Letter to Our Shareholders

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We grew our customer relationships to 32,000 and expanded our contract carrier base to more than 50,000 transportation providers worldwide. We also expanded our network through the addition of ten new offices, including new geographies such as Dubai and Lima. We continue to be in a strong financial position, with a solid balance sheet, significant free cash flow, and no debt. We also continued to return capital to our shareholders, paying over $150 million in dividends and repurchasing approximately $200 million in shares throughout the year.

While we have much to be pleased about in our results for 2008 and the impressive efforts of our people, the continued decline of economic conditions warrant caution as there will certainly be a lot of challenges ahead. The freight transportation market deteriorated as the year progressed, and published freight indexes indicate that 2009 is beginning with double-digit volume declines compared to 2008. It appears that 2009 will be very challenging for growth. We are working hard to adapt to the rapid declines in the marketplace, and we are actively adjusting our expenses in light of the environment and our changes in volumes. While the current environment is uniquely difficult, we remain confident in our long-term growth goals and opportunities because of the strength of our business model, our market potential, our people, and our performance-driven culture.

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Keys to our success: Service, stability, and the strength of our people

In addition to our solid results in a year of exceptional adversity, I would like to highlight a few areas that were important to our results in 2008 and also to the foundation of our longer-term success. The first is that we believe our growth strategy of diversifying and integrating services is working. Our 2008 results show that diversification of our service offerings continues to be the right thing to do to better serve our customers and provide balanced, long-term growth opportunities.

There are several examples of the positive impact of our service diversification. We have had continued success in growing our less-than-truckload and intermodal businesses. We work hard to cross-sell and broaden the relationships we have with our customers and contract carriers, and we know that many times, truckload, less-than-truckload, and intermodal offerings are interrelated in terms of what a customer may be looking for or when one modal service might be more appropriate than another.

Another example is our efforts to expand our international freight forwarding network, both organically by opening new offices and through acquisitions. During 2008, we had good growth in both our ocean and international air gross profits and were able to grow many new and existing customer relationships through our expanded capabilities. We also acquired Transera International Holdings, a project forwarding company, which brings yet another capability to our menu of services, a team of talented people with a competitive expertise, and a new way to serve our existing customers and reach new ones.

Service diversification and cross-selling have also helped our growth in our Sourcing business, where we have expanded our menu of value-added services, and in our transportation management and fee-based businesses.

As customers continue to look at transportation and supply chain management on a broader basis, we need to continue to evolve our services, and we feel good about the success we've had thus far. You'll continue to see us emphasize an expanded service offering and investment in more modes and capabilities as we go forward.

The second important observation about 2008 is that we continue to believe our overall business model and financial position remain strong, and that strength is becoming more and more of a competitive and strategic advantage. We are highlighting the longevity, track record, and financial durability of C.H. Robinson in all of our relationships today, and we feel that it's a very important asset in the marketplace.

The decline in fuel prices during the latter half of 2008 and falling volumes during the fourth quarter had the positive impact of shrinking some of our working capital requirements needed for growth at the end of the year. While we would rather have greater growth, our balance sheet at year end is as strong as ever, and our financial strength is an asset for us in uncertain times.