and no adjustments were made to our financial statements for those periods. The selected condensed financial data as of and for the six months ended June 30, 2004 and 2005, have been derived from our unaudited condensed financial statements included in this prospectus. The unaudited condensed financial statements as of and for the six months ended June 30, 2004 and 2005, include all adjustments, consisting of normal recurring accruals, that we consider necessary for a fair statement of our financial position and our results of operations for these periods. Data from interim periods are not necessarily indicative of the results to be expected for a full year. It is important that you read this information together with the information under Capitalization, Management s discussion and analysis of financial condition and results of operations, and our consolidated financial statements and related notes and other financial information included in this prospectus.

				Six months ended	
	Year ended December 31,			June 30,	
(in thousands, except per share data)	2002[1][2]	2003[1]	2004[1][3]	2004[1][3]	2005
Revenue	$1,904,365	$2,671,557	$5,654,373	$2,294,552	$3,892,335
Gross profit	83,827	101,123	129,956	57,034	76,573
Income from operations[4]	20,027	27,342	36,976	16,143	20,376
Net income[5]	14,153	22,161	28,559	11,899	16,947
Diluted earnings per share	$0.65	$0.99	$1.22	$0.51	$0.71
Diluted weighted average shares	21,790	22,338	23,454	23,256	23,965
Cash dividends declared per share	$0.15	$0.15	$0.15	$0.075	$0.075

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	As of December 31,			As of June 30,	
(in thousands)	**2002[(1)(2)]**	**2003[(1)]**	**2004[(1)(3)]**	**2004[(1)(3)]**	**2005**
Cash and cash equivalents	$57,776	$76,256	$64,178	$65,328	$93,831
Accounts and notes receivable, net	212,578	243,612	490,780	442,653	582,645
Total current assets	295,289	354,663	648,068	556,736	782,533
Goodwill	36,860	36,860	42,347	43,811	42,651
Identifiable intangible asset	1,472	1,104	7,486	8,210	6,762
Total assets	344,996	400,850	712,171	621,015	850,218
Total current liabilities	212,016	246,595	466,985	444,106	597,536
Total long-term liabilities	4,198	4,537	56,683	4,694	46,194
Total shareholders equity	128,782	149,718	188,503	172,215	206,488

(1) In early 2005, we restated our consolidated financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004, and for all interim periods of 2003 and 2004. The restatements related to the correction of the cutoff procedures we used for the recognition of revenue and cost of sales, the correction of our accounting for inventory derivatives, and the correction of our presentation in the statement of cash flows of borrowing and repayment activities under our revolving credit facility. See note 2 to the consolidated financial statements included in this prospectus.

(2) In August 2002, we changed our fiscal year-end from March 31st to a calendar year-end of December 31st. This change was first effective with respect to the nine months ended December 31, 2002.

(3) We acquired Tramp Oil in April 2004. This acquisition was accounted for as a purchase. Accordingly, the results of operations of this acquisition were included with our results since the acquisition date.

(4) We recorded executive severance charges of $4.5 million relating to the termination of employment of our former Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and two other executives during the year ended December 31, 2002.

(5) For the year ended December 31, 2002, we recorded after-tax charges of $1.0 million in connection with the settlement of the remaining balance due on the sale of our oil recycling segment to EarthCare and $2.7 million in connection with executive severance charges, as described in (4) above.

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Management s discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis together with Selected consolidated financial and other data and our consolidated financial statements and related notes included in this prospectus. The following discussion may contain forward-looking statements, and our actual results may differ significantly from the results suggested by these forward-looking statements. Some factors that may cause our results to differ from these statements are described in the Risk factors section of this prospectus.

Overview

We market fuel and related services to marine and aviation segment customers throughout the world. In our marine segment, we offer marine fuel and related services to a broad base of customers, including international container and tanker fleets, and time-charter operators, as well as to the United States and foreign governments. In our aviation segment, we offer aviation fuel and related services to major commercial airlines, second- and third-tier airlines, cargo carriers, regional and low cost carriers, corporate fleets, fractional operators, private aircraft, military fleets and the United States and foreign governments. We primarily buy and resell fuel to our marine and aviation customers, but we also act as a fuel broker at the request of certain of our marine customers. We compete by providing our marine and aviation customers value added benefits including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and fuel procurement outsourcing.

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

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

In April 2004, we acquired Tramp Oil. The acquisition forms part of our marine segment and was accounted for as a purchase. Accordingly, the results of operations of this acquisition were included with our results since its date of acquisition. In December 2000, we entered into a joint venture agreement with Signature Flight Support Corporation, or Signature Flight, through the acquisition of a 50% equity interest in PAFCO LLC, or PAFCO. From January 1, 2001 to December 31, 2003, we used the equity method of accounting to record our share of the earnings and losses of this aviation joint venture. Effective January 1, 2004, with the implementation of FIN No. 46, we consolidated PAFCO s financial position and results of operations, after elimination of all significant intercompany accounts, transactions and profits.

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Restatement of consolidated financial statements and identification of material weaknesses

In early 2005, we restated our consolidated financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004 and all interim periods 2003 and 2004. The restatements related to the correction of the cutoff procedures we used for the recognition of revenue and cost of sales, the correction of our accounting for inventory derivatives, and the correction of our presentation in the statement of cash flows of borrowing and repayment activities under our revolving credit facility. The restatements are described in more detail in note 2 to our audited consolidated financial statements for the year ended December 31, 2004 included in this prospectus.

In connection with the restatements, management concluded that as of December 31, 2004, there were three material weaknesses in our internal control over financial reporting.

We did not maintain effective controls over the recognition of revenue and cost of sales in the appropriate accounting period. Specifically, we recognized revenue and cost of sales when supporting documentation relating to fuel deliveries and related services had been received from third parties which provide fuel and related services rather than at the time fuel deliveries were made and related services were performed as required by generally accepted accounting principles.

We did not maintain effective controls over the accounting and financial reporting of our inventory derivative program. Historically, the gains or losses on the open position of our inventory derivatives were not accounted for until the physical inventories were sold as opposed to recording realized or unrealized gains and losses in the statements of income as required by generally accepted accounting principles.

We did not maintain effective controls over the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility. Specifically, we did not present such borrowings and payments on a gross basis as required by generally accepted accounting principles.

These material weaknesses resulted in the restatements of our financial statements for the year ended March 31, 2002, the nine months ended December 31, 2002, the years ended December 31, 2002, 2003 and 2004 and all interim periods of 2003 and 2004, and an audit adjustment to our financial statements. Based on these material weaknesses, management s assessment of the effectiveness of our internal control over financial reporting included in our Form 10-K for the year ended December 31, 2004, as amended, concluded that our internal control over financial reporting was not effective as of December 31, 2004 and the report of our independent registered certified public accounting firm contained an adverse opinion with respect to the effectiveness of our internal control over financial reporting as of December 31, 2004.

We implemented quarterly reviews by our controller and chief financial officer of the presentation in the statement of cash flows of borrowings and repayments under our revolving credit facility on a gross basis. As a result, management has determined that this material weakness has been fully remediated and no longer represents an internal control deficiency.

We have taken the following actions to address our material weaknesses related to the recognition of revenue and cost of sales in the appropriate accounting period and the accounting and financial reporting of our inventory derivative program:

With regard to the recognition of revenue and cost of sales in the appropriate accounting period, we implemented the following controls: (1) a formal policy and related procedures

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were written to accrue revenue and cost of sales based on when fuel deliveries are made and when related services are performed; and (2) supervisory reviews of the accrued revenue and cost of sales are performed monthly by the segment controllers as well as the segment chief financial officers.

We also implemented a process to record unrealized losses or gains on inventory derivatives to the statement of income. We retained a third party expert to assist management in the identification, classification and evaluation of our inventory derivatives. In addition, we are evaluating various software packages to support transaction capture, effectiveness testing, documentation and accounting and financial reporting of our inventory derivative program.

Management will continue to monitor the effectiveness of the changes implemented to determine whether the material weaknesses described above can be considered to be remediated. Management believes that these material weaknesses, if not remediated, could result in material misstatements in our annual or interim financial statements for future periods.

In addition to the above changes in accounting and reporting, we are implementing changes to strengthen the areas of internal audit and financial reporting and intend to hire additional personnel in these areas.

Reportable segments

We have two reportable operating businesses: marine and aviation. Corporate expenses are allocated to the segments based on usage, where possible, or on other factors according to the nature of activity. The following table provides the contribution percentage of each of our two reportable operating businesses on our total revenue and our operating income (before corporate overhead) for each of the periods presented in the accompanying consolidated statements of income:

	For the year ended December 31,			For the six months ended June 30,	
	2002	**2003**	**2004**	**2004**	**2005**
Revenue:					
Marine segment	68%	62%	54%	54%	52%
Aviation segment	32%	38%	46%	46%	48%
	100%	100%	100%	100%	100%
Operating income:					
Marine segment	41%	46%	44%	40%	46%
Aviation segment	59%	54%	56%	60%	54%
	100%	100%	100%	100%	100%

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Critical accounting policies and estimates

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

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

Revenue recognition

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

Accounts and notes receivable and allowance for bad debts

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

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience with our customers, current market and industry conditions of our customers, and any specific customer collection issues that we have identified. Accounts and notes receivable are reduced by an allowance for amounts that may become uncollectible in the future. We had accounts and notes receivable of $582.6 million and $490.8 million, net of allowance for bad debts of $12.3 million and $11.3 million, as of June 30, 2005 and December 31, 2004, respectively. Accounts and notes receivable are written-off when it becomes apparent based upon age or customer circumstances that such amounts will not be collected.

We believe the level of our allowance for bad debts is reasonable based on our experience and our analysis of the net realizable value of our trade receivables at June 30, 2005. We cannot guarantee that we will continue to experience the same credit loss rates that we have experienced in the past, because adverse changes in the marine and aviation industries, or

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changes in the liquidity or financial position of our customers, could have a material adverse effect on the collectibility of our accounts and notes receivable and our future operating results. If credit losses exceed established allowances, our results of operations and financial condition may be adversely affected. For additional information on the credit risks inherent in our business, see Risk factors.

Goodwill and identifiable intangible assets

Goodwill represents our cost in excess of net assets, including identifiable intangible assets, of the acquired companies and the joint venture interest in PAFCO. The identifiable intangible assets for customer relations existing at the date the acquisitions were recorded and are being amortized over their useful lives of five to seven years. We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, Goodwill and Other Intangible Assets. Among other provisions, SFAS No. 142 states that goodwill shall not be amortized prospectively. We recorded amortization of our identifiable intangible assets of $0.7 million and $0.5 million for the six months ended June 30, 2005 and 2004, respectively, and $1.2 million for the year ended December 31, 2004, $0.4 million for the years ended December 31, 2003 and 2002, and $0.3 million for the nine months ended December 31, 2002.

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

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

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

Income taxes

Income tax expense is provided for using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that all or a portion of the recorded deferred tax assets will not be realized in future periods. As of June 30, 2005, we have not recorded a valuation allowance.

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Results of operations

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Revenue. Our revenue for the first six months of 2005 was $3.9 billion, an increase of $1.6 billion, or 69.6%, as compared to the first six months of 2004. Our revenue during these periods was attributable to the following segments (in thousands):

	For the six months ended June 30,		
	2004 (Unaudited)	2005 (Unaudited)	$ Change
Marine segment	$ 1,243,973	$ 2,038,340	$ 794,367
Aviation segment	1,050,579	1,853,995	803,416
Total	$ 2,294,552	$ 3,892,335	$ 1,597,783

Our marine segment contributed $2.0 billion in revenue for the first six months of 2005, an increase of $794.4 million, or 63.9%, over the first six months of 2004. Of the total increase in marine segment revenue, $614.2 million was due to a 44.2% increase in the average price per metric ton sold, primarily due to higher world oil prices. The balance of the increase in marine segment revenue of $180.2 million pertained to increased business volume, primarily due to the acquisition of Tramp Oil, whose results are included from April 2004, as well as additional sales to new and existing customers.

Our aviation segment contributed $1.9 billion in revenue for the first six months of 2005, an increase of $803.4 million, or 76.5%, as compared to the first six months of 2004. Of the total increase in aviation segment revenue, $527.6 million was due to a 39.3% increase in the average price per gallon sold, primarily due to higher world oil prices. The remaining increase of $275.8 million pertained to increased sales volume. The increase in aviation segment sales volume was largely due to growth in fuel management and additional sales to new and existing customers in our commercial business.

Gross profit. Our gross profit of $76.6 million for the first six months of 2005 increased $19.5 million, or 34.3%, as compared to the first six months of 2004. Our gross profit during these periods was attributable to the following segments (in thousands):

For the six months ended June 30,		
2004 (Unaudited)	2005 (Unaudited)	$ Change

Marine segment	$ 26,309	$ 38,629	$ 12,320
Aviation segment	30,725	37,944	7,219
Total	$ 57,034	$ 76,573	$ 19,539

Our marine segment s gross profit for the first six months of 2005 was $38.6 million, an increase of $12.3 million, or 46.8%, as compared to the first six months of 2004. Of the total increase in marine segment gross profit, $11.6 million pertained to higher gross profit per metric ton sold and $4.4 million related to higher unit sales volume. Partially offsetting the increase was $3.7 million in higher unrealized losses on derivatives associated with the hedging of fuel inventory

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and open fixed price purchase commitments. The increase in gross profit per metric ton sold reflects advantageous pricing due to favorable market conditions.

Our aviation segment s gross profit for the first six months of 2005 was approximately $38.0 million, an increase of $7.2 million, or 23.5%, as compared to the first six months of 2004. Contributing to the total increase was $8.9 million related to an increase in the number of gallons sold and $0.1 million in unrealized gains on derivatives associated with the hedging of fuel inventory. Partially offsetting the increase was a $1.8 million decrease in the gross profit per gallon. The decrease in gross margin reflects the business volume growth in our high volume, low margin business.

Our consolidated gross margin decreased from 2.5% for the first six months of 2004, to 2.0% for the first six months of 2005. By segment, our marine segment gross margin decreased to 1.9% for the first six months of 2005 as compared to 2.1% for the first six months of 2004, and our aviation segment gross margin decreased to 2.0% for the first six months of 2005 as compared to 2.9% for the first six months of 2004. The decline in gross margin for the first six months of 2005 was a function of our sales price of fuel sold rising at a faster rate than our gross profit per unit sold in both segments. Also contributing to the decrease in the aviation segment gross margin was an increase in high volume, low gross profit business.

Operating expenses. Total operating expenses for the first six months of 2005 were $56.2 million, an increase of $15.3 million, or 37.4%, as compared to the first six months of 2004. The following table sets forth our expense categories (in thousands):

	For the six months ended June 30,		
	2004 (Unaudited)	2005 (Unaudited)	$ Change
Salaries and wages	$ 21,782	$ 30,119	$ 8,337
Provision for bad debts	2,239	4,095	1,856
Other	16,870	21,983	5,113
Total	$ 40,891	$ 56,197	$ 15,306

Of the total increase in operating expenses, $8.3 million was related to salaries and wages, $1.9 million to provision for bad debts and $5.1 million to other operating expenses. The increase in salaries and wages was primarily due to higher performance based incentive compensation, new hires to support the business growth and the additional employees from Tramp Oil. The increase in the provision for bad debts for the first six months of 2005 was primarily due to additional general provision for bad debts associated with a higher level of accounts receivable write-offs during the first six months of 2005. The increase in other operating expenses reflects the additional other operating expenses of Tramp Oil as well as higher non-employee directors share-based compensation, office rent, insurance, audit and consulting fees.

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Operating income. Our income from operations for the first six months of 2005 was $20.4 million, an increase of $4.2 million, or 26.2%, as compared to the first six months of 2004. Income from operations during these periods was attributable to the following segments (in thousands):

	For the six months ended June 30,		
	2004 (Unaudited)	2005 (Unaudited)	$ Change
Marine segment	$ 8,994	$ 13,991	$ 4,997
Aviation segment	13,630	16,555	2,925
	22,624	30,546	7,922
Corporate overhead	(6,481)	(10,170)	(3,689)
Total	$ 16,143	$ 20,376	$ 4,233

The marine segment earned $14.0 million in income from operations for the first six months of 2005, an increase of $5.0 million, or 55.6%, as compared to the first six months of 2004. This increase resulted from the $12.3 million increase in gross profit, partially offset by the $7.3 million increase in operating expenses. The increase in marine segment operating expenses was attributable to higher salaries and wages, provision for bad debts and other operating expenses.

The aviation segment income from operations was $16.6 million for the first six months of 2005, an increase of $2.9 million, or 21.5%, as compared to the first six months of 2004. This improvement was due to a $7.2 million increase in gross profit partially offset by an increase in operating expenses of $4.3 million. The increase in the aviation segment s operating expenses was attributable to higher salaries and wages and other operating expenses, partially offset by lower provision for bad debts.

Corporate overhead costs not charged to the business segments totaled $10.2 million for the first six months of 2005, as compared to $6.5 million during the first six months of 2004. The increase in corporate overhead costs was due to increases in salaries and wages and other operating expenses.

For explanations of the changes in operating expenses for the first six months of 2005 as compared to the first six months of 2004, see the above discussion on operating expenses.

Other expense/income. During the first six months of 2005, we reported $0.2 million in other income, net, as compared to other expense, net, of $1.2 million for the first six months of 2004. This $1.4 million change was primarily related to the recognition of exchange losses relating to the conversion of foreign currencies acquired from Tramp Oil into U.S. dollars during the second quarter of 2004 as well as an increase in interest income. Partially offsetting was an increase in interest expense, which reflects our higher level of borrowings under our revolving credit facility.

Taxes. For the first six months of 2005, our effective tax rate was 15.3%, for an income tax provision of $3.2 million, as compared to 19.1% and an income tax provision of $2.9 million for the first six months of 2004. The decrease in the effective tax rate for the first six months of 2005 as compared to the first six months of 2004 resulted primarily from profit fluctuations of our subsidiaries in tax jurisdictions with different tax rates.

Minority interest in income of consolidated subsidiaries. We reported minority interest of $0.5 million for the first six months of 2005, as compared to $0.2 million for the first six months of 2004. This increase of $0.3 million relates to the acquisition of Tramp Oil.

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Net income and diluted earnings per share. Net income for the first six months of 2005 was $16.9 million, an increase of $5.0 million, or 42.4%, as compared to the first six months of 2004. Diluted earnings per share for the first six months of 2005 was $0.71 per share, an increase of $0.20 per share, or 38.8%, as compared to the first six months of 2004.

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

Revenue. Our revenue for the year ended December 31, 2004 was $5.7 billion, an increase of $3.0 billion, as compared to revenue of $2.7 billion for the year ended December 31, 2003. Our revenue increase was primarily due to increases in business volume in the marine and aviation segments. Our revenue during these periods was attributable to the following segments (in thousands):

	For the year ended December 31,		
	2003	**2004**	**$ Change**
Marine segment	$1,644,598	$3,031,474	$1,386,876
Aviation segment	1,026,959	2,622,899	1,595,940
Total	$2,671,557	$5,654,373	$2,982,816

Our marine segment contributed $3.0 billion in revenue for the year ended December 31, 2004, an increase of $1.4 billion, or 84.3%, over the prior year. Of the total increase in marine segment revenue, $1.3 billion pertained to increased business volume, primarily due to the acquisition of Tramp Oil, as well as additional sales to new and existing customers. The remaining revenue increase of $134.4 million was due to a 6.8% increase in the average price per metric ton sold. Our aviation segment contributed $2.6 billion in revenue for the year ended December 31, 2004, an increase of $1.6 billion over the prior year. Increased volume in aviation contributed $970.0 million of the total increase in aviation segment revenue, with the remaining revenue increase of $626.0 million pertaining to a 30.4% increase in the average price per gallon sold. The increase in the aviation segment s sales volume was largely due to the growth in our fuel management business, new commercial business, and the consolidation of PAFCO, our aviation joint venture with Signature Flight. See note 7 to the accompanying consolidated financial statements included in this prospectus for additional information.

Gross profit. Our gross profit of $130.0 million for the year ended December 31, 2004 increased $28.8 million, or 28.5%, as compared to the prior year. Our gross profit during these periods was attributable to the following segments (in thousands):

	For the year ended December 31,		
	2003	**2004**	**$ Change**
Marine segment	$48,747	$63,148	$14,401
Aviation segment	52,376	66,808	14,432
Total	$101,123	$129,956	$28,833

Our gross margin decreased from 3.8% for the year ended December 31, 2003, to 2.3% for the year ended December 31, 2004. Our marine segment s gross margin of 2.1% decreased from 3.0% in the prior year. However, our gross profit in the marine segment increased $14.4 million, or 29.5%, due to increased business volume, partially offset by a lower gross profit per metric ton sold. Our marine segment gross profit was also reduced due to a write-down in the fourth

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quarter of 2004 of fuel inventory associated with our exit from the Panamanian market, a market area we acquired as part of the Tramp Oil transaction. The decrease in gross profit per metric ton sold in marine reflects competitive pressures. Our gross profit in the aviation segment increased $14.4 million, or 27.6%, while our aviation segment s gross margin decreased to 2.5% for the year ended December 31, 2004, as compared to 5.1% for the prior year. The increase in our gross profit in the aviation segment was primarily due to increased business volume. The decrease in the aviation segment s gross margin reflects the business volume growth in our lower margin fuel management business.

Operating expenses. Total operating expenses for the year ended December 31, 2004 were $93.0 million, as compared to $73.8 million for the year ended December 31, 2003. The following table sets forth our expense categories in (thousands):

	For the year ended December 31,		
	2003	**2004**	**$ Change**
Salaries and wages	$38,820	$51,849	$13,029
Provision for bad debts	6,281	4,338	(1,943)
Other	28,680	36,793	8,113
Total	$73,781	$92,980	$19,199

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

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

	For the year ended December 31,		
	2003	**2004**	**$ Change**
Marine segment	$18,476	$23,150	$4,674
Aviation segment	21,970	29,093	7,123
	40,446	52,243	11,797

Corporate overhead	(13,104)	(15,267)	(2,163)
Total	$27,342	$36,976	$9,634

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

Other income (expense). During the year ended December 31, 2004, we reported $1.4 million in other expense, net, as compared to other income, net, of $0.6 million for the prior year. This $2.1 million variance was primarily due to the recognition of exchange losses relating to conversion into United States dollars of foreign currencies acquired in connection with the Tramp Oil acquisition, increased interest expense due to borrowings from our revolving credit facility for working capital, and the effect of the consolidation of our PAFCO aviation joint venture.

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

Net income and diluted earnings per share. Net income and diluted earnings per share for the year ended December 31, 2004 were $28.6 million and $1.22, respectively, as compared to $22.2 million and $0.99 during the prior year. Included in the results for the year ended December 31, 2004 was a charge of $0.8 million, or $0.04 per basic and diluted share, relating to the inventory write-down in the fourth quarter of 2004 associated with our exit from the Panamanian market, net of reduced performance based compensation and taxes.

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

Revenue. Our revenue for the year ended December 31, 2003 was $2.7 billion, an increase of $767.2 million, or 40.3%, as compared to revenue of $1.9 billion for the year ended December 31, 2002. Our revenue increase was mainly due to increases in both business volume and fuel sale prices, related to higher world oil prices.

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

	For the year ended December 31,		
	2002 (Unaudited)	**2003**	**$ Change**
Marine segment	$1,287,417	$1,644,598	$357,181
Aviation segment	616,948	1,026,959	410,011

Total	$1,904,365	$2,671,557	$767,192

Our marine segment contributed $1.6 billion in revenue for the year ended December 31, 2003, an increase of $357.2 million, or 27.7%, over the prior year. The increase in revenue was primarily due to a 19.0% increase in the average price per metric ton sold and an 8.1% increase in the volume of metric tons sold. Our aviation segment contributed $1.0 billion in revenue for the

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year ended December 31, 2003, an increase of $410.0 million, or 66.5%, over the prior year. The increase in revenue was due to a 55.3% increase in the volume of gallons sold and a 7.2% increase in the average price per gallon sold. The significant increase in the aviation segment s sales volume was due to new commercial and government business as well as increases in wholesale activities and fuel management business.

Gross profit. Our gross profit of $101.1 million for the year ended December 31, 2003 increased $17.3 million, or 20.6%, as compared to the prior year. Our gross profit during these periods was attributable to the following segments (in thousands):

	For the year ended December 31,		
	2002 (Unaudited)	**2003**	**$ Change**
Marine segment	$37,699	$48,747	$11,048
Aviation segment	46,128	52,376	6,248
Total	$83,827	$101,123	$17,296

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

Operating expenses. Total operating expenses for the year ended December 31, 2003 were $73.8 million, as compared to $63.8 million for the year ended December 31, 2002. The following table sets forth our expense categories (in thousands):

	For the year ended December 31,		
	2002 (Unaudited)	**2003**	**$ Change**
Salaries and wages	$31,456	$38,820	$7,364
Executive severance charges	4,492		(4,492)
Provision for bad debts	2,866	6,281	3,415
Other	24,986	28,680	3,694
Total	$63,800	$73,781	$9,981

Included in operating expenses for the year ended December 31, 2002 were executive severance charges totaling $4.5 million, of which $3.7 million related to our former Chairman and Chief Executive Officer and the remaining amounts were for our former Chief Financial Officer, Chief Information Officer, and two other executives. Excluding the 2002 executive severance charges, the increase in operating expenses of $14.5 million related to all three categories of expenses:

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salaries and wages, provision for bad debts, and other operating expenses. The $7.4 million increase in salaries and wages was due to new employees to support our business process improvements and continued business expansion, the front-end cost of some business process improvement initiatives, and payments and accruals for performance based incentive compensation payouts. Incentive compensation accounted for the largest part of the increase in salaries and wages. The increase in provision for bad debts of $3.4 million primarily resulted from the recording of additional general allowance for bad debts for estimated credit losses as well as reserve for two bankrupt international airlines. The $3.7 million increase in other operating expenses was also primarily related to our business process improvements and continued business expansion, as well as to higher overall operating costs primarily relating to increases in insurance cost, office rent, depreciation and amortization expenses, travel and entertainment expenses, and independent directors cash compensation and non-cash compensation related to stock-based awards, which was mostly related to the amortization of the fair value of the stock options granted over the applicable one year vesting period.

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

	For the year ended December 31,		
	2002 (Unaudited)	2003	$ Change
Marine segment	$13,366	$18,476	$5,110
Aviation segment	18,962	21,970	3,008
	32,328	40,446	8,118
Corporate overhead	(12,301)	(13,104)	(803)
Total	$20,027	$27,342	$7,315

The marine segment segment earned $18.5 million in income from operations for the year ended December 31, 2003, an increase of $5.1 million, or 38.2%, as compared to the prior year. This increase resulted primarily from a 29.3% increase in gross profit, partially offset by higher operating expenses. The aviation segment s income from operations was $22.0 million for the year ended December 31, 2003, an increase of $3.0 million, or 15.9%, as compared to the prior year. This improvement was due to a 13.5% increase in gross profit, partially offset by an increased provision for bad debts and other operating expenses. Corporate overhead costs not charged to the business segments totaled $13.1 million for the year ended December 31, 2003, as compared to $12.3 million during the prior year. For explanations of the increases in operating expenses for the year ended December 31, 2003 as compared to the prior year, see the above discussion on operating expenses.

Other income (expense). During the year ended December 31, 2003, we reported $0.6 million in other income, net, as