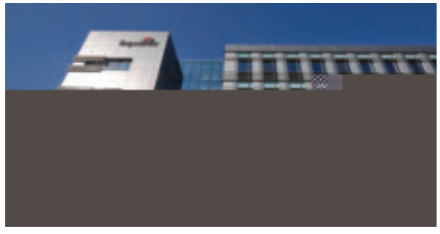
We're always here for you.



Expeditors

Expeditors
Expeditors

Singapore

Dallas

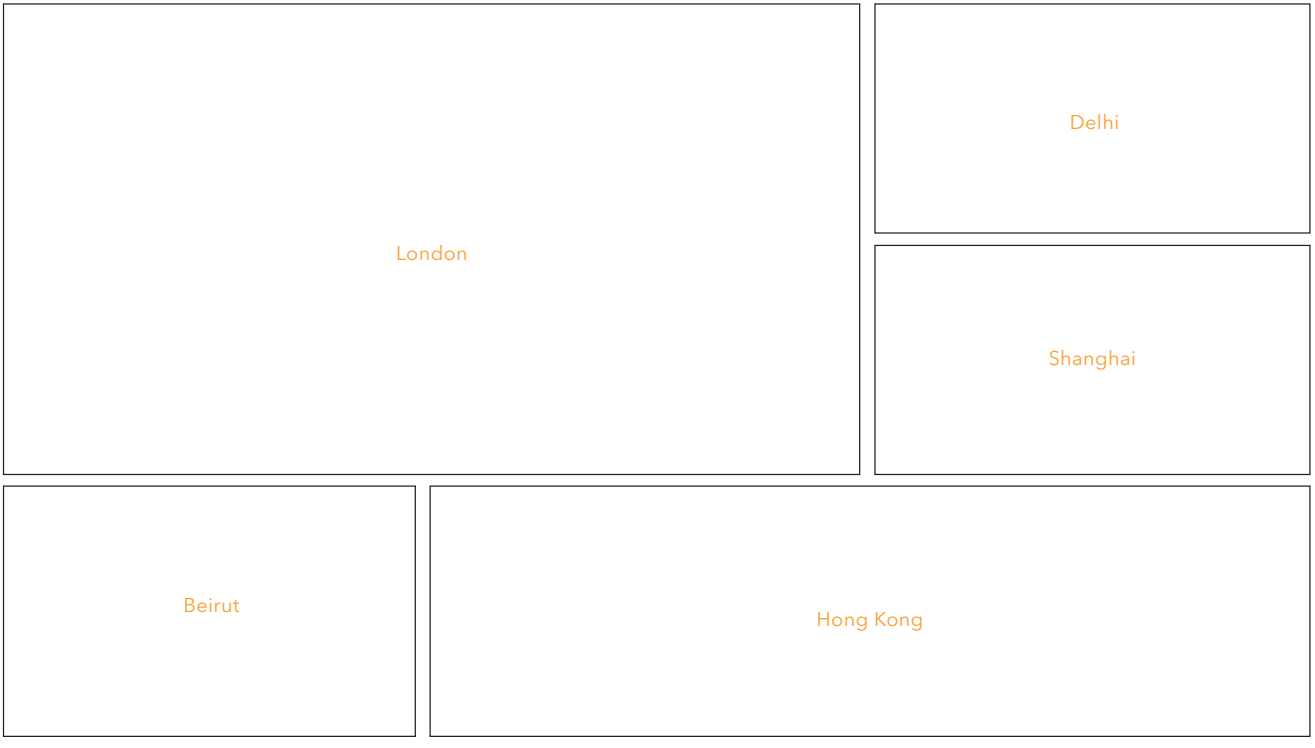
Amsterdam

Amsterdam*

* Please note, the truck featured in this photo is not owned by Expeditors.

Sydney

Brussels


London
Delhi
Shanghai
Beirut
Hong Kong

our family

employees
customers
service providers
shareholders

2011

Another solid year!

It's hard to believe that thirty years ago we started with six offices and twenty people. Today we have 250 office locations, plenty of cash, no long term debt and 13,200 of the best people in the industry. All of this has been accomplished organically as have our I.T. systems. A highlight of our year was the dedication of our beautiful new 210,000 square foot company owned office and warehouse facility in London, adjacent to Heathrow Airport (and whose picture graces the cover of this annual report). It is a far cry from our original 2,500 square foot (inclusive of warehouse) rented office accommodations of 25 years ago located five miles west of our current facility in the suburb of Colnbrook (and where I actually swept out the warehouse myself on my first visit). This astounding metamorphosis might be the best example we can give in 2011 to show how far we've grown, in every way, in a relatively few short years.

Every year is an anomaly and 2011 was no exception. There was no peak season and the ocean carriers were hard pressed, once again, to show a profit, primarily because of over capacity. There was no M&A activity primarily because there's no one else to buy. Analysts usually ask "what's in store for the future of Expeditors." The answer is simple: "more of the same." The "same" focus on constantly improving our I.T. systems, the "same" focus on constantly expanding our product capabilities, the "same" focus on training and retaining our people and the "same" dedication to constantly improving our customer service standards to fulfill the goals of our mission statement by meeting and exceeding the needs of our customers. And by doing all those "same" things we'll be looking out for our shareholders in the "same" way that we always have. We also plan on opening four to six more offices in 2012.

…h … of taking off internationally. Global Transcon is a consistent …." … fering…with all the bells, whistles and visibility of our other …2, … will be expanding its' scope into Europe and Asia.

Order Management, our upstream purchase order management and vendor consolidation product, gives our customers the ability to manage and maintain their supply chain functions beginning with the initiation of their purchase order thru delivery and is now one of our fastest growing products.

2012 will bring more surprises what with the global economy and the upcoming U.S. elections, but we can't control that. What we can control is our culture and our integrity and our ability to handle adversity.
Thanks to our Expeditors family…our employees, our customers, our service providers and our shareholders for another great year.

Peter J. Rose
Chairman of the Board & CEO

The Americas

2011 was another solid year for the Americas. We continued to invest in our most important assets, our people. We did this through providing focused training to more finely hone the logistics skills they already have to even further provide our customers with the superior customer service they require. We also continued our focus on compliance, security and enhancing the quality and abilities of our service providers.

As we look forward to 2012, we look for these investments to provide the best customer service in our industry, which is accomplished through our commitment to flawless execution. We will continue to further develop our systems and expand our network with the addition of new offices in Montevideo and the Dominican Republic.

Robert L. Villanueva
President-The Americas

EMAIR

Throughout 2011, we remained focused on executing our established goals and objectives. This resulted in revenue growth, increased customer retention as well as improved business process.

Looking forward to 2012, we anticipate even more challenges than we faced in 2011. However we are ready to rise to such challenges through the consistent efforts of our dedicated people to set and achieve realistic goals, such as, but not limited to, a continuous increase in operating income, an increase in our Intra-EMAIR business market share, an increased emphasis on "On-the-Job training" and last, but not least, a never ending commitment to our customer retention efforts.

Rommel C. Saber
President - Europe, Africa
Near/Middle East & Indian Subcontinent

Asia Pacific

Year 2011 was like a roller coaster—we started off enjoying record-breaking growth during the first half of the year, but soon the economic slide took us into a business slowdown and we did not experience our typical peak season. The integration of the Asia and South Pacific Regions resulted in outstanding business growth, validating the wisdom of our strategy. Business growth in China continued to attract foreign investment, especially in the inland provinces, which caused the emergence several new major export centers. In the meantime, China's strong internal economic consumption rate increased our import and associated logistics business as we made continued investments in Distribution Services, Transcon and Customs Brokerage. While the market gradually slowed after the third quarter and no peak season developed, we were able to maintain stable growth.

As for 2012, while we are hopeful the predictions for weaker economic growth do not come to fruition, we have prudently prepared for any possible impediments. Because of the lower profits experienced by a lack of a 2011 peak season, air and ocean carriers continue to take steps to take capacity out of the market. The ocean steamship lines are adopting ship-sharing cooperation to also reduce excess capacity, lower costs and stop the significant operating losses they experienced as an industry in 2011. The airlines are starting to cancel flights and ground aircraft. To cope with these changes, since the beginning of 2012, we have instituted a series of cost control initiatives, such as a soft hiring freeze and being much more discriminating in our travel and entertainment decisions. We also continue to strengthen our relationships with our service providers in order to secure their partnership and support during these difficult times. On the positive side, the import demand continues to grow, and we are investing more resources to focus on continuing to develop Transcon, Distribution Services, and Project Cargo services. For the China market, our new building in Beijing is expected to be fully operational by the second quarter, to be followed by more potential strategic investments in Western and Northern China. With prudent business strategy and development, we are confident in our expansion and diversification capabilities, no matter how challenging 2012 may be.

James L. Wang
President- Asia Pacific

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.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from _____ to _____

Commission File Number: 0-13468

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
(Exact name of registrant as specified in its charter)

Washington	**91-1069248**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1015 Third Avenue, 12th Floor, Seattle, Washington	**98104**
(Address of principal executive offices)	**(Zip Code)**

(206) 674-3400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.01 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

At June 30, 2011, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately $10,685,897,706.

At February 21, 2012, the number of shares outstanding of registrant's Common Stock was 212,077,956.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Registrant's 2012 Annual Meeting of Shareholders to be held on May 2, 2012 are incorporated by reference into Part III of this Form 10-K.

Forward-Looking Statements

In accordance with the provisions of the Private Securities Litigation Reform Act of 1995, the Company is making readers aware that forward-looking statements, because they relate to future events, are by their very nature subject to many important risk factors which could cause actual results to differ materially from those contained in the forward-looking statements. For additional information about forward-looking statements and for an identification of risk factors and their potential significance, see "Safe Harbor for Forward-Looking Statements Under Private Securities Litigation Reform Act of 1995; Certain Cautionary Statements" immediately preceding Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report.

PART I

ITEM 1—BUSINESS

Expeditors International of Washington, Inc. is engaged in the business of providing global logistics services. The Company offers its customers a seamless international network supporting the movement and strategic positioning of goods. The Company's services include the consolidation or forwarding of air and ocean freight. In each United States office, and in many overseas offices, the Company acts as a customs broker. The Company also provides additional services including distribution management, vendor consolidation, cargo insurance, purchase order management and customized logistics information. The Company does not compete for overnight courier or small parcel business and does not own aircraft or steamships.

Beginning in 1981, the Company's primary business focus was on airfreight shipments from Asia to the United States and related customs brokerage and other services. In the mid-1980's, the Company began to expand its service capabilities in export airfreight, ocean freight and distribution services. Today the Company offers a complete range of global logistics services to a diversified group of customers, both in terms of industry specialization and geographic location. As opportunities for profitable growth arise, the Company plans to create new offices. While the Company has historically expanded through organic growth, the Company has also been open to growth through acquisition of, or establishing joint ventures with, existing agents or others within the industry.

At January 31, 2012, the Company, including its majority-owned subsidiaries, operates full service offices (•) in the cities identified below. Full service offices have also been established in locations where the Company maintains unilateral control over assets and operations and where the existence of the parent-subsidiary relationship is maintained by means other than record ownership of voting stock (#). In other cities, the Company contracts with independent agents to provide required services and has established approximately 46 such relationships world-wide. Wholly-owned locations operating under the supervision and control of another full service office are identified as satellite offices (+). In each case, the opening date for the full service office or satellite office is set forth in parenthesis.

UNITED STATES AND OTHER NORTH AMERICA			
UNITED STATES	• Dallas (5/92)	• Milwaukee (7/00)	• Calgary (9/04)
• Seattle (5/79)	• Columbus (6/92)	• Kansas City (8/00)	
• Chicago (7/81)	• Charlotte (7/92)	• Washington, D.C. (9/00)	MEXICO
• San Francisco (7/81)	• Newark (9/94)	• Nashville (10/01)	• Mexico City (6/95)
• New York (11/81)	• Philadelphia (3/95)	+ Huntsville (12/02)	• Nuevo Laredo (4/97)
• Los Angeles (5/82)	• Charleston (6/95)	• Austin (2/03)	• Guadalajara (9/97)
• Atlanta (8/83)	• Memphis (8/95)	• Orlando (8/03)	+ Veracruz (9/97)
• Boston (11/85)	• Salt Lake City (11/95)	• Tampa (9/03)	+ Manzanillo (1/99)
• Miami (3/86)	• Norfolk (9/96)	• New Orleans (9/04)	• Nogales (1/99)
• Minneapolis (7/86)	• Indianapolis (11/96)	+ Omaha (7/06)	• Ciudad Juarez (5/00)
• Denver (2/88)	+ Port Huron-Blue Water Bridge (12/96)	+ Calexico (6/06)	• Monterrey (1/05)
• Detroit (7/88)	• Buffalo (1/97)	+ Knoxville (5/07)	+ Reynosa (6/06)
• Portland (7/88)	• El Paso (1/97)	• Raleigh Durham (1/08)	+ Querétaro (9/06)
• Cincinnati (8/89)	• Laredo (2/97)	• Tulsa (1/09)	+ Lázaro Cárdenas (7/08)
• Cleveland (7/90)	• Nogales (2/97)		
• Phoenix (7/91)	• San Diego (7/97)	CANADA	PUERTO RICO
• Louisville (10/91)	+ Rochester (10/97)	• Toronto (5/84)	• San Juan (5/95)
• St. Louis (4/92)	• McAllen (4/98)	• Vancouver (9/95)	
• Houston (4/92)	• Pittsburgh (6/99)	+ Windsor (6/98)	
• Baltimore (4/92)	• Savannah (3/00)	• Montreal (4/99)	

LATIN AMERICA			
ARGENTINA	• Manaus (7/00)	COLOMBIA	GUATEMALA
• Buenos Aires (1/98)	• Porto Alegre (1/05)	• Bogota (12/98)	• Guatemala City (1/07)
	• Curitiba (10/10)	+ Cali (12/98)	
BRAZIL	+ Belo Horizonte (10/10)	+ Medellin (7/00)	PERU
• Sao Paulo (9/95)			• Lima (12/05)
• Rio de Janeiro (9/95)	CHILE	COSTA RICA	
• Campinas (9/95)	• Santiago (2/95)	• San Jose (10/03)	
+ Santos (10/97)			

ASIA PACIFIC

AUSTRALIA
- Sydney (8/88)
- Melbourne (8/88)
- Brisbane (10/93)
- Perth (12/94)
- Adelaide (10/97)

BANGLADESH
- Dhaka (6/89)

+ Chittagong (8/93)

CAMBODIA
- Phnom Penh (4/00)

PEOPLE'S REPUBLIC OF CHINA
- Guangzhou (4/94)
- Beijing (7/94)
- Dalian (7/94)
- Shanghai (7/94)
- Shenzhen (7/94)
- Qingdao (7/94)
- Tianjin (7/94)
- Xi'an (7/94)
- Xiamen (7/94)
- Chengdu (9/00)
- Ningbo (7/01)
- Suzhou (9/01)
- Zhongshan (9/01)
- Hangzhou (10/01)

+ Kunshan (12/01)
- Fuzhou (6/02)
- Yantai (11/02)

+ Shenyang (12/02)
- Wuhan (1/03)

+ Huizhou (12/03)
+ Zhuhai (12/03)
+ Foshan (1/04)
- Chongqing (7/04)
- Dongguan (2/05)
- Nanjing (3/05)

+ Macau (5/05)
+ Shantou (12/06)
+ Changzhou (10/07)

HONG KONG
- Kowloon (6/81)

INDONESIA
- Jakarta (12/90)
- Surabaya (2/92)

+ Batam (3/07)

JAPAN
- Tokyo (1/01)
- Osaka (1/01)

+ Nagoya (8/03)

MALAYSIA
- Penang (11/87)
- Kuala Lumpur (6/90)
- Johor Bahru (11/94)

NEW ZEALAND
- Auckland (8/88)

+ Christchurch (10/07)

PHILIPPINES
- Manila (8/98)

+ Olongapo City (8/98)
+ Cebu City (9/99)

SINGAPORE
- Singapore (9/81)

SRI LANKA
- Colombo (3/95)

SOUTH KOREA
- Seoul (10/94)
- Pusan (10/94)

+ Chonan (6/96)
+ Kwangju (6/96)
+ Masan (6/96)
+ Taegu (6/96)

TAIWAN
- Taipei (7/81)

+ Kaohsiung (9/81)
+ Taichung (9/81)
+ Hsin-Chu (9/89)

THAILAND
- Bangkok (9/94)

+ Laem Chabang (8/05)

VIETNAM
- Ho Chi Minh City (5/00)
- Hanoi (3/04)

+ Da Nang (9/05)

EUROPE AND AFRICA

AUSTRIA
• Vienna (11/95)

BELGIUM
• Brussels (7/90)
+ Antwerp(4/91)

THE CZECH REPUBLIC
• Prague (6/98)

FINLAND
• Helsinki (4/94)

FRANCE
• Paris (1/97)
• Mulhouse (1/97)
• Lyon (1/97)
• Lille (3/97)
• Bordeaux (7/00)

GERMANY
• Frankfurt (4/92)
• Munich (4/92)
• Dusseldorf (4/92)
• Stuttgart (4/92)
• Hamburg (1/93)
• Nuremberg (1/01)
+ Hannover (1/05)
+ Bad Mergentheim (6/05)

HUNGARY
• Budapest (4/00)

IRELAND
• Dublin (3/97)
• Cork (3/97)
• Shannon (3/97)

ITALY
• Milan (4/93)
• Verona (4/93)
• Florence (3/98)
+ Turin (4/05)
+ Rome (1/10)

THE NETHERLANDS
• Amsterdam (6/94)
• Rotterdam (3/95)
+ Maastricht (9/07)

NORWAY
• Oslo (6/10)
+ Kristiansand (1/11)

POLAND
• Warsaw (2/05)
+ Krakow (8/07)

PORTUGAL
• Lisbon (10/91)
• Oporto (10/91)

ROMANIA
• Bucharest (9/08)

SPAIN
• Barcelona (1/94)
• Madrid (1/94)
• Alicante (4/96)

SWEDEN
• Stockholm (1/94)
• Goteborg (1/94)

SWITZERLAND
• Chiasso (2/01)
• Zurich (10/05)

UNITED KINGDOM
• London (4/86)
• Manchester (11/88)
• Birmingham (3/90)
• Glasgow (4/92)
• Bristol (3/97)
• East Midlands (1/99)
+ Hull (1/00)
• Belfast (9/01)
• Aberdeen (9/05)

SOUTH AFRICA
• Johannesburg (3/94)
• Durban (3/94)
• Capetown (1/97)

MADAGASCAR
• Antananarivo (11/01)

MIDDLE EAST AND INDIA			
BAHRAIN	+ Cochin (4/01)	LEBANON	SAUDI ARABIA
• Manama (1/08)	+ Hyderabad (9/01)	• Beirut (8/99)	# Riyadh (7/92)
	+ Tuticorin (11/03)		# Jeddah (7/92)
EGYPT	+ Ahmedabad (1/05)	OMAN	# Dammam (6/05)
• Cairo (2/95)	+ Ludhiana (6/05)	• Muscat (4/09)	
+ Alexandria (2/95)	+ Pune (10/06)		TURKEY
	+ Kolkata (1/08)	PAKISTAN	• Ankara (1/99)
GREECE	+ Coimbatore (1/08)	• Karachi (9/96)	• Istanbul (1/99)
• Athens (2/99)	+ Mundra (4/08)	• Lahore (9/96)	• Izmir (1/99)
		+ Sialkot (6/03)	• Mersin (1/99)
INDIA	JORDAN	+ Faisalabad (5/06)	+ Adana (1/99)
• New Delhi (7/96)	• Amman (9/07)	+ Islamabad (10/06)	
• Mumbai (Bombay) (1/97)			UNITED ARAB EMIRATES
• Bangalore (6/97)	KUWAIT	QATAR	• Abu Dhabi (1/94)
• Chennai (Madras) (6/97)	# Kuwait City (7/97)	• Doha (1/07)	• Dubai (10/98)
+ Jaipur (6/99)			

The Company was incorporated in the State of Washington in May 1979. Its executive offices are located at 1015 Third Avenue, 12thFloor, Seattle, Washington, and its telephone number is (206) 674-3400.

The Company's internet address is *http://www.expeditors.com*. The Company makes available free of charge through its internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

For information concerning the amount of revenues, net revenues, operating income, identifiable assets, capital expenditures, depreciation and amortization and equity attributable to the geographic areas in which the Company conducts its business, see Note 9 to the consolidated financial statements.

Airfreight Services

Airfreight services accounted for approximately 37, 38 and 35 percent of the Company's 2011, 2010 and 2009 consolidated revenues net of freight consolidation expenses ("net revenues"), respectively. When performing airfreight services, the Company typically acts either as a freight consolidator or as an agent for the airline which carries the shipment. When acting as a freight consolidator, the Company purchases cargo space from airlines on a volume basis and resells that space to its customers at lower rates than the customers could obtain directly from airlines. When moving shipments between points where the volume of business does not facilitate consolidation, the Company receives and forwards individual shipments as the agent of the airline which carries the shipment. Whether acting as a consolidator or agent, the Company offers its customers knowledge of optimum routing, familiarity with local business practices, knowledge of export and import documentation and procedures, the ability to arrange for ancillary services, and assistance with space availability in periods of peak demand.

In its airfreight forwarding operations, the Company procures shipments from its customers, determines the routing, consolidates shipments bound for a particular airport distribution point, and selects the airline for transportation to the distribution point. At the distribution point, the Company or its agent arranges for the consolidated lot to be broken down into its component shipments and for the transportation of the individual shipments to their final destinations.

The Company estimates its average airfreight consolidation weighs approximately 3,900 pounds and a typical consolidation includes merchandise from several shippers. Because shipment by air is relatively expensive compared with ocean transportation, air shipments are generally characterized by a high value-to-weight ratio, the need for rapid delivery, or both.

The Company typically delivers shipments from a Company warehouse at the origin to the airline after consolidating the freight into containers or onto pallets. Shipments normally arrive at the destination distribution point within forty-eight hours after such delivery. During peak shipment periods, cargo space available from the scheduled air carriers can be limited and backlogs of freight shipments may occur. When these conditions exist, the Company may charter aircraft to meet customer demand.

Executive Officers of the Registrant

The following table sets forth the names, ages, and positions of current executive officers of the Company.

Name	Age	Position
Peter J. Rose	68	Chairman and Chief Executive Officer and director
James L.K. Wang	64	President-Asia Pacific and director
R. Jordan Gates	56	President and Chief Operating Officer and director
Rommel C. Saber	54	President-Europe, Africa, Near/Middle East and Indian Subcontinent
Robert L. Villanueva	59	President-The Americas
Timothy C. Barber	52	President-Global Sales and Marketing
Rosanne Esposito	60	Executive Vice President-Global Customs
Eugene K. Alger	51	Executive Vice President-North America
Philip M. Coughlin	51	Executive Vice President-North America
Jeffrey S. Musser	46	Executive Vice President and Chief Information Officer
Charles J. Lynch	51	Senior Vice President-Corporate Controller
Daniel R. Wall	43	Senior Vice President-Ocean Services
Jose A. Ubeda	45	Senior Vice President-Air Cargo
Amy J. Tangeman	43	Senior Vice President-General Counsel and Secretary
Bradley S. Powell	51	Senior Vice President and Chief Financial Officer

Peter J. Rose has served as a director and Vice President of the Company since July 1981. Mr. Rose was elected a Senior Vice President of the Company in May 1986, Executive Vice President in May 1987, President and Chief Executive Officer in October 1988, and Chairman and Chief Executive Officer in May 1991.

James L.K. Wang has served as a director and the Managing Director of Expeditors International Taiwan Ltd., the Company's former exclusive Taiwan agent, since September 1981. In 1991, Mr. Wang's employment agreement was assigned to E.I. Freight (Taiwan), Ltd., the Company's exclusive Taiwan agent through 2004. Mr. Wang's contract is now assigned to ECI Taiwan Co. Ltd., a wholly-owned subsidiary of the Company. In October 1988, Mr. Wang became a director of the Company and its Director-Far East, and Executive Vice President in January 1996. In May 2000, Mr. Wang was elected President-Asia Pacific.

R. Jordan Gates joined the Company as its Controller-Europe in February 1991. Mr. Gates was elected Chief Financial Officer and Treasurer of the Company in August 1994 and Senior Vice President-Chief Financial Officer and Treasurer in January 1998. In May 2000, Mr. Gates was elected Executive Vice President-Chief Financial Officer and Treasurer. Mr. Gates was also elected as a director in May 2000. On January 1, 2008, Mr. Gates assumed the role of President and Chief Operating Officer.

Rommel C. Saber joined the Company as Director-Near/Middle East in February 1990 and was elected Senior Vice President-Sales and Marketing in January 1993. Mr. Saber was elected Senior Vice President-Air Export in September 1993. In July 1997, Mr. Saber was elected Senior Vice President Near/Middle East and Indian Subcontinent and Executive Vice President-Europe, Africa and Near/Middle East in August 2000. In February 2006, Mr. Saber was elected President-Europe, Africa, Near/Middle East and Indian Subcontinent.

Robert L. Villanueva joined the Company as Regional Vice President Northwest U.S. Region in April 1994. In September 1999, he was elected Executive Vice President-The Americas and President-The Americas in May 2004.

Timothy C. Barber joined the Company in May 1986. Mr. Barber was promoted to District Manager of the Seattle office in January 1987 and Regional Vice President in January 1993. Mr. Barber was elected Vice President-Sales and Marketing in September 1993 and Senior Vice President-Sales and Marketing in January 1998. In September 1999, Mr. Barber was elected Executive Vice President-Global Sales. On January 1, 2008, Mr. Barber assumed the role of President-Global Sales and Marketing.

Rosanne Esposito joined the Company as its Director-U.S. Import Services in January 1996. Ms. Esposito was promoted to Vice President in May 1997 and Senior Vice President-Global Customs in May 2001. In May 2004, Ms. Esposito was promoted to Executive Vice President-Global Customs.

Eugene K. Alger joined the Company in October 1982. Mr. Alger was promoted to District Manager of the Los Angeles office in May 1983. He was elected Regional Vice President-Southwestern U.S. and Mexico Region in January 1992, and Senior Vice President of North America in September 1999. In March, 2008, he was promoted to Executive Vice President-North America.

Philip M. Coughlin joined the Company in October 1985. In August 1986, Mr. Coughlin was promoted to District Manager. Mr. Coughlin was elected Regional Manager for New England and Canada in January 1991, Regional Vice President-Northeastern U.S. and Northern Border in January 1992, and Senior Vice President of North America in September 1999. In March 2008, he was promoted to Executive Vice President-North America.

Jeffrey S. Musser joined the Company in February 1983. Mr. Musser was promoted to District Manager in October 1989 and Regional Vice President in September 1999. Mr. Musser was elected Senior Vice President-Chief Information Officer in January 2005. In May 2009, Mr. Musser was promoted to Executive Vice President and Chief Information Officer.

Charles J. Lynch joined the Company in September 1984. Mr. Lynch was promoted to Assistant Controller in July 1985 and Controller-Domestic Operations in January 1989. Mr. Lynch was elected Corporate Controller in January 1991 and Vice President-Corporate Controller in January 1998. In May 2002, Mr. Lynch was elected Senior Vice President-Corporate Controller.

Daniel R. Wall joined the Company in March 1987. Mr. Wall was promoted to District Manager in May 1992 and Global Director-Account Management in March 2002. Mr. Wall was elected Vice President-ECMS in January 2004 and Senior Vice President-Ocean Services in September 2004.

Jose A. Ubeda joined the Company in May 1984. Mr. Ubeda was promoted to District Manager in February 1993 and to Regional Vice President-Northwest U.S. Region in May 2000. In April 2010, Mr. Ubeda was elected Senior Vice President-Air Cargo.

Amy J. Tangeman joined the Company in January 1997. Ms. Tangeman was promoted to Assistant General Counsel in November 2001. Ms. Tangeman was elected Vice-President-General Counsel and Secretary in October 2006 and elected Senior Vice President in February 2012.

Bradley S. Powell joined the Company as Chief Financial Officer in October 2008 and elected Senior Vice President and Chief Financial Officer in February 2012. Prior to joining the Company, Mr. Powell served as President and Chief Financial Officer of Eden Bioscience Corporation, a publicly-traded biotechnology company, from December 2006 to September 2008 and as Vice President and Chief Financial Officer from July 1998 to December 2006.

Regulation and Security

With respect to the Company's activities in the air transportation industry in the United States, it is subject to regulation by the Transportation Security Administration ("TSA") of the Department of Homeland Security as an indirect air carrier. All United States indirect air carriers are required to maintain prescribed security procedures and are subject to periodic audits by TSA. The Company's overseas offices and agents are licensed as airfreight forwarders in their respective countries of operation. The Company is licensed in each of its offices, or in the case of its newer offices, has made application for a license as an airfreight forwarder by the International Air Transport Association ("IATA"). IATA is a voluntary association of airlines and air transport related entities which prescribes certain operating procedures for airfreight forwarders acting as agents for its members. The majority of the Company's airfreight forwarding business is conducted with airlines which are IATA members.

The Company is licensed as an Ocean Transportation Intermediary ("OTI") (sometimes referred to as NVOCC-Non-Vessel Operating Common Carrier) by the Federal Maritime Commission ("FMC"). The FMC has established certain qualifications for shipping agents, including certain surety bonding requirements. The FMC is also responsible for the economic regulation of OTI/NVOCC activity originating or terminating in the United States. To comply with these economic regulations, vessel operators and NVOCCs, such as EIO, are required to file tariffs electronically which establish the rates to be charged for the movement of specified commodities into and out of the United States. The FMC has the power to enforce these regulations by assessing penalties.

The Company is licensed as a customs broker by Customs and Border Protection ("CBP") of the Department of Homeland Security nationally and in each U.S. customs district in which it does business. All United States customs brokers are required to maintain prescribed records and are subject to periodic audits by CBP. In other jurisdictions in which the Company performs clearance services, the Company is licensed by the appropriate governmental authority (where such license is required to perform these services). The Company participates in various governmental supply chain security programs, such as the Customs-Trade Partnership Against Terrorism ("C-TPAT") in the United States and additional security initiatives, such as Authorized Economic Operator ("AEO"), as they continue to be enacted by different governments.

The Company does not believe that current United States and foreign governmental regulations impose significant economic restraint upon its business operations. In general, the Company conducts its business activities in each country through a wholly or majority-owned subsidiary corporation that is organized and existing under the laws of that country. However, the regulations of foreign governments can impose barriers to the Company's ability to provide the full range of its business activities in a wholly or majority United States-owned subsidiary. For example, foreign ownership of a customs brokerage business is prohibited in some jurisdictions and less frequently the ownership of the licenses required for freight forwarding and/or freight consolidation is restricted to local entities. When the Company encounters this sort of governmental restriction, it works to establish a legal structure that meets the requirements of the local regulations while also giving the Company the substantive operating and economic advantages that would be available in the absence of such regulation. This can be accomplished by creating a joint venture or exclusive agency relationship with a qualified local entity that holds the required license.

The war on terror and governments' overriding concern for the safety of passengers and citizens who import and/or export goods into and out of their respective countries has resulted in a proliferation of cargo security regulations over the past several years. While these cargo regulations have already created a marked difference in the security arrangements required to move shipments around the globe, regulations are expected to become more stringent in the future. As governments look for ways to minimize the exposure of their citizens to potential terror related incidents, the Company and its competitors in the transportation business may be required to incorporate security procedures within their scope of services to a far greater degree than has been required in the past. The Company feels that increased security requirements may involve further investments in technology and more sophisticated

screening procedures being applied to potential customers, vendors and employees. The Company's position is that any increased cost of compliance with security regulations will be passed through to those who are beneficiaries of the Company's services.

Cargo Liability

When acting as an airfreight consolidator, the Company assumes a carrier's liability for lost or damaged shipments. This legal liability is typically limited by contract to the lower of the transaction value or the released value (17 Special Drawing Rights per kilo unless the customer declares a higher value and pays a surcharge), except in the absence of an appropriate airway bill or if the loss or damage is caused by willful misconduct . The airline which the Company utilizes to make the actual shipment is generally liable to the Company in the same manner and to the same extent. When acting solely as the agent of the airline or shipper, the Company does not assume any contractual liability for loss or damage to shipments tendered to the airline. In certain circumstances, the Company will assume additional limited liability.

When acting as an ocean freight consolidator, the Company assumes a carrier's liability for lost or damaged shipments. This liability is typically limited by contract to the lower of the transaction value or the released value ($500 per package or customary freight unit unless the customer declares a higher value and pays a surcharge). The steamship line which the Company utilizes to make the actual shipment is generally liable to the Company in the same manner and to the same extent. In its ocean freight forwarding and customs clearance operations, the Company does not assume cargo liability. In certain circumstances, the Company will assume additional limited liability.

When providing warehouse and distribution services, the Company limits its legal liability by contract and tariff to an amount generally equal to the lower of fair value or $0.50 per pound with a maximum of $50 per "lot" — which is defined as the smallest unit that the warehouse is required to track. In certain circumstances, the Company will assume additional limited liability.

The Company maintains cargo legal liability insurance covering claims for losses attributable to missing or damaged shipments for which it is legally liable. The Company also maintains insurance coverage for the property of others which is stored in Company warehouse facilities. This insurance coverage is provided by a Vermont U.S. based insurance entity wholly-owned by the Company. The coverage is fronted and reinsured by a global insurance company. The total risk retained by the Company in 2011 was approximately $5 million. In addition, the Company is licensed as an insurance broker through its subsidiary, Expeditors Cargo Insurance Brokers, Inc. and places insurance coverage for other customers.

RISK FACTORS	DISCUSSION AND POTENTIAL SIGNIFICANCE
International Trade.....	The Company primarily provides services to customers engaged in international commerce. Everything that affects international trade has the potential to expand or contract the Company's primary market and impact its operating results. For example, international trade is influenced by: • currency exchange rate and currency control regulations; • interest rate fluctuations; • changes in governmental policies, such as taxation, quota restrictions, other forms of trade barriers and/or restrictions and trade accords; • changes in and application of international and domestic customs, trade and security regulations; • wars, strikes, civil unrest, acts of terrorism, and other conflicts; • natural disasters and pandemics; • changes in consumer attitudes regarding goods made in countries other than their own; • changes in availability of credit; • changes in the price and readily available quantities of oil and other petroleum-related products; and • increased global concerns regarding environmental sustainability.
Third Party Suppliers	The Company is a non-asset based provider of global logistics services. As a result, the Company depends on a variety of asset-based third party suppliers. The quality and profitability of the Company's services depend upon effective selection, management and discipline of third party suppliers. While operating results improved in 2010 over 2009, many of the Company's third party suppliers have incurred significant operating losses in 2011 and are highly leveraged with debt. Changes in the financial stability, operating capabilities and capacity of asset-based carriers and space allotment made available to the Company by asset-based carriers could affect the Company in unpredictable ways, including volatility of pricing, and challenge the Company's ability to maintain historical unitary profitability.
Predictability of Results	The Company is not aware of any accurate means of forecasting short-term customer requirements. However, long-term customer satisfaction depends upon the Company's ability to meet these unpredictable short-term customer requirements. Personnel costs, the Company's single largest variable expense, are always less flexible in the very near term as the Company must staff to meet uncertain demand. As a result, short-term operating results could be disproportionately affected. 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.
Foreign Operations	The majority of the Company's revenues and operating income comes from operations conducted outside the United States. To maintain a global service network, the Company may be required to operate in hostile locations and in dangerous situations. In addition, the Company operates in parts of the world where common business practices could constitute violations of the anti-corruption laws, rules, regulations and decrees of the United States, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and of all other countries in which the Company conducts business; as well as trade control laws, or laws, regulations and Executive Orders imposing embargoes and sanctions; and anti-boycott laws and regulations. Compliance with these laws, rules, regulations and decrees is dependent on the Company's employees, subcontractors, agents, third party brokers and customers, whose individual actions could violate these laws, rules, regulations and decrees. Failure to comply could result in substantial penalties and additional expenses, damages to the Company's reputation and restrictions on its ability to conduct business.
Key Personnel	The Company is a service business. The quality of this service is directly related to the quality of the Company's employees. Identifying, training and retaining key employees is essential to continued growth and future profitability. Continued loyalty to the Company will not be assured by contract. The Company believes that its compensation programs, which have been in place since the Company became a publicly traded entity, are one of the unique characteristics responsible for differentiating its performance from that of many of its competitors. Significant changes to its compensation programs could affect the Company's performance.

RISK FACTORS	DISCUSSION AND POTENTIAL SIGNIFICANCE
Technology	Increasingly, the Company must compete based upon the flexibility and sophistication of the technologies utilized in performing its core businesses. Future results depend upon the Company's success in the cost effective development, maintenance and integration of secure communication and information systems technologies, including those acquired from and maintained by third parties. Any significant disruptions to these systems due to failures, attacks or other security breaches would have a material negative effect on the Company's results and could include loss of revenue, significant remediation costs, an increase in costs to protect the Company's systems and technology and damage to its reputation.
Growth	To date, the Company has relied primarily upon organic growth and has tended to avoid growth through acquisition. Future results will depend upon the Company's ability to continue to grow internally or to demonstrate the ability to successfully identify and integrate non-dilutive acquisitions.
Regulatory Environment	The Company is affected by ever increasing regulations from a number of sources. The current business environment tends to stress the avoidance of risk through regulation and oversight, the effect of which is likely to be unforeseen costs and potentially unforeseen consequences. In reaction to the global war on terror, governments around the world are continuously enacting or updating security regulations. These regulations are multi-layered, increasingly technical in nature and characterized by a lack of harmonization of substantive requirements amongst various governmental authorities. Furthermore, the implementation of these regulations, including deadlines and substantive requirements, is driven by political urgencies rather than the industries' realistic ability to comply. Failure to consistently and timely comply with these regulations, or the failure, breach or compromise of the Company's security procedures or those of its subcontractors or agents, may result in increased operating costs, damage to the Company's reputation, restrictions on operations and/or fines and penalties.
Competition	The global logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. There are a large number of companies competing in one or more segments of the industry, but the number of firms with a global network that offer a full complement of logistics services is more limited. Depending on the location of the shipper and the importer, the Company must compete against both the niche players and larger entities.
Taxes	The Company is subject to many taxes in the United States and foreign jurisdictions. In many of these jurisdictions, the tax laws are very complex and are open to different interpretations and application. Tax authorities frequently implement new taxes and change their tax rates and rules, including interpretations of those rules. The Company is regularly under audit by tax authorities. Although the Company believes its tax estimates are reasonable, the final determination of tax audits could be materially different from the Company's tax provisions and accruals and negatively impact its financial results.
Litigation/Investigations	As a multinational corporation, the Company is subject to formal or informal investigations or litigation from governmental authorities or others in the countries in which it does business. Included among these investigations, the Company is currently subject to, and is cooperating fully with, an investigation by the U.S. Department of Justice (DOJ) of air cargo freight forwarders. In addition, the Company and its Hong Kong subsidiary received a Statement of Objections from the European Commission (EC) relating to an ongoing investigation of freight forwarders. These investigations and other periodic investigations will require further management time and could cause the Company to incur substantial additional legal and related costs, which may include fines and/or penalties that could have a material impact on the Company's results of operations and operating cash flows. The Company may also become subject to other civil litigation arising from such investigations or litigations, including but not limited to shareholder class action lawsuits and derivative claims made on behalf of the plaintiffs.
Economic Conditions	The global economy and capital and credit markets continue to experience uncertainty and volatility. Unfavorable changes in economic conditions may result in lower freight volumes and adversely affect the Company's revenues and operating results, as experienced in 2009. These conditions may adversely affect certain of the Company's customers and third party suppliers. Were that to occur, the Company's revenues and net earnings could also be adversely affected. Should customers' ability to pay deteriorate, additional bad debts may be incurred. These unfavorable conditions can create situations where rate increases charged by carriers and other suppliers are implemented with little or no advanced notice. The Company often times cannot pass these rate increases on to its customers in the same time frame, if at all. As a result, the Company's yields and margins can be negatively impacted.
Catastrophic Events	A disruption or failure of the Company's systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, strike, civil unrest, pandemic or other catastrophic event could cause delays in providing services or performing other mission-critical functions. The Company's corporate headquarters, and certain other critical business operations are in the Seattle, Washington area, which is near major earthquake faults. A catastrophic event that results in the destruction or disruption of any of the Company's critical business or information technology systems could harm the Company's ability to conduct normal business operations and its operating results.

ITEM 1B — UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 — PROPERTIES

The Company owns the following properties:

Location	Nature of Property
United States:	
Seattle, Washington	Office buildings
SeaTac, Washington	Office building
Humble, Texas	Office and warehouse
Inwood, New York	Office and warehouse
Edison, New Jersey	Office and warehouse
Brisbane, California	Office and warehouse
Hawthorne, California	Office and warehouse
Bensenville, Ilinois	Office and warehouse
Miami, Florida	Office and warehouse
Spokane, Washington	Office building
Asia:	
Kowloon, Hong Kong	Offices
Taipei, Taiwan	Offices
Seoul, Korea	Office and warehouse
Shanghai, China	Office building
Beijing, China	Office and warehouse
Europe:	
Brussels, Belgium	Office and warehouse
Dublin, Ireland	Office and warehouse
Cork, Ireland	Office and warehouse
London, England	Office and warehouse
Latin America:	
Alajuela, Costa Rica	Office building
Middle East:	
Cairo, Egypt	Office and warehouse

The Company leases and maintains 68 additional offices and satellite locations in the United States and 342 leased locations throughout the world, each located close to an airport, ocean port, or on an important border crossing. The majority of these facilities contain warehouse facilities. Lease terms are either on a month-to-month basis or terminate at various times through 2021. See Note 7 to the Company's consolidated financial statements for lease commitments. As an office matures, the Company will investigate the possibility of building or buying suitable facilities. The Company believes that current leases can be extended and that suitable alternative facilities are available in the vicinity of each present facility should extensions be unavailable at the conclusion of current leases.

ITEM 3 — LEGAL PROCEEDINGS

On October 10, 2007, the U. S. Department of Justice (DOJ) issued a subpoena ordering the Company to produce certain information and records relating to an investigation of alleged anti-competitive behavior amongst air cargo freight forwarders. As part of this process, the Company has met with and continues to co-operate with the DOJ. The Company may incur additional costs during the course of this ongoing investigation, which could include fines and/or penalties if the DOJ concludes that the Company has engaged in anti-competitive behavior and such fines and/or penalties could have a

material impact on the Company's results of operations and operating cash flows for any particular quarter or year. At this time the Company is unable to estimate the range of reasonably possible fines and/or penalties, if any, that might result from this investigation.

On January 3, 2008, the Company was named as a defendant, with seven other European and North American-based global logistics providers, in a Federal antitrust class action lawsuit filed in the United States District Court of the Eastern District of New York, Precision Associates, Inc. et al v. Panalpina World Transport, No. 08-CV0042. On July 21, 2009, the plaintiffs filed an amended complaint adding a number of new third party defendants and various claims which they assert to violate the Sherman Act. The plaintiffs' amended complaint, which purports to be brought on behalf of a class of customers (and has not yet been certified), asserts claims that the defendants engaged in price fixing regarding eight discrete surcharges in violation of the Sherman Act. The allegations concerning the Company relate to two of these surcharges. The amended complaint seeks unspecified damages and injunctive relief. The Company believes that these allegations are without merit and intends to vigorously defend itself against these allegations. On August 13, 2009, the Company filed a motion to dismiss the amended complaint for failure to state a claim. Plaintiffs filed their opposition to the Company's motion on January 30, 2010. On January 4, 2011, the Magistrate Judge issued a Report and Recommendation to dismiss the claims against the Company and others, but allowed the plaintiffs' the opportunity to further amend the complaint. The Report and Recommendation is now pending before the Court for resolution. On February 28, 2012, the Company entered into an agreement, which is subject to preliminary approval by the Court, notice to the putative class and final approval, with the plaintiffs individually and on behalf of a class of direct purchasers of freight forwarding services, to resolve this lawsuit. The Company has not made, and continues to make no admission of liability by entering into this agreement. The agreement, if approved by the Court, will dismiss all allegations that the Company violated the Sherman Act. Under the terms of the agreement, the Company will be dismissed from this lawsuit. In exchange for being dismissed from this lawsuit, the Company has agreed to assign to the plaintiffs 70% of the proceeds (Air Cargo proceeds) it may receive as one of the members of a separate class action litigation brought against many of the largest international air cargo carriers. The agreement provides for no other sources of consideration from the Company. Based on the terms of the agreement, and the Company's previously publicly-expressed intent not to profit and thereby effectively distribute any Air Cargo proceeds it may receive, management does not expect there to be any material impact on the Company's consolidated financial statements. Management believes that the amounts assigned to the plaintiffs and the class it seeks to represent, which includes the Company's customers, net of attorneys' fees and other administrative costs allowed by the Court, will be allocated by the Court to members of this class action lawsuit in an equitable manner consistent with their participation in the international airfreight markets over the relevant time periods.

On June 18, 2008, the European Commission (EC) issued a request for information to the Company's UK subsidiary, Expeditors International (UK) Ltd., requesting certain information relating to an ongoing investigation of freight forwarders. The Company replied to the request. On February 18, 2009, the EC issued another request for information to the same subsidiary requesting certain additional information in connection with the EC's ongoing investigation of freight forwarders. The Company replied to the request. On February 10, 2010, the Company and its Hong Kong subsidiary, Expeditors Hong Kong Limited, received a Statement of Objections (SO) from the EC. The SO initiates a proceeding against the Company alleging anti-competitive behavior contrary to European Union rules on competition. Specific to the Company, the allegations in the SO are limited to the period from August 2005 to June 2006 and only concern airfreight trade lanes between South China/Hong Kong and the European Economic Area. The Company filed a response to the allegations in the SO on April 12, 2010 and participated in an oral hearing on July 6, 2010. On January 20, 2011, the EC issued another request for information to the Company and its Hong Kong subsidiary requesting certain additional information in connection with its on-going investigation of freight forwarders. The Company replied to the request. On October 25, 2011, the Company and its Hong Kong subsidiary received a standard letter from the EC regarding its ongoing investigation of freight forwarders. The letter (i) invited comment on the EC's January 20, 2011 request for information and (ii) indicated potential revenue data it may take into account for the calculation of any fine it may impose. The Company replied to the letter. On February 24, 2012, the Company received notice from the EC that it plans to hold additional meetings, known as State of Play meetings, related to its on-going investigation of freight forwarders on or about March 15, 2012. The Company expects to participate in the meeting to continue its vigorous defense against the allegations. The Company expects to incur ongoing attorneys' fees and other defense costs during the course of this ongoing proceeding. Administrative fines, if the EC concludes that the Company has engaged in anti-competitive behavior, could have a material impact on the Company's results of operations and operating cash flows for any particular quarter or year. The Company continues to vigorously defend itself against the allegations, and at this time, the Company has no way of predicting the ultimate outcome of this proceeding. Further, the Company is unable to estimate the range of a reasonably possible fine, if any, that might result from this proceeding.

On August 17, 2010, the Company and its Brazilian subsidiary, Expeditors Internacional do Brasil Ltda received an Administrative Proceeding (AP) from the Brazilian Ministry of Justice (MOJ). The AP initiates a proceeding against the Company and one of its employees, alleging possible anti-competitive behavior. The Company intends to vigorously defend itself against the allegations. The Company expects to incur additional costs during the course of this proceeding, which could include administrative fines if the MOJ concludes that the Company has engaged in anti-competitive behavior. Based on recent changes in Brazilian anti-competition laws that reduce the maximum amount of fines that can be assessed, and further investigation of this matter, management believes that such fines, if any, will not have a material impact on the Company's results of operations and operating cash flows for any particular quarter or year.

No amounts have been accrued for any of the contingencies described above. Legal and associated costs incurred by the Company on the above matters were not significant for the years ended December 31, 2011, 2010 and 2009, respectively. These government investigations and the related litigation matters are subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include substantial monetary damages and, in matters in which injunctive relief or other conduct remedies are sought, an injunction or other order relating to business conduct. Were unfavorable final outcomes to occur, the Company's results of operations and operating cash flows for the particular quarter or year could be materially harmed.

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

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 — MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock trades on The NASDAQ Global Select Market. The following table sets forth the high and low sale prices for the Company's common stock as reported by The NASDAQ Global Select Market under the symbol EXPD.

	Common Stock			Common Stock	
Quarter	High	Low	Quarter	High	Low
2011			2010		
First	$ 56.19	$ 45.91	First	$ 38.93	$ 32.36
Second	$ 55.30	$ 46.53	Second	$ 42.39	$ 34.46
Third	$ 53.22	$ 39.28	Third	$ 47.58	$ 33.65
Fourth	$ 47.73	$ 38.25	Fourth	$ 57.15	$ 45.23

There were 1,184 shareholders of record as of February 21, 2012. This figure does not include a substantially greater number of beneficial holders of the Company's common stock, whose shares are held of record by banks, brokers and other financial institutions.

The Board of Directors declared semi-annual dividends during the two most recent fiscal years paid as follows:

June 15, 2011	$ .25
December 15, 2011	$ .25
June 15, 2010	$ .20
December 15, 2010	$ .20

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2011	—	$ —	—	28,920,950
November 1-30, 2011	44,416	$ 43.77	44,416	28,882,121
December 1-31, 2011	37,860	$ 41.07	37,860	28,883,236
Total	82,276	$ 42.53	82,276	28,883,236

In November 1993, the Company's Board of Directors authorized a Non-Discretionary Stock Repurchase Plan for the purpose of repurchasing the Company's common stock in the open market with the proceeds received from the exercise of stock options. On February 9, 2009, the Plan was amended to increase the authorization to repurchase up to 40 million shares of the Company's common stock. This authorization has no expiration date. This plan was disclosed in the Company's report on Form 10-K filed March 31, 1995. In the fourth quarter of 2011, 41,738 shares of common stock were repurchased under the Non-Discretionary Stock Repurchase Plan.

In November 2001, under a Discretionary Stock Repurchase Plan, the Company's Board of Directors authorized the repurchase of such shares as may be necessary to reduce the issued and outstanding stock to 200 million shares of common stock. The maximum number of shares available for repurchase under this plan will increase as the total number of outstanding shares increases. This authorization has no expiration date. This plan was announced on November 13, 2001. In the fourth quarter of 2011, 40,538 shares of common stock were repurchased under the Discretionary Stock Repurchase Plan. These discretionary repurchases were made to limit the growth in the number of issued and outstanding shares resulting from stock option exercises and the exercise of employee stock purchase rights.

The graph below compares the cumulative 5-year total return of holders of the Company's common stock with the cumulative total returns of Standard and

Poor's 500 Index, the NASDAQ Composite index and the NASDAQ Transportation index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including reinvestment of dividends) was $100 on 12/31/2006 and tracks it through 12/31/2011.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Expeditors International of Washington, Inc., the NASDAQ Composite Index,

	12/06	12/07	12/08	12/09	12/10	12/11
Expeditors International of Washington, Inc.	**100.00**	**111.03**	**83.35**	**88.13**	**139.64**	**105.90**
Standard and Poor's 500 Index	**100.00**	**105.49**	**66.46**	**84.05**	**96.71**	**98.75**
NASDAQ Composite	**100.00**	**110.26**	**65.65**	**95.19**	**112.10**	**110.81**
NASDAQ Transportation	**100.00**	**105.13**	**78.60**	**80.38**	**103.33**	**88.11**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6 — SELECTED FINANCIAL DATA

Financial Highlights

In thousands except per share data

	2011	2010	2009	2008	2007
Revenues	$ 6,150,498	5,967,573	4,092,283	5,633,878	5,235,171
Net revenues	1,896,477	1,692,786	1,382,786	1,603,261	1,452,961
Net earnings attributable to shareholders	385,679	344,172	240,217	301,014	269,154
Diluted earnings attributable to shareholders per share	1.79	1.59	1.11	1.37	1.21
Basic earnings attributable to shareholders per share	1.82	1.62	1.13	1.41	1.26
Dividends declared and paid per common share	.50	.40	.38	.32	.28
Working capital	1,490,738	1,278,377	1,079,444	903,010	764,944
Total assets	2,866,827	2,679,179	2,323,722	2,100,839	2,068,605
Shareholders' equity	2,003,638	1,740,906	1,553,007	1,366,418	1,226,571
Weighted average diluted shares outstanding	215,033,580	216,446,656	216,533,240	219,170,003	221,799,868
Weighted average basic shares outstanding	212,117,511	212,283,966	212,112,744	212,755,946	213,314,761

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995; CERTAIN CAUTIONARY STATEMENTS

From time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by the Company with the Securities and Exchange Commission. The words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are qualified in their entirety by reference to and are accompanied by the discussion in Item 1A of certain important factors that could cause actual results to differ materially from such forward-looking statements.

The risks included in Item 1A are not exhaustive. Furthermore, reference is also made to other sections of this report which include additional factors which could adversely impact the Company's business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all of such risk factors, nor can it assess the impact of all of such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements cannot be relied upon as a guarantee of actual results.

Shareholders should be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company's policy to disclose to such analysts any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of such statement or report. Furthermore, the Company has a policy against issuing financial forecasts or projections or confirming the accuracy of forecasts or projections issued by others. Accordingly, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

ITEM 7 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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 and accords. The Company cannot predict which, if any, of these proposals may be adopted, nor can the Company predict the effects the 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, as well as economic turbulence, political unrest or security concerns in the nations in which it does business and the future impact that these events may have on

international trade and oil prices. The global logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. Primarily as a result of the global economic downturn in 2009, the Company's air and ocean freight volumes were at exceptionally low levels in 2009 as compared with 2010 and 2011. Consistent with slowing global economic conditions and concerns over higher fuel costs, rising costs in general, political unrest and volatile currency exchange rates, the Company's pricing and terms continue to be pressured by customers and service providers. Further, the lower underlying flow of goods both in the global economy and throughout the Company's network continued into January 2012.

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

The Company is managed along three geographic areas of responsibility: Americas; Asia Pacific; and Europe, Africa, Near/Middle East and Indian Subcontinent (EMAIR). Each area is divided into sub-regions which are composed of 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 among 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 using the same arms-length pricing methodologies the Company uses when its offices transact business with independent agents. The Company charges its subsidiaries and affiliates for services rendered in the United States on a cost recovery basis. 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 carriers involved in global trade has gained increased importance as a result of ongoing concern over terrorism. As each carrier labors to comply with additional governmental regulations implementing security policies and procedures, inherent conflicts emerge which can and do affect global trade. A good reputation helps to develop practical working understandings that will assist in meeting security requirements while minimizing potential international trade obstacles. The Company considers its current working relationships with these entities to be satisfactory. However, the airline and ocean steamship line industries have incurred significant losses in recent years as a result of the global economic downturn and many carriers are highly leveraged with debt. This situation has required the Company to be increasingly selective in which carriers to utilize. Further changes in the financial stability, operating capabilities and capacity of asset-based carriers, space allotments available from carriers, governmental regulation or deregulation efforts, "modernization" of the regulations governing customs brokerage, and/or changes in governmental quota restrictions or trade accords 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 weather patterns, 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.

The Company operates in 60 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 corporate 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 reinforces these values with a compensation system that rewards employees for profitably managing the things they can control. This compensation system has been in place since the Company became a publicly traded entity. 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. If these decisions result in operating losses, these losses must be made up from future operating profits, in the aggregate, before any cash incentive compensation can be earned. 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 improving systems and taking preventative action to reduce exposure to negative events and risks. 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 corporate 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 to the consolidated financial statements in this report.

Management believes that the nature of the Company's business is such that there are few complex 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:

- accounts receivable valuation;
- accrual of costs related to ancillary services the Company provides;
- accrual of insurance liabilities for the portion of the freight related exposure which the Company has self-insured;
- accrual of various tax liabilities;
- accrual of loss contingencies; and
- calculation of share-based compensation expense.

These estimates, other than the accrual of loss contingencies and calculation of share-based compensation expense, are not highly uncertain and have not historically been subject to significant change. 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, other than the calculation of share-based compensation expense, would not produce materially different results than those reported.

The outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. An estimated loss from a contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is required if there is at least a reasonable possibility that a significant loss has been incurred. In determining whether a loss should be accrued, management evaluates several factors, including advice from outside counsel, in order to estimate the degree of probability of an unfavorable outcome and make a reasonable estimate of the amount of loss or range of reasonably possible loss. Changes in these factors could have a material impact on the Company's financial position, results of operations and operating cash flows for any particular quarter or year.

As described in Note 1.I to the consolidated financial statements in this report, the Company accounts for share-based compensation based on an estimate of the fair value of options granted to employees under the Company's stock option and stock purchase rights plans. This expense, as adjusted for expected forfeitures, is recorded on a straight-line basis over the option vesting periods.

Determining the appropriate option pricing model to use to estimate stock compensation expense requires judgment. Any option pricing model requires

assumptions that are subjective and these assumptions also require judgment. Examples include assumptions about long-term stock price volatility, employee exercise patterns, pre-vesting option forfeitures, post-vesting option terminations, and future interest rates and dividend yields. The Company uses the Black-Scholes model for estimating the fair value of stock options.

Management believes that the assumptions used are appropriate based upon the Company's historical and currently expected future experience. Looking to future events, management has been strongly influenced by historical patterns which may not be valid predictors of future developments and any future deviation may be material.

The Company's expected volatility assumptions are based on the historical volatility of the Company's stock over a period of time commensurate to the expected life. The expected life assumption is primarily based on historical employee exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the corresponding yield curve in effect at the time of grant for U.S. Treasury bonds having the same term as the expected life of the option, i.e. a ten year bond rate is used for valuing an option with a ten year expected life. The expected dividend yield is based on the Company's historical experience. The forfeiture assumption used to calculate compensation expense is primarily based on historical pre-vesting employee forfeiture patterns.

The fair value of an option is more significantly impacted by changes in the expected volatility and expected life assumptions. The pre-vesting forfeitures assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeitures assumption would not impact the total amount of expense ultimately recognized over the vesting period. Different forfeiture assumptions would only impact the timing of expense recognition over the vesting period. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-No. 05 "Presentation of Comprehensive Income", which amends Accounting Standards Codification (ASC) Topic 220 -"Comprehensive Income". This update is intended to increase the prominence of items reported in other comprehensive income by giving the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company is required to and plans to adopt the provisions of ASU 2011-No. 05, as amended by ASU 2011-No. 12, beginning in the first quarter of 2012. The adoption is only expected to have a presentation impact on the Company's consolidated statements of earnings and consolidated statements of equity and comprehensive income.

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 2011, 2010, and 2009 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.

	2011		2010		2009	
In thousands	Amount	Percent of net revenues	Amount	Percent of net revenues	Amount	Percent of net revenues
Net revenues:						
Airfreight services	$ 700,352	37 %	$ 640,230	38 %	$ 489,475	35 %
Ocean freight and ocean services	435,425	23	385,523	23	324,223	24
Customs brokerage and other services	760,700	40	667,033	39	569,088	41
Net revenues	1,896,477	100	1,692,786	100	1,382,786	100
Overhead expenses:						
Salaries and related costs	993,358	52	894,132	53	774,214	56
Other	284,792	15	251,424	15	223,571	16
Total overhead expenses	1,278,150	67	1,145,556	68	997,785	72
Operating income	618,327	33	547,230	32	385,001	28
Other income, net	19,701	1	16,838	1	17,871	1
Earnings before income taxes	638,028	34	564,068	33	402,872	29
Income tax expense	251,785	13	219,863	13	162,475	12
Net earnings	386,243	21	344,205	20	240,397	17
Less net earnings attributable to the noncontrolling interest	564	—	33	—	180	—
Net earnings attributable to shareholders	$ 385,679	21 %	$ 344,172	20 %	$ 240,217	17 %

2011 compared with 2010

Airfreight services net revenues in 2011 increased 9% as compared with 2010. The increase in global airfreight services net revenues was primarily due to a 12% increase in net revenue per kilo, while airfreight tonnage remained constant. North America, Asia Pacific and Europe airfreight services net revenues increased 10%, 8% and 12%, respectively, in 2011 as compared with 2010, while airfreight export tonnage increased 5% and 4% in North America and Europe, respectively, and decreased 3% in Asia Pacific. Net revenue per kilo was higher as the Company benefited from intermittent buying opportunities created from excess carrier capacity, primarily in Asia. After the first quarter of 2011, the Company experienced a decline in quarterly airfreight volumes as compared to 2010 and the customary peak season surge in the fourth quarter did not materialize.

Ocean freight and ocean services net revenues increased 13% in 2011 as compared with 2010. North America, Asia Pacific and Europe ocean freight net revenues increased approximately 13%, 13% and 16%, respectively, in 2011 as compared with 2010.

Ocean freight net revenues are comprised of three basic services: ocean freight consolidation, direct ocean forwarding and order management. The majority of the Company's ocean freight net revenue is derived from ocean freight consolidation which represented 50% and 51% of ocean freight net revenue in 2011 and 2010, respectively.

Ocean freight consolidation net revenue increased 12% in 2011 as compared with 2010, primarily due to a 10% increase in net revenue per container. Similar to airfreight, the increase in net revenue per container resulted from excess carrier capacity in 2011 leading to the creation of positive buying opportunities, primarily in Asia. Volume, as measured in terms of forty-foot container equivalent units (FEUs), increased 2% in 2011 as compared with 2010. Direct ocean freight forwarding and order management, which are primarily fee-based, increased 13% and 16%, respectively, in 2011, as compared with 2010, due to an increase in volume.

Customs brokerage and other services net revenues increased 14% in 2011 as compared with 2010, primarily as a result of growth in market share and an increase in domestic time definite freight volumes. Customers continue to seek out customs brokers with sophisticated computerized capabilities critical to an overall logistics management program, including rapid responses to changes in the regulatory and security environment.

Salaries and related costs increased 11% in 2011, as compared with 2010, primarily as a result of (i) an increase in the number of employees, (ii) an overall increase in average base salaries and related taxes and benefits and (iii) larger bonuses earned from achieving higher operating income.

The effects of including stock-based compensation expense in salaries and related costs for 2011 and 2010 are as follows:

	Years ended December 31,	
In thousands	2011	2010
Salaries and related costs	$ 993,358	$ 894,132
As a % of net revenue	52.4%	52.8%
Stock compensation expense	$ 44,278	$ 43,743
As a % of salaries and related costs	4.5%	4.9%
As a % of net revenue	2.3%	2.6%

Historically, 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 incentive compensation will occur in proportion to changes in Company profits, creating a direct alignment between corporate performance and shareholder interests. Bonuses to field and corporate management in 2011 were up 13% as compared with 2010, primarily as a result of a 13% increase in operating income. The Company's management incentive compensation programs have always been incentive-based and performance driven and there is no built-in bias that favors or enriches management in a manner inconsistent with overall corporate performance.

Because the Company's management incentive compensation programs are also cumulative, no management bonuses can be paid unless the relevant business unit is, from inception, cumulatively profitable. Any operating losses must have been offset in their entirety by operating profits before management is eligible for a bonus. Since the most significant portion of management compensation comes from the incentive bonus programs, the Company believes that this cumulative feature is a disincentive to excessive risk taking by its managers. Due to the nature of the Company's services, it has a short operating cycle. The outcome of any higher risk transactions, such as overriding established credit limits, would be known in a relatively short time frame. Management believes that when the potential and certain impact on the bonus is fully considered in light of this short operating cycle, the potential for short term gains that could be generated by engaging in risky business practices is sufficiently mitigated to discourage excessive and inappropriate risk taking. Management believes that both the stability and the long term growth in revenues, net revenues and net earnings are a result of the incentives inherent in the Company's compensation program.

Other overhead expenses increased 13% in 2011, as compared with 2010, primarily as a result of increased facilities costs, higher business taxes, systems maintenance and consulting expenses, travel and other expenses related to increased activity. Legal and related expenses increased slightly in 2011, as compared with 2010, primarily attributable to responding to matters disclosed in Note 8 to the consolidated financial statements in this report. The Company will continue to incur legal costs related to the anti-competition allegations as described in Note 8 herein until these legal proceedings are concluded. If the governmental regulatory agencies conclude that the Company has engaged in anti-competitive behavior, fines and/or penalties could have a material impact

on the Company's results of operations and operating cash flows for any particular quarter or year. Further, the Company periodically conducts reviews of the operations and procedures of its offices worldwide relating to compliance with applicable laws and regulations. Other overhead expenses as a percentage of net revenues remained constant for 2011, as compared with 2010.

Other income, net, increased 17% in 2011, as compared with 2010. Interest income increased $3 million due to higher average cash and cash equivalents balances during 2011, as compared with 2010.

The Company pays income taxes in the United States and other jurisdictions, as well as other non-income based taxes which are typically included in costs of operations. The Company's consolidated effective income tax rate in 2011 was 39.5% as compared to 38.9% for 2010. The higher consolidated effective income tax rate for 2011, as compared with 2010, is primarily the result of higher State tax rates and a lower tax benefit received for disqualifying dispositions of incentive stock options for 2011, as compared with 2010. Although a tax benefit related to stock-based compensation expense is recorded for non-qualified stock options at the time the related compensation expense is recognized, the tax benefit received for disqualifying dispositions of incentive stock options cannot be anticipated.

2010 compared with 2009

Airfreight services net revenues in 2010 increased 31% as compared with 2009. The increase in global airfreight services net revenues was primarily due to a 35% increase in airfreight tonnage, which was partially offset by a slight decrease in net revenue per kilo. North America, Asia Pacific and Europe airfreight services net revenues increased 34%, 39% and 15%, respectively, in 2010 as compared with 2009, while airfreight export tonnage increased 47%, 32% and 28%, respectively. The increase in airfreight tonnage is primarily due to improvements in the global economy which began in the fourth quarter of 2009.

Ocean freight and ocean services net revenues increased 19% in 2010 as compared with 2009. North America, Asia Pacific and Europe ocean freight net revenues increased approximately 17%, 23% and 13%, respectively, in 2010 as compared with 2009.

The majority of the Company's ocean freight net revenue is derived from ocean freight consolidation which represented 51% and 52% of ocean freight net revenue in 2010 and 2009, respectively.

Ocean freight consolidation net revenue increased 16% in 2010 as compared with 2009, primarily due to a 20% increase in volume as measured in terms of FEUs, partially offset by a 3% decrease in net revenue per container. Direct ocean freight forwarding and order management, which are primarily fee-based, increased 15% and 34%, respectively, in 2010, as compared with 2009, due to an increase in volume.

The increase in ocean volumes is primarily due to an improvement in the global economy which began in the fourth quarter of 2009. Net revenue per container in 2010 was lower than in 2009 due to favorable spot market buying opportunities in the first half of 2009 that were not available in 2010.

Customs brokerage and other services net revenues increased 17% in 2010 as compared with 2009, primarily as a result of increases in international air and ocean and domestic time definite freight volumes. Customers continue to seek out customs brokers with sophisticated computerized capabilities critical to an overall logistics management program, including rapid responses to changes in the regulatory and security environment.

Salaries and related costs increased 15% in 2010, as compared with 2009, primarily as a result of larger bonuses earned from achieving higher operating income before bonuses, an increase in the number of employees, and higher stock compensation expense.

The effects of including stock-based compensation expense in salaries and related costs for 2010 and 2009 are as follows:

	Years ended December 31,	
In thousands	2010	2009
Salaries and related costs	$ 894,132	$ 774,214
As a % of net revenue	52.8%	56.0%
Stock compensation expense	$ 43,743	$ 39,135
As a % of salaries and related costs	4.9%	5.1%
As a % of net revenue	2.6%	2.8%

Excluding stock compensation expense, salaries and related costs as a percentage of net revenue decreased 292 basis points for 2010, as compared with 2009. This decrease can be attributed to productivity gains that resulted from more efficient staff utilization. Stock compensation expense increased 12% in 2010, as compared with 2009, primarily a result of a $4 million "true up" credit recognized in 2009 for the difference between the higher actual pre-vesting forfeiture experience and the pre-vesting forfeiture assumptions used to calculate stock option expense. The net impact on salaries and related costs was $3 million after consideration of the effect on bonuses.

Bonuses to field and corporate management in 2010 were up 35% as compared with 2009 primarily as a result of a 42% increase in operating income. The Company's management incentive compensation programs have always been incentive-based and performance driven and there is no built-in bias that favors or enriches management in a manner inconsistent with overall corporate performance.

Other overhead expenses increased 12% in 2010, as compared with 2009, primarily as a result of higher business taxes, travel and other expenses related to increased activity. Legal and related expenses increased slightly in 2010, as compared with 2009, primarily attributable to preparing the Company's responses to a Statement of Objections issued by the European Commission as described further in Note 8 to the consolidated financial statements in this report. Other overhead expenses as a percentage of net revenues decreased slightly for 2010, as compared with 2009.

Other income, net, decreased 6% in 2010, as compared with 2009. Interest income decreased $3 million due to lower average interest rates during 2010, as compared with 2009.

The Company pays income taxes in the United States and other jurisdictions, as well as other non-income based taxes which are typically included in costs of operations. The Company's consolidated effective income tax rate in 2010 was 38.9% as compared to 40.3% for 2009. The lower consolidated effective income tax rate for 2010, as compared with 2009, is primarily the result of a higher tax benefit received for disqualifying dispositions of incentive stock options for 2010, as compared with 2009. Although a tax benefit related to stock-based compensation expense is recorded for non-qualified stock options at the time the related compensation expense is recognized, the tax benefit received for disqualifying dispositions of incentive stock options cannot be anticipated.

Currency and Other Risk Factors

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 volatile 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 mitigate short-term exchange losses. Any such hedging activity during 2011, 2010 and 2009 was insignificant. The Company had no foreign currency derivatives outstanding at December 31, 2011 and 2010. Net foreign currency gains in 2011, 2010 and 2009 were $2 million, $2 million and $1 million, respectively.

International air and 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. Historically, the industry has experienced consolidations into larger firms striving for stronger and more complete multinational and multi-service networks. However, regional and local brokers and forwarders remain a competitive force.

The primary competitive factors in the international logistics industry continue to be 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. Larger customers utilize more sophisticated and efficient procedures for the management of their logistics supply chains 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 more 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.

Geographic Coverage

At December 31, 2011, the Company operates in 185 full service offices and 64 satellite offices on six continents. During 2011, the Company opened two full-service offices: 1) Chengdu, People's Republic of China (formerly a satellite of Chongqing, People's Republic of China) and 2) Pusan, Korea (formerly a satellite office of Seoul, Korea). The Company opened one satellite office in Kristiansand, Norway (satellite of Oslo, Norway) and closed three satellite offices: 1) Malmoe, Sweden; 2) Tiruppur, India and (3) Detroit-Ambassador Bridge, United States.

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.

Liquidity and Capital Resources

The Company's principal source of liquidity is cash and cash equivalents and cash generated from operating activities. Net cash provided by operating activities for the year ended December 31, 2011 was $457 million, as compared with $396 million for 2010. This $61 million increase is primarily due to an increase in net earnings and changes in working capital accounts. At December 31, 2011, working capital was $1,491 million, including cash, cash equivalents and short-term investments of $1,295 million. The Company had no long-term debt at December 31, 2011. Management believes that the Company's current cash position 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.

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 and continuing well into the fourth quarter) causes an excess of customer billings over customer collections. This

ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following documents are filed on the pages listed below, as part of Part II, Item 8 of this report.

	Document	Page
1	Financial Statements and Reports of Independent Registered Public Accounting Firm:	
	Reports of Independent Registered Public Accounting Firm	F-1 and F-2
	Consolidated Financial Statements:	
	Balance Sheets as of December 31, 2011 and 2010	F-3
	Statements of Earnings for the Years Ended December 31, 2011, 2010, and 2009	F-4
	Statements of Equity and Comprehensive Income for the Years Ended December 31, 2011, 2010 and 2009	F-5 and F-6
	Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009	F-7
	Notes to Consolidated Financial Statements	F-8 through F-20

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report at the reasonable assurance level.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management has confidence in the Company's internal controls and procedures. Nevertheless, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure procedures and controls or the Company's internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all the Company's control issues and instances of fraud, if any, have been detected.

Management Report on Internal Control Over Financial Reporting

The management of the Company 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 reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the Board of Directors of the Company; and (iii) 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.

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 effectiveness of our internal control over financial reporting, as of December 31, 2011, 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, 2011, our internal control over

financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2011, which is included on page F-2.

ITEM 9B — OTHER INFORMATION

Not applicable.

PART III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is set forth below or incorporated by reference to information under the caption "Proposal 1 - Election of Directors" and to the information under the captions "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance-Director Nomination Process" in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2012. See also Part I - Item 1 - Executive Officers of the Registrant.

Audit Committee and Audit Committee Financial Expert

Our Board has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Mark A. Emmert, Dan P. Kourkoumelis, Michael J. Malone, John W. Meisenbach and Robert R. Wright. Our Board has determined that Robert R. Wright, Chairman of the Audit Committee, is an audit committee financial expert as defined by Item 407(d)(5) of Regulation S-K under the Exchange Act and that each member of the Audit Committee is independent under the NASDAQ independence standards applicable to audit committee members.

Code of Ethics and Governance Guidelines

We have adopted a *Code of Business Conduct* that applies to all Company employees including, of course, our principal executive officer and principal financial and accounting officer. The *Code of Business Conduct* is posted on our website at *http://www.investor.expeditors.com.* We will post any amendments to the *Code of Business Conduct* at that location. In the unlikely event that the Board of Directors approves any sort of waiver to the *Code of Business Conduct* for our executive officers or directors, information concerning such waiver will also be posted at that location. No waivers have been granted. In addition to posting information regarding amendments and waivers on our website, the same information will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting of such amendments or waivers satisfies applicable NASDAQ listing rules.

Our investor relations website also includes under the heading "Stock Transactions - Stock Trading Plans" information regarding entries into a Rule 10b5-1 trading plan by directors or officers of the Company or by the Company itself. Any new entry into such a trading plan or amendments thereto will be posted at that location.

ITEM 11 — EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to information under the captions "Proposal 1 – Election of Directors" and "Executive Compensation" in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2012.

ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to information under the captions "Principal Holders of Voting Securities" and "Proposal 1 - Election of Directors" in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2012.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2011, regarding compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Available for Future Issuance, Other Than Securities to be Issued Upon Exercise of All Outstanding Options, Warrants and Rights (3)
Equity Compensation Plans Approved by Security Holders	17,252,229	$ 38.45	2,848,017
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	17,252,229	$ 38.45	2,848,017

(1) Does not include 19,500 restricted stock awards that were not fully vested as of December 31, 2011.

(2) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock awards which have no exercise price.

(3) Includes 2,740,093 available for issuance under the employee stock purchase plans, 8,522 available for future grants of stock options and 99,402 available for issuance of restricted stock awards.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to information under the captions “Corporate Governance” and “Certain Relationships and Related Transactions” in the Company’s definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2012.

ITEM 14 — PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to information under the caption “Relationship with Independent Public Accountants” in the Company’s definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2012.

PART IV

ITEM 15 — EXHIBITS, FINANCIAL STATEMENT SCHEDULES

	Page
(a) 1 FINANCIAL STATEMENTS	
Reports of Independent Registered Public Accounting Firm	F-1 and F-2
Consolidated Balance Sheets as of December 31, 2011 and 2010	F-3
Consolidated Statements of Earnings for the Years Ended December 31, 2011, 2010 and 2009	F-4
Consolidated Statements of Equity and Comprehensive Income for the Years Ended December 31, 2011, 2010 and 2009	F-5 and F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009	F-7
Notes to Consolidated Financial Statements	F-8 through F-20
2 FINANCIAL STATEMENT SCHEDULES	
Schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.	
3 EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS	

The following list is a subset of the list of exhibits described below and contains all compensatory plans, contracts or arrangements in which any director or executive officer of the Company is a participant, unless the method of allocation of benefits thereunder is the same for management and non-management participants:

(1) Form of Employment Agreement executed by the Company’s Chairman and Chief Executive Officer. See Exhibit 10.23.

(2) Form of Employment Agreement executed by the Company’s President and Chief Operating Officer and certain of the Company’s executive officers. See Exhibit 10.24.

(3) Form of Employment Agreement executed by the Company’s Chief Financial Officer. See Exhibit 10.25.

(4) The Company's Amended 1985 Stock Option Plan. See Exhibit 10.4.

(5) Form of Stock Option Agreement used in connection with options granted under the Company's Amended 1985 Stock Option Plan. See Exhibit 10.5.

(6) The Company's Amended 1993 Directors' Non-Qualified Stock Option Plan. See Exhibit 10.39.

(7) Form of Stock Option Agreement used in connection with options granted under the Company's 1993 Directors' Non-Qualified Stock Option Plan. See Exhibit 10.9.

(8) The Company's Amended 1997 Non-Qualified and Incentive Stock Option Plan. See Exhibit 10.40.

(9) Form of Stock Option Agreement used in connection with Non-Qualified options granted under the Company's 1997 Non-Qualified and Incentive Stock Option Plan. See Exhibit 10.30.

(10) Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 1997 Non-Qualified and Incentive Stock Option Plan. See Exhibit 10.31.

(11) The Company's 2008 Executive Incentive Compensation Plan. See Exhibit 10.35.

(12) The Company's 2008 Directors' Restricted Stock Plan. See Exhibit 10.36.

(13) The Company's 2002 Employee Stock Purchase Plan. See Exhibit 10.42.

(14) The Company's 2005 Stock Option Plan. See Exhibit 10.45.

(15) Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2005 Incentive Stock Option Plan. See Exhibit 10.46.

(16) The Company's 2006 Stock Option Plan. See Exhibit 10.47.

(17) Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2006 Incentive Stock Option Plan. See Exhibit 10.48.

(18) The Company's 2007 Stock Option Plan. See Exhibit 10.49.

(19) Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2007 Incentive Stock Option Plan. See Exhibit 10.50.

(20) The Company's 2008 Stock Option Plan. See Exhibit 10.51.

(21) Form of Stock Option Agreement used in connection with options granted under the Company's 2008 Stock Option Plan. See Exhibit 10.52.

(22) The Company's 2009 Stock Option Plan. See Exhibit 10.53.

(23) Form of Stock Option Agreement used in connection with options granted under the Company's 2009 Stock Option Plan. See Exhibit 10.54.

(24) The Company's 2010 Stock Option Plan. See Exhibit 10.55.

(25) Form of Stock Option Agreement used in connection with options granted under the Company's 2010 Stock Option Plan. See Exhibit 10.56.

(26) The Company's 2011 Stock Option Plan. See Exhibit 10.57.

(27) Form of Stock Option Agreement used in connection with options granted under the Company's 2011 Stock Option Plan. See Exhibit 10.58.

(b) EXHIBITS

Exhibit Number	Exhibit
3.1	The Company's Restated Articles of Incorporation and the Articles of Amendment thereto dated December 9, 1993. (Incorporated by reference to Exhibit 3.1 to Form 10-K, filed on or about March 31, 1995.)
3.1.1	Articles of Amendment to the Restated Articles of Incorporation dated November 12, 1996. (Incorporated by reference to Exhibit 3.1.1 to Form 10-K, filed on or about March 31, 1997.)
3.1.2	Articles of Amendment to the Restated Articles of Incorporation dated May 20, 1999. (Incorporated by reference to Exhibit 3.1.2 to Form 10-K, filed on or about March 28, 2003.)
3.1.3	Articles of Amendment to the Restated Articles of Incorporation dated June 12, 2002. (Incorporated by reference to Exhibit 3.1.3 to Form 10-K, filed on or about March 28, 2003.)
3.2	The Company's Amended and Restated Bylaws. (Incorporated by reference to Exhibit 3.2 to Form 8-K, filed on or about November 4, 2010.)
10.4	The Company's Amended 1985 Stock Option Plan. (Incorporated by reference to Exhibit 10.14 to Form 10-K, filed on or about March 28, 1991.)
10.5	Form of Stock Option Agreement used in connection with options granted under the Company's Amended 1985 Stock Option Plan. (Incorporated by reference to Exhibit 10.15 to Form 10-K, filed on or about March 28, 1991.)
10.9	Form of Stock Option Agreement used in connection with options granted under the Company's 1993 Directors' Non-Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.9 to Form 10-K, filed on or about March 28, 1994.)

10.23	Form of Employment Agreement executed by the Company's Chairman and Chief Executive Officer dated December 31, 2008. (Incorporated by reference to Exhibit 10.23 to Form 10-K, filed on or about February 27, 2009.)
10.24	Form of Employment Agreement executed by the Company's President and Chief Operating Officer and certain of the Company's executive officers dated December 31, 2008. (Incorporated by reference to Exhibit 10.24 to Form 10-K, filed on or about February 27, 2009.)
10.25	Form of Employment Agreement executed by the Company's Chief Financial Officer dated December 31, 2008. (Incorporated by reference to Exhibit 10.25 to Form 10-K, filed on or about February 27, 2009.)
10.30	Form of Stock Option Agreement used in connection with Non-Qualified options granted under the Company's 1997 Non-Qualified and Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.30 to Form 10-K, filed on or about March 31, 1998.)
10.31	Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 1997 Non Qualified and Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.31 to Form 10-K, filed on or about March 31, 1998.)
10.35	The Company's 2008 Executive Incentive Compensation Plan. (Incorporated by reference to Appendix C of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 21, 2008.)
10.36	The Company's 2008 Directors' Restricted Stock Plan. (Incorporated by reference to Appendix B of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 21, 2008.)
10.39	The Company's Amended 1993 Directors' Non-Qualified Stock Option Plan. (Incorporated by reference to Appendix B of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 28, 2001.)
10.39.1	Amendment to Amended 1993 Directors' Non-Qualified Stock Option Plan (Incorporated by reference to Exhibit 10.39.1 to Form 10-Q filed on or about August 9, 2007.)
10.40	The Company's Amended 1997 Non-Qualified and Incentive Stock Option Plan. (Incorporated by reference to Appendix C of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 28, 2001.)
10.42	The Company's 2002 Employee Stock Purchase Plan. (Incorporated by reference to Appendix B of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 30, 2007.)
10.45	The Company's 2005 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 31, 2005.)
10.46	Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2005 Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.46 to Form 10-K filed on or about March 1, 2007.)
10.47	The Company's 2006 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about April 4, 2006.)
10.48	Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2006 Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.48 to Form 10-K filed on or about March 1, 2007.)
10.49	The Company's 2007 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 30, 2007.)
10.50	Form of Stock Option Agreement used in connection with Incentive options granted under the Company's 2007 Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.50 to Form 10-K filed on or about February 9, 2008.)
10.51	The Company's 2008 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 21, 2008.)
10.52	Form of Stock Option Agreement used in connection with options granted under the Company's 2008 Stock Option Plan. (Incorporated by reference to Exhibit 10.52 to Form 10-K filed on or about February 27, 2009.)
10.53	The Company's 2009 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 20, 2009.)
10.54	Form of Stock Option Agreement used in connection with options granted under the Company's 2009 Stock Option Plan. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on or about May 11, 2009.)
10.55	The Company's 2010 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 19, 2010.)
10.56	Form of Stock Option Agreement used in connection with options granted under the Company's 2010 Stock Option Plan. (Incorporated by reference to Appendix B of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 19, 2010.)
10.57	The Company's 2011 Stock Option Plan. (Incorporated by reference to Appendix A of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 18, 2011.)

10.58	Form of Stock Option Agreement used in connection with options granted under the Company's 2011 Stock Option Plan. (Incorporated by reference to Appendix B of the Company's Notice of Annual Meeting of Shareholders and Proxy Statement pursuant to Regulation 14A filed on or about March 18, 2011.)
21.1	Subsidiaries of the registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2012

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

By: /s/ Bradley S. Powell
Bradley S. Powell
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2012.

Signature	Title
/s/ Peter J. Rose (Peter J. Rose)	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director
/s/ R. Jordan Gates (R. Jordan Gates)	President and Chief Operating Officer and Director
/s/ James Li Kou Wang (James Li Kou Wang)	President-Asia Pacific and Director
/s/ Bradley S. Powell (Bradley S. Powell)	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Mark A. Emmert (Mark A. Emmert)	Director
/s/ Dan P. Kourkoumelis (Dan P. Kourkoumelis)	Director
/s/ Michael J. Malone (Michael J. Malone)	Director
/s/ John W. Meisenbach (John W. Meisenbach)	Director
/s/ Robert R. Wright (Robert R. Wright)	Director

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EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

COMPRISING ITEM 8

ANNUAL REPORT ON FORM 10-K

TO SECURITIES AND EXCHANGE COMMISSION FOR THE

YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009

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, 2011 and 2010, and the related consolidated statements of earnings, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011. 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, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, 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), Expeditors International of Washington, Inc.'s internal control over financial reporting as of December 31, 2011, 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 February 28, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington

February 28, 2012

Report of Independent Registered Public Accounting Firm

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

We have audited Expeditors International of Washington, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Expeditors International of Washington, Inc.'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, included in the accompanying Management Report on Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, Expeditors International of Washington, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2011 and 2010, and the related consolidated statements of earnings, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011 and our report dated February 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 28, 2012

Consolidated Balance Sheets

In thousands except share data

December 31,		2011	2010
Current Assets:			
Cash and cash equivalents	$	1,294,356	1,084,465
Short-term investments		472	524
Accounts receivable, less allowance for doubtful accounts of $10,381 in 2011 and $14,636 in 2010		934,752	1,003,884
Deferred Federal and state income taxes		10,415	8,706
Other		46,888	42,776
Total current assets		2,286,883	2,140,355
Property and Equipment:			
Land		167,037	163,291
Buildings and leasehold improvements		400,487	372,788
Furniture, fixtures, equipment and purchased software		233,447	215,054
Construction in progress		34,316	29,166
Property and equipment, at cost		835,287	780,299
Less accumulated depreciation and amortization		296,481	281,651
Property and equipment, net		538,806	498,648
Goodwill, net		7,927	7,927
Other intangibles, less accumulated amortization of $20,123 in 2011 and $18,921 in 2010		2,630	3,716
Other assets, net		30,581	28,533
Total assets	$	2,866,827	2,679,179
Current Liabilities:			
Accounts payable	$	606,628	652,161
Accrued expenses, primarily salaries and related costs		169,445	177,869
Federal, state, and foreign income taxes		20,072	31,948
Total current liabilities		796,145	861,978
Deferred Federal and state income taxes		60,613	69,047
Commitments and contingencies			
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 212,003,662 shares at December 31, 2011 and 212,047,774 shares at December 31, 2010		2,120	2,120
Additional paid-in capital		13,260	13,412
Retained earnings		1,991,222	1,717,249
Accumulated other comprehensive (loss) income		(2,964)	8,125
Total shareholders' equity		2,003,638	1,740,906
Noncontrolling interest		6,431	7,248
Total equity		2,010,069	1,748,154
Total liabilities and equity	$	2,866,827	2,679,179

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

In thousands except share data

Years ended December 31,	2011	2010	2009
Revenues:			
Airfreight services	$ 2,893,474	2,821,828	1,831,317
Ocean freight and ocean services	1,878,595	1,955,400	1,297,685
Customs brokerage and other services	1,378,429	1,190,345	963,281
Total revenues	6,150,498	5,967,573	4,092,283
Operating Expenses:			
Airfreight consolidation	2,193,122	2,181,598	1,341,842
Ocean freight consolidation	1,443,170	1,569,877	973,462
Customs brokerage and other services	617,729	523,312	394,193
Salaries and related costs	993,358	894,132	774,214
Rent and occupancy costs	84,665	77,209	74,324
Depreciation and amortization	36,776	36,900	40,035
Selling and promotion	38,974	32,055	26,295
Other	124,377	105,260	82,917
Total operating expenses	5,532,171	5,420,343	3,707,282
Operating income	618,327	547,230	385,001
Other Income (Expense):			
Interest income	10,235	7,002	10,177
Interest expense	(970)	(576)	(499)
Other, net	10,436	10,412	8,193
Other income, net	19,701	16,838	17,871
Earnings before income taxes	638,028	564,068	402,872
Income tax expense	251,785	219,863	162,475
Net earnings	386,243	344,205	240,397
Less net earnings attributable to the noncontrolling interest	564	33	180
Net earnings attributable to shareholders	$ 385,679	344,172	240,217
Diluted earnings attributable to shareholders per share	$ 1.79	1.59	1.11
Basic earnings attributable to shareholders per share	$ 1.82	1.62	1.13
Weighted average diluted shares outstanding	215,033,580	216,446,656	216,533,240
Weighted average basic shares outstanding	212,117,511	212,283,966	212,112,744

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity and Comprehensive Income

In thousands except share data
Years ended December 31, 2011, 2010 and 2009

	Common Stock	
	Shares	Par Value
Balance at December 31, 2008	211,973,377	$ 2,120
Exercise of stock options and release of restricted shares	2,068,603	20
Issuance of shares under stock purchase plan	714,799	7
Shares repurchased under provisions of stock repurchase plans	(2,731,285)	(27)
Stock compensation expense	—	—
Tax benefits from stock plans	—	—
Purchase of noncontrolling interest	—	—
Comprehensive income:		
Net earnings	—	—
Foreign currency translation adjustments, net of tax of $8,672	—	—
Total comprehensive income	—	—
Dividends paid ($.38 per share)	—	—
Distributions or declaration of dividends to noncontrolling interest	—	—
Balance at December 31, 2009	212,025,494	2,120
Exercise of stock options and release of restricted shares	4,781,971	48
Issuance of shares under stock purchase plan	694,329	7
Shares repurchased under provisions of stock repurchase plans	(5,454,020)	(55)
Stock compensation expense	—	—
Tax benefits from stock plans	—	—
Comprehensive income:		
Net earnings	—	—
Foreign currency translation adjustments, net of tax of $4,122	—	—
Total comprehensive income	—	—
Dividends paid ($.40 per share)	—	—
Distributions or declaration of dividends to noncontrolling interest	—	—
Balance at December 31, 2010	212,047,774	2,120
Exercise of stock options and release of restricted shares	1,632,077	16
Issuance of shares under stock purchase plan	663,386	7
Shares repurchased under provisions of stock repurchase plans	(2,339,575)	(23)
Stock compensation expense	—	—
Tax benefits from stock plans	—	—
Comprehensive income:		
Net earnings	—	—
Foreign currency translation adjustments, net of tax of $6,471	—	—
Reclassification adjustments for foreign currency realized losses, net of tax of $393	—	—
Total comprehensive income	—	—
Dividends paid ($.50 per share)	—	—
Distributions or declaration of dividends to noncontrolling interest	—	—
Balance at December 31, 2011	212,003,662	2,120

Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Noncontrolling interest	Total equity
7,150	1,372,356	(15,208)	1,366,418	17,498	1,383,916
26,393	—	—	26,413	—	26,413
20,505	—	—	20,512	—	20,512
(84,482)	—	—	(84,509)	—	(84,509)
39,135	—	—	39,135	—	39,135
5,726	—	—	5,726	—	5,726
3,838	—	—	3,838	(4,306)	(468)
—	240,217	—	240,217	180	240,397
—	—	15,812	15,812	(634)	15,178
—	—	—	256,029	(454)	255,575
—	(80,555)	—	(80,555)	—	(80,555)
—	—	—	—	(4,398)	(4,398)
18,265	1,532,018	604	1,553,007	8,340	1,561,347
79,186	—	—	79,234	—	79,234
20,543	—	—	20,550	—	20,550
(172,188)	(74,069)	—	(246,312)	—	(246,312)
43,743	—	—	43,743	—	43,743
23,863	—	—	23,863	—	23,863
—	344,172	—	344,172	33	344,205
—	—	7,521	7,521	(74)	7,447
—	—	—	351,693	(41)	351,652
—	(84,872)	—	(84,872)	—	(84,872)
—	—	—	—	(1,051)	(1,051)
13,412	1,717,249	8,125	1,740,906	7,248	1,748,154
32,406	—	—	32,422	—	32,422
24,217	—	—	24,224	—	24,224
(106,353)	(5,695)	—	(112,071)	—	(112,071)
44,278	—	—	44,278	—	44,278
5,300	—	—	5,300	—	5,300
—	385,679	—	385,679	564	386,243
—	—	(11,705)	(11,705)	(426)	(12,131)
—	—	616	616	—	616
—	—	—	374,590	138	374,728
—	(106,011)	—	(106,011)	—	(106,011)
—	—	—	—	(955)	(955)
13,260	1,991,222	(2,964)	2,003,638	6,431	2,010,069

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

In thousands

Years ended December 31,	2011	2010	2009
Operating Activities:			
Net earnings	$ 386,243	344,205	240,397
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Provision for losses on accounts receivable	1,327	3,414	804
Deferred income tax (benefit) expense	(4,065)	10,569	(1,609)
Excess tax benefits from stock plans	(5,300)	(23,863)	(5,726)
Stock compensation expense	44,278	43,743	39,135
Depreciation and amortization	36,776	36,900	40,035
Loss (gain) on sale of assets	360	(321)	(42)
Amortization of other intangible assets	1,156	1,413	1,520
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	46,915	(188,823)	(1,077)
(Decrease) increase in accounts payable and accrued expenses	(40,819)	130,138	29,910
(Decrease) increase in income taxes payable, net	(3,237)	39,495	(12,706)
(Increase) decrease in other current assets	(6,503)	(1,352)	159
Net cash provided by operating activities	457,131	395,518	330,800
Investing Activities:			
Decrease in short-term investments, net	29	188	26
Purchase of property and equipment	(78,115)	(42,408)	(34,700)
Proceeds from sale of property and equipment	193	360	276
Prepayment on long-term leases, net	(936)	—	(5,049)
Other	(1,510)	(319)	(1,901)
Net cash used in investing activities	(80,339)	(42,179)	(41,348)
Financing Activities:			
Proceeds from issuance of common stock	56,646	99,784	46,925
Repurchases of common stock	(112,071)	(246,312)	(84,509)
Excess tax benefits from stock plans	5,300	23,863	5,726
Dividends paid	(106,011)	(84,872)	(80,555)
Distributions to noncontrolling interest	(955)	(1,051)	(1,084)
Purchase of noncontrolling interest	—	—	(3,851)
Net cash used in financing activities	(157,091)	(208,588)	(117,348)
Effect of exchange rate changes on cash and cash equivalents	(9,810)	13,785	12,797
Increase in cash and cash equivalents	209,891	158,536	184,901
Cash and cash equivalents at beginning of year	1,084,465	925,929	741,028
Cash and cash equivalents at end of year	1,294,356	1,084,465	925,929
Interest and Taxes Paid:			
Interest	296	110	497
Income taxes	266,621	171,618	158,745

See accompanying notes to consolidated financial statements

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 non-asset based provider of global logistics services operating through a worldwide network of offices and exclusive or non-exclusive agents. The Company's customers include retailing and wholesaling, electronics, and manufacturing companies around the world.

International trade is influenced by many factors, including economic and political conditions in the United States and abroad, currency exchange rates, regulatory environments, cargo and other security concerns, 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 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 as well as economic turbulence or security concerns in the nations in which it does business.

The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The consolidated financial statements include the accounts of the Company and its subsidiaries stated in U.S. dollars, the Company's reporting 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 dollar amounts in the notes are presented in thousands except for share data. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 have a maturity date of greater than three months at date of purchase and are designated as available-for-sale. Cost approximates market at December 31, 2011 and 2010.

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 and advances. Additional allowances may be necessary in the future if the ability of its customers to pay deteriorates. The Company has recorded an allowance for doubtful accounts in the amounts of $10,381, $14,636 and $14,235 as of December 31, 2011, 2010 and 2009, respectively. Additions and write-offs have not been significant in any of these years.

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:

Land Improvements	50 years
Buildings	28 to 40 years
Furniture, fixtures, equipment and purchased software	3 to 5 years

Expenditures for maintenance, repairs, and replacements of minor items are charged to earnings as incurred. Major upgrades and improvements that extend the life of the asset 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.

For the years ended December 31, 2011 and 2010, the Company performed the required goodwill 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 intangibles 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. The estimated annual amortization expense for each of the next five years is not significant.

F. | Revenues and Revenue Recognition

The Company derives its revenues from three principal sources: 1) airfreight services, 2) ocean freight and ocean services, 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)

H. | Net Earnings Attributable to Shareholders per Common Share

Diluted earnings attributable to shareholders 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 and stock purchase rights. Basic earnings attributable to shareholders per share is calculated using the weighted average number of common shares outstanding without taking into consideration dilutive potential common shares outstanding.

I. | Stock Plans

The Company recognizes stock compensation expense based on an estimate of the fair value of awards granted to employees and directors under the Company's stock option, director restricted stock and employee stock purchase rights plans. This expense, adjusted for expected forfeitures, is recognized on a straight-line basis over the stock awards' vesting periods.

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. Translation adjustments resulting from this process are recorded as components of other comprehensive income until complete or substantially complete liquidation by the Company of its investment in a foreign entity. Currency fluctuations are a normal operating factor in the conduct of the Company's business and foreign exchange transaction gains and losses are included in revenues and operating expenses. Also, the Company is exposed to foreign currency exchange fluctuations on monetary assets and liabilities denominated in currencies that are not the local functional currency. Foreign exchange gains and losses on such balances are recognized in net earnings as other income. Net foreign currency gains in 2011, 2010 and 2009 were $1,930, $2,026 and $1,418, respectively.

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. Such hedging activity during 2011, 2010, and 2009 was insignificant. The Company had no foreign currency derivatives outstanding at December 31, 2011 and 2010.

K. | Comprehensive Income

Comprehensive income consists of net earnings and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net earnings. For the Company, these consist of foreign currency translation gains and losses, net of related income tax effects and comprehensive income or loss attributable to the noncontrolling interests.

Accumulated other comprehensive income consisted entirely of foreign currency translation adjustments, net of related income tax effects, as of December 31, 2011 and 2010.

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 U.S. GAAP 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. The Company uses estimates primarily in the following areas: accounts receivable valuation, accrual of costs related to ancillary services the Company provides, accrual of insurance liabilities for the portion of the freight related exposure which the Company has self-insured, accrual of various tax liabilities, accrual of loss contingencies and calculation of share-based compensation expense. Actual results could differ from those estimates.

N. | Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-No. 05 "Presentation of Comprehensive Income", which amends Accounting Standards Codification (ASC) Topic 220 -"Comprehensive Income". This update is intended to increase the prominence of items reported in other comprehensive income by giving the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company is required to and plans to adopt the provisions of ASU 2011-No. 05, as amended by ASU 2011-No. 12, beginning in the first quarter of 2012. The adoption is only expected to have a presentation impact on the Company's consolidated statements of earnings and consolidated statements of equity and comprehensive income.

In October 2009, the FASB issued ASU 2009-No. 13 “Multiple-Deliverable Revenue Arrangements”, which amends ASC Topic 605 -”Revenue Recognition”. This update provided amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. This update established a selling price hierarchy for determining the selling price of a deliverable. ASU 2009-No. 13 was effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company adopted the provisions of ASU 2009-No. 13 beginning in the first quarter of 2011. The adoption had no material impact on the Company's consolidated financial condition or results of operations.

NOTE 2. SHAREHOLDERS’ EQUITY

A. | Stock Repurchase Plans

The Company has a Non-Discretionary Stock Repurchase Plan, originally approved by the Board of Directors in November 1993, under which management is authorized to repurchase up to 40,000,000 shares of the Company’s common stock in the open market with the proceeds received from the exercise of employee and director stock options.

In November 2001, under the Company’s Discretionary Stock Repurchase Plan, the Board of Directors authorized the repurchase of such shares as may be necessary to reduce the issued and outstanding stock to 200,000,000 shares of common stock.

The following table summarizes by repurchase plan the Company’s repurchasing activity:

	Cumulative shares repurchased	Average price per share
Non-Discretionary Plan (1994 through 2011)	23,120,426	$ 22.61
Discretionary Plan (2001 through 2011)	21,156,206	$ 35.15

B. | Stock Option Plans

At December 31, 2011, the Company has two stock option plans (the “1985 Plan” and the “2011 Plan”) under which the Board of Directors may grant officers and employees options to purchase common stock at prices equal to or greater than market value on the date of grant. On May 4, 2011, the shareholders approved the Company’s 2011 Plan, which made available a total of 3,000,000 shares of the Company’s common stock for purchase upon exercise of options granted under the 2011 Plan. The 1985 Plan provides for non-qualified grants. The 2011 Plan provides for qualified and non-qualified grants. Grants under the 2011 Plan are limited to not more than 100,000 shares per person. No additional shares can be granted under the 2011 Plan after April 30, 2012. 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.

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 or disqualifying disposition. The portion of the benefit from the deduction which equals the estimated fair value of the options (previously recognized as compensation expense) is recorded as a credit to the deferred tax asset for non-qualified stock options and is recorded as a credit to current tax expense for any disqualified dispositions of incentive stock options. All of the tax benefit received upon option exercise for the tax deduction in excess of the estimated fair value of the options is credited to additional paid-in capital.

The following table summarizes by plan stock option activity and shares available for granting of options:

	1985 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Balance at December 31, 2008	6,912	911,585	—	—	—
Options authorized	—	—	3,000,000	—	—
Options granted	—	—	(2,449,200)	—	—
Options not granted	—	(911,585)	—	—	—
Balance at December 31, 2009	6,912	—	550,800	—	—
Options authorized	—	—	—	3,000,000	—
Options granted	—	—	—	(2,634,885)	—
Options not granted	—	—	(550,800)	—	—
Balance at December 31, 2010	6,912	—	—	365,115	—
Options authorized	—	—	—	—	3,000,000
Options granted	—	—	—	—	(2,998,390)
Options not granted	—	—	—	(365,115)	—
Balance at December 31, 2011	6,912	—	—	—	1,610

C. | 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. The Company's amended 2002 Plan provides for 9,305,452 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 the last trading day in July or (2) 85% of the fair market value of the Company's stock on the first trading day in August of the preceding year. A total of 6,565,359 shares have been issued under the 2002 Plan and $13,419 have been withheld from employees at December 31, 2011 in connection with the plan year ending July 31, 2012.

D. | Director Restricted Stock Plan

In May 2008, the shareholders approved the Company's 2008 Directors' Restricted Stock Plan (the 2008 Directors' Plan), which provides for annual awards of restricted stock to non-employee directors and makes 200,000 shares of the Company's common stock available for grant. The 2008 Directors' Plan replaced the 1993 Directors' Non-qualified Stock Option Plan. The plan provides for an annual grant of restricted stock awards with a fair market value equal to $200 to each participant on June 1st of each year. There are 99,402 shares available for grant under the 2008 Directors' Plan as of December 31, 2011. Each restricted stock award under the 2008 Directors' Plan vests in equal amounts monthly over one year. Restricted shares entitle the grantees to all shareholder rights once vested, except for cash dividends and transfer rights which are forfeited until the final vesting date of the award. If a non-employee director's service is terminated, any unvested portion of an award will be forfeited unless the Compensation Committee of the Board of Directors determines otherwise.

E. | Stock Option Activity

The following table summarizes information about stock options:

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual life	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2010	16,293,671	$ 34.11		
Options granted	2,998,390	$ 52.80		
Options exercised	(1,605,342)	$ 20.20		
Options forfeited	(409,163)	$ 42.59		
Options cancelled	(25,327)	$ 38.76		
Outstanding at December 31, 2011	17,252,229	$ 38.45	5.85	$ 98,668
Exercisable at December 31, 2011	8,422,318	$ 32.07	3.48	$ 89,452

F. | Share-Based Compensation Expense

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:

	For the years ended December 31,		
	2011	2010	2009
Dividend yield	.97 - .98%	1.07 - 1.08%	1.22 - 1.25%
Volatility – stock option plans	38 - 40%	38 - 40%	38 - 39%
Volatility – stock purchase rights plans	26%	29%	59%
Risk-free interest rates	.19 - 2.84%	.29 - 2.86%	.48 - 3.37%
Expected life (years) – stock option plans	5.50 - 7.11	5.44 - 6.90	6.09 - 7.86
Expected life (years) – stock purchase rights plans	1	1	1
Weighted average fair value of stock options granted during the period	$ 19.35	$ 14.51	$ 13.84
Weighted average fair value of stock purchase rights granted during the period	$ 11.70	$ 11.16	$ 12.78

The Company's expected volatility assumptions are based on the historical volatility of the Company's stock over a period of time commensurate to the expected life. The expected life assumption is primarily based on historical employee exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the corresponding yield curve in effect at the time of grant for U.S. Treasury bonds having the same term as the expected life of the option, i.e. a ten year bond rate is used for valuing an option with a ten year expected life. The expected dividend yield is based on the Company's historical experience. The forfeiture assumption used to calculate compensation expense is primarily based on historical pre-vesting employee forfeiture patterns.

The compensation for restricted stock awards is based on the fair market value of the Company's share of common stock on the date of grant. In 2011, restricted shares totaling 19,500 were granted with a fair value per share of $51.27.

The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was approximately $47 million, $135 million and $38 million, respectively.

As of December 31, 2011, the total unrecognized compensation cost related to unvested stock options, unvested restricted stock awards and stock purchase rights is $92 million and the weighted average period over which that cost is expected to be recognized is 3.2 years.

Total stock compensation expense and the total related tax benefit recognized are as follows:

	For the years ended December 31,		
	2011	2010	2009
Stock compensation expense	$ 44,278	$ 43,743	$ 39,135
Recognized tax benefit	$ 156	$ 187	$ 258

Shares issued as a result of stock option exercises, restricted stock awards and employee stock plan purchases are issued as new shares outstanding by the Company's transfer agent.

NOTE 3. 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 attributable to shareholders per share.

	Net earnings attributable to shareholders	Weighted average shares	Earnings per share
2011			
Basic earnings attributable to shareholders	$ 385,679	212,117,511	$ 1.82
Effect of dilutive potential common shares	—	2,916,069	—
Diluted earnings attributable to shareholders	$ 385,679	215,033,580	$ 1.79
2010			
Basic earnings attributable to shareholders	$ 344,172	212,283,966	$ 1.62
Effect of dilutive potential common shares	—	4,162,690	—
Diluted earnings attributable to shareholders	$ 344,172	216,446,656	$ 1.59
2009			
Basic earnings attributable to shareholders	$ 240,217	212,112,744	$ 1.13
Effect of dilutive potential common shares	—	4,420,496	—
Diluted earnings attributable to shareholders	$ 240,217	216,533,240	$ 1.11

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,	2011	2010	2009
Shares	7,321,670	10,675,403	8,698,730

NOTE 4. INCOME TAXES

Income tax expense (benefit) includes the following components:

		Federal	State	Foreign	Total
2011					
	Current	$ 100,479	20,219	135,152	255,850
	Deferred	(4,335)	270	—	(4,065)
		$ 96,144	20,489	135,152	251,785
2010					
	Current	$ 76,745	13,558	118,991	209,294
	Deferred	10,197	372	—	10,569
		$ 86,942	13,930	118,991	219,863
2009					
	Current	$ 62,865	10,908	90,311	164,084
	Deferred	(1,388)	(221)	—	(1,609)
		$ 61,477	10,687	90,311	162,475

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

	2011	2010	2009
Computed “expected” tax expense	$ 223,310	197,424	141,005
Increase in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	13,318	9,054	6,947
Nondeductible stock compensation expense, net	12,877	10,254	11,586
Other, net	2,280	3,131	2,937
	$ 251,785	219,863	162,475

The components of earnings before income taxes are as follows:

	2011	2010	2009
United States	$ 212,308	196,382	117,889
Foreign	425,720	367,686	284,983
	$ 638,028	564,068	402,872

The tax effects of temporary differences and tax credits that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

Years ended December 31,	2011	2010
Deferred Tax Assets:		
Accrued third party charges, deductible for taxes upon economic performance	$ 9,220	6,503
Provision for doubtful accounts receivable	1,074	1,561
Excess of financial statement over tax depreciation	8,138	8,079
Deductible stock compensation expense, net	4,651	5,450
Foreign currency translation adjustment	1,625	—
Partnership basis difference	1,043	—
Retained liability for cargo claims	192	713
Total gross deferred tax assets	25,943	22,306
Deferred Tax Liabilities:		
Unremitted foreign earnings, net of related foreign tax credits	(76,070)	(78,112)
Foreign currency translation adjustment	—	(4,453)
Other	(71)	(82)
Total gross deferred tax liabilities	$ (76,141)	(82,647)
Net deferred tax liabilities	$ (50,198)	(60,341)
Current deferred tax assets	$ (10,415)	(8,706)
Noncurrent deferred tax liabilities	$ (60,613)	(69,047)

Based on management's review of the Company's tax positions, the Company had no significant unrecognized tax benefits as of December 31, 2011 and 2010.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years prior to 2008. With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years prior to 2001. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that may result from these open tax years. Any interest and penalties expensed in relation to the underpayment of income taxes were insignificant for the years ended December 31, 2011, 2010 and 2009.

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, accounts payable and accrued expenses. The carrying value of these financial instruments approximates their fair value. Cash equivalents consist of highly liquid investments with a maturity of three months or less at date of purchase. Short term investments have a maturity of greater than three months at date of purchase. Cash, cash equivalents and short-term investments consist of the following:

	December 31, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents:				
Cash and overnight deposits	$ 445,586	$ 445,586	$ 443,716	$ 443,716
Corporate commercial paper	791,729	791,902	571,260	571,373
Time deposits	57,041	57,041	69,489	69,489
Total cash and cash equivalents	1,294,356	1,294,529	1,084,465	1,084,578
Short-term investments:				
Time deposits	472	472	524	524
Total	$ 1,294,828	$ 1,295,001	$ 1,084,989	$ 1,085,102

The fair value of corporate commercial paper is based on the use of market interest rates for identical or similar assets.

NOTE 6. CREDIT ARRANGEMENTS

Certain 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. Amounts available for borrowing under lines of credit totaled $15,128 and $21,857 at December 31, 2011 and 2010, respectively. At December 31, 2011, the Company had no amounts outstanding under these lines and was contingently liable for approximately $103,813 under outstanding standby letters of credit and guarantees. At December 31, 2011, the Company was in compliance with all restrictive covenants of these credit lines and the associated credit facilities.

The standby letters of credit and 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.

NOTE 7. COMMITMENTS

A. | Leases

The Company occupies office and warehouse facilities under terms of operating leases expiring up to 2021. The Company also has two long term operating lease arrangements to use land, for which the usage rights were entirely prepaid in 2009 and 2007. Usage rights for those arrangements are recognized in rent expense over the lease terms up to 2057. Total rent expense for all operating leases in 2011, 2010 and 2009 was $58,978, $54,024 and $52,581, respectively.

At December 31, 2011, future minimum annual lease payments under all noncancelable leases are as follows:

2012	$	44,971
2013		31,917
2014		18,436
2015		9,450
2016		6,605
Thereafter		7,206
	$	118,585

B. | Unconditional Purchase Obligations

The Company enters into short-term unconditional purchase obligations 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 met these obligations in the normal course of business. Management believes, in line with historical experience, committed purchase obligations outstanding as of December 31, 2011 of $377,345, will be fulfilled during 2012 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 2011, 2010 and 2009, the Company's contributions under the plans were $6,312, $6,127, and $6,100, respectively.

NOTE 8. CONTINGENCIES

On October 10, 2007, the U. S. Department of Justice (DOJ) issued a subpoena ordering the Company to produce certain information and records relating to an investigation of alleged anti-competitive behavior amongst air cargo freight forwarders. As part of this process, the Company has met with and continues to co-operate with the DOJ. The Company may incur additional costs during the course of this ongoing investigation, which could include fines and/or penalties if the DOJ concludes that the Company has engaged in anti-competitive behavior and such fines and/or penalties could have a material impact on the Company's results of operations and operating cash flows for any particular quarter or year. At this time the Company is unable to estimate the range of reasonably possible fines and/or penalties, if any, that might result from this investigation.

On January 3, 2008, the Company was named as a defendant, with seven other European and North American-based global logistics providers, in a Federal antitrust class action lawsuit filed in the United States District Court of the Eastern District of New York, Precision Associates, Inc. et al v. Panalpina World Transport, No. 08-CV0042. On July 21, 2009, the plaintiffs filed an amended complaint adding a number of new

third party defendants and various claims which they assert to violate the Sherman Act. The plaintiffs' amended complaint, which purports to be brought on behalf of a class of customers (and has not yet been certified), asserts claims that the defendants engaged in price fixing regarding eight discrete surcharges in violation of the Sherman Act. The allegations concerning the Company relate to two of these surcharges. The amended complaint seeks unspecified damages and injunctive relief. The Company believes that these allegations are without merit and intends to vigorously defend itself against these allegations. On August 13, 2009, the Company filed a motion to dismiss the amended complaint for failure to state a claim. Plaintiffs filed their opposition to the Company's motion on January 30, 2010. On January 4, 2011, the Magistrate Judge issued a Report and Recommendation to dismiss the claims against the Company and others, but allowed the plaintiffs' the opportunity to further amend the complaint. The Report and Recommendation is now pending before the Court for resolution. On February 28, 2012, the Company entered into an agreement, which is subject to preliminary approval by the Court, notice to the putative class and final approval, with the plaintiffs individually and on behalf of a class of direct purchasers of freight forwarding services, to resolve this lawsuit. The Company has not made, and continues to make no admission of liability by entering into this agreement. The agreement, if approved by the Court, will dismiss all allegations that the Company violated the Sherman Act. Under the terms of the agreement, the Company will be dismissed from this lawsuit. In exchange for being dismissed from this lawsuit, the Company has agreed to assign to the plaintiffs 70% of the proceeds (Air Cargo proceeds) it may receive as one of the members in a separate class action litigation brought against many of the largest international air cargo carriers. The agreement provides for no other sources of consideration from the Company. Based on the terms of the agreement, and the Company's previously publicly-expressed intent not to profit and thereby effectively distribute any Air Cargo proceeds it may receive, management does not expect there to be any material impact on the Company's consolidated financial statements. Management believes that the amounts assigned to the plaintiffs and the class it seeks to represent, which includes the Company's customers, net of attorneys' fees and other administrative costs allowed by the Court, will be allocated by the Court to members of this class action lawsuit in an equitable manner consistent with their participation in the international airfreight markets over the relevant time periods.

On June 18, 2008, the European Commission (EC) issued a request for information to the Company's UK subsidiary, Expeditors International (UK) Ltd., requesting certain information relating to an ongoing investigation of freight forwarders. The Company replied to the request. On February 18, 2009, the EC issued another request for information to the same subsidiary requesting certain additional information in connection with the EC's ongoing investigation of freight forwarders. The Company replied to the request. On February 10, 2010, the Company and its Hong Kong subsidiary, Expeditors Hong Kong Limited, received a Statement of Objections (SO) from the EC. The SO initiates a proceeding against the Company alleging anti-competitive behavior contrary to European Union rules on competition. Specific to the Company, the allegations in the SO are limited to the period from August 2005 to June 2006 and only concern airfreight trade lanes between South China/ Hong Kong and the European Economic Area. The Company filed a response to the allegations in the SO on April 12, 2010 and participated in an oral hearing on July 6, 2010. On January 20, 2011, the EC issued another request for information to the Company and its Hong Kong subsidiary requesting certain additional information in connection with its on-going investigation of freight forwarders. The Company replied to the request. On October 25, 2011, the Company and its Hong Kong subsidiary received a standard letter from the EC regarding its ongoing investigation of freight forwarders. The letter (i) invited comment on the EC's January 20, 2011 request for information and (ii) indicated potential revenue data it may take into account for the calculation of any fine it may impose. The Company replied to the letter. On February 24, 2012, the Company received notice from the EC that it plans to hold additional meetings, known as State of Play meetings, related to its on-going investigation of freight forwarders on or about March 15, 2012. The Company expects to participate in the meetings to continue its vigorous defense against the allegations. The Company expects to incur ongoing attorneys' fees and other defense costs during the course of this ongoing proceeding. Administrative fines, if the EC concludes that the Company has engaged in anti-competitive behavior, could have a material impact on the Company's results of operations and operating cash flows for any particular quarter or year. The Company continues to vigorously defend itself against the allegations, and at this time, the Company has no way of predicting the ultimate outcome of this proceeding. Further, the Company is unable to estimate the range of a reasonably possible fine, if any, that might result from this proceeding.

On August 17, 2010, the Company and its Brazilian subsidiary, Expeditors Internacional do Brasil Ltda received an Administrative Proceeding (AP) from the Brazilian Ministry of Justice (MOJ). The AP initiates a proceeding against the Company and one of its employees, alleging possible anti-competitive behavior. The Company intends to vigorously defend itself against the allegations. The Company expects to incur additional costs during the course of this proceeding, which could include administrative fines if the MOJ concludes that the Company has engaged in anti-competitive behavior. Based on recent changes in Brazilian anti-competition laws that reduce the maximum amount of fines that can be assessed, and further investigation of this matter, management believes that such fines, if any, will not have a material impact on the Company's results of operations and operating cash flows for any particular quarter or year.

No amounts have been accrued for any of the contingencies described above. Legal and associated costs incurred by the Company on the above matters were not significant for the years ended December 31, 2011, 2010 and 2009, respectively. These government investigations and the related litigation matters are subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include substantial monetary damages and, in matters in which injunctive relief or other conduct remedies are sought, an injunction or other order relating to business conduct. Were unfavorable final outcomes to occur, the Company's results of operations and operating cash flows for the particular quarter or year could be materially harmed.

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

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NOTE 9. BUSINESS SEGMENT INFORMATION

Financial information regarding 2011, 2010 and 2009 operations by the Company's designated geographic areas are as follows:

	United States	Other North America
2011		
Revenues from unaffiliated customers	$ 1,540,477	189,843
Transfers between geographic areas	101,738	11,095
Total revenues	$ 1,642,215	200,938
Net revenues	$ 732,299	90,432
Operating income	$ 210,702	29,209
Identifiable assets at year end	$ 1,521,657	86,020
Capital expenditures	$ 23,219	1,122
Depreciation and amortization	$ 20,037	1,038
Equity	$ 1,285,812	49,571
2010		
Revenues from unaffiliated customers	$ 1,348,259	163,750
Transfers between geographic areas	99,547	10,836
Total revenues	$ 1,447,806	174,586
Net revenues	$ 666,669	77,079
Operating income	$ 198,393	23,521
Identifiable assets at year end	$ 1,343,098	95,298
Capital expenditures	$ 18,128	574
Depreciation and amortization	$ 20,125	1,344
Equity	$ 1,089,053	46,601
2009		
Revenues from unaffiliated customers	$ 982,103	129,272
Transfers between geographic areas	75,964	7,344
Total revenues	$ 1,058,067	136,616
Net revenues	$ 547,879	65,331
Operating income	$ 117,908	20,253
Identifiable assets at year end	$ 1,188,111	82,166
Capital expenditures	$ 24,908	724
Depreciation and amortization	$ 21,010	1,391
Equity	$ 965,620	40,421

Latin America	Asia Pacific	Europe and Africa	Middle East and India	Eliminations	Consolidated
82,312	3,144,641	891,185	302,040	—	6,150,498
21,222	40,012	43,359	17,897	(235,323)	—
103,534	3,184,653	934,544	319,937	(235,323)	6,150,498
59,968	605,151	307,471	101,156	—	1,896,477
19,151	258,952	72,248	28,065	—	618,327
48,221	667,171	401,518	141,379	861	2,866,827
628	25,295	25,856	1,995	—	78,115
999	7,243	5,414	2,045	—	36,776
27,346	448,613	145,998	85,605	(32,876)	2,010,069
74,327	3,349,960	729,022	302,255	—	5,967,573
16,932	32,837	40,778	16,184	(217,114)	—
91,259	3,382,797	769,800	318,439	(217,114)	5,967,573
50,937	543,869	264,663	89,569	—	1,692,786
15,985	222,944	63,115	23,272	—	547,230
51,326	612,085	432,019	144,043	1,310	2,679,179
1,320	5,743	14,383	2,260	—	42,408
880	7,511	4,661	2,379	—	36,900
27,462	371,610	160,428	84,456	(31,456)	1,748,154
64,060	2,101,323	582,759	232,766	—	4,092,283
13,520	26,771	27,699	14,602	(165,900)	—
77,580	2,128,094	610,458	247,368	(165,900)	4,092,283
44,182	413,627	229,432	82,335	—	1,382,786
12,538	167,299	43,953	23,050	—	385,001
42,478	493,338	387,494	128,690	1,445	2,323,722
688	2,772	3,407	2,201	—	34,700
1,087	8,106	5,968	2,473	—	40,035
17,809	341,991	148,592	77,566	(30,652)	1,561,347

Other than the United States, only the People's Republic of China, including Hong Kong, represented more than 10% of the Company's total revenue, net revenue, total identifiable assets or equity in any period presented as noted in the table below.

	2011	2010	2009
Total revenues	34%	37%	34%
Net revenues	19%	19%	17%
Identifiable assets at year end	14%	13%	13%
Equity	13%	10%	10%

NOTE 10. QUARTERLY RESULTS (UNAUDITED)

	1st	2nd	3rd	4th
2011				
Revenues	$ 1,460,848	1,581,368	1,606,368	1,501,914
Net revenues	453,915	472,561	493,846	476,155
Net earnings	91,207	95,020	106,876	93,140
Net earnings attributable to shareholders	91,232	95,000	106,604	92,843
Diluted earnings attributable to shareholders per share	.42	.44	.50	.43
Basic earnings attributable to shareholders per share	.43	.45	.50	.44
2010				
Revenues	$ 1,201,109	1,516,770	1,667,559	1,582,135
Net revenues	361,823	418,858	458,743	453,362
Net earnings	61,310	90,409	96,038	96,448
Net earnings attributable to shareholders	61,247	90,318	96,105	96,502
Diluted earnings attributable to shareholders per share	.28	.42	.44	.45
Basic earnings attributable to shareholders per share	.29	.43	.45	.45

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

Directors & Executive Officers

Directors

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Chairman of the Board
& Chief Executive Officer
Director

James L. K. Wang
President
Asia Pacific
Director

R. Jordan Gates
President and
Chief Operating Officer
Director

Robert R. Wright
Lead Director, President and
Chief Executive Officer,
Matthew G. Norton Co.,
A Real Estate Firm

Mark A. Emmert
Director, President,
National Collegiate Athletic Association

Dan P. Kourkoumelis
Director

Michael J. Malone
Director

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

Executive Officers

Timothy C. Barber
President
Global Sales & Marketing

Rommel C. Saber
President
Europe, Africa, Near/Middle East
& Indian Sub-continent

Robert L. Villanueva
President
The Americas

Eugene K. Alger
Executive Vice President
North America

Philip M. Coughlin
Executive Vice President
North America

Rosanne Esposito
Executive Vice President
Global Customs

Jeffrey S. Musser
Executive Vice President
& Chief Information Officer

Bradley S. Powell
Senior Vice President
& Chief Financial Officer

Jose A. Ubeda
Senior Vice President
Air Cargo

Charles J. Lynch
Senior Vice President
Corporate Controller

Daniel R. Wall
Senior Vice President
Ocean Services

Amy J. Tangeman
Senior Vice President
General Counsel & Secretary

Product & Service Managers

Global & Product Services

William A. Romberger III
Senior Vice President
Global Transcon Services

Bret C. Backman
Vice President
Research & Development

Richard P. Ballantyne
Vice President
Global Distribution Services

Samuel R. Bokor
Vice President
Training & Personnel Development

Sean M. Francisco
Vice President
Air Cargo, The Americas

Rebecca A. Cates
Vice President
Treasurer

Steven J. Grimmer
Senior Vice President
Account Management

Scott M. Kelly
Vice President
Global Ocean Services

Carol Kijac
Vice President
The Americas, Sales & Marketing

Deanna L. Wilson
Vice President
Global Business Processes

Todd R. N. Brown
Vice President
Security, Health & Safety

Christopher J. McClincy
Vice President
Information Services

Aaron Howes
Vice President
Risk Management & Insurance

Geographic Managers

Asia Pacific

David Hsieh
Senior Vice President
Asia Pacific

Andrew Goh
Senior Vice President
South East Asia

Paul Arthur
Senior Vice President
South Pacific, Indo China & Philippines

Alan Lo
Regional Vice President
South China, Hong Kong & Macao

Allen Wang
Regional Vice President
Northern China

Mong Pheng Koh
Regional Vice President
Central China & Taiwan

Simon Liu
Managing Director
Hong Kong

Wilson Yang
Managing Director
Thailand

Leo Lee
Managing Director
Korea

Megan Jeng
Managing Director
Taiwan

Lim Khoon Ling
Managing Director
Singapore

Mary Yao
Managing Director
Shanghai, China

Danny Lee
Managing Director
Vietnam

Seiichi Sasaki
Managing Director
Japan

Kaiser Lam
General Manager
Shenzhen, South China

Aris Yeap
General Manager
Penang, Malaysia

Junnosuke Dojo
General Manager
Tokyo, Japan

Gary Chen
General Manager
Jakarta, Indonesia

Syed Ershad Ahmed
General Manager
Bangladesh

Aristotle Aniceto
General Manager
Philippines

Kounthea Tho
General Manager
Cambodia

Latin America

Guillermo Ayerbe
Regional Vice President
Latin America

Diego Estrin
Regional Director
Andean Countries

Jose Antonio Bedoya
Country Manager
Peru

Paulo Fernandes
Country Manager
Brazil

Fabricio Scheunemann
Country Manager
Costa Rica

North America

Brian R. Carrabes
Regional Vice President
Southeast Region

Joseph P. Coogan
Regional Vice President
Northeast Region

Karl C. Francisco
Regional Vice President
Southwest Region

Todd A. Hinkle
Regional Vice President
North Central Region

J. Ross Hurst
Regional Vice President
Canada

Roger A. Idiart
Regional Vice President
Northwest Region

John A. Kerner
Regional Vice President
South Central Region

Bruce J. Krebs
Regional Vice President
Southern Border & Mexico

Richard H. Rostan
Regional Vice Presiden
Midwest Region

Craig Wilwerding
Regional Vice President
Mid-Atlantic Region

Europe & Africa

Kurt Meister
Senior Vice President
Continental Europe

Barry L. Baron
Regional Vice President
United Kingdom, Ireland & South Africa

Kees Wagenaar
Regional Director
Benelux & Central Europe

Paolo Domante
Managing Director
Italy & Switzerland

Rainer Kirschner
Regional Director
Germany & Austria

Magdolna Acs
Managing Director
Hungary

Rene Grabmuller
Managing Director
Czech Republic

Frank Schaeffer
Country Manager
France

Ingeborg Drueckler
Director
European Agents

Billy Griffiths
Director
African States

Rickard Sohl
Regional Director
Nordic

Ron Kerbus
Regional Director
South Africa & Madagascar

Near/Middle East & Indian Subcontinent

Tony Helayel
Regional Vice President
East Mediterranean & North Africa

David Macpherson
Regional Vice President
Gulf States, Pakistan, India & Nepal

Samir Ghaoui
Managing Director
Levant

Afsar Mahmood
Managing Director
Pakistan

K. Murali
Managing Director
India

Suleyman Ture
Managing Director
Turkey

Corporate Information

Corporate Headquarters

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

Information is available on
http://www.expeditors.com

Transfer Agent & Registrar, Dividend Disbursing Agent

Computershare Trust
Company, N.A.
250 Royall Street

Shareholder Services
(877) 498-8861

Hearing Impaired / TDD
(800) 952-9245

Website
http://www.computershare.com

Independent Registered Public Accounting Firm

KPMG LLP
801 Second Avenue
Suite 900
Seattle, WA 98104

Offices & Agents

A directory can be viewed on our website.

Annual Meeting

The annual meeting of shareholders is Wednesday, May 2, 2012, at 2:00 pm at:

Expeditors' Corporate Headquarters
1015 Third Avenue
Seattle, WA 98104

Investor Relations

Further information about the Company, additional copies of this report, Form 10-K or other financial information may be obtained without charge by writing:

Bradley S. Powell
Senior Vice President and Chief Financial Officer
Expeditors International of Washington, Inc.
1015 Third Avenue
12th Floor
Seattle, WA 98104

Stock Price & Dividends

The following table sets forth the high and low sale prices for the Company's common stock as reported by The NASDAQ Global Select Market under the symbol EXPD.

Quarter	High	Low
2011		
First	$ 56.19	45.91
Second	55.30	46.53
Third	53.22	39.28
Fourth	47.73	38.25
2010		
First	$ 38.93	32.36
Second	42.39	34.46
Third	47.58	33.65
Fourth	57.15	45.23

In 2011 and 2010, the Board of Directors declared a semi-annual dividend of $.25 per and $.20 per share, respectively, which was paid as follows:

2011	15 June
	15 December
2010	15 June
	15 December

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Brussels

Manchester

London

Houston

Johanne

San Francisco

Johannesburg

Denver

Atlanta

Cairo

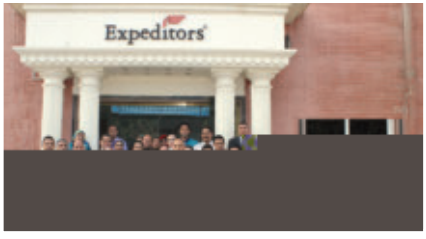
sburg

Chicago

Salt Lake City

Shanghai

Los Angeles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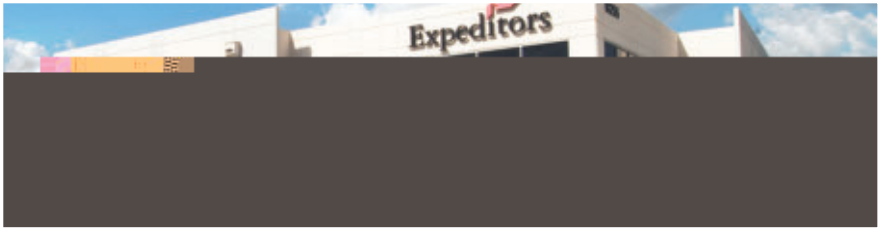
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