

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-9533

WORLD FUEL SERVICES CORPORATION

-----  
(Exact name of registrant as specified in its charter)

FLORIDA

59-2459427

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

700 SOUTH ROYAL POINCIANA BLVD., SUITE 800  
MIAMI SPRINGS, FLORIDA

33166

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

Registrant's Telephone Number, including area code: (305) 884-2001

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

As of July 26, 1999, the registrant had a total of 12,189,277 shares of  
common stock, par value \$0.01 per share, issued and outstanding.

Page 1 of 13

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited, condensed consolidated financial statements of World  
Fuel Services Corporation (the "Company") have been prepared in accordance with  
the instructions to Form 10-Q and, therefore, omit or condense certain footnotes  
and other information normally included in financial statements prepared in  
accordance with generally accepted accounting principles. In the opinion of  
management, all adjustments necessary for a fair presentation of the financial  
information for the interim periods reported have been made. Results of  
operations for the three months ended June 30, 1999, will not be necessarily  
indicative of the results for the entire fiscal year ending March 31, 2000.

Page 2 of 13

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

ASSETS

	June 30, 1999	March 31, 1999
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,343,000	\$ 16,322,000
Accounts and notes receivable, net of allowance for bad debts of \$7,907,000 and \$6,829,000 at June 30 and March 31, 1999, respectively	114,103,000	98,678,000
Inventories	6,340,000	6,199,000
Prepaid expenses and other current assets	4,349,000	5,617,000
	-----	-----
Total current assets	135,135,000	126,816,000
	-----	-----
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Land	1,054,000	1,054,000
Buildings and improvements	3,243,000	3,155,000
Office equipment and furniture	8,882,000	8,150,000
Plant, machinery and equipment	19,457,000	19,557,000
Construction in progress	158,000	196,000
	-----	-----
	32,794,000	32,112,000
Less accumulated depreciation and amortization	11,037,000	10,655,000
	-----	-----
	21,757,000	21,457,000
	-----	-----
<b>OTHER ASSETS:</b>		
Unamortized cost in excess of net assets of acquired companies, net of accumulated amortization	23,535,000	15,148,000
Other	3,713,000	2,513,000
	-----	-----
	\$184,140,000	\$165,934,000
	=====	=====

(Continued)

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1999 -----	March 31, 1999 -----
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 1,539,000	\$ 125,000
Accounts payable and accrued expenses	57,424,000	49,665,000
Customer deposits	3,142,000	4,074,000
Accrued salaries and wages	1,673,000	2,248,000
Income taxes payable	2,498,000	1,617,000
	-----	-----
Total current liabilities	66,276,000	57,729,000
	-----	-----
<b>LONG-TERM LIABILITIES</b>	15,427,000	7,408,000
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$1.00 par value; 100,000 shares authorized, none issued	--	--
Common stock, \$0.01 par value; 25,000,000 shares authorized; 12,535,000 and 12,534,000 shares issued and outstanding at June 30 and March 31, 1999, respectively	125,000	125,000
Capital in excess of par value	26,776,000	26,769,000
Retained earnings	79,633,000	78,000,000
Less treasury stock, at cost; 346,000 shares at June 30 and March 31, 1999	4,097,000	4,097,000
	-----	-----
	102,437,000	100,797,000
	-----	-----
	\$184,140,000	\$165,934,000
	=====	=====

The accompanying note to the consolidated financial statements is an integral part of these consolidated balance sheets (unaudited).

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended June 30,	
	----- 1999 -----	----- 1998 -----
Revenue	\$ 231,550,000	\$ 193,031,000
Cost of sales	214,789,000	178,175,000
	-----	-----
Gross profit	16,761,000	14,856,000
	-----	-----
Operating expenses:		
Salaries and wages	5,839,000	4,957,000
Provision for bad debts	--	1,238,000
Special provision for bad debts	1,571,000	--
Other	4,311,000	3,772,000
	-----	-----
	11,721,000	9,967,000
	-----	-----
Income from operations	5,040,000	4,889,000
	-----	-----
Other (expense) income:		
Special provision for bad debts in aviation joint venture	(1,193,000)	--
Other expense, net	(110,000)	253,000
	-----	-----
	(1,303,000)	253,000
	-----	-----
Income before income taxes	3,737,000	5,142,000
Provision for income taxes	1,495,000	1,061,000
	-----	-----
Net income	\$ 2,242,000	\$ 4,081,000
	=====	=====
Basic earnings per common share	\$ 0.18	\$ 0.33
	=====	=====
Weighted average shares	12,188,000	12,495,000
	=====	=====
Diluted earnings per common share	\$ 0.18	\$ 0.32
	=====	=====
Weighted average shares - diluted	12,311,000	12,752,000
	=====	=====

The accompanying note to the consolidated financial statements is an integral part of these consolidated financial statements (unaudited).

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended June 30,	
	1999	1998
Cash flows from operating activities:		
Net income	\$ 2,242,000	\$ 4,081,000
Adjustments to reconcile net income to net cash used in operating activities -		
Depreciation and amortization	912,000	689,000
Provision for bad debts	1,571,000	1,238,000
Deferred income tax provision	3,000	66,000
Equity in losses (earnings) of aviation joint venture, net	1,184,000	(68,000)
Other non-cash operating credits	(3,000)	(11,000)
Changes in assets and liabilities:		
(Increase) decrease in -		
Accounts and notes receivable	(17,967,000)	(9,733,000)
Inventories	(141,000)	(65,000)
Prepaid expenses and other current assets	(392,000)	(1,569,000)
Other assets	(759,000)	591,000
Increase (decrease) in -		
Accounts payable and accrued expenses	7,428,000	2,455,000
Customer deposits	(932,000)	406,000
Accrued salaries and wages	(626,000)	(602,000)
Income taxes payable	863,000	(271,000)
Deferred compensation	(430,000)	(252,000)
Total adjustments	(9,289,000)	(7,126,000)
Net cash used in operating activities	(7,047,000)	(3,045,000)
Cash flows from investing activities:		
Additions to property, plant and equipment	(839,000)	(1,218,000)
Proceeds from notes receivable	1,227,000	74,000
Payment for acquisition of business, net of cash acquired	(4,183,000)	--
Net cash used in investing activities	(3,795,000)	(1,144,000)

(Continued)

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(Continued)

	Three Months Ended June 30,	
	1999	1998
Cash flows from financing activities:		
Dividends paid on common stock	\$ (609,000)	\$ (624,000)
Proceeds from issuance of common stock	10,000	239,000
Borrowings under revolving credit facility, net	5,500,000	--
Other	(38,000)	(25,000)
	-----	-----
Net cash provided by (used in) financing activities	4,863,000	(410,000)
	-----	-----
Net decrease in cash and cash equivalents	(5,979,000)	(4,599,000)
Cash and cash equivalents, at beginning of period	16,322,000	14,459,000
	-----	-----
Cash and cash equivalents, at end of period	\$ 10,343,000	\$ 9,860,000
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 125,000	\$ 14,000
	=====	=====
Income taxes	\$ 679,000	\$ 1,136,000
	=====	=====

SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:

Cash dividends declared, but not yet paid, totaling \$609,000 and \$626,000 are included in Accounts payable and accrued expenses as of June 30, 1999 and 1998, respectively.

In connection with the acquisition of the Bunkerfuels group of companies, the Company issued \$4,250,000 in notes payable. See note for additional information.

Advances to the Company's aviation joint venture totaling \$1,723,000 were reclassified from Prepaid expenses and other current assets to Other assets as of June 30, 1999.

The accompanying note to the consolidated financial statements is an integral part of these consolidated financial statements (unaudited).

WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for quarterly financial reporting are the same as those disclosed in Note 1 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 1999.

ORGANIZATION AND NATURE OF ACQUISITIONS

In April 1999, the Company acquired substantially all of the operations of the privately held Bunkerfuels group of companies. The acquisition was accounted for as a purchase. Accordingly, the results of operations of the Bunkerfuels group ("Bunkerfuels") are included with the results of the Company from April 1, 1999. The aggregate purchase price of the acquisition was approximately \$8,641,000, including an estimated \$72,000 in acquisition costs. The Company paid approximately \$4,183,000 in cash; net of cash acquired, \$4,250,000 in the form of 7 3/4% promissory notes, payable over three years, of which \$1,410,000 is due within one year, and \$208,000 in short term payables due to the sellers. The promissory notes are collateralized by letters of credit. The difference between the purchase price and the \$67,000 fair value of the net assets of the acquired companies, which amounted to approximately \$8,574,000, was allocated to goodwill, and is being amortized using the straight-line method over 35 years. The Company determined that no other intangible assets exist.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 1998

The Company's revenue for the three months ended June 30, 1999 was \$231,550,000, an increase of \$38,519,000, or 20.0%, as compared to revenue of \$193,031,000 for the corresponding period for the prior year. The Company's revenue during these periods was attributable to the following segments:

	Three Months Ended June 30,	
	1999	1998
Aviation Fueling	\$ 92,216,000	\$ 85,276,000
Marine Fueling	133,230,000	101,541,000
Oil Recycling	6,104,000	6,214,000
Total Revenue	\$231,550,000	\$193,031,000

The aviation fueling segment contributed \$92,216,000 in revenue for the three months ended June 30, 1999. This represented an increase in revenue of \$6,940,000, or 8.1%, as compared to the same period of the prior year. The increase in revenue was due to an increase in the average price per gallon sold and an increase in the quantity of gallons sold. The marine fueling segment contributed \$133,230,000 in revenue for the three months ended June 30, 1999, an increase of \$31,689,000, or 31.2%, over the corresponding period of the prior year. The increase in revenue was related primarily to the acquisition of Bunkerfuels, which was effective April 1, 1999, as well as an increase in the average price and volume of metric tons sold. Partially offsetting the revenue increase in aviation and marine fueling was a \$110,000 decrease in oil recycling segment revenue.

The Company's gross profit of \$16,761,000 for the three months ended June 30, 1999, increased \$1,905,000, or 12.8%, as compared to the same period of the prior year. The Company's gross margin decreased from 7.7% for the three months ended June 30, 1998, to 7.2% for the three months ended June 30, 1999. The Company's aviation fueling business achieved a 10.4% gross margin for the three months ended June 30, 1999, as compared to 9.2% achieved for the same period during the prior year. This resulted from an increase in the average gross profit per gallon sold. The Company's marine fueling segment achieved a 4.1% gross margin for the three months ended June 30, 1999, as compared to a 5.1% gross margin for the same period of the prior year, the result of lower gross profit per metric ton sold and brokered, and a mix change toward brokered transactions related to the newly acquired Bunkerfuels business. The gross margin in the Company's oil recycling segment decreased from 29.2% for the three months ended June 30, 1998, to 28.0% for the three months ended June 30, 1999. This decrease resulted from a lower gross profit per gallon of recycled oil sold and a decrease in service revenue.

Total operating expenses for the three months ended June 30, 1999 were \$11,721,000, an increase of \$1,754,000, or 17.6%, as compared to the same period of the prior year. The increase resulted primarily from a \$1,571,000 special charge to the provision for bad debts related to the deteriorating economic



conditions in Ecuador, and the operating expenses associated with the newly acquired Bunkerfuels operations.

The Company's income from operations for the three months ended June 30, 1999 was \$5,040,000, an increase of \$151,000, or 3.1%, as compared to the same period of the prior year. Income from operations during these periods was attributable to the following segments:

	Three Months Ended June 30,	
	1999	1998
Aviation Fueling	\$ 4,339,000	\$ 3,531,000
Marine Fueling	1,124,000	1,527,000
Oil Recycling	794,000	1,013,000
Corporate Overhead	(1,217,000)	(1,182,000)
Total Income from Operations	\$ 5,040,000	\$ 4,889,000

The aviation fueling segment's income from operations was \$4,339,000 for the three months ended June 30, 1999, an increase of \$808,000, or 22.9%, as compared to the three months ended June 30, 1998. This resulted from an increase in the volume and average gross profit per gallon sold. Partially offsetting was an increase in operating expenses due to a special provision for bad debts related to the deteriorating economic conditions in Ecuador. The marine fueling segment earned \$1,124,000 in income from operations for the three months ended June 30, 1999, a decrease of \$403,000 or 26.4% over the corresponding period of the prior year. This decrease was primarily the result of a narrower margin on trade and brokered transactions. Income from operations of the oil recycling segment decreased by \$219,000, or 21.6%, for the three months ended June 30, 1999, as compared to the same period of the prior year. This resulted from a decrease in gross profit and higher operating expenses.

During the three months ended June 30, 1999, the Company reported \$1,303,000 in other expense, net, compared to other income, net, of \$253,000, for the same quarter a year ago. This \$1,556,000 increase in other expense, net, was the result of a special charge to the provision for bad debts in the Company's aviation joint venture in Ecuador related to the deteriorating economic conditions in that country. This special charge was in addition to the special provision for bad debts described in the preceding paragraphs. Also contributing to the increase in other expense, net, was an increase in interest expense due to borrowings on the Company's line of credit. The acquisition of Bunkerfuels, the Company's stock repurchase program and the investment in the financial system, increased the Company's borrowing requirements. The Company's effective income tax rate for the three months ended June 30, 1999 was 40.0%, as compared to 20.6% for the same period of the prior year. The increase is primarily the result of the provision for bad debts, special or otherwise, for which the Company does not receive a tax benefit and favorable U.S. income tax true ups recorded in the first quarter a year ago.

Net income for the three months ended June 30, 1999 was \$2,242,000, a decrease of \$1,839,000, or 45.1%, as compared to net income of \$4,081,000 for the three months ended June 30, 1998. Diluted

earnings per share of \$0.18 for the three months ended June 30, 1999 exhibited a \$0.14, or 43.8% decrease over the \$0.32 achieved during the same period of the prior year.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents amounted to \$10,343,000 at June 30, 1999, as compared to \$16,322,000 at March 31, 1999. The principal uses of cash and cash equivalents during the first three months of fiscal year 2000 were \$7,047,000 used in operating activities, \$4,183,000 for the acquisition of Bunkerfuels, \$839,000 for capital expenditures and \$609,000 in dividends paid on common stock. Partially offsetting these uses was \$5,500,000 in net borrowings on the Company's line of credit. Other components of changes in cash and cash equivalents are detailed in the Consolidated Statements of Cash Flows.

Working capital as of June 30, 1999 was \$68,859,000, exhibiting a \$228,000 decrease from working capital as of March 31, 1999. As of June 30, 1999, the Company's accounts receivable and the current portion of the notes receivable, excluding the allowance for bad debts, amounted to \$122,010,000, an increase of \$16,503,000, as compared to the March 31, 1999 balance. In the aggregate, accounts payable, accrued expenses and customer deposits increased \$6,827,000. The net increase in trade credit of \$8,572,000, was primarily attributable to the acquisition of Bunkerfuels, higher fuel prices and an increase in the offshore marine fuel receivables. The allowance for bad debts as of June 30, 1999 amounted to \$7,907,000, an increase of \$1,078,000 compared to the March 31, 1999 balance. During the first three months of fiscal year 2000, the Company charged \$1,571,000 to the provision for bad debts and had charge-offs in excess of recoveries of \$493,000. The Company increased the allowance for bad debts recognizing the deteriorating economic conditions in Latin America, particularly in Ecuador.

Capital expenditures for the first three months of fiscal year 2000 consisted primarily of \$433,000 for the implementation of a new financial system and \$142,000 in plant, machinery and equipment related to the recycled oil segment. During the balance of fiscal year 2000, the Company anticipates spending an additional \$300,000 for the implementation of the financial system and approximately \$1,000,000 to upgrade plant, machinery and equipment. The Company may also spend an estimated \$1,000,000 sometime in the future, if required, to clean up contamination which was present at one of the Company's sites when it was acquired by the Company. The clean up costs will be capitalized as part of the cost of the site, up to the fair market value of the site.

Stockholders' equity amounted to \$102,437,000, or \$8.40 per share at June 30, 1999, compared to \$100,797,000, or \$8.27 per share at March 31, 1999. This increase of \$1,640,000 was due to \$2,242,000 in first quarter earnings, partially offset by the declaration of first quarter cash dividends of \$609,000.

The Company expects to meet its capital investment and working capital requirements for fiscal year 2000 from existing cash, operations and additional borrowings, as necessary, under its existing line of credit. The Company's business has not been significantly affected by inflation during the periods discussed in this report.

## FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, this document includes forward-looking statements that involve risk and uncertainties, including, but not limited to quarterly fluctuations in results; the management of growth; fluctuations in world oil prices or foreign currency; major changes in political, economic, regulatory or environmental conditions; the loss of key customers, suppliers or members of senior management; uninsured losses; competition; credit risk associated with accounts and notes receivable; and other risks detailed in this Report and in the Company's other Securities and Exchange Commission filings. Actual results may differ materially from any forward-looking statements set forth herein.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no material changes to the disclosure made on this matter in the Company's annual report on Form 10-K for the year ended March 31, 1999.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

### ITEM 5. OTHER INFORMATION

None

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

27 Financial Data Schedule (included in electronic filing only).

(b) During the three months ended June 30, 1999, the Company did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: JULY 29, 1999

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WORLD FUEL SERVICES CORPORATION

-----

/s/ JERROLD BLAIR

-----

JERROLD BLAIR  
PRESIDENT

/s/ CARLOS A. ABAUNZA

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CARLOS A. ABAUNZA  
CHIEF FINANCIAL OFFICER  
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT NO.	EXHIBIT DESCRIPTION
27	Financial Data Schedule (included in electronic filing only).

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S JUNE 30, 1999 UNAUDITED FINANCIAL STATEMENTS FILED ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS			
	MAR-31-2000		
	APR-01-1999		
	JUN-30-1999		
		10,343,000	
		0	
		122,010,000	
		7,907,000	
		6,340,000	
	135,135,000		
		32,794,000	
		11,037,000	
		184,140,000	
	66,276,000		
			0
	0		
		0	
		125,000	
		102,312,000	
184,140,000			
		231,550,000	
	231,550,000		
		214,789,000	
	214,789,000		
		0	
	1,571,000		
	239,000		
	3,737,000		
	1,495,000		
	2,242,000		
		0	
		0	
			0
		2,242,000	
		0.18	
		0.18	