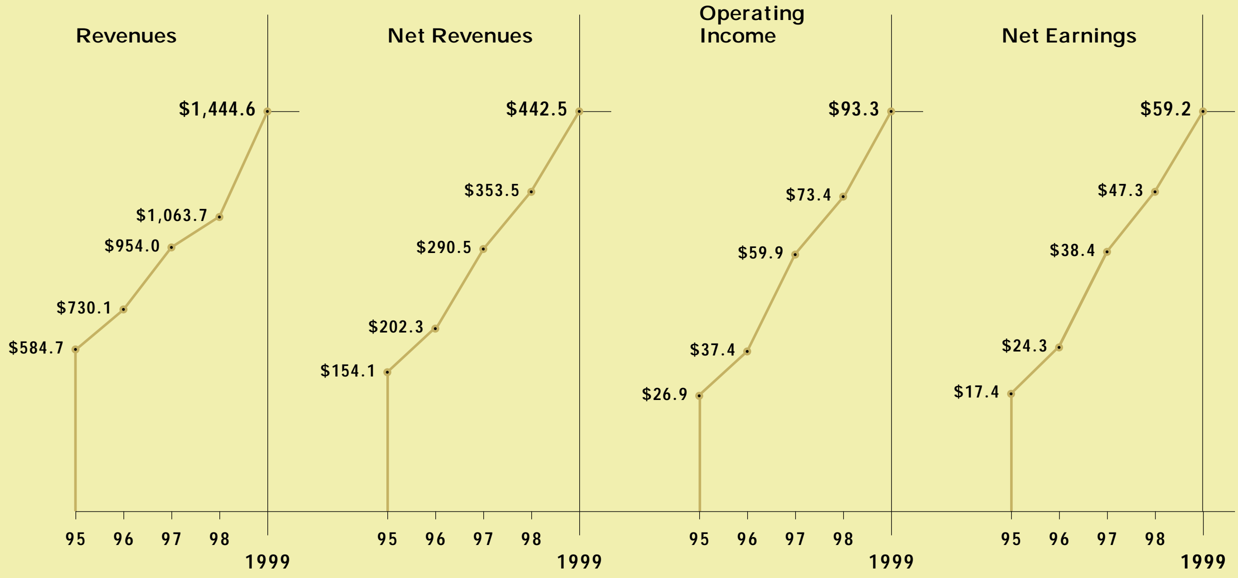

Revenues
$1,444.6
$1,063.7
$954.0
$730.1
$584.7
95
96
97
98
1999
Net Revenues
$442.5
$353.5
$290.5
$202.3
$154.1
95
96
97
98
1999
Operating Income
$93.3
$73.4
$59.9
$37.4
$26.9
95
96
97
98
1999
Net Earnings
$59.2
$47.3
$38.4
$24.3
$17.4
95
96
97
98
1999

Financial Highlights

$: In thousands except per share data

	1999	1998	1997	1996	1995
Revenues	$1,444,575	1,063,707	954,002	730,088	584,691
Net earnings	59,175	47,274	38,411	24,263	17,395
Basic earnings per share	1.18	.96	.79	.50	.37
Diluted earnings per share	1.10	.89	.73	.48	.35
Cash dividends paid per share	.10	.07	.05	.04	.03
Working capital	152,264	94,601	87,252	83,468	81,431
Total assets	511,780	406,596	344,106	271,986	204,128
Shareholders' equity	282,385	217,198	171,854	140,011	117,192
Basic weighted average shares outstanding	50,137	49,234	48,858	48,322	47,944
Diluted weighted average shares outstanding	53,828	53,058	52,647	51,288	50,332

All share and per share information have been adjusted to reflect a 2-for-1 stock split effected in May, 1999 and December, 1996.

Consolidated Balance Sheets

$: In thousands except share data

December 31,	1999	1998
Current Assets		
Cash and cash equivalents	$ 71,183	49,429
Short-term investments	1,171	394
Accounts receivable, less allowance for doubtful accounts of $10,266 in 1999 and $8,198 in 1998	293,739	222,598
Deferred Federal and state income taxes	–	2,427
Other	15,566	9,151
Total current assets	381,659	283,999
Property and Equipment		
Buildings and leasehold improvements	73,792	68,833
Furniture, fixtures, and equipment	79,820	65,497
Vehicles	4,718	4,502
	158,330	138,832
Less accumulated depreciation and amortization	67,684	50,307
	90,646	88,525
Land	15,259	14,505
Net property and equipment	105,905	103,030
Deferred Federal and state income taxes	2,953	2,183
Other assets, net	21,263	17,384
	$511,780	406,596

December 31,	1999	1998
Current Liabilities		
Short-term borrowings	$ 19,442	12,245
Accounts payable	170,362	143,523
Accrued expenses, primarily salaries and related costs	27,909	25,326
Deferred Federal and state income taxes	601	-
Federal, state, and foreign income taxes	11,081	8,304
Total current liabilities	229,395	189,398
Shareholders' Equity		
Preferred stock, par value $.01 per share		
Authorized 2,000,000 shares; none issued	–	–
Common stock, par value $.01 per share		
Authorized 160,000,000 shares;		
issued and outstanding		
50,644,407 shares at December 31, 1999		
and 49,363,682 shares at December 31, 1998	507	494
Additional paid-in capital	29,729	17,273
Retained earnings	257,198	203,050
Accumulated other comprehensive loss	(5,049)	(3,619)
Total shareholders' equity	282,385	217,198
Commitments and contingencies		
	$511,780	406,596

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

$: In thousands except share data

Years ended December 31,	1999	1998	1997
Revenues			
Airfreight	$ 916,832	685,613	659,480
Ocean freight	356,205	236,848	180,555
Customs brokerage and import services	171,538	141,246	113,967
Total revenues	1,444,575	1,063,707	954,002
Operating Expenses			
Airfreight consolidation	733,065	539,706	534,699
Ocean freight consolidation	269,024	170,551	128,779
Salaries and related costs	240,740	190,288	153,196
Selling and promotion	16,896	15,018	13,469
Rent	17,768	15,459	10,806
Depreciation and amortization	20,819	15,547	11,159
Other	52,940	43,766	41,979
Total operating expenses	1,351,252	990,335	894,087
Operating income	93,323	73,372	59,915

Years ended December 31,	1999	1998	1997
Other Income (Expense)			
Interest income	2,253	2,206	2,096
Interest expense	(1,070)	(487)	(358)
Other, net	139	486	919
Other income, net	1,322	2,205	2,657
Earnings before income taxes	94,645	75,577	62,572
Income tax expense	35,470	28,303	24,161
Net earnings	$ 59,175	47,274	38,411
Basic earnings per share	$ 1.18	.96	.79
Diluted earnings per share	$ 1.10	.89	.73
Basic shares outstanding	50,137,045	49,234,438	48,857,858
Diluted shares outstanding	53,827,817	53,058,384	52,647,044

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

$: In thousands except share data

Years ended December 31, 1999, 1998 and 1997	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 1996	48,425,892	$ 484	12,937	123,258	3,332	140,011
Exercise of stock options	470,720	4	1,474	–	–	1,478
Issuance of shares under stock purchase plan	340,798	4	2,146	–	–	2,150
Shares repurchased under provisions of stock repurchase plan	(144,650)	(1)	(3,090)	–	–	(3,091)
Tax benefits related to stock options and stock purchase plan	–	–	1,821	–	–	1,821
Comprehensive income						
Net earnings	–	–	–	38,411	–	38,411
Foreign currency translation adjustments, net of deferred taxes of $2,094	–	–	–	–	(6,482)	(6,482)
Total comprehensive income	–	–	–	–	–	31,929
Dividends paid ($.05 per share)	–	–	–	(2,444)	–	(2,444)
Balance at December 31, 1997	49,092,760	$ 491	15,288	159,225	(3,150)	171,854
Exercise of stock options	318,100	3	1,354	–	–	1,357
Issuance of shares under stock purchase plan	225,554	2	3,617	–	–	3,619
Shares repurchased under provisions of stock repurchase plan	(272,732)	(2)	(4,733)	–	–	(4,735)
Tax benefits related to stock options and stock purchase plan	–	–	1,747	–	–	1,747
Comprehensive income						
Net earnings	–	–	–	47,274	–	47,274
Foreign currency translation adjustments, net of deferred tax credit of $253	–	–	–	–	(469)	(469)
Total comprehensive income	–	–	–	–	–	46,805
Dividends paid ($.07 per share)	–	–	–	(3,449)	–	(3,449)
Balance at December 31, 1998	49,363,682	$ 494	17,273	203,050	(3,619)	217,198
Exercise of stock options	1,323,405	13	4,572	–	–	4,585
Issuance of shares under stock purchase plan	251,391	3	4,139	–	–	4,142
Shares repurchased under provisions of stock repurchase plan	(294,071)	(3)	(8,989)	–	–	(8,992)
Tax benefits related to stock options and stock purchase plan	–	–	12,734	–	–	12,734
Comprehensive income						
Net earnings	–	–	–	59,175	–	59,175
Foreign currency translation adjustments, net of deferred tax credit of $770	–	–	–	–	(1,430)	(1,430)
Total comprehensive income	–	–	–	–	–	57,745
Dividends paid ($.10 per share)	–	–	–	(5,027)	–	(5,027)
Balance at December 31, 1999	**50,644,407**	**$507**	**29,729**	**257,198**	**(5,049)**	**282,385**

See accompanying notes to consolidated financial statements.

$: In thousands

Years ended December 31,	1999	1998	1997
Operating Activities			
Net earnings	$ 59,175	47,274	38,411
Adjustments to reconcile net earnings			
to net cash provided by operating activities:			
Provision for losses on accounts receivable	2,966	2,612	3,344
Depreciation and amortization	20,819	15,547	11,159
Deferred income tax expense	16,167	3,697	2,253
Amortization of cost in excess of			
net assets of acquired businesses	748	536	500
Changes in operating assets and liabilities:			
Increase in accounts receivable	(73,163)	(18,375)	(38,959)
Increase in accounts payable,			
accrued expenses and taxes payable	33,493	5,552	44,551
Other	(6,894)	(3,605)	(1,455)
Net cash provided by operating activities	53,311	53,238	59,804
Investing Activities			
Increase in short-term investments	(750)	(121)	(13)
Purchase of property and equipment	(26,582)	(52,455)	(36,007)
Acquisitions, net of cash	–	–	(7,076)
Other	(4,381)	(93)	(825)
Net cash used in investing activities	(31,713)	(52,669)	(43,921)

Years ended December 31,	1999	1998	1997
Financing Activities			
Short-term borrowings, net	7,328	10,067	(2,887)
Proceeds from issuance of common stock	8,727	4,976	3,628
Repurchases of common stock	(8,992)	(4,735)	(3,091)
Dividends paid	(5,027)	(3,449)	(2,444)
Net cash provided by (used in) financing activities	2,036	6,859	(4,794)
Effect of exchange rate changes on cash	(1,880)	(93)	(5,961)
Increase in cash and cash equivalents	21,754	7,335	5,128
Cash and cash equivalents at beginning of year	49,429	42,094	36,966
Cash and cash equivalents at end of year	$71,183	49,429	42,094
Interest and Taxes Paid			
Interest	$ 989	503	865
Income taxes	19,345	27,003	21,148

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. In addition, the accounts of exclusive agents have been consolidated in those circumstances where the Company maintains unilateral control over the agents' assets and operations, notwithstanding a lack of technical majority ownership of the agents' 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. Short-term Investments

Short-term investments are designated as available-for-sale and cost approximates market at December 31, 1999 and 1998.

c. Long-Lived Assets, Depreciation and Amortization

Property and equipment are recorded at cost, including interest capitalized for the construction of certain facilities, 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 and equipment	3 to 5 years
Vehicles	3 to 5 years

No interest was capitalized in 1999. Interest capitalized in 1998 was $193.

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.

The excess of the cost over the fair value of the net assets of acquired businesses (included in other assets, net) is amortized on the straight-line method over periods up to 40 years.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Assets to Be Disposed Of", long-lived assets (property and equipment) and certain identifiable intangible assets (excess costs over the fair value of the net assets of acquired businesses) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-term assets is measured by a comparison of the carrying amount of such assets against the undiscounted future cash flows expected to be generated by the assets. If such assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the assets' carrying amounts exceeds the assets' discounted future cash flows.

d. Revenues and Revenue Recognition

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). Revenues realized in other capacities include only the commissions and fees earned.

Revenues related to shipments are recognized at the time the freight is tendered to a direct carrier at origin. All other revenues, including breakbulk services, local transportation, customs formalities, distribution services and logistics management, are recognized upon performance.

The Securities and Exchange Commission recently issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition", to be effective the first quarter of 2000. The Company does not anticipate that compliance with SAB No. 101 will result in any material change to the Company's revenue recognition policies.

e. 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 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.

f. 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 of common shares outstanding without taking into consideration dilutive potential common shares outstanding.

g. 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 average annual 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.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting standards for derivative and hedging transactions and is effective for fiscal years beginning after June 15, 2000. 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. Any such hedging activity during 1999, 1998 and 1997 was insignificant. Net foreign currency gains realized during 1999 were $196. Net foreign currency losses realized in 1998 were $534. Net foreign currency gains realized in 1997 were $1,065.

h. Cash Equivalents

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

i. Comprehensive Income

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

j. Segment Reporting

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" establishes standards for the way that public companies report selected information about segments in their financial statements.

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 by or allocated to each of these geographical areas when evaluating effectiveness of geographic management.

k. 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.

l. Reclassification

Certain 1997 amounts have been reclassified to conform with the 1998 and 1999 presentation.

Note 2. Credit Arrangements

The Company has a $50,000 United States bank line of credit extending through June 30, 2000. Borrowings under the line bear interest at LIBOR +0.75% (6.57% at December 31, 1999) and are unsecured. As of December 31, 1999, the Company had $18,000 of 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 bear interest at .5% to 1.5% over the foreign banks' equivalent prime rates. At December 31, 1999 and 1998, the Company was liable for $1,442 and $1,245, respectively, of borrowings under these lines, and at December 31, 1999 was contingently liable for approximately $19,163 under outstanding standby letters of credit and guarantees related to these lines of credit and other obligations.

In addition, at December 31, 1999 the Company had a $8,096 credit facility with a United Kingdom bank (U.K. facility), secured by a corporate guarantee. The Company was contingently liable under the U.K. facility at December 31, 1999 for $8,096 used to secure customs bonds issued by foreign governments.

At December 31, 1999, 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 3. Income Taxes

Income tax expense for 1999, 1998 and 1997 includes the following components:

	Federal	State	Foreign	Total
1999				
Current	$ 3,823	1,331	14,149	19,303
Deferred	14,098	2,069	–	16,167
	$17,921	**3,400**	**14,149**	**35,470**
1998				
Current	$ 9,526	2,071	13,009	24,606
Deferred	2,726	971	–	3,697
	$ 12,252	3,042	13,009	28,303
1997				
Current	$ 9,993	1,669	10,246	21,908
Deferred	1,420	833	–	2,253
	$ 11,413	2,502	10,246	24,161

Income tax expense differs from amounts computed by applying the U.S. Federal income tax rate of 35% to earnings before income taxes as a result of the following:

	1999	1998	1997
Computed "expected" tax expense	$ 33,126	26,452	21,900
Increase (reduction) in income taxes resulting from:			
State and local income taxes, net of Federal income tax benefit	2,210	1,977	1,626
Decrease in valuation allowance for deferred tax assets	(147)	(207)	(85)
Other, net	281	81	720
	$35,470	28,303	24,161

The components of earnings before income taxes are as follows:

	1999	1998	1997
United States	$ 30,403	28,542	22,799
Foreign	64,242	47,035	39,773
	$94,645	75,577	62,572

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, 1999 and 1998 are as follows:

Years ended December 31,	1999	1998
Deferred tax assets		
Foreign tax credits related to unremitted foreign earnings	$ 29,044	21,453
Accrued intercompany and third party charges, deductible for taxes upon economic performance (i.e. actual payment)	2,998	2,844
Foreign currency translation adjustment	2,952	2,183
Provision for doubtful accounts receivable	2,194	1,575
Excess of financial statement over tax depreciation	2,181	1,703
Other	943	1,286
Total gross deferred tax assets	40,312	31,044
Less valuation allowance	(76)	(223)
	40,236	30,821
Deferred tax liabilities		
Unremitted foreign earnings	(33,823)	(23,108)
Other	(4,061)	(3,103)
Total gross deferred tax liabilities	$(37,884)	(26,211)
Net deferred tax assets	$ 2,352	4,610
Plus (less) current deferred tax liabilities (assets)	$ 601	(2,427)
Noncurrent deferred tax assets	$ 2,953	2,183

At December 31, 1999, the Company has net operating loss carryforwards for foreign income tax purposes of $218 which are available over an indefinite period to offset future foreign taxable income.

The Company has not provided U.S. Federal income taxes on undistributed earnings of foreign subsidiaries accumulated through December 31, 1992 since the Company

intends to reinvest such earnings indefinitely or to distribute them in a manner in which no significant additional taxes would be incurred. Such undistributed earnings are approximately $41,900 and the additional Federal and state taxes payable in a hypothetical distribution of such accumulated earnings would approximate $10,100. Since 1993, the Company has been providing for Federal and state income tax expense on foreign earnings without regard to whether such earnings will be permanently reinvested outside the United States.

Note 4. Shareholders' Equity

a. Dividends

On May 5, 1999, the Board of Directors declared a 2-for-1 stock split, effected in the form of a stock dividend of one share of common stock for every share outstanding, and increased the authorized common stock to 160,000,000 shares. The stock dividend was distributed on May 31, 1999 to shareholders of record on May 17, 1999. All share and per share information, except par value, has been adjusted for all years to reflect the stock split.

b. Non-Discretionary Stock Repurchase Plan

The Company has a Non-Discretionary Stock Repurchase Plan under which management is authorized to repurchase up to 2,200,000 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, 1999, the Company had repurchased and retired 1,858,566 shares of common stock at an average price of $12.97 over the period from 1994 through 1999.

c. Stock Option Plans

The Company has two stock option plans (the "1985 Plan" and the "1997 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. The 1985 Plan provides for non-qualified grants at exercise prices equal to or greater than the market value on the date of grant. 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. The 1997 Plan provides for qualified and non-qualified grants of options to purchase shares, limited to not more than 100,000 per person per year. Grants less than or equal to 20,000 shares in any fiscal year, are granted at or above common stock prices on the date of grant. Any 1997 Plan grants in excess of the initial 20,000 shares granted per person per year (Excess Grants) require an exercise price of not less than 120% of the common stock price on the date of grant. Excess Grants expire no later than 5 years from the date of grant. Excess Grants in 1997 vest completely 3 years from the date of grant.

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 8,000 shares of common stock on the first business day of the month following the meeting.

Upon the exercise of non-qualified 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	Directors' Plan	Number of Shares	Weighted Average Price Per Share
Balance at December 31, 1996	236,328	–	128,000	5,322,680	$ 4.18
Options authorized	–	4,000,000	–	–	–
Options granted	(30,000)	(832,900)	(24,000)	886,900	$ 13.08
Options exercised	–	–	–	(470,720)	$ 3.36
Options canceled	195,000	7,400	–	(202,400)	$ 5.73
Balance at December 31, 1997	401,328	3,174,500	104,000	5,536,460	$ 5.65
Options granted	(210,000)	(863,400)	(24,000)	1,097,400	$ 21.78
Options exercised	–	–	–	(318,100)	$ 4.54
Options canceled	66,250	52,400	–	(118,650)	$ 4.27
Balance at December 31, 1998	257,578	2,363,500	80,000	6,197,110	$ 8.49
Options granted	(100,000)	(908,900)	(24,000)	1,032,900	$ 31.98
Options exercised	–	–	–	(1,323,405)	$ 3.47
Options canceled	43,750	138,000	–	(181,750)	$ 20.04
Balance at December 31, 1999	**201,328**	**1,592,600**	**56,000**	**5,724,855**	**$13.47**

The Company applies APB Opinion No. 25 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 SFAS No. 123, the Company's net earnings, basic earnings per share and diluted earnings per share would have been decreased to the pro forma amounts indicated as follows:

	1999	1998	1997
Net earnings - as reported	$59,175	47,274	38,411
Net earnings - pro forma	$52,111	42,697	36,216
Basic earnings per share – as reported	$ 1.18	.96	.79
Basic earnings per share – pro forma	$ 1.05	.87	.74
Diluted earnings per share – as reported	$ 1.10	.89	.73
Diluted earnings per share – pro forma	$ .98	.82	.70

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:

	1999	1998	1997
Dividend yield	.23%	0.3%	0.5%
Volatility	47%	45%	39%
Risk-free interest rates	5.1 – 5.9%	4.6 – 5.7%	5.5 – 6.7%
Expected life (years) – stock option plans	5.5 - 7	7	7
Expected life (years) – stock purchase rights plan	1	1	1
Weighted average fair value of stock options granted during the year	$17.55	$11.49	$5.98
Weighted average fair value of stock purchase rights	$ 8.98	$ 6.25	$4.88

The following table summarizes information about fixed-price stock options outstanding at December 31, 1999:

Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.66 – 3.29	1,066,755	1.6 years	$ 2.98	1,066,755	$ 2.98
$ 3.47 – 5.69	1,571,300	4.9 years	$ 5.17	1,260,550	$ 5.06
$ 6.04 – 14.66	924,000	7.0 years	$10.74	174,500	$ 8.31
$15.04 – 21.94	1,178,000	7.4 years	$20.73	24,000	$19.38
$27.50 – 32.09	984,800	9.3 years	$31.98	24,000	$29.25
$ 2.66 – 32.09	5,724,855	5.9 years	$13.47	2,549,805	$ 4.77

d. 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 1999, 1998 and 1997.

	Net Earnings	Weighted Average Shares	Earnings Per Share
1999			
Basic earnings per share	$ 59,175	50,137,045	$ 1.18
Effect of dilutive potential common shares	–	3,690,772	–
Diluted earnings per share	**$59,175**	**53,827,817**	**$1.10**
1998			
Basic earnings per share	$ 47,274	49,234,438	$ .96
Effect of dilutive potential common shares	–	3,823,946	–
Diluted earnings per share	$ 47,274	53,058,384	$ .89
1997			
Basic earnings per share	$ 38,411	48,857,858	$ .79
Effect of dilutive potential common shares	–	3,789,186	–
Diluted earnings per share	$ 38,411	52,647,044	$ .73

e. Stock Purchase Plan

The Company's 1988 Employee Stock Purchase Plan provides for 2,800,000 shares of the Company's common stock 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, 1999, 1998 and 1997, an aggregate of 2,169,235 shares, 1,917,844 shares and 1,692,290 shares, respectively, had been issued under the plan, and at December 31, 1999, $2,753 had been withheld in connection with the plan year ending July 31, 2000.

Note 5. 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 borrowings, accounts payable and accrued expenses, and stock purchase rights. The fair values of these financial instruments, excluding stock purchase rights, approximate their carrying amounts based upon market interest rates or their short term nature. The fair value of the stock purchase rights, which have a carrying value of zero, has been determined using market prices for the related stock, and is approximately $5,862 as of December 31, 1999.

Note 6. Commitments

a. Leases

The Company occupies office and warehouse facilities under terms of operating leases expiring up to 2005. At December 31, 1999, future minimum annual lease payments under all leases are as follows:

2000	$19,370
2001	12,282
2002	10,463
2003	8,503
2004	4,727
Thereafter	2,479
	$57,824

b. Employee Benefits

The Company has employee savings plans under which the Company provides a discretionary matching contribution. In 1999, 1998 and 1997, the Company's contributions under the plans were $2,663, $2,219, and $1,119, respectively.

Note 7. 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 effect on the Company's financial condition.

Note 8. Business Segment Information

Financial information regarding the Company's 1999, 1998, and 1997 operations by geographic area are as follows:

	United States	Other North America	Far East	Europe	Australia / New Zealand	Latin America	Middle East	Eliminations	Consolidated
1999									
Revenues from unaffiliated customers	$ 358,454	21,407	821,977	175,794	12,995	8,224	45,724	–	1,444,575
Transfers between geographic areas	18,150	1,049	3,347	7,364	3,227	2,001	1,950	(37,088)	–
Total revenues	$376,604	22,456	825,324	183,158	16,222	10,225	47,674	(37,088)	1,444,575
Net revenues	$ 206,198	14,699	101,790	89,043	10,974	4,983	14,799	–	442,486
Operating income	$ 30,747	2,279	37,779	17,535	2,127	442	2,414	–	93,323
Identifiable assets at year end	$ 270,760	14,280	94,652	98,030	9,183	7,587	17,288	–	511,780
Capital expenditures	$ 14,109	1,347	3,740	3,733	693	272	2,688	–	26,582
Depreciation and amortization	$ 11,511	618	3,429	3,302	614	251	1,094	–	20,819
Equity	$ 282,385	2,814	81,956	24,888	6,558	(179)	2,931	(118,968)	282,385
1998									
Revenues from unaffiliated customers	$ 311,897	12,361	562,500	143,925	10,160	3,172	19,692	–	1,063,707
Transfers between geographic areas	13,116	765	3,061	6,558	2,400	1,482	1,029	(28,411)	–
Total revenues	$ 325,013	13,126	565,561	150,483	12,560	4,654	20,721	(28,411)	1,063,707
Net revenues	$ 170,748	8,492	82,025	74,199	8,589	3,604	5,793	–	353,450
Operating income	$ 27,214	906	29,343	13,945	1,384	(264)	844	–	73,372
Identifiable assets at year end	$ 220,786	12,511	70,465	84,112	6,987	3,547	8,188	–	406,596
Capital expenditures	$ 40,053	592	5,998	3,686	748	570	808	–	52,455
Depreciation and amortization	$ 8,225	459	2,481	2,957	511	251	663	–	15,547
Equity	$ 217,198	1,184	71,012	17,283	4,874	(865)	1,556	(95,044)	217,198
1997									
Revenues from unaffiliated customers	$ 285,166	6,929	526,878	112,726	9,611	2,594	10,098	–	954,002
Transfers between geographic areas	11,819	436	3,044	4,688	1,847	1,109	788	(23,731)	–
Total revenues	$ 296,985	7,365	529,922	117,414	11,458	3,703	10,886	(23,731)	954,002
Net revenues	$ 140,150	4,315	76,637	55,354	7,847	2,675	3,546	–	290,524
Operating income	$ 22,934	351	25,709	10,104	1,125	(172)	(136)	–	59,915
Identifiable assets at year end	$ 170,999	7,739	80,458	70,979	5,850	2,991	5,090	–	344,106
Capital expenditures	$ 20,695	813	2,642	4,142	980	189	846	–	30,307
Depreciation and amortization	$ 5,755	289	1,749	2,319	449	202	396	–	11,159
Equity	$ 171,854	1,032	62,204	10,410	4,278	(1,258)	995	(77,661)	171,854

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

Note 9. Quarterly Results (Unaudited)

	1st	2nd	3rd	4th
1999				
Revenues	$283,712	331,980	406,139	422,743
Net revenues	94,413	104,230	119,719	124,124
Net earnings	9,521	13,229	17,839	18,587
Basic earnings per share	.19	.26	.35	.37
Diluted earnings per share	.18	.25	.33	.34
1998				
Revenues	$223,349	241,970	289,675	308,713
Net revenues	75,764	82,374	92,890	102,422
Net earnings	8,034	11,080	14,217	13,943
Basic earnings per share	.16	.23	.29	.28
Diluted earnings per share	.15	.21	.27	.26

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.

Independent Auditors' Report

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

We have audited the consolidated balance sheets of Expeditors International of Washington, Inc. and subsidiaries as of December 31, 1999 and 1998 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, 1999. 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 generally accepted auditing standards. 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 at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Seattle, Washington
February 18, 2000

General

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 offers domestic forwarding services only in conjunction with international shipments. 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 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 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 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.

Results of Operations

The following table shows the consolidated net revenues (revenues less consolidation expenses) attributable to the Company's principal services and the Company's expenses for 1999, 1998 and 1997, expressed as percentages of net revenues. With respect to the Company's services other than consolidation, net revenues are identical to 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	1999 Amount	1999 Percent of Net Revenues	1998 Amount	1998 Percent of Net Revenues	1997 Amount	1997 Percent of Net Revenues
Net Revenues						
Airfreight	$183,767	41%	145,907	41%	124,781	43%
Ocean freight	87,181	20	66,297	19	51,776	18
Customs brokerage and import services	171,538	39	141,246	40	113,967	39
Net revenues	442,486	100	353,450	100	290,524	100
Operating Expenses						
Salaries and related costs	240,740	54	190,288	54	153,196	53
Other	108,423	25	89,790	25	77,413	26
Total operating expenses	349,163	79	280,078	79	230,609	79
Operating income	93,323	21	73,372	21	59,915	21
Other income, net	1,322	0	2,205	0	2,657	1
Earnings before income taxes	94,645	21	75,577	21	62,572	22
Income tax expense	35,470	8	28,303	8	24,161	9
Net earnings	$ 59,175	13%	47,274	13%	38,411	13%

1999 compared with 1998

Airfreight net revenues in 1999 increased 26% compared with 1998 primarily due to (1) increased airfreight shipments and tonnages handled by the Company from the Far East to North America and Europe, (2) increased prices charged by the airlines which were passed along to customers, and (3) increased export airfreight shipments and tonnages from North America and Europe. The Company's North American export airfreight net revenues increased 21% in 1999 compared to 1998. Airfreight net revenues from the Far East and from Europe increased 26% and 23%, respectively, for 1999 compared with 1998.

Ocean freight net revenues increased 32% in 1999 compared to 1998. Ocean freight demand remained strong throughout 1999 and ocean freight rates from the Far East, the Company's largest trade lane, increased in the last half of the year. During 1999, management continued to expand market share, increase ocean tonnage, and increase net ocean freight revenues while offering competitive market rates to customers. Margins diminished slightly as a result of this increased demand and due to regulatory constraints which restricted the ability of the Company to promptly pass carrier rate increases to NVOCC (Non-Vessel Operating Common Carrier) customers. In addition to increases in the traditional NVOCC and ocean forwarding business, ECMS (Expeditors Cargo Management Systems), a PC-based ocean freight consolidation management and purchase order tracking service, continued to be instrumental in attracting new business. The Company's North American export ocean freight net revenues increased 18% in 1999 compared to 1998. This increase was a result of the Company handling more ocean shipments moving from North America to the Far East and, to a lesser extent, from North America to Europe. Ocean freight net revenues from the Far East and from Europe increased 36% and 32%, respectively, for 1999 compared with 1998.

Customs brokerage and import services revenue increased 21% in 1999 as compared with 1998 as a result of (1) the Company's growing reputation for providing high quality service, (2) consolidation within the customs brokerage market as customers seek out customs brokers with more sophisticated computerized capabilities critical to an overall logistics management program, and (3) the growing importance of distribution services as a separate and distinct service offered to existing and potential customers. Distribution services accounted for nearly 29% of the increase in customs brokerage and import services revenues for 1999 compared with 1998.

Salaries and related costs increased in 1999 compared to 1998 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 1999 are a result of the incentives inherent in the Company's compensation program.

Other operating expenses increased in 1999 as compared with 1998 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 remained constant in 1999 as compared with 1998.

Other income, net, decreased in 1999 as compared to 1998 primarily due to smaller foreign exchange gains recorded in 1999 than in 1998. Interest income was slightly higher in 1999 than in 1998. Interest expense was also higher in 1999 due to an increase in short-term borrowings.

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 remained constant in 1999 at 37.5%.

1998 compared with 1997

Airfreight net revenues in 1998 increased 17% compared with 1997 primarily due to (1) increased airfreight shipments and tonnages handled by the Company from the Far East to North America and Europe, (2) increased prices charged by the airlines which were passed along to customers, and (3) increased export airfreight shipments and tonnages from North America and Europe. The Company's North American export airfreight net revenues increased 20% in 1998 compared to 1997. Airfreight net revenues from the Far East and from Europe increased 9% and 22%, respectively, for 1998 compared with 1997.

Ocean freight net revenues increased 28% in 1998 compared to 1997. Ocean freight demand remained strong throughout 1998 and ocean freight rates from the Far East, the Company's largest trade lane, increased in the last half of the year. During 1998, management continued to expand market share, increase ocean tonnage, and increase net ocean freight revenues while offering competitive market rates to customers. Margins diminished slightly as a result of this increased demand and due to regulatory constraints which restricted the ability of the Company to promptly pass carrier rate increases to NVOCC customers. In addition to increases in the traditional NVOCC and ocean forwarding business, ECMS, a PC-based ocean freight consolidation management and purchase order tracking service, continued to be instrumental in attracting new business. The Company's North American export ocean freight net revenues increased 26% in 1998 compared to 1997. This increase was a result of the Company handling more ocean shipments moving from North America to the Far East and, to a lesser extent, from North America to Europe. Ocean freight net revenues from the Far East and from Europe increased 24% and 35%, respectively, for 1998 compared with 1997.

Customs brokerage and import services revenue increased 24% in 1998 as compared with 1997 as a result of (1) the Company's growing reputation for providing high quality service, (2) consolidation within the customs brokerage market as customers seek out customs brokers with more sophisticated computerized capabilities critical to an overall logistics management program, and (3) the growing importance of distribution services as a separate and distinct service offered to existing and potential customers. Distribution services accounted for nearly 35% of the increase in customs brokerage and import services revenues for 1998 compared with 1997.

Salaries and related costs increased in 1998 compared to 1997 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 increased approximately 1% as a percentage of net revenues. This 1% increase is largely attributable to the 1998 peak season being somewhat below initial expectations. 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 1998 are a result of the incentives inherent in the Company's compensation program.

Other operating expenses increased in 1998 as compared with 1997 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 1% in 1998 as compared with 1997 due to the realization of certain economies of scale.

Other income, net, decreased in 1998 as compared to 1997 primarily due to smaller foreign exchange gains recorded in 1998 than in 1997. Interest income was slightly higher in 1998 than in 1997. Interest expense was also slightly higher due to a temporary increase in short-term borrowings.

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 decreased slightly in 1998 to 37.5%.

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 global logistics industry, however, the Company's primary competition is confined to a relatively small number of companies within this group.

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 service and believes that its prices are competitive with those of others in the industry. Recently 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. This trend has made having sophisticated computerized customer service capabilities and a stable worldwide network 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. However, regional and local broker/forwarders will likely remain a competitive force.

The nature of the Company's worldwide operations necessitate 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. Many 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 pricing as much of its business as possible in U.S. Dollars and by accelerating international currency settlements among its offices or agents primarily using an internal clearing house.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting standards for derivative and hedging transactions and is effective for fiscal years beginning after June 15, 2000. 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. Any such hedging activity during 1999, 1998 and 1997 was insignificant. During the third and fourth quarters of 1997, the currencies in Thailand, Malaysia, Indonesia and South

Korea devalued significantly. The currencies of Taiwan, Singapore and other Far East countries were also weakened by events in these other Asian countries. Net foreign currency gains realized during 1999 were $.196 million. Net foreign currency losses realized in 1998 were $.534 million. Net foreign currency gains realized in 1997 were $1.065 million.

The Company has traditionally generated revenues from airfreight, ocean freight and customs brokerage and import services. 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.

Throughout 1999, macroeconomic conditions in Brazil, Mexico and across the Far East have impacted the global economy and, to some degree, have also impacted the Company's business. The Company has a very strong presence in the Far East, where it is most active in arranging exports to North America and Europe. Because of this strong export bias, and also due to the fact that a large volume of the Company's business is transacted in U.S. Dollars, the devaluation of various Asian and other currencies over the past year has not severely impacted the Company's earnings. The Company continues to evaluate what actions may need to be taken in these markets in response to the global economic events in order to safeguard, to the extent possible, the ongoing profitability of the Company's operations.

On January 1, 1999, eleven of fifteen member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and a new common currency - the Euro. The Euro trades on currency exchanges and may be used in business transactions. The conversion to the Euro eliminates currency exchange rate risk between the member countries which have adopted the fixed currency conversion rates between their respective legacy currencies and the Euro. Beginning in January 2002, new Euro-denominated bills and coins will be issued and legacy currencies will be withdrawn from circulation. The Company has established plans to address the issues raised by the Euro currency conversion including the need to adapt computer systems and business processes to accommodate Euro-denominated transactions. Since existing financial systems currently accommodate multiple currencies, the plans contemplate full conversion by the end of 2001. The Company does not expect the conversion costs to be material. Due to numerous uncertainties, the Company is evaluating the effects one common European currency will have on pricing. The Company is unable to predict the resulting impact, if any, on the Company's consolidated financial statements.

Prior to December 31, 1999, the Company incurred costs to assess any potential Year 2000 issues. These amounts were immaterial and the Company has experienced no significant problems related to Year 2000 in doing business in early 2000.

Sources of Growth

Historically, growth through aggressive acquisition 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 transactions.

Office Additions

The Company started 5 new offices during 1999 and added 6 offices through acquisitions. Offices added through acquisitions are followed by an asterisk.

North America	Europe and Africa	Middle East
United States:	United Kingdom:	Turkey:
Pittsburgh, PA	East Midlands	Ankara*
		Istanbul*
Canada:	Africa:	Izmir*
Montreal, Quebec	Port Louis, Mauritius	Mersin*
Mexico:		Greece:
Nogales		Athens*
		Lebanon:
		Beirut*

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 for the year ended December 31, 1999, relative to the same period of 1998, and for the year ended December 31, 1998, relative to the same period of 1997.

Same store comparisons for the years ended December 31,	1999	1998	1997
Net revenues	22%	18%	30%
Operating income	24%	21%	52%

Liquidity and Capital Resources

The Company's principal source of liquidity is cash generated from operations. At December 31, 1999, working capital was $152.2 million, including cash and cash equivalents and short-term investments of $72.3 million. The Company had no long-term debt at December 31, 1999. While the nature of its business does not require an extensive investment in property and equipment, the Company cannot eliminate the possibility that it could acquire an equity interest in property in certain geographic locations. The Company currently expects to spend approximately $28 million on property and equipment in 2000, which is expected to be financed with cash, short-term floating rate, and/or long-term fixed-rate borrowings.

The Company borrows internationally and domestically under unsecured bank lines of credit totaling $50.9 million. At December 31, 1999, the Company was directly liable for $19.4 million drawn on these lines of credit and was contingently liable for an additional $13.7 million of standby letters of credit. In addition, the Company maintains a bank facility with its U.K. bank for $8.1 million. The Company was contingently liable at December 31, 1999 for the entire $8.1 million.

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.

In some cases, the Company's ability to repatriate funds from foreign operations is subject to foreign exchange controls. These matters, at the current time, do not have a significant impact on the Company's operations. The repatriation of certain undistributed earnings of the Company's subsidiaries would, under most circumstances, require the Company to pay some additional Federal and state income tax. The Company has not provided for this additional tax on undistributed earnings accumulated through December 31, 1992 because the Company intends to reinvest such earnings to fund the expansion of its foreign activities, or to distribute them in a manner in which no significant additional taxes would be incurred. At December 31, 1999, the total of such pre-1993 undistributed earnings was approximately $41.9 million and the associated Federal and state tax that would be payable on any hypothetical repatriation of these earnings approximates $10.1 million.

Impact of Inflation

To date, the Company's business has not been adversely affected by inflation, nor has the Company experienced significant difficulty in passing carrier rate increases on to its customers by means of price increases. 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 might lead to an erosion in the Company's margins. However, 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 no direct exposure to increased costs resulting from increases in interest rates.

The forward-looking statements contained in this document involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from these statements include, but are not limited to: risks associated with foreign operations, elimination of intercompany transactions, matching of expenses with the associated revenue, seasonality, shifts in consumer demand, the effect that the adoption of the Euro as the primary currency of 11 member states of the European Union might have on the global economy and the Company's international and domestic customers, other accounting estimates and other risk factors disclosed from time to time in the Company's public reports.

Directors

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

James L. K. Wang
Executive Vice President and Director – Far East, Director

James J. Casey
Director

Dan P. Kourkoumelis
Director

Michael J. Malone
Director
Chairman and Chief Executive Officer, AEI Music

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

Kevin M. Walsh
Director

Executive Officers

Glenn M. Alger
President

Timothy C. Barber
Executive Vice President – Global Sales

Robert L. Villanueva
Executive Vice President – The Americas

Eugene K. Alger
Sr. Vice President – North America

Jean Claude Carcaillet
Sr. Vice President – Australasia

Michael R. Claydon
Sr. Vice President – Europe and Africa

William J. Coogan
Sr. Vice President – Ocean Cargo

Philip M. Coughlin
Sr. Vice President– North America

Rommel C. Saber
Sr. Vice President – Near/Middle East and Indian Sub-continent

R. Jordan Gates
Sr. Vice President – Chief Financial Officer and Treasurer

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

David M. Lincoln
Sr. Vice President and Chief Information Officer

Charles J. Lynch
Vice President – Corporate Controller

Additional Product, Service and Geographic Managers

Global Product and Services

Michael Austin
Vice President – Personnel Development

Rick Ballantyne
Director – Global Distribution Services

Rosanne Esposito
Vice President – Imports

Roger Idiart
Vice President – Global Air Cargo

Adam Seidenwerg
Vice President – E.C.M.S.

Erin Thomasson
Vice President – Insurance

Larry Wu
Sr. Vice President – E.C.M.S.

Far East

Johnny Chang
Vice President

Syed Ershad Ahmed
Managing Director – Bangladesh

T. H. Chiu
Managing Director – Philippines

Andre Fernando
Managing Director – Sri Lanka

Kevin Fung
General Manager – Southern China

Andy Hsia
Managing Director – China

David Hsieh
Managing Director – Taiwan

Lance Liou
Managing Director – Singapore

Mark Kato
Managing Director – Japan

J. I. Kim
Managing Director – Korea

E. J. Ong
Managing Director – Malaysia

Nixen Tanex
Managing Director – Indonesia

Dumrongsak Thanawaleekul
General Manager – Ocean – Thailand

Michael Wang
General Manager – Northern China

Wilson Yang
General Manager – Air – Thailand

North America

Mark Bauer
Regional Vice President – U.S.

Joe Coogan
Regional Vice President – U.S.

Karl Francisco
Regional Vice President – U.S.

Dennis Egan
Regional Vice President – U.S.

J. Ross Hurst
Managing Director – Canada

Bryan Lilly
Regional Vice President – U.S.

Jeff Musser
Regional Vice President – U.S.

Richard Rostan
Regional Vice President – U.S.

Jose Ubeda
Regional Vice President – U.S.

Europe and Africa

L. Manfred Amberger
Vice President

James M. Anderson
Regional Manager –
U.K.

John F. Bermingham
Joint Managing
Director – Ireland

Hans Joachim Buchholz
Country Manager –
Germany

Stephane P. Carlier
Regional Manager –
Benelux

Carlos A. J. da Conceicao
Managing Director –
Portugal

Thomas Egbers
Managing Director –
The Netherlands

Rene Grabmuller
Managing Director –
Czech Republic

Henrik Hedensio
Managing Director –
Sweden

Gilles Kergoat
Managing Director –
Mauritius

Gregory T. Lewis
Joint Managing
Director – Ireland

Richard P. Mallabone
Managing Director –
South Africa

Antonio Rey
Managing Director –
Spain

Christophe C. Richard
Managing Director –
France

Gunter Soucek
Managing Director –
Austria

Near / Middle East and Indian Sub-continent

Hamdi Ismail Ali
Managing Director –
Egypt

Elias Atsaros
Managing Director –
Greece

Samir Ghaoui
Managing Director –
Beirut

Afsar Mahmood
Managing Director –
Pakistan

Kurt Meister
Regional Director –
India and Pakistan

Amin Saber
Managing Director –
UAE – Dubai

Suleyman Ture
Managing Director –
Turkey

Latin America

Idevaldo R. Silva
Vice President and
Managing Director –
Latin America
and Brazil

Guillermo Ayerbe
Country Manager –
Argentina

Jean Chevalier
Country Manager –
Colombia

Marcela Maturana
Country Manager –
Chile

Transfer Agent and Registrar, Dividend Disbursing Agent

First Chicago Trust
Company of New York
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07303

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Hearing Impaired / TDD
(201) 222-4955

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Seattle, WA 98101-2327

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, 2000, 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

Quarter	High	Low
1999		
First	27 3/16	20 5/16
Second	33 1/2	25
Third	37 3/4	27
Fourth	46 3/8	31 1/2
1998		
First	22 1/4	14 31/32
Second	24 1/8	19 5/16
Third	23 13/16	12 1/2
Fourth	21 5/8	12 7/16

There were 1,564 shareholders of record as of December 31, 1999. Management estimates that there were approximately 8,500 beneficial shareholders at that date.

In 1998 and 1999, the Board of Directors declared a semi-annual dividend of $.035 per share and $.05 per share, respectively which was paid as follows:

1999	15 June 15 December
1998	15 June 15 December

expd

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