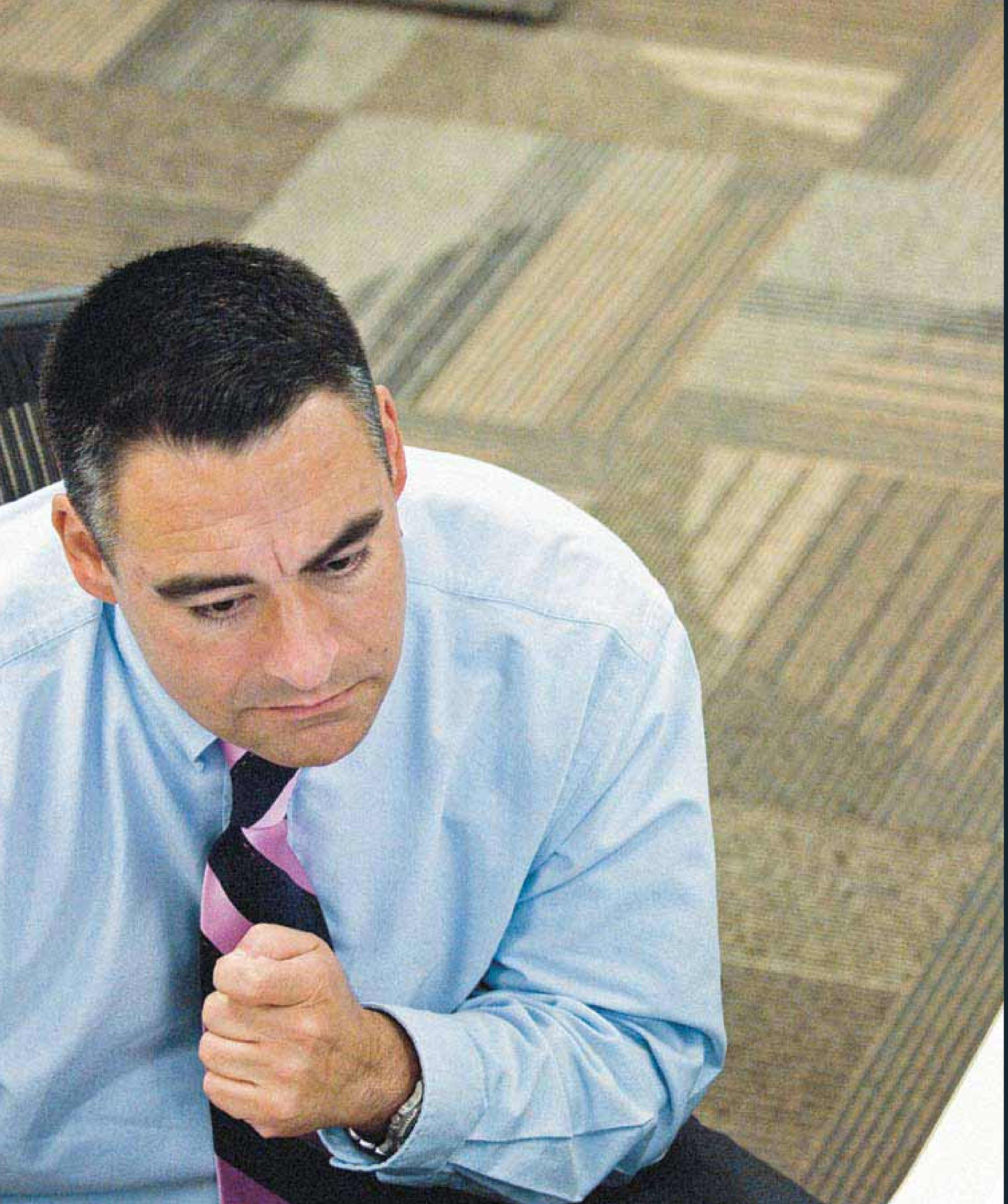
Our language. Expeditors.

It helps us work harder for
our customers. It's what keeps
each of us on the same page. In
170 offices in 50 countries, we
speak the same language.

We all speak *Expeditors*.



I make my customers' expectations my own.

Good customer service is rare enough. Great customer service is what we work to provide. We define great service as routinely doing those things that the customer might not even expect. By working to understand customer expectations, and then striving to surpass those expectations, Expeditors delivers a level of service that makes a tangible difference. And great customer service is our goal for every contact and every transaction. From the way we answer the phone to the way we explore every option, our efforts are fully engaged. We share the events that make best practices universal for our company. We cultivate the staff and the ideas that ensure our customers know we put them first, each and every time. Raising our expectations is the best way to fulfill our commitment to customers and strengthen our relationship with them.

Peter Orrico Regional Sales Director, South Pacific

When something is needed, it's needed now.

How do you create a system that routinely reacts with the fastest response time? That makes it possible to reduce any process to its most efficient level without any compromise in integrity or accuracy? That even learns to anticipate what's next? We do it by empowering our people to make decisions and act upon them. It's a much more direct line and it's supported by intensive, ongoing training and feedback, giving everyone at Expeditors the tools to have the confidence and experience to consistently make the right call for every customer in any situation. It's a different way of doing business, one that means we don't just go out and sell new customers as much as we work to enroll them in a way of moving their goods. That goes beyond logistics to benefit them strategically as well as financially.

Elie Khabbaz Director, Air Services, Beirut, Lebanon

By being a professional. That's how I represent Expeditors.

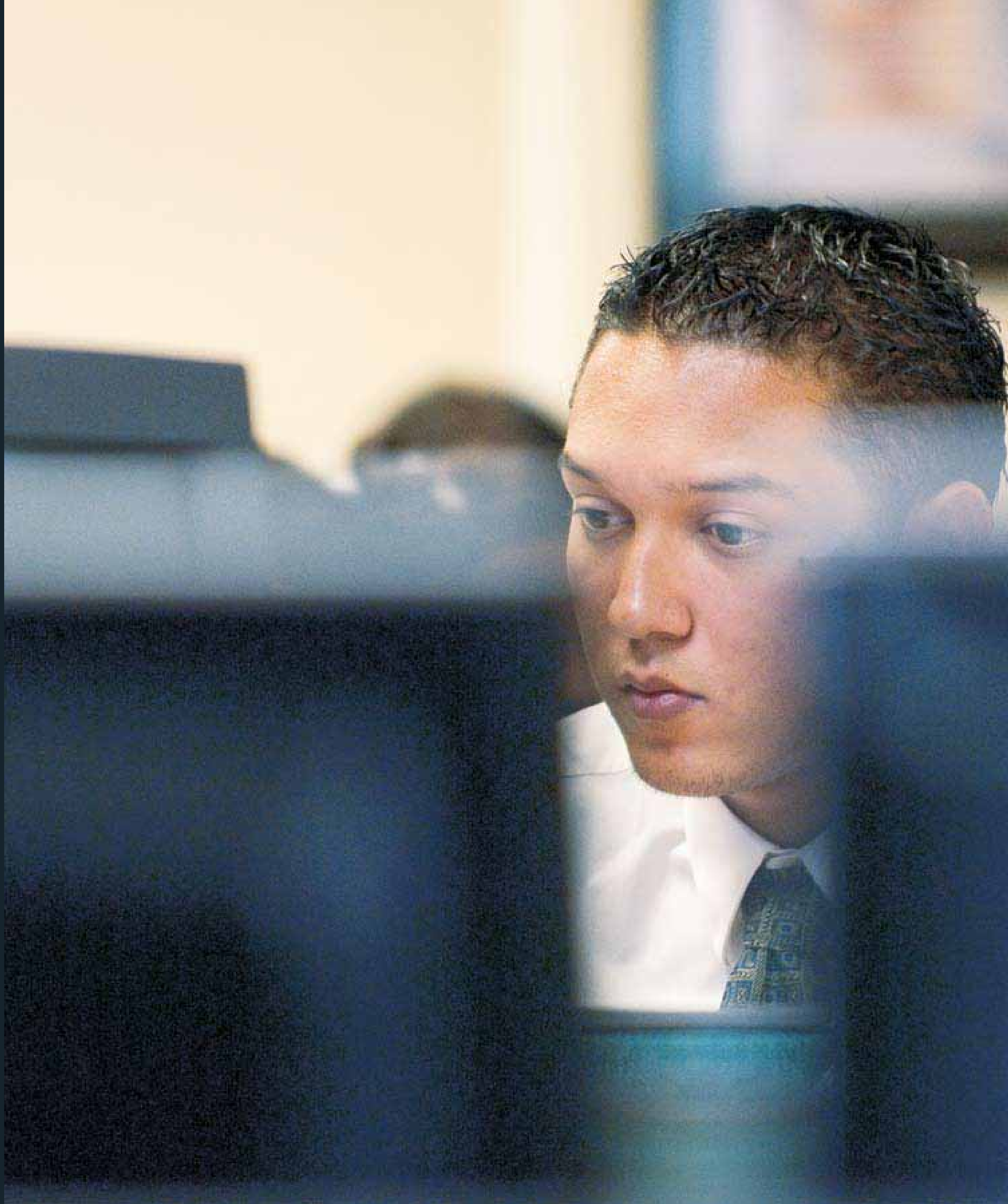
We look at what works and we measure our performance. We also look just as hard at what doesn't work, and implement ways to improve. Even before we begin work for a customer, we map out the total scope of what they'll need and document the results in our DLSOP (Desk Level Standard Operating Procedure) — a living database that allows every employee to see all the facts that pertain to that customer's specific requirements, as well as access to the metrics we use to measure our own performance against those requirements. Expeditors makes this a living process, shaped by continual input, office-wide participation and monthly evaluations. Those evaluations include Quality Measurement Reviews with our customers to ensure, again and again, that the views of our customers take precedence and guide everything we do.

Kees Wagenaar District Manager, Amsterdam, The Netherlands

Success is in the details.

It's never enough to simply talk about service. Because it's intangible, the way in which we provide service demands our constant vigilance. At Expeditors, we train and train again. We communicate between ourselves and with our customers. And we develop tools to quantify the quality of the service we provide. In 2005 we developed and rolled out a comprehensive customer retention tool. Designed to ensure that we schedule retention meetings with customers, hold quality management reviews and then develop and assign action items to each account — individually. Our people have responded by making customer retention an active, top of mind aspect of their work, every day. And we know it's making a difference, not just because we believe it does, but because our customers take the time to tell us that it does.

Maged Al-Rajji District Manager, Dubai, UAE



We can do it. Period.

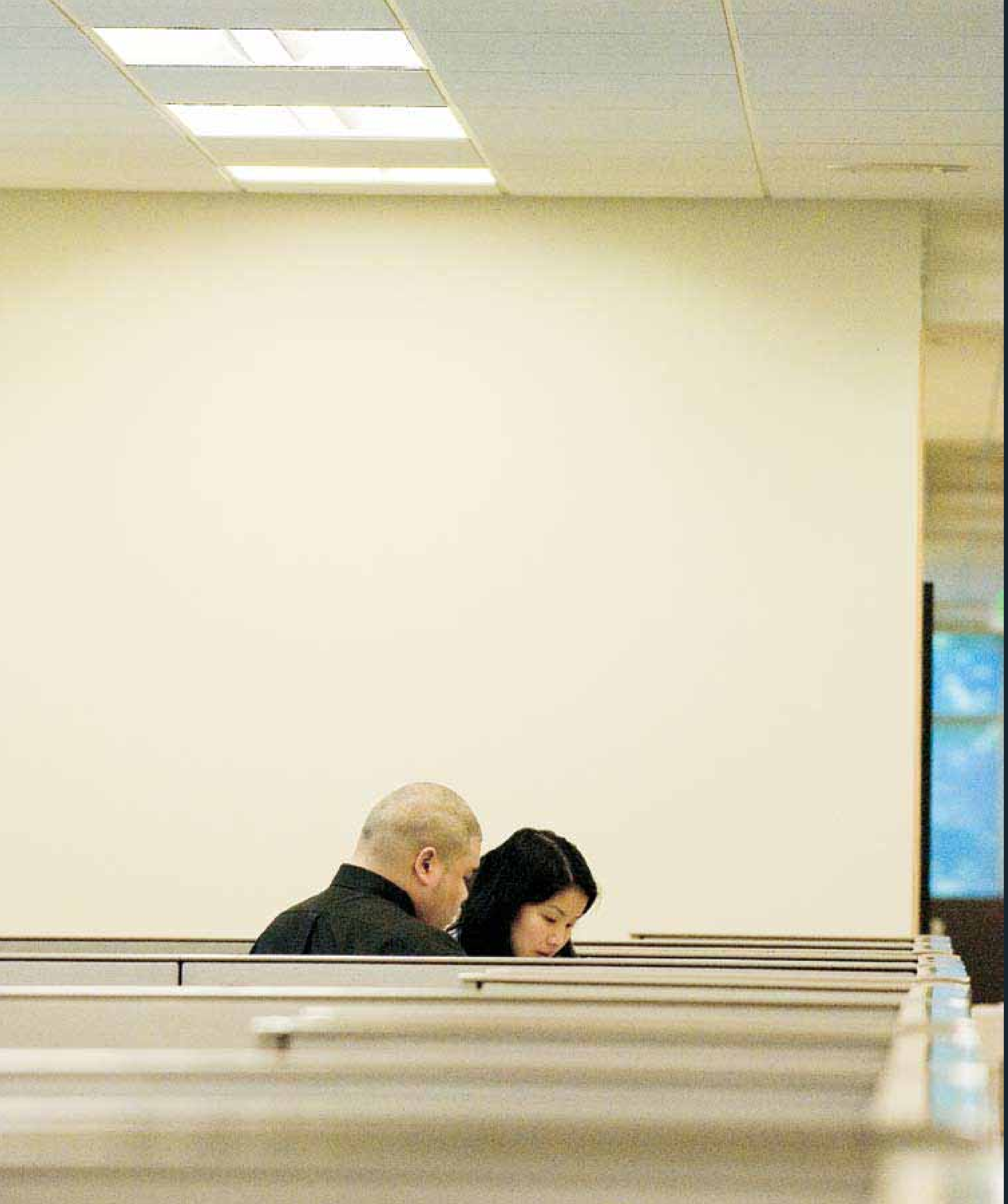
Our long term emphasis on customer service shows itself in every aspect of the way we do business. It builds our capabilities and our character. Just one example is the way the word "impossible" has become little more than a joke around here. It has no meaning for us. In nearly every situation there's an element or some parameter that our competitors might look at and say, 'it can't be done' — their response is little more than business as usual. But after years of developing our people, our practices, our relationships with carriers and our attitude towards our work and our customers, we know we'll find a way to make it happen. When customers call us with another urgent shipment, they know we understand the meaning of urgent. They know the difference is our ability as individuals and as a company to innovate on demand.

Tung-Heng Chiu Managing Director, Central & Northern China

No one is afraid of accepting responsibility.

Nothing is less productive than finger pointing and spending time trying to avoid the inevitable. The cure is in empowering employees through awareness and communication, reinforced by training and supported by effective tools. From senior management to the desk of every employee, we are connected by a network that embodies the values and benefits of empowerment. Empowerment has created an environment in which our employees seek and accept responsibility rather than shirk it. In a complex business, operating on a global scale and acting as a conduit between commerce and governments, there is always a chance for something to go wrong. What separates failure from success is the individual responsibility we all willingly assume. The result is teamwork, on time performance, accuracy and a profound connection to our work.

Kurt Meister Regional Vice President, Southern Europe



I never stop learning. I never stop teaching.

I work out of our Perth, Australia branch. And while Perth may be one of the most isolated cities in the world, we're still connected to Expeditors and the cultural elements that make our organization so unique. We're the living example of the way in which a large scale, global organization with far-reaching and interconnected capabilities can maintain the personal scale and one-to-one commitment of a small business. We've learned that it's always best to look to ourselves, our sense of teamwork and our training to get the job done in the best possible way. Then to share and evaluate the results, and apply what we've learned to whatever comes next. From the formal induction of new staff members, to the moment that individual shares an insight that helps all of us do our jobs a little better; learning is nonstop.

Sonia Milanovic District Manager, Perth, Australia

Connected. Top to bottom.

It's all connected. Recognizing and acting on the expectations of our customers goes hand-in-hand with recognizing the efforts of the people who work to meet and exceed those expectations. And while doing a job well is a reward in itself, being recognized for doing so helps everyone improve the way they do their work, and the way they feel about their work. It's no secret that the most important asset for any and every service business is the people that make it all work, improve, succeed and raise the bar. When people are that involved in their work, and know they're recognized for it, good things happen. For Expeditors, in addition to consistently strong growth it means our company has the lowest turnover rate in the industry. Which goes a long way to explaining why in so many other measures, we're the highest.

| *Jonathan J. Song* Director – Sales & Marketing, Asia

It took an hour last week. This week, 30 minutes.

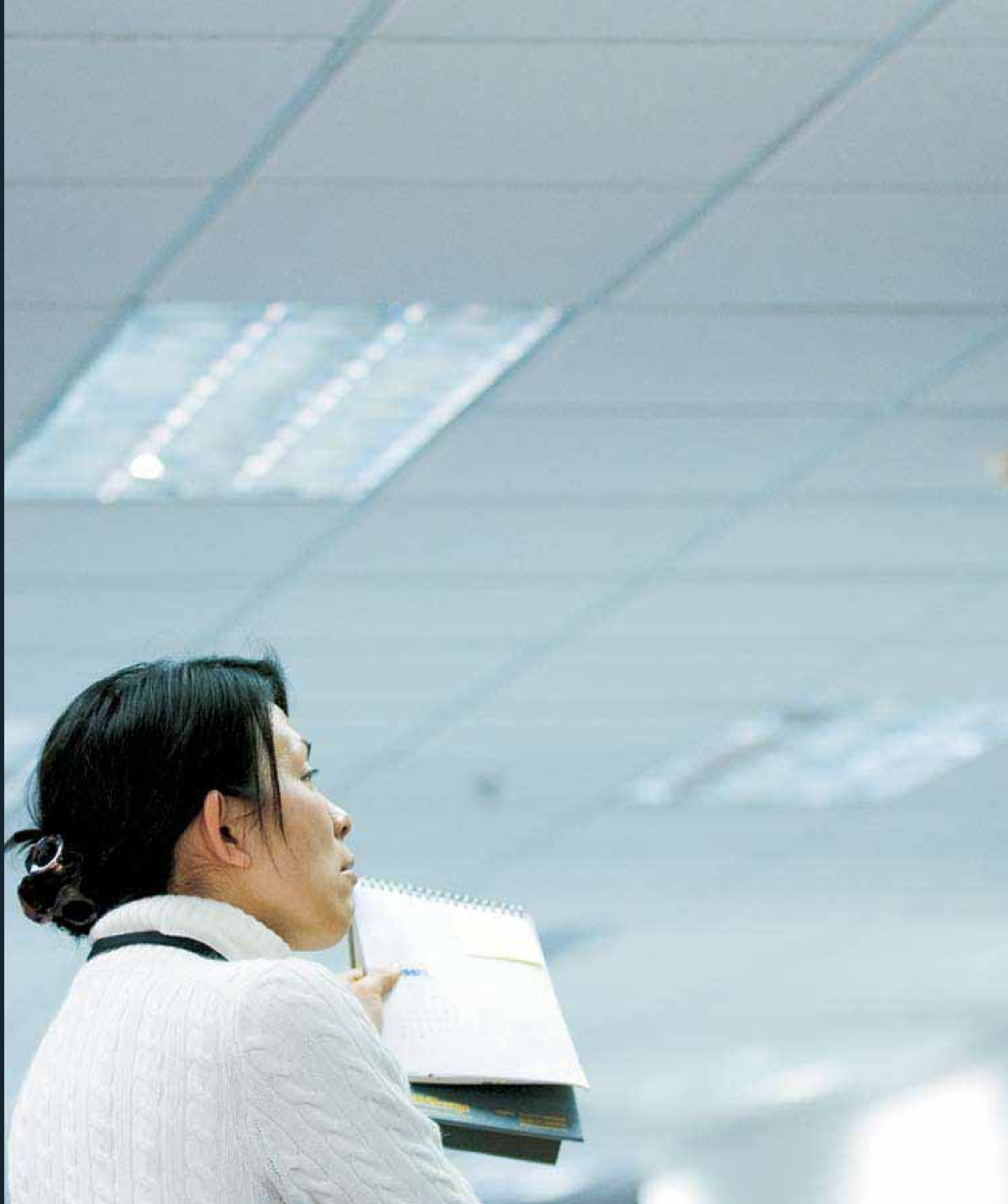
Efficiency is normally thought of as an inhouse goal, one that helps a company increase its profitability by raising productivity and lowering cost. But it's also a way to provide a higher degree of customer service. Because, as a global service provider dealing in time-sensitive information and goods, we tend to see efficiency first and foremost as a customer service issue. Working to be more efficient is a daily chance to demonstrate excellence in our operational performance. Whether it's up-to-date information for customs clearance, insurance, supply chain, distribution, warehousing or the real-time status of the shipment itself, we know time is money, and we also know that it's our customers' time and our customers' money. By making customer service the lens through which we see, measure and operate, we make Expeditors better.

Tennyson Yip Director, Training & Personnel Development, Asia

Ask yourself how you can do better. Everyday.

In our company it's never been just the sales force that makes the sale. We believe that every individual, in everything they do, makes their own unique contribution to a successful sale, to maintaining and deepening the relationships we share with our customers. It might be as simple as directing a call in a prompt, helpful way, or showing respect to our company and the companies of our customers by dressing in business attire, every business day. It might be as complex as brainstorming the answer to a new set of opportunities during a vendor conference. And as important as always being honest and direct, even when the news might not be what everyone is hoping to hear. But nothing is as vital as walking that extra mile in your customer's shoes. And then asking yourself, how can I make things better?

Paolo Domante Regional Director, Italy & Switzerland



To our shareholders.

The words are those of *Expeditors'* people around the world, responding to the same issue. Customer service. How to continuously improve it. How to ensure that it remains the dominant attribute of our culture.

Mother nature started the year off with the tsunami, followed by hurricanes, and earthquakes; all of which affected our offices and more importantly our people in one form or another — and the year culminated with an idiotic transit strike in New York.

As for Expeditors, in spite of everything, we followed up a good year in 2004 with an even better 2005. How did we do this? We stayed the course, developing better systems while retaining excellent accounts, and the best employees in the business.

With merger-mania rampant in our industry, our employees choose to stay here and continue to shine. They are the main reason for another record year.

One could hardly imagine that in twenty-five years we have witnessed the demise of Emery, Airborne, Fritz, Circle, Bax, Intertrans, Exel, along with a host of smaller companies around the world, with more to follow. Some change is good, but come on!

Expeditors continued to open new offices, 12 full-service and 5 satellite offices in 2005, and will continue along those lines in 2006. Our carrier relations upon which we rely very heavily are excellent, in both ocean and air. And our N.A.T. (North American Transportation) product continues to pick up steam and we look forward to bigger results in 2006.

We usually mention any major loss of business, but this year there were no major losses, it was just one of "those" kind of years.

Elsewhere, despite Sarbanes-Oxley, greed and avarice continued apace in the business world. How has Sarbanes-Oxley affected our company? It's doubled our audit fees. As to due diligence by management and the board, we remain in excellent shape.

We fully realize that the expensing of options is a concern, but it is now mandatory and we, like everyone else, will comply. It's a shame that all this was caused by a few "pigs at the trough." And it's an even greater shame that the ones who will bear the biggest price going forward are the employees who actually create shareholder value.

As much as we appreciate our shareholders, the mere holding of a share of stock does not provide any customer service nor does it deliver dollar one to the bottom line. Our success is the result of the extraordinary efforts of our employees. A stock option won't dilute any shareholder's interest if there isn't an increase in value. And who wants to be a shareholder in a concern where the employees aren't giving their best efforts to grow the company?

We still believe that options were an important part of what got us to where we are today and we believe that options will continue to be an important part of our incentive compensation approach in the future. We do options differently. Our policy is simple; we don't make mega-grants to a few executives and then pay lip-service to the rest of the employees with a grant of ten shares each. We spread the options across a wide spectrum to achieve the desired results — i.e., focusing the employees on long-term shareholder interests such as retaining a stable workforce and producing regular growth in real "cash" earnings. It must be understood that at the end of the day, with stock option expensing, what changes? Nothing! Our net revenue and cash remain intact.

We do want to thank everyone for a record year and look forward eagerly to next year.

Peter J. Rose

Peter J. Rose
Chairman and Chief Executive Officer

Asia.

We set high goals for 2005 & achieved them by proactively responding to the industry's keen competition & capitalizing on business development & opportunities in both Asia/EMAIR & Asia/North America.

We successfully turned our sales offices to full-fledged branches, dedicated to exceptional customer service. Continuous expansion program in China coupled with the implementation of management development programs in Asia each contributed to sustaining our superior financial results. As we look forward to 2006, it will likely be another year full of challenges and achievements. We are focusing on expanding our market share throughout Asia-EMAIR and developing an Intra-Asia route initiative program, in addition to one for Asia-Latin America. Developing the right talents for future regional and sales leaders for Asia will be high on our list of priorities ensuring that Expeditors' Asia region is prepared to move ahead in the coming decades, striving to create consistent success through increased productivity, continuous improvements and focused business growth.

EMAIR.

(Europe, Near/Middle East, Africa & Indian Subcontinent Region)

During 2005, the EMAIR region was focused on its challenges. That focus helped us achieve all our objectives in ongoing staff training, new customer service initiatives & customer retention.

As in everything we do, we continue to place a high degree of emphasis on our relationships with vendors. We worked with them to reduce costs and improve processes and performance. At the same time we continued to make investments in our sales program, our global business process and our transition program. In each case we are confident that we will be able to realize positive financial returns in 2006. Our culture is so important and vital to our success. Working as we do in such a diverse, multi-cultural region, we're very proud to have instilled a single Expeditors' culture throughout our offices. Maintaining Expeditors' culture will continue to be our focus, day in and day out.

South Pacific.

Imports boomed & we saw record growth, an increase of over 51%, in import ocean activities from Asia, driving China/Hong Kong to overtake the U.S. as our major ocean trade sector for the first time.

The boom was driven by raw materials, which comprised 60 percent of the total exports from Australasia. Due to the heavy demand for industrial metals, demand principally from China, the prices of these materials rose to highs not seen for the past 17 years. The commodity metals futures index prices also rose by four percent, setting a record high. Even though the local dollar slid six percent in 2005, due mostly to the Federal Bank having increased the borrowing rate eight times, the boom in exports of raw materials helped to prevent currencies from sliding, which in turn helped us deliver good U.S. Dollar results. Especially in light of this increase in business, we emphasized improving our relationships with local air carriers. These improved relationships helped us deliver consistent on-time service to our customers. By combining record growth in volume, with new customers and improved carrier relations, 2005 was another good year for Expeditors in the South Pacific region.

The Americas.

We had another record year in *2005*, mainly due to the dedication of all our employees. Our continued focus on productivity, process improvement & superior customer service was key to our success.

We continued to enhance our ability to provide uncompromising customer service throughout our region with additional training supported by the active participation of Expeditors' senior management. In 2006 we'll reinforce the basics of our business — from operations, sales and finance — to ensure that we continue to protect and imprint the Expeditors corporate culture. We'll look at further expansion in Central America, along with additional satellite offices in the United States. And we'll continue the expansion of our North American Transportation product, with an emphasis on delivering best-in-class service. While our enduring focus on process improvement, enhanced productivity and superior customer service will, as always, remain an integral part of what we practice every day.

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City Center of Shanghai, No 100

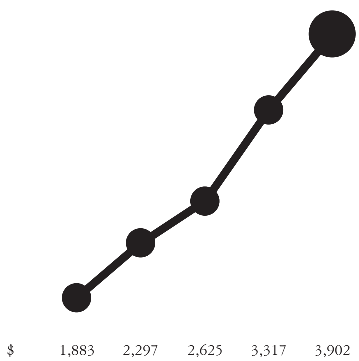
:62371505

2005 Financial Report.

Revenues

dollars in millions

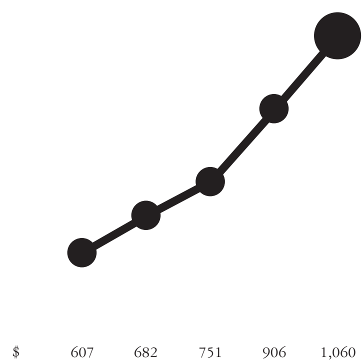
2001 – 2005



Net Revenues

dollars in millions

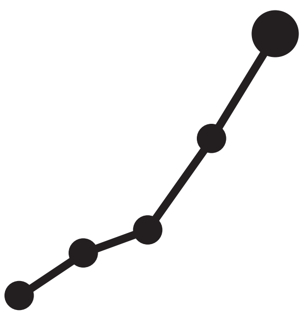
2001 – 2005



Operating Income

dollars in millions

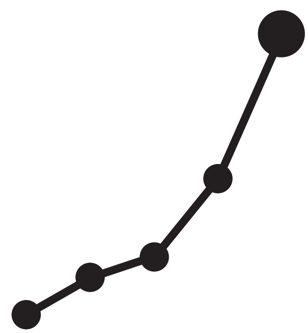
2001 – 2005



Net Earnings

dollars in millions

2001 – 2005



Financial Highlights

In thousands except per share data	2005	2004	2003	2002	2001
Revenues	$ 3,901,781	3,317,499	2,624,941	2,296,903	1,883,070
Net earnings	218,634	156,126	121,952	112,529	97,243
Basic earnings per share	2.05	1.47	1.16	1.08	.93
Diluted earnings per share	1.96	1.41	1.12	1.03	.89
Cash dividends paid per share	.30	.22	.16	.12	.10
Working capital	589,460	521,544	383,614	250,920	238,287
Total assets	1,566,044	1,364,053	1,044,078	879,948	688,437
Shareholders' equity	913,721	807,404	645,501	523,812	414,623
Basic weighted average shares outstanding	106,778	106,384	104,733	103,893	104,160
Diluted weighted average shares outstanding	111,634	110,818	109,002	108,881	109,741

All share and per share information have been adjusted to reflect a 2-for-1 stock split effected in June, 2002.

Consolidated Balance Sheets

In thousands except share data December 31,	*2005*	*2004*
Current Assets:		
Cash and cash equivalents	$ 463,894	408,983
Short-term investments	123	109
Accounts receivable, less allowance for doubtful accounts of $12,777 in 2005 and $12,842 in 2004	709,331	614,044
Deferred Federal and state income taxes	7,208	—
Other	21,405	22,724
Total current assets	1,201,961	1,045,860
Property and Equipment:		
Buildings and leasehold improvements	186,949	148,469
Furniture, fixtures, equipment and purchased software	165,640	154,400
Vehicles	3,783	3,875
	356,372	306,744
Less accumulated depreciation and amortization	152,304	150,766
	204,068	155,978
Land	129,719	131,401
Net property and equipment	333,787	287,379
Goodwill, net	7,774	7,774
Other intangibles, net	8,997	10,839
Other assets, net	13,525	12,201
	$ 1,566,044	1,364,053

In thousands except share data December 31,		2005	2004
Current Liabilities:			
Short-term debt	$	—	2,250
Accounts payable		479,546	410,251
Accrued expenses, primarily salaries and related costs		103,674	84,778
Deferred Federal and state income taxes		—	6,369
Federal, state, and foreign income taxes		29,281	20,668
Total current liabilities		612,501	524,316
Deferred Federal and state income taxes		25,939	24,861
Minority interest		13,883	7,472
Shareholders' Equity:			
Preferred stock, par value $.01 per share			
Authorized 2,000,000 shares; none issued		—	—
Common stock, par value $.01 per share			
Authorized 320,000,000 shares;			
issued and outstanding 106,613,521 shares at December 31, 2005			
and 106,643,953 shares at December 31, 2004		1,066	1,066
Additional paid-in capital		19,729	44,678
Retained earnings		895,565	749,974
Accumulated other comprehensive income		(2,639)	11,686
Total shareholders' equity		913,721	807,404
Commitments and contingencies			
	$	1,566,044	1,364,053

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

In thousands except share data

Years ended December 31,	*2005*	*2004*	*2003*
Revenues:			
Airfreight	$ 1,827,009	1,553,881	1,213,167
Ocean freight and ocean services	1,374,197	1,178,975	954,541
Customs brokerage and other services	700,575	584,643	457,233
Total revenues	3,901,781	3,317,499	2,624,941
Operating Expenses:			
Airfreight consolidation	1,435,236	1,204,932	934,199
Ocean freight consolidation	1,113,936	968,008	763,425
Customs brokerage and other services	293,000	238,322	176,807
Salaries and related costs	557,730	479,364	398,475
Rent and occupancy costs	54,425	51,620	47,100
Depreciation and amortization	30,888	26,703	24,392
Selling and promotion	29,892	28,248	23,496
Other	82,164	79,257	70,285
Total operating expenses	3,597,271	3,076,454	2,438,179
Operating income	304,510	241,045	186,762

In thousands except share data Years ended December 31,	2005	2004	2003
Other Income (Expense):			
Interest income	11,415	5,667	4,522
Interest expense	(313)	(42)	(186)
Other, net	4,542	2,910	4,544
Other income, net	15,644	8,535	8,880
Earnings before income taxes and minority interest	320,154	249,580	195,642
Income tax expense	94,624	88,415	71,142
Net earnings before minority interest	225,530	161,165	124,500
Minority interest	(6,896)	(5,039)	(2,548)
Net earnings	$ 218,634	156,126	121,952
Basic earnings per share	$ 2.05	1.47	1.16
Diluted earnings per share	$ 1.96	1.41	1.12
Weighted average basic shares outstanding	106,777,551	106,384,151	104,733,442
Weighted average diluted shares outstanding	111,633,606	110,817,999	109,001,543

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

In thousands except share data
Years ended December 31, 2005, 2004 and 2003

Balance at December 31, 2002
Exercise of stock options
Issuance of shares under stock purchase plan
Shares repurchased under provisions of stock repurchase plans
Tax benefits from employee stock plans
Comprehensive income
Net earnings
Unrealized gains on securities, net of deferred tax debit of $225
Foreign currency translation adjustments, net of deferred tax debit of $6,619
Total comprehensive income
Dividends paid ($.16 per share)
Balance at December 31, 2003
Exercise of stock options
Issuance of shares under stock purchase plan
Shares repurchased under provisions of stock repurchase plans
Tax benefits from employee stock plans
Comprehensive income
Net earnings
Unrealized gains on securities, net of deferred tax debit of $104
Foreign currency translation adjustments, net of deferred tax debit of $5,568
Total comprehensive income
Dividends paid ($.22 per share)
Balance at December 31, 2004
Exercise of stock options
Issuance of shares under stock purchase plan
Shares repurchased under provisions of stock repurchase plans
Tax benefits from employee stock plans
Comprehensive income
Net earnings
Unrealized losses on securities, net of deferred tax of $69
Foreign currency translation adjustments, net of deferred tax $7,650
Total comprehensive income
Dividends paid ($.30 per share)
Balance at December 31, 2005

See accompanying notes to consolidated financial statements.

Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Shares	Par value				
104,220,940	$ 1,042	21,701	512,036	(10,967)	523,812
965,636	10	9,599	—	—	9,609
435,252	4	10,411	—	—	10,415
(565,374)	(5)	(20,100)	—	—	(20,105)
—	—	3,880	—	—	3,880
—	—	—	121,952	—	121,952
—	—	—	—	418	418
—	—	—	—	12,292	12,292
—	—	—	—	—	134,662
—	—	—	(16,772)	—	(16,772)
105,056,454	$ 1,051	25,491	617,216	1,743	645,501
1,786,886	17	17,128	—	—	17,145
413,146	4	11,834	—	—	11,838
(612,533)	(6)	(29,234)	—	—	(29,240)
—	—	19,459	—	—	19,459
—	—	—	156,126	—	156,126
—	—	—	—	37	37
—	—	—	—	9,906	9,906
—	—	—	—	—	166,069
—	—	—	(23,368)	—	(23,368)
106,643,953	$ 1,066	44,678	749,974	11,686	807,404
1,806,296	18	27,136	—	—	27,154
349,984	4	14,052	—	—	14,056
(2,186,712)	(22)	(85,842)	(40,988)	—	(126,852)
—	—	19,705	—	—	19,705
—	—	—	218,634	—	218,634
—	—	—	—	(117)	(117)
—	—	—	—	(14,208)	(14,208)
—	—	—	—	—	204,309
—	—	—	(32,055)	—	(32,055)
106,613,521	$ 1,066	19,729	895,565	(2,639)	913,721

Consolidated Statements of Cash Flows

In thousands Years ended December 31,	*2005*	*2004*	*2003*
Operating Activities:			
Net earnings	$ 218,634	156,126	121,952
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Provision for losses on accounts receivable	1,313	2,355	380
Depreciation and amortization	30,888	26,703	24,392
Deferred income tax (benefit) expense	(4,779)	19,511	(69)
Tax benefits from employee stock plans	19,705	19,459	3,880
Gain on sale of property and equipment	(897)	(19)	(186)
Amortization of other intangible assets	1,422	1,275	1,424
Impairment write down of other assets	—	2,000	—
Changes in operating assets and liabilities:			
Increase in accounts receivable	(95,015)	(150,213)	(66,237)
Increase in minority interest	6,001	4,103	1,624
Increase in accounts payable, accrued expenses and taxes payable	103,639	113,904	34,473
Other	(1,363)	(2,545)	(7,298)
Net cash provided by operating activities	279,548	192,659	114,335

In thousands Years ended December 31,	*2005*	*2004*	*2003*
Investing Activities:			
Increase in short-term investments	(12)	(23)	(5)
Purchase of property and equipment	(90,781)	(66,244)	(20,745)
Proceeds from sale of property and equipment	1,428	565	415
Other	(1,402)	722	(5,562)
Net cash used in investing activities	(90,767)	(64,980)	(25,897)
Financing Activities:			
(Repayments) borrowing of short-term debt, net	(2,057)	1,863	(1,171)
Proceeds from issuance of common stock	41,210	28,983	20,024
Repurchases of common stock	(126,852)	(29,240)	(20,105)
Dividends paid	(32,055)	(23,368)	(16,772)
Net cash used in financing activities	(119,754)	(21,762)	(18,024)
Effect of exchange rate changes on cash	(14,116)	7,234	13,559
Increase in cash and cash equivalents	54,911	113,151	83,973
Cash and cash equivalents at beginning of year	408,983	295,832	211,859
Cash and cash equivalents at end of year	$ 463,894	408,983	295,832
Interest and Taxes Paid:			
Interest	$ 253	41	166
Income taxes	62,176	43,946	78,820

See accompanying notes to consolidated financial statements.

Note 1.

Summary of Significant Accounting Policies

a. *Basis of Presentation*

Expeditors International of Washington, Inc. ("the Company") is a global logistics company operating through a worldwide network of offices, international service centers and exclusive or non-exclusive agents. The Company's customers include retailing and wholesaling, electronics, and manufacturing companies around the world. The Company grants credit upon approval to customers.

International trade is influenced by many factors, including economic and political conditions in the United States and abroad, currency exchange rates, and United States and foreign laws and policies relating to tariffs, trade restrictions, foreign investments and taxation. Periodically, governments consider a variety of changes to current tariffs and trade restrictions. The Company cannot predict which, if any, of these proposals may be adopted, nor can the Company predict the effects adoption of any such proposal will have on the Company's business. Doing business in foreign locations also subjects the Company to a variety of risks and considerations not normally encountered by domestic enterprises. In addition to being affected by governmental policies concerning international trade, the Company's business may also be affected by political developments and changes in government personnel or policies in the nations in which it does business.

The consolidated financial statements include the accounts of the Company and its subsidiaries stated in U.S. dollars, the Company's functional currency. In addition, the consolidated financial statements also include the accounts of operating entities where the Company maintains a parent-subsidiary relationship through unilateral control over assets and operations together with responsibility for payment of all liabilities, notwithstanding a lack of technical majority ownership of the subsidiary common stock.

All significant intercompany accounts and transactions have been eliminated in consolidation.

All dollar amounts in the notes are presented in thousands except for share data.

b. *Cash Equivalents*

All highly liquid investments with a maturity of three months or less at date of purchase are considered to be cash equivalents.

c. *Short-term Investments*

Short-term investments are designated as available-for-sale and cost approximates market at December 31, 2005 and 2004.

d. *Accounts Receivable*

The Company maintains an allowance for doubtful accounts, which is reviewed at least monthly for estimated losses resulting from the inability of its customers to make required payments for services. Additional allowances may be necessary in the future if the ability of its customers to pay deteriorates.

e. *Long-Lived Assets, Depreciation and Amortization*

Property and equipment are recorded at cost and are depreciated or amortized on the straight-line method over the shorter of the assets' estimated useful lives or lease terms. Useful lives for major categories of property and equipment are as follows:

Buildings	28 to 40 years
Furniture, fixtures, equipment and purchased software	3 to 5 years
Vehicles	3 to 5 years

Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income for the period.

Effective January 1, 2002, the Company ceased to amortize goodwill. Goodwill is recorded net of accumulated amortization of $765 at December 31, 2005 and 2004. For the years ended December 31, 2005 and 2004, the Company performed the required annual impairment test during the fourth quarter and determined that no impairment had occurred.

Other intangibles consist principally of payments made to purchase customer lists of agents in countries where the Company established its own presence by opening offices. Other intangible assets are amortized over their estimated useful lives for periods up to 15 years and are reviewed for impairment if an event or circumstance indicates that an impairment loss may have been incurred.

Balances as of December 31 are as follows:

	2005	*2004*
Other intangibles	$ 19,724	20,284
Less accumulated amortization	(10,727)	(9,445)
	$ 8,997	10,839
Aggregate amortization expense for the year ended December 31	$ 1,422	1,275

Estimated annual amortization expense will approximate $1,400 during each of the next five years.

f. *Revenues and Revenue Recognition*

The Company derives its revenues from three principal sources: 1) airfreight, 2) ocean freight, and 3) customs brokerage and other services. These are the revenue categories presented in the financial statements.

As a non-asset based carrier, the Company does not own transportation assets. Rather, the Company generates the major portion of its air and ocean freight revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to its customers. The difference between the rate billed to customers (the sell rate), and the rate paid to the carrier (the buy rate) is termed "net revenue" or "yield". By consolidating shipments from multiple customers and concentrating its buying power, the Company is able to negotiate favorable buy rates from the direct carriers, while at the same time offering lower sell rates than customers would otherwise be able to negotiate themselves.

Airfreight revenues include the charges to the Company for carrying the shipments when the Company acts as a freight consolidator. Ocean freight revenues include the charges to the Company for carrying the shipments when the Company acts as a Non-Vessel Operating Common Carrier (NVOCC). In each case the Company is acting as an indirect carrier. When acting as an indirect carrier, the Company will issue a House Airway Bill (HAWB) or a

House Ocean Bill of Lading (HOBL) to customers as the contract of carriage. In turn, when the freight is physically tendered to a direct carrier, the Company receives a contract of carriage known as a Master Airway Bill for airfreight shipments and a Master Ocean Bill of Lading for ocean shipments. At this point, the risk of loss passes to the carrier, however, in order to claim for any such loss, the customer is first obligated to pay the freight charges.

Based upon the terms in the contract of carriage, revenues related to shipments where the Company issues an HAWB or an HOBL are recognized at the time the freight is tendered to the direct carrier at origin. Costs related to the shipments are also recognized at this same time.

Revenues realized in other capacities, for instance, when the Company acts as an agent for the shipper, and does not issue an HAWB or an HOBL, include only the commissions and fees earned for the services performed. These revenues are recognized upon completion of the services.

Customs brokerage and other services involves providing services at destination, such as helping customers clear shipments through customs by preparing required documentation, calculating and providing for payment of duties and other taxes on behalf of the customers as well as arranging for any required inspections by governmental agencies, and arranging for delivery. This is a complicated function requiring technical knowledge of customs rules and regulations in the multitude of countries in which the Company has offices. Revenues related to customs brokerage and other services are recognized upon completion of the services.

Arranging international shipments is a complex task. Each actual movement can require multiple services. In some instances, the Company is asked to perform only one of these services. However, in most instances, the Company may perform multiple services. These services include destination breakbulk services and value added ancillary services such as local transportation, export customs formalities, distribution services and logistics management. Each of these services has an associated fee which is recognized as revenue upon completion of the service.

Typically, the fees for each of these services are quoted as separate components, however, customers on occasion will request an all-inclusive rate for a set of services known in the industry as "door-to-door service." This means that the customer is billed a single rate for all services from pickup at origin to delivery at destination. In these instances, the revenue for origin and destination services, as well as revenue that will be characterized as freight charges, is allocated to branches as set by preexisting Company policy perhaps supplemented by customer specific negotiations between the offices involved. Each of the Company's branches are independent profit centers and the primary compensation for the branch management group comes in the form of incentive-based compensation calculated directly from the operating income of that branch. This compensation structure ensures that the allocation of revenue and expense among components of services, when provided under an all-inclusive rate, are done in an objective manner on a fair value basis in accordance with Emerging Issues Task Force (EITF) 00-21, "Revenue Arrangements with Multiple Deliverables."

g. *Income Taxes*

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

h. *Net Earnings per Common Share*

Diluted earnings per share is computed using the weighted average number of common shares and dilutive potential common shares outstanding. Dilutive potential common shares represent outstanding stock options. Basic earnings per share is calculated using the weighted average number of common shares outstanding without taking into consideration dilutive potential common shares outstanding.

i. *Stock Option Plans*

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option and its employee stock purchase rights plans. Accordingly, no compensation cost has been recognized for its fixed stock option or employee stock purchase rights plans. Had compensation cost for the Company's three stock based compensation and employee stock purchase rights plans been determined consistent with Statement of Financial Accounting Standards (SFAS) No. 123, the Company's net earnings, basic earnings per share and diluted earnings per share would have been reduced to the pro forma amounts indicated below:

	2005	*2004*	*2003*
Net earnings – as reported	$ 218,634	156,126	121,952
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(31,496)	(27,134)	(23,552)
Net earnings – pro forma	$ 187,138	128,992	98,400
Basic earnings per share – as reported	$ 2.05	1.47	1.16
Basic earnings per share – pro forma	$ 1.75	1.21	.94
Diluted earnings per share – as reported	$ 1.96	1.41	1.12
Diluted earnings per share – pro forma	$ 1.70	1.17	.91

See Note 5b. for information on the assumptions used to estimate the fair value of option grants.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and employee stock purchase plans, to be recognized in the financial statements based on their fair values. The Company adopted SFAS No. 123R as of January 1, 2006. The adoption of SFAS No. 123R will have a material impact on the consolidated balance sheet, the consolidated results of operations, earnings per share and consolidated statement of cash flows. See Note 1n for further discussion of SFAS No. 123R.

j. *Foreign Currency*

Foreign currency amounts attributable to foreign operations have been translated into U.S. dollars using year-end exchange rates for assets and liabilities, historical rates for equity, and weighted average rates for revenues and expenses. Unrealized gains or losses arising from fluctuations in the year-end exchange rates are generally recorded as components of other comprehensive income as adjustments from foreign currency translation. Currency fluctuations are a normal operating factor in the conduct of the Company's business and exchange transaction gains and losses are generally included in freight consolidation expenses.

The Company follows a policy of accelerating international currency settlements to manage its foreign exchange exposure. Accordingly, the Company enters into foreign currency hedging transactions only in limited locations where there are regulatory or commercial limitations on the Company's ability to move money freely around the world. Such hedging activity during 2005, 2004, and 2003 was insignificant. Net foreign currency gains realized during 2005, 2004 and 2003 were $862, $86 and $588, respectively. The Company had no foreign currency derivatives outstanding at December 31, 2005 and 2004.

k. *Comprehensive Income*

Comprehensive income consists of net earnings and other gains and losses affecting shareholders' equity that, under generally accepted accounting principles in the United States, are excluded from net earnings. For the Company, these consist of foreign currency translation gains and losses and unrealized gains and losses on securities, net of related income tax effects.

Accumulated other comprehensive income consists of the following:

Years ended December 31, (in thousands)	*2005*	*2004*
Foreign currency translation adjustments	$ (2,977)	11,231
Unrealized gain on securities	338	455
	$ (2,639)	11,686

l. *Segment Reporting*

The Company is organized functionally in geographic operating segments. Accordingly, management focuses its attention on revenues, net revenues, operating income, identifiable assets, capital expenditures, depreciation and amortization and equity generated in each of these geographical areas when evaluating effectiveness of geographic management. The Company charges its subsidiaries and affiliates for services rendered in the United States on a cost recovery basis. Transactions among the Company's various offices are conducted using the same arms-length pricing methodologies the Company uses when its offices transact business with independent agents.

m. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

n. *Recent Accounting Pronouncements*

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and employee stock purchase plans, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period of the registrant's first fiscal year beginning on or after June 15, 2005, with early adoption encouraged. In addition, SFAS No. 123R will cause unrecognized expense (based on the amount in the Company's pro forma footnote disclosure) related to options vesting after the date of initial adoption to be recognized as a charge to results of operations over the remaining vesting period. The Company has adopted SFAS No. 123R as of January 1, 2006. Under SFAS No. 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The Company will continue to use the Black-Scholes model for valuing option expense and will amortize the compensation expense using the straight-line prorated method. The Company has elected to use the modified retrospective method of transitioning to SFAS No. 123R. Under the modified retrospective method, beginning with the report on form 10-Q for the first quarter of 2006, the Company will restate all periods presented. The adoption of SFAS No. 123R will have a material impact on the consolidated balance sheet, the consolidated results of operations, earnings per share and consolidated statement of cash flows.

Note 2.

Other Assets

The Company regularly evaluates the recoverability of certain other assets. During the second quarter of 2004, the Company determined that an impairment had occurred and accordingly, a $2,000 loss was recorded as an operating expense. No impairment occurred in 2005 or 2003.

Note 3.

Credit Arrangments

The Company has a $50,000 United States bank line of credit extending through July 1, 2006. Borrowings under the line bear interest at LIBOR + .75% (5.14% at December 31, 2005) and are unsecured. As of December 31, 2005, the entire $50,000 was available and the Company had no borrowings under this line.

The majority of the Company's foreign subsidiaries maintain bank lines of credit for short-term working capital purposes. These credit lines are supported by standby letters of credit issued by a United States bank, or guarantees issued by the Company to the foreign banks issuing the credit line. Lines of credit totaling $12,850 and $13,545 at December 31, 2005 and 2004, respectively, bear interest at rates up to 4% over the foreign banks' equivalent prime rates. At December 31, 2005, the Company had no amounts outstanding under these lines and was contingently liable for approximately $55,639 under outstanding standby letters of credit and guarantees related to these lines of credit and other obligations. At December 31, 2004, the Company had $2,250 of borrowings under these credit lines.

The guarantees relate to obligations of the Company's foreign subsidiaries for credit extended in the ordinary course of business by direct carriers, primarily airlines, and for duty and tax deferrals available from governmental entities responsible for customs and value-added-tax (VAT) taxation. The total underlying amounts due and payable for transportation and governmental excises are properly recorded as obligations in the books of the respective foreign subsidiaries, and there would be no need to record additional expense in the unlikely event the parent company were to be required to perform.

At December 31, 2005, the Company was in compliance with all restrictive covenants of these credit lines and the associated credit facilities, including maintenance of certain minimum asset, working capital and equity balances and ratios.

Note 4.

Income Taxes

Income tax expense for 2005, 2004, and 2003 includes the following components:

	Federal	State	Foreign	Total
2005				
Current	$ 14,213	5,047	60,438	79,698
Deferred	12,615	2,311	—	14,926
	$ 26,828	7,358	60,438	94,624
2004				
Current	$ 2,232	680	46,533	49,445
Deferred	36,096	2,874	—	38,970
	$ 38,328	3,554	46,533	88,415
2003				
Current	$ 24,403	3,543	39,384	67,330
Deferred	3,365	447	—	3,812
	$ 27,768	3,990	39,384	71,142

Income tax expense differs from amounts computed by applying the United States Federal income tax rate of 35% to earnings before income taxes and minority interest as a result of the following:

	2005	*2004*	*2003*
Computed "expected" tax expense	$ 112,054	87,353	68,475
Increase (reduction) in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	4,783	2,310	2,593
IRC 965 tax benefit for repatriated foreign earnings	(21,680)	—	—
Other, net	(533)	(1,248)	74
	$ 94,624	88,415	71,142

In accordance with IRC 965, the Company recorded a one-time tax benefit of $22 million in the fourth quarter of 2005. In order to qualify for this credit, the Company adopted a plan which requires qualified capital expenditures of approximately $105 million over the next two to three years.

In the fourth quarter of 2003, the Company recorded additional tax expense of $9,500 in order to provide full U.S. taxation on approximately $41,900 of foreign earnings accumulated through December 31, 1992, for which U.S. income taxes had not previously been provided. Income taxes had not previously been provided on these earnings as a result of the Company's previous intent to reinvest such earnings indefinitely or to distribute them in a manner in which no significant additional taxes would be incurred. The Company's decision to provide U.S. taxes on all unremitted foreign earnings was made based upon the desire to be able to deploy capital globally without concern for the impact of associated U.S. tax obligations that might be incurred as a result of the repatriation of those earnings. Also, during the fourth quarter of 2003, the Company eliminated $8,000 of certain taxes which the Company had previously expected to pay. Upon analysis of the state tax implications of the Company's pattern of remitting foreign earnings, the Company determined that these taxes were not owed.

The components of earnings before income taxes and minority interest are as follows:

	2005	*2004*	*2003*
United States	$ 105,796	67,148	63,832
Foreign	214,358	182,432	131,810
	$ 320,154	249,580	195,642

The tax effects of temporary differences, tax credits and operating loss carryforwards that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 2005 and 2004 are as follows:

Years ended December 31,	*2005*	*2004*
Deferred Tax Assets:		
Accrued third party charges, deductible for taxes upon economic performance (i.e. actual payment)	$ 2,714	2,502
Provision for doubtful accounts receivable	2,724	2,655
Excess of financial statement over tax depreciation	4,828	4,310
Foreign currency translation adjustment	1,603	—
Retained liability for cargo claims	1,472	1,171
Capital loss	1,257	—
Total gross deferred tax assets	14,598	10,638
Deferred Tax Liabilities:		
Unremitted foreign earnings, net of related foreign tax credits	(32,174)	(35,370)
Foreign currency translation adjustment	—	(6,047)
Other	(1,155)	(451)
Total gross deferred tax liabilities	$ (33,329)	(41,868)
Net deferred tax liabilities	$ (18,731)	(31,230)
Current deferred tax liabilities (assets)	$ (7,208)	6,369
Noncurrent deferred tax liabilities	$ (25,939)	(24,861)

Note 5.

Shareholders' Equity

a. *Stock Repurchase Plans*

The Company has a Non-Discretionary Stock Repurchase Plan under which management is authorized to repurchase up to 10,000,000 shares of the Company's common stock in the open market with the proceeds received from the exercise of Employee and Director Stock Options. As of December 31, 2005, the Company had repurchased and retired 7,150,850 shares of common stock at an average price of $21.68 per share over the period from 1994 through 2005.

In November 2001, the Board of Directors expanded the Company's Discretionary Stock Repurchase Plan to allow for the repurchase of such shares as may be necessary to reduce the issued and outstanding stock to 100,000,000 shares of common stock. As of December 31, 2005, the Company had repurchased and retired 3,463,577 shares of common stock at an average price of $37.77 per share over the period from 2001 through 2005.

b. *Stock Option Plans*

At December 31, 2005, the Company has two stock option plans (the "1985 Plan" and the "2005 Plan") for employees under which the Board of Directors may grant officers and key employees options to purchase common stock at prices equal to or greater than market value on the date of grant. On May 4, 2005, the shareholders approved the Company's 2005 Plan, which made available a total of 1,500,000 shares of the Company's common stock for purchase upon exercise of options granted under the 2005 Plan. This included 595,450 shares otherwise available to be granted under the 1997 Option Plan. This 1997 Option Plan was cancelled upon the approval of the 2005 Plan. The 1985 Plan provides for non-qualified grants. The 2005 Plan provides for qualified and non-qualified grants. Under the 1985 Plan and 2005 Plan, outstanding options generally vest and become exercisable over periods up to five years from the date of grant and expire no more than 10 years from the date of grant. Grants under the 2005 Plan are limited to not more than 50,000 shares per person. No additional shares can be granted under the 2005 Plan after April 30, 2006.

The Company also has a stock option plan ("Directors' Plan") under which non-employee directors elected at each annual meeting are granted non-qualified options to purchase 16,000 shares of common stock at prices equal to the market value on the date of grant on the first business day of the month following the meeting.

Upon the exercise of non-qualified stock options and disqualifying dispositions of incentive stock options, the Company derives a tax deduction measured by the excess of the market value over the option price at the date of exercise. The related tax benefit is credited to additional paid-in capital.

Details regarding the plans are as follows:

	Unoptioned Shares				Outstanding Options	
	1985 Plan	1997 Plan	2005 Plan	Directors' Plan	Number of shares	Weighted average price per share
Balance at December 31, 2002	3,456	2,899,950	—	320,000	11,899,116	$ 17.80
Options granted	—	(1,846,500)	—	(64,000)	1,910,500	$ 36.53
Options exercised	—	—	—	—	(965,636)	$ 9.95
Options canceled	—	248,500	—	—	(248,500)	$ 27.30
Balance at December 31, 2003	3,456	1,301,950	—	256,000	12,595,480	$ 21.05
Options granted	—	(1,070,475)	—	(64,000)	1,134,475	$ 42.02
Options exercised	—	—	—	—	(1,786,886)	$ 9.59
Options canceled	—	244,675	—	—	(244,675)	$ 30.65
Balance at December 31, 2004	3,456	476,150	—	192,000	11,698,394	$ 24.64
Options authorized	—	—	904,550	—	—	$ —
Options transferred	—	(595,450)	595,450	—	—	$ —
Options granted	—	—	(1,451,625)	(64,000)	1,515,625	$ 49.00
Options exercised	—	—	—	—	(1,806,296)	$ 15.03
Options canceled	—	119,300	26,750	—	(276,100)	$ 34.52
Balance at December 31, 2005	3,456	0	75,125	128,000	11,131,623	$ 29.27

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants:

	2005	2004	2003
Dividend yield	.56%	.54%	.47%
Volatility	44 – 49%	46%	48%
Risk-free interest rates	3.64 – 4.14%	2.1 – 4.7%	1.1 – 3.6%
Expected life (years) – stock option plans	6.67 – 9.36	6.6 – 9.2	6.8 – 9.2
Expected life (years) – stock purchase rights plan	1	1	1
Weighted average fair value of stock options granted during the year	$ 25.38	21.30	18.64
Weighted average fair value of stock purchase rights	$ 14.33	12.34	8.93

The following table summarizes information about fixed-price stock options outstanding at December 31, 2005:

Range of exercise price	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 3.65 – 16.04	2,142,395	2.5 years	$ 12.10	2,142,395	$ 12.10
$ 16.05 – 26.85	2,584,884	4.9 years	$ 22.52	2,101,734	$ 21.98
$ 28.58 – 34.88	2,206,044	6.3 years	$ 28.90	1,076,519	$ 29.23
$ 36.59 – 41.73	2,645,425	7.7 years	$ 38.53	0	$ 0
$ 46.88 – 56.78	1,552,875	9.3 years	$ 48.92	128,000	$ 49.21
$ 3.65 – 56.78	11,131,623	6 years	$ 29.27	5,448,648	$ 20.17

The number of stock options exercisable at December 31, 2004 and 2003, were respectively, 5,151,718, at a weighted average price of $15.69 per share, and 5,044,030, at a weighted average price of $10.97 per share.

c. *Basic and Diluted Earnings Per Share*

The following table reconciles the numerator and the denominator of the basic and diluted per share computations for earnings per share in 2005, 2004 and 2003.

	Net earnings	Weighted average shares	Earnings per share
2005			
Basic earnings per share	$ 218,634	106,777,551	$ 2.05
Effect of dilutive potential common shares	—	4,856,055	—
Diluted earnings per share	$ 218,634	111,633,606	$ 1.96
2004			
Basic earnings per share	$ 156,126	106,384,151	$ 1.47
Effect of dilutive potential common shares	—	4,433,848	—
Diluted earnings per share	$ 156,126	110,817,999	$ 1.41
2003			
Basic earnings per share	$ 121,952	104,733,442	$ 1.16
Effect of dilutive potential common shares	—	4,268,101	—
Diluted earnings per share	$ 121,952	109,001,543	$ 1.12

The following shares have been excluded from the computation of diluted earnings per share because the effect would have been antidilutive:

Years ended December 31,	*2005*	*2004*	*2003*
Shares	250	64,000	1,797,750

d. *Stock Purchase Plan*

In May 2002, the shareholders approved the Company's 2002 Employee Stock Purchase Plan ("2002 Plan"), which became effective August 1, 2002 upon the expiration of the 1988 Employee Stock Purchase Plan ("1988 Plan") on July 31, 2002. The Company's 2002 Plan provides for 2,152,726 shares of the Company's common stock, including 152,726 remaining shares transferred from the 1988 Plan, to be reserved for issuance upon exercise of purchase rights granted to employees who elect to participate through regular payroll deductions beginning August 1 of each year. The purchase rights are exercisable on July 31 of the following year at a price equal to the lesser of (1) 85% of the fair market value of the Company's stock on July 31 or (2) 85% of the fair market value of the Company's stock on the preceding August 1. At December 31, 2005, an aggregate of 1,198,382 shares had been issued under the 2002 Plan, and $8,458 had been withheld in connection with the plan year ending July 31, 2006.

Note 6.

Fair Value of Financial Instruments

The Company's financial instruments, other than cash, consist primarily of cash equivalents, short-term investments, accounts receivable, short-term debt, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying amounts based upon market interest rates or their short-term nature.

Note 7.

Commitments

a. *Leases*

The Company occupies office and warehouse facilities under terms of operating leases expiring up to 2013. Total rent expense for 2005, 2004 and 2003 was $34,488, $33,197 and $31,206, respectively. At December 31, 2005, future minimum annual lease payments under all leases are as follows:

2006	$ 31,316
2007	24,124
2008	17,712
2009	7,700
2010	3,244
Thereafter	2,961
	$ 87,057

b. *Unconditional Purchase Obligations*

The Company enters into short-term agreements with asset-based providers reserving space on a guaranteed basis. The pricing of these obligations varies to some degree with market conditions. The Company only enters into agreements that management believes the Company can fulfill with relative ease. Historically, the Company has not paid for guaranteed space that it has not used. Management believes, in line with historical experience, committed purchase obligations outstanding as of December 31, 2005 of $314,072, will be fulfilled during 2006 in the Company's ordinary course of business.

c. *Employee Benefits*

The Company has employee savings plans under which the Company provides a discretionary matching contribution. In 2005, 2004, and 2003, the Company's contributions under the plans were $5,183, $4,383, and $3,977, respectively.

Note 8.

Contingencies

The Company is ordinarily involved in claims and lawsuits which arise in the normal course of business, none of which currently, in management's opinion, will have a significant affect on the Company's operations or financial position.

Note 9.

Business Segment Information

Financial information regarding the Company's 2005, 2004, and 2003 operations by geographic area are as follows:

	United States	Other North America
2005		
Revenues from unaffiliated customers	$ 762,835	98,369
Transfers between geographic areas	87,778	5,588
Total revenues	$ 850,613	103,957
Net revenues	$ 432,530	50,823
Operating income	$ 88,347	12,330
Identifiable assets at year end	$ 805,273	51,312
Capital expenditures	$ 78,668	882
Depreciation and amortization	$ 15,077	1,484
Equity	$ 1,004,726	18,057
2004		
Revenues from unaffiliated customers	$ 628,093	77,696
Transfers between geographic areas	69,695	4,288
Total revenues	$ 697,788	81,984
Net revenues	$ 362,961	42,954
Operating income	$ 63,589	10,828
Identifiable assets at year end	$ 642,930	47,594
Capital expenditures	$ 34,856	2,150
Depreciation and amortization	$ 13,539	1,211
Equity	$ 873,767	20,035
2003		
Revenues from unaffiliated customers	$ 519,488	65,843
Transfers between geographic areas	41,714	2,352
Total revenues	$ 561,202	68,195
Net revenues	$ 309,980	35,912
Operating income	$ 55,623	8,364
Identifiable assets at year end	$ 537,679	32,478
Capital expenditures	$ 9,322	1,017
Depreciation and amortization	$ 12,879	1,248
Equity	$ 682,585	12,931

The Company charges its subsidiaries and affiliates for services rendered in the United States on a cost recovery basis.

	Asia	Europe	Australasia	Latin America	Middle East	Eliminations	Consolidated
	2,224,313	534,897	48,234	58,976	174,157	—	3,901,781
	13,280	24,923	5,920	7,416	8,406	(153,311)	—
	2,237,593	559,820	54,154	66,392	182,563	(153,311)	3,901,781
	296,925	179,238	30,135	26,772	43,186	—	1,059,609
	148,675	32,328	8,116	6,162	8,552	—	304,510
	322,391	294,555	21,681	26,639	47,009	(2,816)	1,566,044
	3,374	4,534	1,084	1,290	949	—	90,781
	4,759	6,107	830	1,198	1,433	—	30,888
	206,090	76,625	11,218	10,998	22,705	(436,698)	913,721
	1,880,135	492,651	44,042	52,347	142,535	—	3,317,499
	11,096	18,921	5,262	6,188	6,373	(121,823)	—
	1,891,231	511,572	49,304	58,535	148,908	(121,823)	3,317,499
	252,189	164,132	25,583	21,274	37,144	—	906,237
	118,395	29,026	6,242	4,298	8,667	—	241,045
	279,840	304,701	22,361	21,711	40,667	4,249	1,364,053
	11,153	13,445	845	1,744	2,051	—	66,244
	4,044	5,099	665	770	1,375	—	26,703
	205,387	90,053	13,131	6,647	19,049	(420,665)	807,404
	1,446,760	406,186	32,077	37,495	117,092	—	2,624,941
	7,147	11,715	3,876	4,288	3,576	(74,668)	—
	1,453,907	417,901	35,953	41,783	120,668	(74,668)	2,624,941
	203,969	137,117	18,985	14,801	29,746	—	750,510
	87,313	22,512	3,988	2,073	6,889	—	186,762
	162,991	239,068	17,793	20,492	29,350	4,227	1,044,078
	3,510	3,371	324	1,899	1,302	—	20,745
	3,146	4,892	667	608	952	—	24,392
	120,714	63,619	11,945	3,521	14,049	(263,863)	645,501

No single country outside the United States represented more than 10% of the Company's total revenue, net revenue or total identifiable assets in any period presented except as noted in the table below.

	2005	*2004*	*2003*
Total revenues:			
Hong Kong	15%	16%	16%
People's Republic of China	21%	18%	16%
Net revenues:			
Hong Kong	—*	10%	10%
People's Republic of China	12%	10%	—*
Total identifiable assets:			
United Kingdom	—*	—*	10%

* Represents less than 10% in the period presented.

Note 10.

Quarterly Results (Unaudited)

	1st	2nd	3rd	4th
2005				
Revenues	$ 825,164	927,999	1,046,442	1,102,176
Net revenues	230,683	250,660	281,925	296,341
Net earnings	37,744	44,644	55,769	80,477
Basic earnings per share	.35	.42	.52	.75
Diluted earnings per share	.34	.40	.50	.72
2004				
Revenues	$ 686,850	798,666	897,188	934,795
Net revenues	202,496	222,223	240,358	241,160
Net earnings	31,844	37,612	43,107	43,563
Basic earnings per share	.30	.36	.41	.41
Diluted earnings per share	.29	.34	.39	.39

Net revenues are determined by deducting freight consolidation costs from total revenues. The sum of quarterly per share data may not equal the per share total reported for the year.

The fourth quarter 2005 results include a $21,680 tax benefit ($.19 per share increase in net earnings) as a result of a one-time election under IRC 965.

Management Report on Internal Control Over Financial Reporting

The management of Expeditors International of Washington, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). The Company's system of internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. A system of internal control can provide only reasonable, not absolute assurance, that the objectives of the control system are met. Our management, including our chief executive officer and chief financial officer, conducted an assessment of the design and operating effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, our management has concluded that, as of December 31, 2005, our internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, which is included herein on page 64.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Expeditors International of Washington, Inc.:

We have audited the accompanying consolidated balance sheets of Expeditors International of Washington, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Expeditors International of Washington, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Expeditors International of Washington, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Seattle, Washington
March 15, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Expeditors International of Washington, Inc.:

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting appearing herein on page 62, that Expeditors International of Washington, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, management's assessment that Expeditors International of Washington, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by COSO. Also, in our opinion, Expeditors International of Washington, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Expeditors International of Washington, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005 and our report dated March 15, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Seattle, Washington
March 15, 2006

Executive Summary

Expeditors International of Washington, Inc. is engaged in the business of global logistics management, including international freight forwarding and consolidation, for both air and ocean freight. The Company acts as a customs broker in all domestic offices, and in many of its international offices. The Company also provides additional services for its customers including value-added distribution, purchase order management, vendor consolidation and other logistics solutions. The Company does not compete for overnight courier or small parcel business. The Company does not own or operate aircraft or steamships.

International trade is influenced by many factors, including economic and political conditions in the United States and abroad, currency exchange rates, and United States and foreign laws and policies relating to tariffs, trade restrictions, foreign investments and taxation. Periodically, governments consider a variety of changes to current tariffs and trade restrictions. The Company cannot predict which, if any, of these proposals may be adopted, nor can the Company predict the affects adoption of any such proposal will have on the Company's business. Doing business in foreign locations also subjects the Company to a variety of risks and considerations not normally encountered by domestic enterprises. In addition to being influenced by governmental policies concerning international trade, the Company's business may also be affected by political developments and changes in government personnel or policies in the nations in which it does business.

The Company derives its revenues from three principal sources: 1) airfreight, 2) ocean freight, and 3) customs brokerage and other services. These are the revenue categories presented in the financial statements.

The Company is managed along four geographic areas of responsibility: The Americas; Asia; Europe, Africa, Near/Middle East and Indian Subcontinent (EMAIR); and Australasia. Each area is divided into sub-regions which are composed of several operating units with individual profit and loss responsibility. The Company's business involves shipments between operating units and typically touches more than one geographic area. The nature of the international logistics business necessitates a high degree of communication and cooperation between operating units. Because of this inter-relationship between operating units, it is very difficult to look at one geographic area and draw meaningful conclusions as to its contribution to the Company's overall success on a stand-alone basis.

The Company's operating units share revenue according to arms-length industry conventions. The Company's strategy closely links compensation with operating unit profitability. Individual success likely involves cooperation with other operating units.

As a non-asset based carrier, the Company does not own transportation assets. Rather, the Company generates the major portion of its air and ocean freight revenues by purchasing transportation services from direct (asset-based) carriers and reselling those services to its customers. The difference between the rate billed to customers (the sell rate), and the rate paid to the carrier (the buy rate) is termed "net revenue" or "yield." By consolidating shipments from multiple customers and concentrating its buying power, the Company is able to negotiate favorable buy rates from the direct carriers, while at the same time offering lower sell rates than customers would otherwise be able to negotiate themselves.

Customs brokerage and other services involves providing services at destination, such as helping customers clear shipments through customs by preparing required documentation, calculating and providing for payment of duties and other taxes on behalf of the customers as well as arranging for any required inspections by governmental agencies, and arranging for delivery. This is a complicated function requiring technical knowledge of customs rules and regulations in the multitude of countries in which the Company has offices.

The Company's ability to provide services to its customers is highly dependent on good working relationships with a variety of entities including airlines, ocean steamship lines, and governmental agencies. The significance of maintaining acceptable working relationships with governmental agencies and asset-based providers involved in global trade has gained increased importance as a result of ongoing concern over terrorism. As each carrier labors to comply with governmental regulations implementing security policies and procedures, inherent conflicts emerge which can and do affect global trade to some degree. A good reputation helps to develop practical working understandings that will effectively meet security requirements while minimizing potential international trade obstacles. The Company considers its current working relationships with these entities to be satisfactory. However, changes in space allotments available from carriers, governmental deregulation efforts, "modernization" of the regulations governing customs brokerage, and/or changes in governmental quota restrictions could affect the Company's business in unpredictable ways.

Historically, the Company's operating results have been subject to a seasonal trend when measured on a quarterly basis. The first quarter has traditionally been the weakest and the third and fourth quarters have traditionally been the strongest. This pattern is the result of, or is influenced by, numerous factors including climate, national holidays, consumer demand, economic conditions and a myriad of other similar and subtle forces. In addition, this historical quarterly trend has been influenced by the growth and diversification of the Company's international network and service offerings. The Company cannot accurately forecast many of these factors nor can the Company estimate accurately the relative influence of any particular factor and, as a result, there can be no assurance that historical patterns, if any, will continue in future periods.

A significant portion of the Company's revenues are derived from customers in retail industries whose shipping patterns are tied closely to consumer demand, and from customers in industries whose shipping patterns are dependent upon just-in-time production schedules. Therefore, the timing of the Company's revenues are, to a large degree, impacted by factors out of the Company's control, such as a sudden change in consumer demand for retail goods and/or manufacturing production delays. Additionally, many customers ship a significant portion of their goods at or near the end of a quarter, and therefore, the Company may not learn of a shortfall in revenues until late in a quarter. To the extent that a shortfall in revenues or earnings was not expected by securities analysts, any such shortfall from levels predicted by securities analysts could have an immediate and adverse effect on the trading price of the Company's stock.

As further discussed under liquidity and capital resources, total capital expenditures in 2006 are expected to exceed $165 million.

In terms of the opportunities, challenges and risks that management focused on in 2005, the Company operates in 58 countries throughout the world in the competitive global logistics industry and Company activities are tied directly to the global economy. From the inception of the Company, management has believed that the elements required for a successful global service organization can only be assured through recruiting, training, and ultimately retaining superior personnel. The Company's greatest challenge is now and always has been perpetuating a consistent global culture which demands:

- Total dedication, first and foremost, to providing superior customer service;
- Aggressive marketing of all of the Company's service offerings;
- Ongoing development of key employees and management personnel via formal and informal means;
- Creation of unlimited advancement opportunities for employees dedicated to hard work, personal growth and continuous improvement;
- Individual commitment to the identification and mentoring of successors for every key position so that when inevitable change is required, a qualified and well-trained internal candidate is ready to step forward; and
- Continuous identification, design and implementation of system solutions, both technological and otherwise, to meet and exceed the needs of our customers while simultaneously delivering tools to make our employees more efficient and more effective.

The Company has reinforced these values with a compensation system that rewards employees for profitably managing the things they can control. There is no limit to how much a key manager can be compensated for success. The Company believes in a "real world" environment in every operating unit where individuals are not sheltered from the profit implications of their decisions. At the same time, the Company insists on continued focus on such things as accounts receivable collection, cash flow management and credit soundness in an attempt to insulate managers from the sort of catastrophic errors that might end a career.

Any failure to perpetuate this unique culture on a self-sustained basis throughout the Company, provides a greater threat to the Company's continued success than any external force, which would be largely beyond our control. Consequently, management spends the majority of its time focused on creating an environment where employees can learn and develop while also building systems and taking preventative action to reduce exposure to negative events. The Company strongly believes that it is nearly impossible to predict events that, in the aggregate, could have a positive or a negative impact on future operations. As a result our focus is on building and maintaining a global culture of well-trained employees and managers that are prepared to identify and react to subtle changes as they develop and thereby help the Company adapt and thrive as major trends emerge.

Critical Accounting Estimates

A summary of the Company's significant accounting policies can be found in Note 1 in the consolidated financial statements in this annual report.

Management believes that the nature of the Company's business is such that there are few, if any, complex measurement issues or challenges in accounting for operations.

While judgments and estimates are a necessary component of any system of accounting, the Company's use of estimates is limited primarily to the following areas that in the aggregate are not a major component of the Company's statement of earnings:

- accounts receivable valuation,
- the useful lives of long-term assets,
- the accrual of costs related to ancillary services the Company provides,
- establishment of adequate insurance liabilities for the portion of the freight related exposure which the Company has self-insured, and
- accrual of tax expense on an interim basis.

Management believes that the methods utilized in all of these areas are non-aggressive in approach and consistent in application. Management believes that there are limited, if any, alternative accounting principles or methods which could be applied to the Company's transactions. While the use of estimates means that actual future results may be different from those contemplated by the estimates, the Company believes that alternative principles and methods used for making such estimates would not produce materially different results than those reported.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and employee stock purchase plans, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period of the registrant's first fiscal year beginning on or after June 15, 2005, with early adoption encouraged. In addition, SFAS No. 123R will cause unrecognized expense (based on the amount in the Company's pro forma footnote disclosure) related to options vesting after the date of initial adoption to be recognized as a charge to results of operations over the remaining vesting period. The Company has adopted SFAS No. 123R as of January 1, 2006. Under SFAS No. 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The Company will continue to use the Black-Scholes model for valuing option expense and will amortize the compensation expense using the straight-line prorated method. The Company has elected to use the modified retrospective method of transitioning to SFAS No. 123R. Under the modified retrospective method, beginning with the report on form 10-Q for the first quarter of 2006, the Company will restate all periods presented. The adoption of SFAS No. 123R will have a material impact on the consolidated balance sheet, the consolidated results of operations, earnings per share and consolidated statement of cash flows.

Results of Operations

The following table shows the consolidated net revenues (revenues less transportation expenses) attributable to the Company's principal services and the Company's expenses for 2005, 2004, and 2003, expressed as percentages of net revenues. Management believes that net revenues are a better measure than total revenues of the relative importance of the Company's principal services since total revenues earned by the Company as a freight consolidator include the carriers' charges to the Company for carrying the shipment whereas revenues earned by the Company in its other capacities include only the commissions and fees actually earned by the Company.

In thousands	2005 Amount	2005 Percent of net revenues	2004 Amount	2004 Percent of net revenues	2003 Amount	2003 Percent of net revenues
Net revenues:						
Airfreight	$ 391,773	37%	$ 348,949	39%	$ 278,968	37%
Ocean freight and ocean services	260,261	25	210,967	23	191,116	26
Customs brokerage and other services	407,575	38	346,321	38	280,426	37
Net revenues	1,059,609	100	906,237	100	750,510	100
Operating expenses:						
Salaries and related costs	557,730	53	479,364	53	398,475	53
Other	197,369	18	185,828	20	165,273	22
Total operating expenses	755,099	71	665,192	73	563,748	75
Operating income	304,510	29	241,045	27	186,762	25
Other income, net	15,644	1	8,535	1	8,880	1
Earnings before income taxes and minority interest	320,154	30	249,580	28	195,642	26
Income tax expense	94,624	9	88,415	10	71,142	10
Net earnings before minority interest	225,530	21	161,165	18	124,500	16
Minority interest	(6,896)	—	(5,039)	(1)	(2,548)	—
Net earnings	$ 218,634	21%	$ 156,126	17%	$ 121,952	16%

2005 compared with 2004

Airfreight net revenues in 2005 increased 12% compared with 2004 primarily because of an increase in airfreight volumes. Global airfreight tonnages in 2005 increased 9% compared with 2004. The 1% decrease in airfreight yields in 2005 was primarily a result of air carrier fuel surcharges which the Company typically passes on without a profit element. The Company's North American export airfreight net revenues increased 13% in 2005 compared to 2004, primarily the result of increased market share attributable to focused sales activity. Airfreight net revenues from Asia and from Europe increased 15% and 8%, respectively, for 2005 compared with 2004. These increases are the result of market price increases, partially offset by yield declines of less than 1%, and increased tonnage of 13% from Asia and 2% from Europe, primarily as a result of increased sales success.

Ocean freight volumes, measured in terms of forty-foot container equivalents (FEUs), increased 18% over 2004 while ocean freight and ocean services net revenues increased 23% during the same period. The increase in net revenue can be attributed to cyclical market conditions and trade lane imbalances.

The Company continued its focus of offering competitive rates to customers at the retail level, while leveraging freight volumes to obtain favorable rates from carriers at the wholesale level. The Company's North American ocean freight net revenues increased 22% in 2005 compared to 2004. Ocean freight net revenues from Asia increased 31% and from Europe decreased 1% for 2005 compared with 2004. The increase in North American and Asian ocean freight net revenue are primarily a result of greater market share. The decrease experienced in Europe is primarily due to decreased export volumes which can be attributable to the relative value of European currencies throughout the year.

Customs brokerage and other services net revenues increased 18% in 2005 as compared with 2004. This is a result of the Company's reputation for providing high quality service and increased opportunities within the customs brokerage market. These opportunities arise as customers seek out customs brokers with sophisticated computerized capabilities. In addition, the Company's customs brokerage offerings have benefited from increased emphasis on regulatory compliance.

Salaries and related costs increased 16% in 2005 compared to 2004 as a result of (1) the Company's increased hiring of sales, operations, and administrative personnel in existing and new offices to accommodate increases in business activity and (2) increased compensation levels. Salaries and related costs remained constant as a percentage of net revenues. The relatively consistent relationship between salaries and net revenues is the result of a compensation philosophy that has been maintained since the inception of the Company: offer a modest base salary and the opportunity to share in a fixed and determinable percentage of the operating profit of the business unit controlled by each key employee. Using this compensation model, changes in individual compensation will occur in proportion to changes in Company profits. Management believes that the growth in revenues, net revenues and net earnings for 2005 are a result of the incentives inherent in the Company's compensation program.

This trend may not continue in 2006 and future years as a result of the adoption of SFAS 123R, which requires the expensing of the fair value of employee stock options. Management expects salaries and related costs as a percentage of net revenues will be more volatile.

Other operating expenses increased 6% in 2005 as compared with 2004 as rent expense, communications expense, quality and training expenses, and other costs expanded to accommodate the Company's growing operations. Other operating expenses as a percentage of net revenues decreased 2% in 2005 as compared with 2004. Management believes that this was significant as it reflects the successful achievement of ongoing cost containment objectives at the branch level.

Other income, net, increased 83% in 2005 as compared with 2004. Due to higher interest rates on higher average cash balances and short-term investments during 2005, interest income increased by $6 million for the year ended December 31, 2005.

The Company pays income taxes in the United States and other jurisdictions, as well as other taxes which are typically included in costs of operations. The Company's consolidated effective income tax rate in 2005 of 29.6% decreased when compared with the 35.4% rate in 2004. The lower tax rate in 2005 is primarily the result of the Company adopting a plan under Internal Revenue Code (IRC) 965, which was added by the American Jobs Creation Act. In accordance with IRC 965, the Company recorded a one-time tax benefit of $22 million in the fourth quarter of 2005. In order to qualify for this credit, the Company adopted a plan which requires qualified capital expenditures of approximately $105 million over the next two to three years.

2004 compared with 2003

Airfreight net revenues in 2004 increased 25% compared with 2003 primarily because of an increase in airfreight volumes. Global airfreight tonnages in 2004 increased 23% compared with 2003. The 1% decrease in airfreight yields in 2004 was primarily a result of air carriers increasing their rates such that the Company was unable to increase its corresponding rates to customers in a timely and effective manner. As with the second half of 2003, the Company elected to absorb these short-term decreases in the interest of maintaining long-term customer relationships. The Company's North American export airfreight net revenues increased 25% in 2004 compared to 2003. The increase is partly a recovery of the prior year decrease and partly the result of increased exports from the United States due to the weakening of the U.S. dollar. Airfreight net revenues from Asia and from Europe increased 37% and 23%, respectively, for 2004 compared with 2003. These increases are the result of market price increases, partially offset by yield declines of less than 1%, and increased tonnage of 26% from Asia and 18% from Europe, primarily as a result of increased sales success.

Ocean freight volumes, measured in terms of forty-foot container equivalents (FEUs), increased 29% over 2003 while ocean freight and ocean services net revenues increased only 10% during the same period. The difference in these two growth rates is a result of a 200 basis point reduction in ocean freight yields.

The reduction in a yield is a function of two major factors:

- Revenue from ECMS in 2004 increased only 2% over 2003 because of rate pressures on vendor consolidation fees.
- A series of rate increases put forward by direct ocean freight carriers throughout 2004. Due to market conditions primarily related to capacity, these rate increases, because of magnitude and frequency, could not be passed on to customers in a timely manner.

The Company continued its focus of offering competitive rates to customers at the retail level, while leveraging freight volumes to obtain favorable rates from carriers at the wholesale level. The Company's North American ocean freight net revenues increased in 2004 compared to 2003. Ocean freight net revenues from Asia and from Europe increased 22% and 8%, respectively, for 2004 compared with 2003.

Customs brokerage and other services net revenues increased 23% in 2004 as compared with 2003. This is a result of the Company's growing reputation for providing high quality service and consolidation within the customs brokerage market as customers seek out customs brokers with more sophisticated computerized capabilities critical to an overall logistics management program. In addition, increased emphasis on regulatory compliance has benefited the Company's customs brokerage offerings.

Salaries and related costs increased 20% in 2004 compared to 2003 as a result of (1) the Company's increased hiring of sales, operations, and administrative personnel in existing and new offices to accommodate increases in business activity and (2) increased compensation levels. Salaries and related costs remained constant as a percentage of net revenues. The relatively consistent relationship between salaries and net revenues is the result of a compensation philosophy that has been maintained since the inception of the Company: offer a modest base salary and the opportunity to share in a fixed and determinable percentage of the operating profit of the business unit controlled by each key employee. Using this compensation model, changes in individual compensation will occur in proportion to changes in Company profits. Management believes that the growth in revenues, net revenues and net earnings for 2004 are a result of the incentives inherent in the Company's compensation program.

Other operating expenses increased 12% in 2004 as compared with 2003 as rent expense, communications expense, quality and training expenses, and other costs expanded to accommodate the Company's growing operations. Other operating expenses as a percentage of net revenues decreased in 2004 as compared with 2003. Management believes that this was significant as it reflects the successful achievement of ongoing cost containment objectives at the branch level. The ability to sustain these savings into future periods is contingent upon branch level management's ability to adhere to these objectives.

Other income, net, decreased 4% in 2004 as compared with 2003. Due to higher interest rates on higher average cash balances and short-term investments during 2004, interest income increased by $1.1 million for the year ended December 31, 2004. Rental income, net of applicable depreciation, of $2.6 million and $3.4 million for the years ended December 31, 2004 and 2003, respectively, is included in other income. The rental income is derived from two of the Company's properties, one located near Heathrow airport in London, England and an office and warehouse facility near the San Francisco, California International Airport. As a result of the scheduled remodeling of the San Francisco, California office and warehouse facility, rental income from that property ceased at the end of the first quarter of 2004.

The Company pays income taxes in the United States and other jurisdictions, as well as other taxes which are typically included in costs of operations. The Company's consolidated effective income tax rate in 2004 of 35.4% decreased when compared with the 36.4% rate in 2003. The lower tax rate in 2004 is the result of the decreased state tax expense caused by an increase in the taxable income sourced outside the United States and certain accounting adjustments made in 2003.

Currency and Other Risk Factors

International air/ocean freight forwarding and customs brokerage are intensively competitive and are expected to remain so for the foreseeable future. There are a large number of entities competing in the international logistics industry; however, the Company's primary competition is confined to a relatively small number of companies within this group. While there is currently a marked trend within the industry toward consolidation into large firms with multinational offices and agency networks, regional and local broker/forwarders remain a competitive force.

Historically, the primary competitive factors in the international logistics industry have been price and quality of service, including reliability, responsiveness, expertise, convenience, and scope of operations. The Company emphasizes quality customer service and believes that its prices are competitive with those of others in the industry. Customers have exhibited a trend towards more sophisticated and efficient procedures for the management of the logistics supply chain by embracing strategies such as just-in-time inventory management. The Company believes that this trend has resulted in customers using fewer service providers with greater technological capacity and consistent global coverage. Accordingly, sophisticated computerized customer service capabilities and a stable worldwide network have become significant factors in attracting and retaining customers.

Developing these systems and a worldwide network has added a considerable indirect cost to the services provided to customers. Smaller and middle-tier competitors, in general, do not have the resources available to develop customized systems and a worldwide network. As a result, there is a significant amount of consolidation currently taking place in the industry. Management expects that this trend toward consolidation will continue for the short- to medium-term.

The nature of the Company's worldwide operations necessitates the Company dealing with a multitude of currencies other than the U.S. dollar. This results in the Company being exposed to the inherent risks of the international currency markets and governmental interference. Some of the countries where the Company maintains offices and/or agency relationships have strict currency control regulations which influence the Company's ability to hedge foreign currency exposure. The Company tries to compensate for these exposures by accelerating international currency settlements among its offices or agents. The Company enters into foreign currency hedging transactions only in limited locations where there are regulatory or commercial limitations on the Company's ability to move money freely around the world or the short-term financial outlook in any country is such that hedging is the most time-sensitive way to avoid short-term exchange losses. Any such hedging activity during 2005, 2004 and 2003 was insignificant. Net foreign currency gains realized in 2005, 2004 and 2003 were $862, $86 and $588, respectively. The Company had no foreign currency derivatives outstanding at December 31, 2005 and 2004.

The Company has traditionally generated revenues from airfreight, ocean freight and customs brokerage and other services. Historically, this annual filing has gone on to state that in light of the customer-driven trend to provide customer rates on a door-to-door basis, management foresees the potential, in the medium- to long-term, for fees normally associated with customs house brokerage to be de-emphasized and included as a component of other services offered by the Company. We now believe we were wrong about this.

Sources of Growth

During 2005, the Company opened 12 full-service offices (*) and 5 satellite offices (+), as follows:

Asia	*Europe*	*Latin America*	*North America*	*Middle East*
Dongguan, PRC*	Warsaw, Poland*	Porto Alegre, Brazil*	Monterrey, Mexico*	Tiruppur, India+
Nanjing, PRC*	Malmoe, Sweden+	Lima, Peru*		
Macau, PRC*	Turin, Italy+			
Laem Chabang, Thailand+	Aberdeen, Scotland*			
Ningbo, China*	Zurich, Switzerland*			
Surabaya, Indonesia*				
Johor Bahru, Malaysia*				
Da Nang, Vietnam+				

Ningbo, Surabaya and Johor Bahru converted from satellites to full-service offices in 2005.

Acquisitions

Historically, growth through aggressive acquisition has proven to be a challenge for many of the Company's competitors and typically involves the purchase of significant "goodwill," the value of which can be realized in large measure only by retaining the customers and profit margins of the acquired business. As a result, the Company has pursued a strategy emphasizing organic growth supplemented by certain strategic acquisitions, where future economic benefit significantly exceeds the "goodwill" recorded in the transaction.

Internal Growth

Management believes that a comparison of "same store" growth is critical in the evaluation of the quality and extent of the Company's internally generated growth. This "same store" analysis isolates the financial contributions from offices that have been included in the Company's operating results for at least one full year. The table below presents "same store" comparisons on a year-over-year basis for the years ended December 31, 2005, 2004 and 2003.

Same store comparisons for the years ended December 31,

	2005	2004	2003
Net revenues	16%	20%	10%
Operating income	26%	29%	9%

Liquidity and Capital Resources

The Company's principal source of liquidity is cash generated from operating activities. Net cash provided by operating activities for the year ended December 31, 2005 was $280 million, as compared with $193 million for 2004. This $87 million increase is principally due to increased net earnings and deferred tax expense on unremitted foreign earnings. The increased accounts receivable is offset by increased accounts payable, accrued expenses and taxes payable. Increased accounts receivable is primarily due to higher billings in November and December 2005, compared to the same periods in 2004. Increases in accounts payable and accrued expenses are a result of the Company's attempts to manage cash flows by matching the timing of cash outflows for payments to vendors with cash inflows from collections of customer billings.

The Company's business is subject to seasonal fluctuations. Cash flow fluctuates as a result of this seasonality. Historically, the first quarter shows an excess of customer collections over customer billings. This results in positive cash flow. The increased activity associated with peak season (typically commencing late second or early third quarter) causes an excess of customer billings over customer collections. This cyclical growth in customer receivables consumes available cash. Due to the Company's management of accounts payable and accrued expenses as described in the preceding paragraph, cash flow from operating activities remained positive.

As a customs broker, the Company makes significant 5-10 business day cash advances for certain of its customers' obligations such as the payment of duties to the Customs and Border Protection of the Department of Homeland Security. These advances are made as an accommodation for a select group of credit-worthy customers. Cash advances are a "pass through" and are not recorded as a component of revenue and expense. The billings of such advances to customers are accounted for as a direct increase in accounts receivable to the customer and a corresponding increase in accounts payable to governmental customs authorities. As a result of these "pass through" billings, the conventional Days Sales Outstanding or DSO calculation does not directly measure collection efficiency.

Cash used in investing activities for the year ended December 31, 2005 was $91 million, as compared with $65 million during the same period of 2004. The largest use of cash in investing activities is cash paid for capital expenditures. As a non-asset based provider of integrated logistics services, the Company does not own any physical means of transportation (i.e., airplanes, ships, trucks, etc.). However, the Company does have need, on occasion, to purchase buildings to house staff and to facilitate the staging of customers' freight. The Company routinely invests in technology, office furniture and equipment and leasehold improvements.

For the year ended December 31, 2005, the Company made capital expenditures of $91 million as compared with $66 million for the same period in 2004. Capital expenditures in 2005 included $23 million for acquisitions of real estate and office/warehouse facilities in Houston, Texas and Seattle, Washington. In addition, the Company had real estate development expenditures of $42 million related to projects in San Francisco and Los Angeles, California, Seattle, Washington and Houston, Texas. Other capital expenditures in 2005 and 2004 related primarily to investments in technology, office furniture and equipment and leasehold improvements. The Company currently expects to spend approximately $27 million for normal capital expenditures in 2006. In addition to property and equipment, normal capital expenditures include leasehold improvements, warehouse equipment, computer hardware and furniture and fixtures. Total capital expenditures in 2006 are currently estimated to be $165 million.

This includes normal capital expenditures as noted above, plus additional real estate acquisitions and development required to carry out the Company's plan adopted under IRC 965. The Company expects to finance capital expenditures in 2006 with cash.

Cash used in financing activities for the year ended December 31, 2005 was $120 million as compared with $22 million for the same period in 2004. The Company uses the proceeds from stock option exercises to repurchase the Company's stock on the open market. In 2005, the Company established a policy of repurchasing stock to prevent growth in issued and outstanding shares as a result of stock option exercises. The increase in cash used in financing activities for the year ended December 31, 2005 compared with the same period in 2004 is primarily the result of this new policy. During 2005 and 2004 the net use of cash in financing activities included the payment of dividends of $.30 per share and $.22 per share, respectively.

At December 31, 2005, working capital was $589 million, including cash and short-term investments of $464 million. The Company had no long-term debt at December 31, 2005.

The Company maintains international and domestic unsecured bank lines of credit. At December 31, 2005, the United States facility totaled $50 million and the international bank lines of credit, excluding the U.K. bank facility, totaled $11 million. In addition, the Company maintains a bank facility with its U.K. bank for $12 million which is available for short-term borrowings and issuances of standby letters of credit. At December 31, 2005, the Company had no amounts outstanding on these lines of credit, but was contingently liable for $56 million from standby letters of credit and guarantees related to these lines of credit and other obligations. The guarantees relate to obligations of the Company's foreign subsidiaries for credit extended in the ordinary course of business by direct carriers, primarily airlines, and for duty and tax deferrals available from governmental entities responsible for customs and value-added-tax (VAT) taxation. The total underlying amounts due and payable for transportation and governmental excises are properly recorded as obligations in the books of the respective foreign subsidiaries, and there would be no need to record additional expense in the unlikely event the parent company were to be required to perform.

At December 31, 2005, the Company's contractual obligations and other commitments are as follows:

		Payments due by period			
In thousands	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Contractual Obligations:					
Operating leases	$ 87,057	31,316	41,836	10,944	2,961
Unconditional purchase obligations	314,072	314,072	—	—	—
Construction obligations	13,261	13,261	—	—	—
Total contractual cash obligations	$ 414,390	358,649	41,836	10,944	2,961

The Company enters into short-term agreements with asset-based providers reserving space on a guaranteed basis. The pricing of these obligations varies to some degree with market conditions. The Company only enters into agreements that management believes the Company can fulfill with relative ease. Historically, the Company has not paid for guaranteed space that it has not used. Management believes, in line with historical experience, committed purchase obligations outstanding as of December 31, 2005, will be fulfilled during 2006 in the Company's ordinary course of business.

		Amount of commitment expiration per period			
In thousands	Total amounts committed	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Other Commitments:					
International lines of credit	$ 12,850	12,850	—	—	—
Standby letters of credit	55,639	52,875	1,860	777	127
Total commitments	$ 68,489	65,725	1,860	777	127

The Company has a Non-Discretionary Stock Repurchase Plan to repurchase shares from the proceeds of stock option exercises. As of December 31, 2005, the Company had repurchased and retired 7,150,850 shares of common stock at an average price of $21.68 per share over the period from 1994 through 2005. During 2005, 723,135 shares were repurchased at an average price of $56.90 per share.

The Company has a Discretionary Stock Repurchase Plan under which Management is allowed to repurchase such shares as may be necessary to reduce the issued and outstanding stock to 100,000,000 shares of common stock. As of December 31, 2005, the Company had repurchased and retired 3,463,577 shares of common stock at an average price of $37.77 per share over the period from 2001 through 2005. During 2005, 1,463,577 shares were repurchased at an average price of $58.56. These discretionary repurchases were made to keep the number of issued and outstanding shares from growing as a result of stock option exercises.

Management believes that the Company's current cash position, bank financing arrangements, and operating cash flows will be sufficient to meet its capital and liquidity requirements for the foreseeable future, including meeting any contingent liabilities related to standby letters of credit and other obligations.

In some cases, the Company's ability to repatriate funds from foreign operations may be subject to foreign exchange controls. At December 31, 2005, cash and cash equivalent balances of $263 million were held by the Company's non-United States subsidiaries, of which $17 million was held in banks in the United States.

Impact of Inflation

To date, the Company's business has not been adversely affected by inflation. Direct carrier rate increases could occur over the short- to medium-term period. Due to the high degree of competition in the market place, these rate increases can lead to an erosion in the Company's margins. As the Company is not required to purchase or maintain extensive property and equipment and has not otherwise incurred substantial interest rate-sensitive indebtedness, the Company currently has limited direct exposure to increased costs resulting from increases in interest rates.

Off-Balance Sheet Arrangements

As of December 31, 2005, the Company did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission (SEC) Regulation S-K.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risks in the ordinary course of its business. These risks are primarily related to foreign exchange risk and changes in short-term interest rates. The potential impact of the Company's exposure to these risks is presented below:

Foreign Exchange Risk

The Company conducts business in many different countries and currencies. The Company's business often results in revenue billings issued in a country and currency which differs from that where the expenses related to the service are incurred. In the ordinary course of business, the Company creates numerous intercompany transactions. This brings a market risk to the Company's earnings.

Foreign exchange rate sensitivity analysis can be quantified by estimating the impact on the Company's earnings as a result of hypothetical changes in the value of the U.S. dollar, the Company's functional currency, relative to the other currencies in which the Company transacts business. All other things being equal, an average 10% weakening of the U.S. dollar, throughout the year ended December 31, 2005, would have had the effect of raising operating income approximately $24 million. An average 10% strengthening of the U.S. dollar, for the same period, would have the effect of reducing operating income approximately $19 million. This analysis does not take into account changes in shipping patterns based upon this hypothetical currency fluctuation. For example, a weakening in the U.S. dollar would be expected to increase exports from the United States and depress imports into the United States over some relevant period of time, but the exact affect of this change cannot be quantified without making speculative assumptions.

As of December 31, 2005, the Company had approximately $2 million of net unsettled intercompany transactions. The Company currently does not use derivative financial instruments to manage foreign currency risk and only enters into foreign currency hedging transactions in limited locations where regulatory or commercial limitations restrict the Company's ability to move money freely. Any such hedging activity throughout the year ended December 31, 2005, was insignificant. The Company had no foreign currency derivatives outstanding at December 31, 2005 and 2004. The Company instead follows a policy of accelerating international currency settlements to manage foreign exchange risk relative to intercompany billings. The majority of intercompany billings are resolved within 30 days and intercompany billings arising in the normal course of business are fully settled within 90 days.

Interest Rate Risk

At December 31, 2005, the Company had cash and cash equivalents and short-term investments of $464 million, of which $342 million was invested at various short-term market interest rates. There were no short-term borrowings at December 31, 2005. A hypothetical change in the interest rate of 10% would not have a significant impact on the Company's earnings.

In management's opinion, there has been no material change in the Company's market risk exposure between 2004 and 2005.

Directors and Executive Officers

Directors

Peter J. Rose
Chairman of the Board
and Chief Executive Officer,
Director

James L. K. Wang
President – Asia,
Director

R. Jordan Gates
Executive Vice President –
Chief Financial Officer,
Director

James J. Casey
Director

Dan P. Kourkoumelis
Director

Michael J. Malone
Director

John W. Meisenbach
Director, President,
MCM Financial,
A Financial Services Company

Executive Officers

Glenn M. Alger
President and
Chief Operating Officer

Rommel C. Saber
President –
Europe, Africa, Near / Middle East
and Indian Subcontinent

Robert L. Villanueva
President – The Americas

Sandy K. Y. Liu
Chief Operating Officer –
Asia

Timothy C. Barber
Executive Vice President –
Global Sales

Rosanne Esposito
Executive Vice President –
Global Customs

Eugene K. Alger
Senior Vice President –
North America

L. Manfred Amberger
Senior Vice President –
Continental Europe

Jean Claude Carcaillet
Senior Vice President –
Australasia

Philip M. Coughlin
Senior Vice President –
North America

Roger A. Idiart
Senior Vice President –
Air Cargo

Jeffrey J. King
Senior Vice President –
General Counsel and Secretary

Charles J. Lynch
Senior Vice President –
Corporate Controller

Jeffrey S. Musser
Senior Vice President
and Chief Information Officer

Daniel R. Wall
Senior Vice President –
Ocean Services

Product and Service Managers

Global and Product Services

Bret C. Backman
Vice President –
Research and Development

Richard P. Ballantyne
Vice President –
Global Distribution Services

Samuel R. Bokor
Vice President –
Training and
Personnel Development

Rebecca A. Cates
Vice President –
Treasurer

Scott M. Kelly
Vice President –
Global Ocean Services

Carol Kijac
Vice President –
Americas,
Sales and Marketing

Erin M. Thomasson
Vice President –
Insurance

Deanna L. Wilson
Vice President –
Global Business Processes

Geographic Managers

Asia

Andrew Goh
Senior Vice President –
South Asia

Syed Ershad Ahmed
Managing Director –
Bangladesh

T. H. Chiu
Managing Director –
Central and Northern China

David Hsieh
Managing Director –
China

Mark Kato
Managing Director –
Japan

J. I. Kim
Managing Director –
Korea

Danny Lee
Managing Director –
Thailand

Michael Wang
Managing Director –
Taiwan

Aristotle Aniceto
General Manager –
Philippines

Ping Hao
General Manager –
Beijing

Chorina Khoo
General Manager –
Singapore

Mong Pheng Koh
General Manager –
Kuala Lumpur, Malaysia

Derby Lam
General Manager –
South China

Michael Leong
General Manager –
Penang, Malaysia

Lance Liou
General Manager –
North China

Alan Lo
General Manager –
Hong Kong

Shehan Mohamed
General Manager –
Sri Lanka

Tean Hau P'ng
General Manager –
Vietnam

Nixen Tanex
General Manager –
Indonesia

Tom Tan
Branch Manager –
Cambodia

Additional Geographic Managers

North America

Paul L. Arthur
Regional Vice President –
U.S.

Joseph P. Coogan
Regional Vice President –
U.S.

Karl C. Francisco
Regional Vice President –
U.S.

J. Ross Hurst
Managing Director –
Canada

Bryan Lilly
Regional Vice President –
U.S.

William A. Romberger III
Regional Vice President –
U.S.

Richard H. Rostan
Regional Vice President –
U.S.

Troy Ryley
Country Manager –
Mexico

Jose A. Ubeda
Regional Vice President –
U.S.

Europe and Africa

James M. Anderson
Regional Vice President –
Ireland, U.K., South Africa,
Madagascar and Mauritius

Henrik Hedensio
Regional Vice President –
North Europe

Kurt Meister
Regional Vice President –
South Europe

Magdolna Acs
Managing Director –
Hungary

Barry L. Baron
Managing Director –
United Kingdom

Stephane P. Carlier
Managing Director –
Belgium

Paolo Domante
Managing Director –
Italy and Switzerland

Rene Grabmuller
Managing Director –
Czech Republic

Gilles Kergoat
Managing Director –
Madagascar

Rainer Kirschner
Managing Director –
Germany

Richard P. Mallabone
Managing Director –
South Africa

Christophe C. Richard
Managing Director –
France

Additional Geographic Managers

Near / Middle East And Indian Sub-continent

Tony Helayel
Regional Vice President – East Mediterranean and North Africa

David Macpherson
Regional Vice President – Gulf States, Pakistan, India and Nepal

Samir Ghaoui
Managing Director – Levant

Afsar Mahmood
Managing Director – Pakistan

K. Murali
Managing Director – India

Suleyman Ture
Managing Director – Turkey

Latin America

Bruce Krebs
Regional Vice President – Brazil and Managing Director – Mexico

Guillermo Ayerbe
Regional Vice President – Central America, Caribbean and South Cone Regions

Carlos Novoa
Regional Director – Latin America, Andean Countries

Giannina Odio
Country Manager – Costa Rica

Corporate Information

Transfer Agent, Registrar and Dividend Disbursing Agent

Computershare Trust Company, N.A.
P.O. Box 43023
Providence, RI 02940-3023

Shareholder Services
(877) 498-8861

Hearing Impaired / TDD
(800) 952-9245

Website
http://www.computershare.com/equiserve

Independent Registered Public Accounting Firm

KPMG LLP
801 Second Avenue
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Seattle, WA 98104

Corporate Headquarters

Expeditors International
of Washington, Inc.
1015 Third Avenue
12th Floor
Seattle, WA 98104

Information is available on the World Wide Web at http://www.expeditors.com

Offices and Agents

Major cities of the world

Annual Meeting

The annual meeting of shareholders is Wednesday, May 3, 2006, at 2:00 pm at:

Expeditors'
Corporate Headquarters
1015 Third Avenue
Seattle, Washington

Form 10-K

The Company files an Annual Report with the Securities and Exchange Commission on Form 10-K. Shareholders may obtain a copy of this report without charge by writing:

Jeffrey J. King, Secretary
Expeditors International
of Washington, Inc.
1015 Third Avenue
12th Floor
Seattle, WA 98104

Stock Price and Shareholder Data

The following table sets forth the high and low sale prices in the over-the-counter market for the Company's Common Stock as reported by The NASDAQ National Market System under the symbol EXPD.

Common Stock

2005 Quarter	High	Low
First	$ 57.75	52.51
Second	54.31	47.17
Third	57.00	49.47
Fourth	72.74	53.75

2004 Quarter	High	Low
First	$ 41.00	35.70
Second	49.50	39.38
Third	53.34	45.15
Fourth	58.40	47.92

There were 2,050 shareholders of record as of December 31, 2005. Management estimates that there were approximately 95,000 beneficial shareholders at that date.

In 2005 and 2004, the Board of Directors declared a semi-annual dividend of $.15 per and $.11 per share, respectively, which was paid as follows:

2005	15 June
	15 December
2004	15 June
	15 December

About Our Annual Report

Photographed on location in our Costa Rica, Hong Kong, San Francisco and Shanghai facilities; all office personnel portrayed in this annual report are employees of Expeditors Interational of Washington, Inc.


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