WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/02 for the Period Ending 09/30/02

Address	14507 FRONTIER ROAD OMAHA, NE 68138
Telephone	4028956640
CIK	0000793074
Symbol	WERN
SIC Code	4213 - Trucking, Except Local
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/2002 For Period Ending 9/30/2002

Address	14507 FRONTIER ROAD P O BOX 45308
	OMAHA, Nebraska 68145
Telephone	402-895-6640
CIK	0000793074
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2002
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-14690

WERNER ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA	47-0648386
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14507 FRONTIER ROAD
POST OFFICE BOX 45308
OMAHA, NEBRASKA 68145-0308 (402) 895-6640

(Address of principal executive offices)	(Zip Code)	(Registrant's telephone number, including area code)

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 [X] NO [ ]

As of October 31, 2002, 63,733,918 shares of the registrant's common stock, par value $.01 per share, were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim consolidated financial statements contained herein reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, and cash flows for the periods presented. They have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Operating results for the three-month and nine-month periods ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended September 30	
	2002	2001
	(Unaudited)	
Operating revenues	$336,096	$322,618
Operating expenses:		
Salaries, wages and benefits	120,303	115,020
Fuel	32,321	33,560
Supplies and maintenance	28,798	31,723
Taxes and licenses	24,348	23,529
Insurance and claims	13,233	9,866
Depreciation	30,632	29,005
Rent and purchased transportation	55,285	54,935
Communications and utilities	3,610	3,277
Other	410	1,082
Total operating expenses	308,940	301,997
Operating income	27,156	20,621
Other expense (income):		
Interest expense	757	775
Interest income	(628)	(585)
Other	156	506
Total other expense	285	696
Income before income taxes	26,871	19,925
Income taxes	10,076	7,472
Net income	$ 16,795	$ 12,453
Average common shares outstanding	63,725	63,335
Basic earnings per share	$ .26	$ .20
Diluted shares outstanding	65,128	64,353
Diluted earnings per share	$ .26	$ .19
Dividends declared per share	$ .020	$ .019

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Nine Months Ended September 30	
	2002	2001
	(Unaudited)	
Operating revenues	$989,076	$949,972
Operating expenses:		
Salaries, wages and benefits	358,222	338,956
Fuel	87,783	104,338
Supplies and maintenance	89,966	87,942
Taxes and licenses	72,953	69,799
Insurance and claims	37,632	31,518
Depreciation	89,355	87,108
Rent and purchased transportation	168,552	160,452
Communications and utilities	10,971	10,587
Other	2,063	2,659
Total operating expenses	917,497	893,359
Operating income	71,579	56,613
Other expense (income):		
Interest expense	2,316	3,015
Interest income	(1,904)	(2,033)
Other	787	1,232
Total other expense	1,199	2,214
Income before income taxes	70,380	54,399
Income taxes	26,392	20,400
Net income	$ 43,988	$ 33,999
Average common shares outstanding	63,776	63,044
Basic earnings per share	$ .69	$ .54
Diluted shares outstanding	65,209	63,946
Diluted earnings per share	$ .67	$ .53
Dividends declared per share	$ .060	$ .057

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	September 30 2002	December 31 2001
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 91,739	$ 74,366
Accounts receivable, trade, less allowance of $5,489 and $4,966, respectively	126,725	121,354
Other receivables	9,058	8,527
Inventories and supplies	9,763	8,432
Prepaid taxes, licenses and permits	3,702	12,333
Other current assets	16,640	11,055
Total current assets	257,627	236,067
Property and equipment	1,157,894	1,069,605
Less - accumulated depreciation	378,098	354,122
Property and equipment, net	779,796	715,483
Other non-current assets	13,300	12,464
	$1,050,723	$ 964,014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 46,533	$ 33,188
Current portion of long-term debt	30,000	30,000
Insurance and claims accruals	46,497	40,254
Accrued payroll	20,340	15,008
Current deferred income taxes	20,473	20,473
Other current liabilities	17,009	13,334
Total current liabilities	180,852	152,257
Long-term debt, net of current portion	20,000	20,000
Insurance and claims accruals, net of current portion	45,801	38,801
Deferred income taxes	174,168	162,907
Stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized; 64,427,780 shares issued; 63,680,423 and 63,636,823 shares outstanding, respectively	644	644
Paid-in capital	107,004	106,058
Retained earnings	531,103	490,942
Accumulated other comprehensive loss	(101)	(43)
Treasury stock, at cost; 747,357 and 790,957 shares, respectively	(8,748)	(7,552)
Total stockholders' equity	629,902	590,049
	$1,050,723	$ 964,014

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	2002	2001
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 43,988	$ 33,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	89,355	87,108
Deferred income taxes	11,261	32,273
(Gain) loss on disposal of property and equipment	(567)	565
Equity in loss of unconsolidated affiliate	763	1,110
Tax benefit from exercise of stock options	1,032	1,508
Other long-term assets	580	1,117
Insurance and claims accruals, net of current portion	7,000	3,000
Changes in certain working capital items:		
Accounts receivable, net	(5,371)	(5,227)
Prepaid expenses and other current assets	1,184	12,273
Accounts payable	13,345	5,660
Other current liabilities	15,222	10,424
Net cash provided by operating activities	177,792	183,810
Cash flows from investing activities:		
Additions to property and equipment	(201,972)	(130,936)
Retirements of property and equipment	48,473	29,004
(Increase) decrease in notes receivable	(1,892)	665
Net cash used in investing activities	(155,391)	(101,267)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	5,000
Repayments of long-term debt	-	(60,000)
Dividends on common stock	(3,746)	(3,546)
Payment of stock split fractional shares	(12)	-
Repurchases of common stock	(3,766)	-
Stock options exercised	2,496	6,158
Net cash used in financing activities	(5,028)	(52,388)
Net increase in cash and cash equivalents	17,373	30,155
Cash and cash equivalents, beginning of period	74,366	25,485
Cash and cash equivalents, end of period	$ 91,739	$ 55,640
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 2,043	$ 3,556
Income taxes	$ 10,483	$(15,787)
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	$ 1,197	$ 205
Notes receivable cancelled upon turn in of revenue equipment	$ (910)	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Investment in Unconsolidated Affiliate

Effective June 30, 2000, the Company contributed its non-asset based logistics business to Transplace (TPC), in exchange for an equity interest in TPC of approximately 15%. TPC is a joint venture of five large transportation companies - Covenant Transport, Inc.; J. B. Hunt Transport Services, Inc.; Swift Transportation Co., Inc.; U. S. Xpress Enterprises, Inc.; and Werner Enterprises, Inc. Accordingly, the Company is accounting for its investment in TPC using the equity method. Management believes this method is appropriate because the Company has the ability to exercise significant influence over operating and financial policies of TPC through its representation on the TPC board of directors. At September 30, 2002, the investment in unconsolidated affiliate (in thousands), which is included in other non-current assets, is $2,897 (which includes a $5,000 cash investment in TPC less $2,103, which represents the Company's 15% equity in the loss from operations of unconsolidated affiliate since June 30, 2000). The Company is not responsible for the debt of Transplace.

(2) Comprehensive Income

Other than its net income, the Company's only other source of comprehensive income (loss) is foreign currency translation adjustments. Other comprehensive income (loss) from foreign currency translation adjustments was ($58) and ($11) (in thousands) for the nine-month periods ended September 30, 2002 and 2001, respectively.

(3) Commitments

As of September 30, 2002, the Company has commitments for net capital expenditures of approximately $100 million.

(4) Earnings Per Share

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below. Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

(in thousands, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net income	$ 16,795	$ 12,453	$ 43,988	$ 33,999
Average common shares outstanding	63,725	63,335	63,776	63,044
Common stock equivalents	1,403	1,018	1,433	902
Diluted shares outstanding	65,128	64,353	65,209	63,946
Basic earnings per share	$ .26	$ .20	$ .69	$ .54
Diluted earnings per share	$ .26	$ .19	$ .67	$ .53

Options to purchase shares of common stock which were outstanding during the periods indicated above, but were excluded from the computation of diluted earnings per share because the option purchase price was greater than the average market price of the common shares, were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Number of shares under option	-	-	-	3,333
Range of option purchase prices	-	-	-	$15.38

(5) Segment Information

The Company has one reportable segment - Truckload Transportation Services. This segment consists of five operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131. The Medium- to Long-Haul Van fleet transports a variety of consumer, non-durable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Regional Short-Haul fleet provides comparable truckload van service within five geographic areas. The Flatbed and Temperature- Controlled fleets provide truckload services for products with specialized trailers. The Dedicated Services fleet provides truckload services required by a specific company, plant, or distribution center.

The Company generates non-trucking revenues related to freight transportation management, third-party equipment maintenance, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Other" in the table below. The Company does not prepare separate balance sheets by segments and, as a result, assets are not separately identifiable by segment. The Company has no significant intersegment sales or expense transactions that would result in adjustments necessary to eliminate amounts between the Company's segments.

The following tables summarize the Company's segment information (in thousands of dollars):

	Revenues			
	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Truckload Transportation Services	$310,304	$302,839	$917,768	$896,062
Other	25,792	19,779	71,308	53,910
Total	$336,096	$322,618	$989,076	$949,972

	Operating Income			
	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Truckload Transportation Services	$26,847	$20,494	$70,446	$55,998
Other	309	127	1,133	615
Total	$27,156	$20,621	$71,579	$56,613

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains forward-looking statements which are based on information currently available to the Company's management. Actual results could differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to, those discussed in Item 7, "Management's Discussion and Analysis of Results of Operations and Financial Condition", of the Company's Annual Report on Form 10-K for the year ended December 31, 2001. The Company assumes no obligation to update any forward-looking statement to the extent it becomes aware that it will not be achieved for any reason.

Financial Condition:

During the nine months ended September 30, 2002, the Company generated cash flow from operations of $177.8 million, a 10.8% increase ($17.4 million) compared to the same nine-month period a year ago, excluding the $23.4 million refund of income taxes received in first quarter 2001 which resulted from the implementation of certain tax strategies. Including the income tax refund, cash flow from operations was $183.8 million for the nine months ended September 30, 2001. The cash flow from operations enabled the Company to make net property additions, primarily new tractors, of $153.5 million, repurchase common stock of $3.8 million, and pay common stock dividends of $3.7 million.

Effective October 1, 2002, newly manufactured truck engines must be compliant with the engine emission standards mandated by the Environmental Protection Agency (EPA), or be subject to a fine imposed by the EPA. All truck engines manufactured prior to October 1, 2002 are not subject to these emission standards. Management's analysis led to significant concerns about the reliability, fuel efficiency, cost and warranties of the new engines. There has been insufficient time to test a significant sample of the new engines for use in the Company's fleet. The Company has already reduced the average age of its already-young company truck fleet from 1.5 years as of December 2001 to 1.2 years as of September 2002. The Company expects to take delivery of new trucks with pre-October engines during fourth quarter 2002. This is expected to further reduce the average age of the company truck fleet to about 1.0 years as of December 2002. Truck purchases in 2003 will be dependent on the results of the Company's further testing and analysis of the new engines, including both the EGR engine manufactured by Detroit Diesel and the ACERT engine manufactured by Caterpillar. To the extent the Company purchases fewer new trucks in 2003, it would likely have fewer used trucks to sell. This could result in the Company recognizing less gains on sale of equipment in 2003.

The Company's cash position as of September 2002 was $91.7 million. The Company expects its cash balance will decrease in fourth quarter 2002 due to the scheduled $30 million repayment of debt in November 2002 and net property additions, including the purchase of new trucks with pre-October 2002 engines in fourth quarter 2002, of approximately $80 million to $85 million. The Company intends to fund the new truck purchases and debt repayment in fourth quarter 2002 through existing cash on hand and cash flow from operations. As a result of the fourth quarter 2002 truck purchases, capital expenditures in the first part of 2003 are expected to be lower, and the Company expects to generate free cash flow (cash flow from operations less capital expenditures) in the first part of 2003.

The Company's debt to equity ratio at September 30, 2002 was 7.9%, compared with 8.5% at December 31, 2001. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 7.4% at September 30, 2002 compared to 7.8% at December 31, 2001. As of September 30, 2002, the Company has no equipment operating leases, and, therefore has no off-balance sheet equipment debt.

Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Results of Operations:

The following table sets forth the percentage relationship of income and expense items to operating revenues for the periods indicated.

	Three Months Ended September 30 2002	Three Months Ended September 30 2001	Nine Months Ended September 30 2002	Nine Months Ended September 30 2001
Operating revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	35.8	35.7	36.2	35.7
Fuel	9.6	10.4	8.9	11.0
Supplies and maintenance	8.6	9.8	9.1	9.2
Taxes and licenses	7.3	7.3	7.4	7.3
Insurance and claims	3.9	3.1	3.8	3.3
Depreciation	9.1	9.0	9.0	9.2
Rent and purchased transportation	16.4	17.0	17.1	16.9
Communications and utilities	1.1	1.0	1.1	1.1
Other	0.1	0.3	0.2	0.3
Total operating expenses	91.9	93.6	92.8	94.0
Operating income	8.1	6.4	7.2	6.0
Net interest expense and other	0.1	0.2	0.1	0.3
Income before income taxes	8.0	6.2	7.1	5.7
Income taxes	3.0	2.3	2.7	2.1
Net income	5.0%	3.9%	4.4%	3.6%

The following table sets forth certain industry data regarding the freight revenues and operations of the Company.

	Three Months Ended September 30 2002	Three Months Ended September 30 2001	Three Months Ended % Change	Nine Months Ended September 30 2002	Nine Months Ended September 30 2001	Nine Months Ended % Change
Average monthly miles per tractor	10,283	10,347	(0.6%)	10,308	10,316	(0.1%)
Average revenues per total mile (1)	$1.242	$1.212	2.5%	$1.227	$1.202	2.1%
Average revenues per loaded mile (1)	$1.372	$1.341	2.3%	$1.357	$1.336	1.6%
Average percentage of empty miles	9.52%	9.62%	(1.0%)	9.60%	10.02%	(4.2%)
Average tractors in service	7,885	7,735	1.9%	7,914	7,676	3.1%
Average revenues per truck per week (1)	$2,947	$2,894	1.8%	$2,919	$2,861	2.0%
Non-trucking revenues (in thousands)	$25,792	$19,779	30.4%	$71,308	$53,910	32.3%
Total tractors (at quarter end)						
Company	6,900	6,615		6,900	6,615	
Owner-operator	1,050	1,135		1,050	1,135	
Total tractors	7,950	7,750		7,950	7,750	
Total trailers (at quarter end)	20,200	19,800		20,200	19,800	

(1) Net of fuel surcharge revenues.

Three Months Ended September 30, 2002 Compared to Three Months Ended
September 30, 2001

Operating revenues increased 4.2% for the three months ended September 30, 2002, compared to the same period of the prior year, due in part to a 1.9% increase in the average number of tractors in service. Revenues also increased due to an improvement in the rate per total mile of three cents a mile, or 2.5%, compared to the same quarter a year ago. A better economy and tightening truck capacity contributed to the improvement. Over the past several months, we have been meeting with customers to explain the current state of the truckload industry. Both truckload industry and Company margins, while improving, are below acceptable levels for the investment and risk of operating in this industry. We are actively negotiating rate increases. Fuel surcharge revenues, which represent collections from customers for the higher cost of fuel, decreased from $11.8 million in third quarter 2001 to $8.2 million in third quarter 2002 due to lower average fuel prices (see fuel explanation below). Excluding fuel surcharge revenues, trucking revenues increased 3.8% for the three months ended September 30, 2002, compared to the same period of the prior year. Revenue from non-trucking transportation and other services increased by $6.0 million, most of which was due to growth with existing customers.

Operating expenses, expressed as a percentage of operating revenues, were 91.9% for the three months ended September 30, 2002, compared to 93.6% for the three months ended September 30, 2001. Owner-operator miles as a percentage of total miles were 14.7% in third quarter 2002 compared to 16.3% in third quarter 2001. Owner-operators are independent contractors who supply their own tractor and driver and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes. Over the past year, it has been more difficult to attract and retain owner-operator drivers due to the challenging operating conditions. During third quarter 2002, the Company had approximately 85 fewer in- service owner-operator trucks compared to third quarter 2001. The majority of this decrease was due to a planned reduction in business with a specific customer in second quarter 2002 that accounted for a decrease of 56 owner- operator trucks and a reduction in trucks with another large owner-operator fleet.

Salaries, wages and benefits increased from 35.7% to 35.8% of revenues due in part to an increase in the frequency and cost of workers' compensation claims, higher weekly state workers' compensation payment rates, and an increase in workers' compensation excess insurance premiums. The Company renewed its workers' compensation insurance coverage, and for the policy year beginning April 2002, the Company increased its self- insurance retention from $0.5 million to $1.0 million per claim and has premium-based coverage with a reputable insurance company for claims above this amount. The Company's premiums for this coverage increased by approximately $1.3 million over the premiums from the prior policy year. In addition, the Company added about 100 employees in its maintenance department to reduce the higher cost of over-the-road repairs. The market for attracting and retaining company drivers is becoming more challenging, and the Company anticipates that the competition for qualified drivers will be high and cannot predict whether it will experience shortages in the future. If such a shortage was to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel decreased from 10.4% to 9.6% of revenues due to lower fuel prices. Average diesel fuel prices were higher than historical levels, but were five cents per gallon lower in third quarter 2002 compared to third quarter 2001. While fuel prices increased during third quarter 2002 due to pending concerns in the Middle East, fuel prices in third quarter 2001 began to decrease toward the end of the quarter. Fuel prices have begun falling again since the end of third quarter 2002, but as of November 12, 2002, are still ten cents per gallon higher than the fuel prices of November 12, 2001. The Company's customer fuel surcharge reimbursement programs have historically enabled the Company to recover most of the higher fuel prices from its customers compared to normalized average fuel prices. These surcharge programs, which generally adjust weekly based on fuel pricing changes, continued to be in effect during third quarter 2002. After considering the amounts collected from customers through fuel surcharge programs, net of reimbursement to owner-operators, there was a less than $.01 per share negative impact on third quarter 2002 earnings per share compared to third quarter 2001 earnings per share. Shortages of fuel, increases in fuel prices, or rationing of petroleum products can have a materially adverse effect on the operations and profitability of the Company. The Company is unable to predict whether fuel price levels will increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of September 30, 2002, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance decreased from 9.8% to 8.6% of revenues due to (1) less maintenance being performed at a higher cost over-the-road versus being performed at company facilities and (2) improved management of maintenance expenses. The increase in the amount of maintenance being performed at company facilities required the hiring of additional maintenance personnel. See the previous discussion of the increase in salaries, wages and benefits.

Insurance and claims increased from 3.1% to 3.9% of revenues due to higher excess insurance retention levels and less favorable claims experience in third quarter 2002. Insurance premiums in the liability insurance market have increased significantly for many truckload carriers. The Company has been self-insured and managed its own claims for liability, cargo, and property damage for over ten years. The Company renewed its annual liability insurance coverage for coverage in excess of $0.5 million per claim effective August 1, 2002. The Company's premium rate for liability coverage up to $3.0 million per claim is fixed through August 1, 2004, while coverage levels above $3.0 million per claim were renewed effective August 1, 2002. For the policy year beginning August 2002, the Company's total premiums for liability insurance remained almost the same as the prior policy year while the Company assumed liability for claims above $3.0 million and below $5.0 million per claim. Liability claims in excess of $5.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies.

Rent and purchased transportation decreased from 17.0% to 16.4% of revenues due to a reduction in owner-operators and a decrease in payments to owner-operators for fuel reimbursement due to lower fuel costs. The Company reimburses owner-operators for the higher cost of fuel based on fuel surcharge reimbursements collected from customers. This decrease was offset by an increase in purchased transportation for non-trucking services.

Other operating expenses decreased from 0.3% to 0.1% of revenues due to improved pricing in the used truck market. Because of truckload carrier concerns with new truck engines and lower industry production of new trucks, the resale value of the Company's premium used trucks has improved. In third quarter 2002 the Company realized gains of $0.6 million on sales of used trucks to third parties through its Fleet Truck Sales retail network compared to losses of $0.1 million in third quarter 2001.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 37.5% for the three-month periods ended September 30, 2002 and 2001.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended
September 30, 2001

Operating revenues increased by 4.1% for the nine months ended September 30, 2002, compared to the same period of the previous year, primarily due to a 3.1% increase in the average number of tractors in service. Revenue per total mile, excluding fuel surcharges, increased 2.1%. Fuel surcharge revenues decreased from $39.4 million to $16.9 million due to lower average fuel prices of approximately 16 cents per gallon. Excluding fuel surcharge revenues, trucking revenues increased 5.2% for the nine months ended September 30, 2002, compared to the same period of the prior year. Revenue from non- trucking transportation and other services increased by $17.4 million.

Operating expenses, expressed as a percentage of operating revenues, were 92.8% for the nine months ended September 30, 2002, compared to 94.0% for the same period of the previous year.

Salaries, wages and benefits increased from 35.7% to 36.2% of revenues, due to the Company increasing employees in its maintenance department to reduce the higher cost of over-the-road repairs, a higher percentage of company drivers as compared to owner-operators, and an increase in workers' compensation expense due to higher workers' compensation excess insurance premiums and higher weekly state workers' compensation payment rates. Fuel decreased from 11.0% to 8.9% of revenues due to lower fuel prices. Insurance and claims increased from 3.3% to 3.8% of revenues primarily due to higher excess insurance premiums and less favorable claims experience. Rent and purchased transportation increased from 16.9% to 17.1% primarily due to an increase in purchased transportation relating to non-trucking operations, offset by a decrease in payments to owner-operators for fuel reimbursement, and a reduction in the number of owner-operators.

Accounting Standards:

During June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, Accounting for Asset Retirement Obligations. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. As of September 30, 2002, management believes that SFAS 143 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The provisions of this statement related to the rescission of Statement No. 4 shall be applied in fiscal years beginning after May 15, 2002. As of September 30, 2002, management believes that SFAS 145 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. As of September 30, 2002, management believes that SFAS 146 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in commodity prices.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, and other market factors. Historically, the Company has been able to recover a majority of fuel price increases from customers in the form of fuel surcharge revenues. The Company has implemented customer fuel surcharge programs with most of its revenue base to offset most of the higher fuel cost per gallon. The Company cannot predict the extent to which higher fuel price levels may occur in the future or the extent to which fuel surcharges could be collected to offset such increases. As of September 30, 2002, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

The Company conducts business in Mexico and Canada. Foreign currency transaction gains and losses were not material to the Company's results of operations for third quarter 2002 and prior periods. The Company receives payment for freight services performed in Mexico and Canada primarily in U.S. dollars to reduce foreign currency risk. Accordingly, the Company is not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on the Company's future costs or on future cash flows.

Item 4. Controls and Procedures.

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's 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 Exchange Act Rule 15d-14(c). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in enabling the Company to record, process, summarize and report information required to be included in the Company's periodic SEC filings within the required time period. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Exhibit 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed July 22, 2002, regarding a news release on July 16, 2002, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 2002.
(ii) A report on Form 8-K, filed August 6, 2002, providing the sworn statements of the Principal Executive Officer and the Principal Financial Officer required under Section 21(a)(1) of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements 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.

WERNER ENTERPRISES, INC.

Date:	*November 13, 2002*	*By:*	*/s/ John J. Steele*
			John J. Steele *Vice President, Treasurer and* *Chief Financial Officer*
Date:	*November 13, 2002*	*By:*	*/s/ James L. Johnson*
			James L. Johnson *Vice President, Controller and* *Corporate Secretary*

CERTIFICATIONS
I, Clarence L. Werner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

CERTIFICATIONS

I, John J. Steele, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ John J. Steele

John J. Steele

Vice President, Treasurer, and Chief Financial Officer

Exhibit 99.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002, (the "Report") filed with the Securities and Exchange Commission, I, Clarence L. Werner, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1.The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 13, 2002

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

Exhibit 99.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002, (the "Report") filed with the Securities and Exchange Commission, I, John J. Steele, Vice President, Treasurer, and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1.The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 13, 2002 *\/s/ John J. Steele*

John J. Steele
Vice President, Treasurer, and
Chief Financial Officer