

To our shareholders

Another great year, with heartfelt gratitude to our employees, our customers, our vendors and our shareholders.

During 2006 we continued to see more consolidation in the industry, with, we believe, more to come—particularly in the airlines sector.

Being politically correct has never been a big concern for us at Expeditors, but having integrity has. It is one of the ten cultural values upon which our mission statement is predicated. (You can find these cultural values and our mission statement reproduced here.) Incidentally, we don't just believe these values, we live them daily in our interactions with each other and with our customers. We have never falsified results nor have we ever backdated options. We believe in cultural diversity and protecting our employees

We continued the year by opening two full-service and six new satellite offices and by adding to our technology. Toronto was our first office to go paperless and there will be more following suit. We continue to make sound investments in technology, which will be an increasingly important part of how we serve our clients and how we make our internal operations more efficient.

As we begin our 28TH year, we are faced with the retirement of some of our longer-tenured colleagues, most notably Manfred Amberger, who was our Senior Vice President for Continental Europe and Glenn Alger, our President and Chief Operating Officer. Manfred did an exemplary job and was succeeded by Henrik Hedensio, based in Frankfurt and Kurt Meister, based in Paris. Glenn, who shocked us all by recently announcing his plan to retire in 2007, is still with us.

The transition associated with Glenn's decision is ongoing at this time. Steadfast as always, Glenn will remain long enough to see us successfully through this process. On a personal note, my association with Glenn goes back to 1974, when he worked for me part-time while still in high school. He was one of our original founders and has been a great example of the values embodied in our mission statement. Coincidentally enough, Glenn was instru-

CULTURAL VALUES

Appearance
Attitude
Confidence
Curiosity
Excellence
Integrity
Pride
Resolute
Sense of Humor
Visionary

MISSION STATEMENT

To set the standard for excellence in global logistics through total commitment to quality in people and customer service, with superior financial results.

mental in developing, not only the values and the mission statement, but the internal communications for seeing that they were embraced and perpetuated by our employees. We're grateful for Glenn's contributions, and while we'll miss our daily associations, Glenn has left a mark on Expeditors that will transcend his retirement. His influence will be felt here long after he no longer shows up to work every day.

Fortunately, because of our long history of organic growth, we are deep in talent and can follow our history of promoting from within. While Manfred and Glenn will be greatly missed, just as trade never stops, neither does the mission of Expeditors. Part of that mission is the confidence in knowing that there are others who have been mentored and prepared for their opportunity to move Expeditors forward in a manner that is consistent with those who have gone before. Just like the teeth arrayed in a shark's jaw, as one tooth is lost, there's another, clean and razor sharp, ready to slide in to take its place. As the years continue, there will obviously be more retirements, and as long as we do it right there is no need for concern—and NO, I'm not alluding to my own retirement here. I plan on staying as long as it's still fun or until I feel I can no longer make a viable contribution—and, yes, it's still FUN!

Finally, one always has concerns but the only ones we have are out of our control, i.e. those created by meddling politicians using scare tactics to further their own agendas. In these situations, one just has to make sure that the associated fallout of all this meddling doesn't impact our ability to do a good job for our customers and to do right by our employees. We think we've successfully been able to do that. For all the effort it has required—and for the record, we are compliant—Sarbanes-Oxley (SOX), in and of itself, has done little to abate cheating, stealing and lying, as one cannot legislate honesty and integrity. SOX has just added to the confusion and complexity of operating in today's environment by spawning a plethora of consultants and junk mail. Nonetheless, SOX is the law and, as we said above, we comply... even when it hurts.

So, let's just have another great year and once again, thank you.



PETER J. ROSE
Chairman and
Chief Executive Officer