WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/04/03 for the Period Ending 09/30/03

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 11/4/2003 For Period Ending 9/30/2003

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, 2003
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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

As of October 31, 2003, 79,753,525 shares of the registrant's common stock, par value $.01 per share, were outstanding.

INDEX TO FORM 10-Q

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. The interim consolidated financial statements 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, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended September 30	
	2003	2002
	(Unaudited)	
Operating revenues	$368,034	$336,096
Operating expenses:		
Salaries, wages and benefits	131,094	120,303
Fuel	38,119	32,321
Supplies and maintenance	32,568	28,798
Taxes and licenses	25,806	24,348
Insurance and claims	18,446	13,233
Depreciation	33,708	30,632
Rent and purchased transportation	52,396	55,285
Communications and utilities	4,340	3,610
Other	(1,171)	410
Total operating expenses	335,306	308,940
Operating income	32,728	27,156
Other expense (income):		
Interest expense	279	757
Interest income	(430)	(628)
Other	47	156
Total other expense (income)	(104)	285
Income before income taxes	32,832	26,871
Income taxes	12,316	10,076
Net income	$ 20,516	$ 16,795
Average common shares outstanding	80,012	79,656
Basic earnings per share	$ .26	$ .21
Diluted shares outstanding	81,932	81,410
Diluted earnings per share	$ .25	$ .21
Dividends declared per share	$ .025	$ .016

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Nine Months Ended September 30 2003	2002
	(Unaudited)	
Operating revenues	$1,077,532	$989,076
Operating expenses:		
Salaries, wages and benefits	382,042	358,222
Fuel	120,252	87,783
Supplies and maintenance	91,036	89,966
Taxes and licenses	77,362	72,953
Insurance and claims	55,468	37,632
Depreciation	99,410	89,355
Rent and purchased transportation	157,439	168,552
Communications and utilities	12,315	10,971
Other	(1,079)	2,063
Total operating expenses	994,245	917,497
Operating income	83,287	71,579
Other expense (income):		
Interest expense	867	2,316
Interest income	(1,212)	(1,904)
Other	84	787
Total other expense (income)	(261)	1,199
Income before income taxes	83,548	70,380
Income taxes	31,334	26,392
Net income	$ 52,214	$ 43,988
Average common shares outstanding	79,849	79,720
Basic earnings per share	$ .65	$ .55
Diluted shares outstanding	81,703	81,511
Diluted earnings per share	$ .64	$ .54
Dividends declared per share	$ .065	$ .048

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	September 30 2003	December 31 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 125,824	$ 29,885
Accounts receivable, trade, less allowance of $5,754 and $4,459, respectively	150,129	131,889
Other receivables	14,725	10,335
Inventories and supplies	9,147	9,777
Prepaid taxes, licenses and permits	3,798	13,535
Income taxes receivable	-	9,811
Other current assets	21,684	14,317
Total current assets	325,307	219,549
Property and equipment	1,225,607	1,212,488
Less - accumulated depreciation	433,527	380,221
Property and equipment, net	792,080	832,267
Other non-current assets	11,425	11,062
	$1,128,812	$1,062,878
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37,906	$ 50,546
Current portion of long-term debt	20,000	20,000
Insurance and claims accruals	58,216	47,358
Accrued payroll	24,189	18,374
Current deferred income taxes	17,710	17,710
Other current liabilities	13,766	11,885
Total current liabilities	171,787	165,873
Insurance and claims accruals, net of current portion	63,301	47,801
Deferred income taxes	199,391	201,561
Stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 79,951,650 and 79,726,180 shares outstanding, respectively	805	805
Paid-in capital	108,970	107,366
Retained earnings	594,491	547,467
Accumulated other comprehensive loss	(540)	(216)
Treasury stock, at cost; 581,886 and 807,356 shares, respectively	(9,393)	(7,779)
Total stockholders' equity	694,333	647,643
	$1,128,812	$1,062,878

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	2003	2002
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 52,214	$ 43,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	99,410	89,355
Deferred income taxes	(2,170)	11,261
Gain on disposal of property and equipment	(4,958)	(567)
Equity in loss of unconsolidated affiliate	-	763
Tax benefit from exercise of stock options	2,678	1,032
Other long-term assets	(299)	580
Insurance claims accruals, net of current portion	15,500	7,000
Changes in certain working capital items:		
Accounts receivable, net	(18,240)	(5,371)
Other current assets	8,421	1,184
Accounts payable	(12,640)	13,345
Other current liabilities	17,831	15,222
Net cash provided by operating activities	157,747	177,792
Cash flows from investing activities:		
Additions to property and equipment	(94,261)	(201,972)
Retirements of property and equipment	38,608	48,473
Decrease (increase) in notes receivable	1,324	(1,892)
Net cash used in investing activities	(54,329)	(155,391)
Cash flows from financing activities:		
Dividends on common stock	(4,467)	(3,746)
Payment of stock split fractional shares	(9)	(12)
Repurchases of common stock	(8,518)	(3,766)
Stock options exercised	5,839	2,496
Net cash used in financing activities	(7,155)	(5,028)
Effect of exchange rate fluctuations on cash	(324)	-
Net increase in cash and cash equivalents	95,939	17,373
Cash and cash equivalents, beginning of period	29,885	74,366
Cash and cash equivalents, end of period	$125,824	$ 91,739
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 867	$ 2,043
Income taxes	$ 20,732	$ 10,483
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	$ 1,388	$ 1,197
Notes receivable cancelled upon turn in of revenue equipment	$ -	$ (910)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) 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 ($376) and ($20) (in thousands) for the three-month periods and ($324) and ($58) (in thousands) for the nine-month periods ended September 30, 2003 and 2002, respectively.

(2) Long-Term Debt

As of September 30, 2003, the Company has two credit facilities with banks totaling $75 million which expire May 16, 2005 and October 22, 2005 and bear variable interest based on the London Interbank Offered Rate (LIBOR), on which no borrowings were outstanding. As of September 30, 2003, the credit available pursuant to these bank credit facilities is reduced by $24.1 million in letters of credit the Company maintains. Each of the debt agreements require, among other things, that the Company maintain a minimum consolidated tangible net worth and not exceed a maximum ratio of total funded debt to earnings before interest, income taxes, depreciation, amortization and rentals payable (EBITDAR) as defined in the credit facility. The Company was in compliance with these covenants at September 30, 2003.

(3) Commitments

As of September 30, 2003, the Company has commitments for net capital expenditures of approximately $58 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	
	2003	2002	2003	2002
Net income	$ 20,516	$ 16,795	$ 52,214	$ 43,988
Average common shares outstanding	80,012	79,656	79,849	79,720
Common stock equivalents	1,920	1,754	1,854	1,791
Diluted shares outstanding	81,932	81,410	81,703	81,511
Basic earnings per share	$ .26	$ .21	$ .65	$ .55
Diluted earnings per share	$ .25	$ .21	$ .64	$ .54

There were no options to purchase shares of common stock which were outstanding during the periods indicated above, but 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.

(5) Stock Based Compensation

At September 30, 2003, the Company has a nonqualified stock option plan. The Company did not grant any stock options during the three-month or nine-month periods ended September 30, 2003 and 2002. The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock option plan. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company's pro forma net income and earnings per share would have been as indicated below had the fair value of all option grants been charged to salaries, wages, and benefits in accordance with SFAS No. 123, Accounting for Stock-Based Compensation:

(in thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net income, as reported	$ 20,516	$ 16,795	$ 52,214	$ 43,988
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	629	865	1,887	2,592
Net income, pro forma	$ 19,887	$ 15,930	$ 50,327	$ 41,396
Earnings per share:				
Basic - as reported	$ .26	$ .21	$ .65	$ .55
Basic - pro forma	$ .25	$ .20	$ .63	$ .52
Diluted - as reported	$ .25	$ .21	$ .64	$ .54
Diluted - pro forma	$ .24	$ .20	$ .62	$ .51

(6) 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 brokerage, 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	
	2003	2002	2003	2002
Truckload Transportation Services	$340,679	$310,304	$1,002,112	$917,768
Other	27,355	25,792	75,420	71,308
Total	$368,034	$336,096	$1,077,532	$989,076

	Operating Income			
	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Truckload Transportation Services	$32,865	$26,847	$82,901	$70,446
Other	(137)	309	386	1,133
Total	$32,728	$27,156	$83,287	$71,579

(7) Common Stock Split

On September 2, 2003, the Company announced that its Board of Directors declared a five-for-four split of the Company's common stock effected in the form of a 25 percent stock dividend. The stock dividend was distributed on September 30, 2003, to stockholders of record at the close of business on September 16, 2003. No fractional shares of common stock were issued in connection with the stock split. Stockholders entitled to fractional shares received a proportional cash payment based on the closing price of a share of common stock on September 16, 2003.

All share and per-share information included in this Form 10-Q, including in the accompanying consolidated financial statements, for all periods presented have been adjusted to retroactively reflect the stock split.

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, 2002. 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, 2003, the Company generated cash flow from operations of $157.7 million, an 11.3% decrease ($20.0 million) in cash flow compared to the same nine-month period a year ago. This decrease was primarily due to a $9.2 million increase in the accounts payable for revenue equipment from December 2001 to September 2002 compared to a $17.2 million decrease in the accounts payable for revenue equipment from December 2002 to September 2003. These changes were the result of the Company pre-buying tractors beginning in third quarter 2002 (as explained in the next paragraph) which were paid by the end of first quarter 2003 and purchasing fewer tractors during 2003 as a result of the pre-buy. These changes in the accounts payable for revenue equipment resulted in a decrease in cash flow from operations between periods of $26.4 million. The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of $55.7 million, repurchase common stock of $8.5 million, and pay common stock dividends of $4.5 million. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Effective October 1, 2002, all newly manufactured truck engines must comply with the engine emission standards mandated by the Environmental Protection Agency (EPA). In 2002, the Company purchased a significant amount of new trucks with engines manufactured prior to October 2002, in addition to the normal number of new trucks required for the Company's three-year replacement cycle. This pre-buy enabled the Company to delay the impact of using trucks with new engines in its fleet by approximately one year and provided for additional testing time. The pre-buy trucks have been gradually placed in service over the past year, with the last group of these trucks being placed into service during the current quarter. The average age of the Company's truck fleet at September 30, 2003 is 1.6 years. The Company took delivery of approximately 325 model year 2004 trucks with the new engines in third quarter 2003 and plans to take delivery of approximately 500 new trucks in fourth quarter 2003. The Company intends to fund the new truck purchases through existing cash on hand and cash flow from operations.

The Company's debt to equity ratio at September 30, 2003 was 2.9%, compared with 3.1% at December 31, 2002. The Company's only debt of $20.0 million matures in December 2003 and is expected to be paid in full at that time. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 2.8% at September 30, 2003 compared with 3.0% at December 31, 2002. As of September 30, 2003, the Company has no equipment operating leases, and, therefore has no off-balance sheet equipment debt. The Company maintains $24.1 million in letters of credit as of September 30, 2003. These letters of credit are primarily required as security for insurance policies. As of September 30, 2003, the Company has $75 million of credit pursuant to credit facilities, on which no borrowings were outstanding. The credit available under these facilities is reduced by the $24.1 million in letters of credit.

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 2003	Three Months Ended September 30 2002	Nine Months Ended September 30 2003	Nine Months Ended September 30 2002
Operating revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	35.6	35.8	35.5	36.2
Fuel	10.4	9.6	11.2	8.9
Supplies and maintenance	8.8	8.6	8.4	9.1
Taxes and licenses	7.0	7.3	7.2	7.4
Insurance and claims	5.0	3.9	5.2	3.8
Depreciation	9.2	9.1	9.2	9.0
Rent and purchased transportation	14.2	16.4	14.6	17.1
Communications and utilities	1.2	1.1	1.1	1.1
Other	(0.3)	0.1	(0.1)	0.2
Total operating expenses	91.1	91.9	92.3	92.8
Operating income	8.9	8.1	7.7	7.2
Net interest expense and other	0.0	0.1	0.0	0.1
Income before income taxes	8.9	8.0	7.7	7.1
Income taxes	3.3	3.0	2.9	2.7
Net income	5.6%	5.0%	4.8%	4.4%

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

	Three Months Ended September 30 2003	Three Months Ended September 30 2002	% Change	Nine Months Ended September 30 2003	Nine Months Ended September 30 2002	% Change
Trucking revenue, net of fuel surcharge	$327,071	$302,087	8.3%	$955,004	$900,841	6.0%
Trucking fuel surcharge revenue	13,608	8,217	65.6%	47,108	16,927	178.3%
Other non-trucking revenue	27,355	25,792	6.1%	75,420	71,308	5.8%
Operating revenue	$368,034	$336,096	9.5%	$1,077,532	$989,076	8.9%
Average monthly miles per tractor	10,288	10,283	0.0%	10,148	10,308	(1.6%)
Average revenues per total mile (1)	$1.281	$1.242	3.1%	$1.267	$1.227	3.3%
Average revenues per loaded mile (1)	$1.436	$1.372	4.7%	$1.418	$1.357	4.5%
Average percentage of empty miles	10.82%	9.52%	13.7%	10.65%	9.60%	10.9%
Average tractors in service	8,275	7,885	4.9%	8,257	7,914	4.3%
Average revenues per truck per week (1)	$3,041	$2,947	3.2%	$2,966	$2,919	1.6%
Total tractors (at quarter end)						
Company	7,400	6,900		7,400	6,900	
Owner-operator	925	1,050		925	1,050	
Total tractors	8,325	7,950		8,325	7,950	
Total trailers (at quarter end)	22,110	20,200		22,110	20,200	

(1) Net of fuel surcharge revenues.

Three Months Ended September 30, 2003 Compared to Three Months Ended
September 30, 2002

Operating revenues increased 9.5% for the three months ended September 30, 2003, compared to the same period of the prior year. Excluding fuel surcharge revenues, trucking revenues increased 8.3% due in part to a 4.9% increase in the average number of tractors in service and a 3.1% increase in revenue per total mile, excluding fuel surcharges. Revenue per total mile, excluding fuel surcharges, increased due to customer rate increases, an improvement in freight selection, and a shorter average length of haul due to growth in the Company's regional and dedicated fleets. Fuel surcharges, which represent collections from customers for the higher cost of fuel, increased from $8.2 million in third quarter 2002 to $13.6 million in third quarter 2003 due to higher average fuel prices (see fuel explanation below).

Freight demand was a little better in third quarter 2003 compared to third quarter 2002. The Company experienced a slight improvement in the freight of its diversified group of retail and consumer products customers, while manufacturing and industrial freight was flat. Average total miles per truck for the third quarter 2003 did not change significantly from third quarter 2002.

Non-trucking revenues increased by 6.1% for the three months ended September 30, 2003, compared to the same period of the prior year, due to new customer projects in the Company's Value Added Services division which provides logistics services to customers.

Operating expenses, expressed as a percentage of operating revenues, were 91.1% for the three months ended September 30, 2003, compared to 91.9% for the three months ended September 30, 2002. Other expense items, when expressed as a percentage of total revenues, appear lower in third quarter 2003 versus third quarter 2002 because of the additional fuel surcharge revenue per mile as well as the higher revenue per mile. Owner-operator miles as a percentage of total miles were 12.2% in third quarter 2003 compared to 14.7% in third quarter 2002. 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.

Salaries, wages and benefits decreased from 35.8% to 35.6% of revenues due primarily to the effect of the increase in revenue per mile, including fuel surcharge, offset by the growth in the percentage of company-owned trucks to total trucks from 86.8% in third quarter 2002 to 88.9% in third quarter 2003. On a cost per total mile basis, salaries, wages and benefits increased from 49.5 cents a mile to 51.3 cents a mile. During the quarter the Company made progress by lowering driver turnover in a difficult driver recruiting and retention market. The Company anticipates that the competition for qualified drivers will continue to 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.

Effective July 2003, the Company changed its monthly mileage bonus pay program for Van solo drivers, affecting approximately 34% of total drivers. The goal is to increase driver miles per truck by rewarding higher production from Van solo drivers with higher pay. The monthly mileage bonus pay increased from $1.0 million in third quarter 2002 to $1.2 million in third quarter 2003.

Fuel increased from 9.6% to 10.4% of revenues due to higher fuel prices. Average fuel prices in third quarter 2003 were 7 cents a gallon, or 9%, higher than third quarter 2002 and about the same as second quarter 2003. To lessen the effect of fluctuating fuel prices on the Company's margins, the Company collects fuel surcharge revenues from its customers. These surcharge programs, which automatically adjust weekly through fuel surcharge price brackets, continued to be in effect during third quarter 2003. After considering the amounts collected from customers through fuel surcharge programs, net of reimbursement to owner-operators, there was a $.01 per share positive impact on third quarter 2003 earnings per share compared to third quarter 2002 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, 2003, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Insurance and claims increased from 3.9% to 5.0% of revenues due to an increase in the severity of claims, increased retention levels for claims, and higher premiums for catastrophic liability coverage.

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, 2003 for a one- year period. For the policy year beginning August 2003, the Company's total premiums for liability insurance increased by approximately $1.3 million. This increase includes premiums for terrorism coverage. For the policy year beginning August 2003, the Company is self-insured for claims in excess of $3.0 million and less than $5.0 million, subject to an annual maximum aggregate of $6.0 million if several claims were to occur in this layer. For claims in excess of $5.0 million and less than $10.0 million, the Company is responsible for the first $5.0 million of claims in this layer. Liability claims in excess of $10.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies.

Rent and purchased transportation decreased from 16.4% to 14.2% of revenues due primarily to the reduction in owner-operator miles as a percentage of total miles and the Company purchasing tractors that were financed through operating leases in the prior year. On a per-mile basis, payments to owner-operators increased due to higher reimbursements for fuel to owner-operators resulting from higher fuel prices. The Company and other competitors in the truckload industry have experienced difficulty recruiting and retaining owner-operators because of high fuel prices, increased cost and reduced coverage for truck insurance, and other factors. This has resulted in a reduction of the number of owner-operator tractors from 1,050 as of September 30, 2002, to 925 as of September 30, 2003.

Other operating expenses decreased from 0.1% to (0.3)% of revenues due to higher gains on sale of equipment, primarily trucks, in third quarter 2003. In third quarter 2003, the Company realized gains of $2.3 million on sales of used equipment to third parties through its Fleet Truck Sales retail network compared to gains of $0.6 million in third quarter 2002. The gains increased due to a higher average sales price, and gain, per truck in third quarter 2003.

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, 2003 and 2002.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended
September 30, 2002

Operating revenues increased by 8.9% for the nine months ended September 30, 2003, compared to the same period of the previous year, primarily due to a 4.3% increase in the average number of tractors in service, a 3.3% increase in revenue per total mile, excluding fuel surcharges, and a $30.2 million increase in fuel surcharge revenues. These increases were offset by a 1.6% decrease in miles per truck.

Operating expenses, expressed as a percentage of operating revenues, were 92.3% for the nine months ended September 30, 2003, compared to 92.8% for the same period of the previous year. Higher fuel prices increased the Company's operating ratio in the first nine months of 2003 due to the effect of significantly higher fuel expense and higher fuel surcharge revenues. Other expense items, when expressed as a percentage of total revenue, appear lower in the first nine months of 2003 versus the first nine months of 2002 because of the additional fuel surcharge revenue per mile as well as the higher revenue per mile.

Salaries, wages and benefits decreased from 36.2% to 35.5% of revenues due primarily to the effect of the increase in revenue per mile including fuel surcharge. Fuel increased from 8.9% to 11.2% of revenues due to higher fuel prices. Supplies and maintenance decreased from 9.1% to 8.4% of revenues due to improved management of maintenance expenses for repairs performed at over-the-road facilities, decreased maintenance costs on tractors sold or traded, and a newer company truck fleet. Insurance and claims increased from 3.8% to 5.2% of revenues primarily due to the increased frequency of claims and a higher cost per claim. Rent and purchased transportation decreased from 17.1% to 14.6% due primarily to a reduction in owner-operator miles as a percentage of total miles and the Company purchasing tractors that were formerly financed through operating leases, offset partially by higher fuel reimbursements to owner-operators and increased brokered freight expenses. Other operating expenses decreased from 0.2% to (0.1)% of revenues as the Company realized gains of $5.0 million on sales of used trucks to third parties for the nine months ended September 30, 2003 compared to gains of $0.6 million in the same 2002 period. The reduction of other operating expenses due to the gains on sales of equipment was partially offset by an increase in the Company's provision for uncollectible accounts receivable.

Regulations:

Effective January 4, 2004, the federal regulations that govern driver hours of service are changing. These are clearly the most significant changes to the hours of service regulations in over 60 years.

There are several hours of service changes that may have a positive or negative effect on driver hours (and miles) once the new rules are implemented. The new rules will allow drivers to drive up to 11 hours instead of the current 10 hours, subject to the new 14-hour on-duty maximum described below. The rules will require a driver's off-duty period to be 10 hours, compared to 8 hours currently. In general, drivers may not drive beyond 14 hours in a 24-hour period, compared to 15 hours in a 24-hour period currently. During the new 14-hour consecutive on-duty period, the only way to extend the on-duty period is by the use of a sleeper berth period of at least two hours that is later coupled with a second sleeper berth break to equal 10 hours. Under existing rules, during the 15-hour on- duty period, drivers are allowed to take multiple breaks of varying lengths of time, which can be either off-duty time or sleeper berth time, that do not count against the 15-hour period. There is no change to the rule that limits drivers to a maximum of 70 on-duty hours in 8 consecutive days. However, under the new rules, drivers can "restart" their 8-day clock at zero hours by taking at least 34 consecutive hours off duty.

While the Company believes the 11-hour and the 34-hour restart rules may have a slight positive effect on driving hours, management believes the 15-hour to 14-hour rule change could have a more significant negative impact on driving hours for the truckload industry. The existing 15-hour rule works like a stopwatch and allows drivers to stop and start their on- duty time as they choose. The new 14-hour rule is like a running clock. Once the driver goes on-duty and the clock starts, the driver is limited to one timeout, or else the clock keeps running. As a result of this change, issues that cause driver delays such as multiple stop shipments, unloading/loading delays, and equipment maintenance could result in a reduction in driver miles. Most truckload carriers pay drivers by the mile, so a reduction in driver miles would result in a reduction in driver pay. Since the annual driver turnover rate in the truckload industry exceeds 100% per year, the competitive market would likely require carriers to raise the rate of pay per mile to drivers if miles decline.

Werner Enterprises is currently testing a sample of its drivers using the new hours of service rules that can be tested at this time (i.e., increasing off-duty time from 8 hours to 10 hours and implementing the 14- hour consecutive rule). While the Company is unable to predict the ultimate impact of the new hours of service rules because it cannot yet test the positive aspects of the new rules (i.e., 11 hours driving time vs. 10, and the 34 hour restart), management expects that the Company's Paperless Log System and its proactive management of driver hours will help the Company minimize any negative impact of the new rules, as compared to other truckload carriers. However, the Company expects the initial impact of the new rules will reduce its average miles per truck. As time goes on and the Company and its drivers gain more experience with the new rules, the Company expects to gradually reduce the expected decline in average miles per truck.

Accounting Standards:

In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The provisions of this statement are effective for contracts entered into or modified after June 30, 2003. Management has determined that adoption of this statement as of July 1, 2003 did not have any effect on the financial position, results of operations and cash flows of the Company during the third quarter 2003 and expects no significant effect on future periods.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement requires that an issuer classify a financial instrument that is within its scope as a liability. The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003. Management has determined that adoption of this statement as of June 1, 2003 did not have any effect on the financial position, results of operations and cash flows of the Company during the third quarter 2003 and expects no significant effect on future periods.

In May 2003, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. Issue No. 00- 21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. The provisions are effective for revenue arrangements entered into in reporting periods beginning after June 15, 2003. Management has determined that adoption of this statement as of June 16, 2003 did not have any effect on the financial position, results of operations and cash flows of the Company during the third quarter 2003 and expects no significant effect on future periods.

In January 2003, the FASB issued FASB Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities. FIN No. 46 addresses consolidation by business enterprises of certain variable interest entities. The provisions of FIN No. 46 are effective immediately for variable interest entities created after January 31, 2003 and for variable interest entities in which an enterprise obtains an interest after that date. On October 10, 2003 the FASB issued FASB Staff Position (FSP) FIN 46- 6, which extends the effective date to the first fiscal year or interim period beginning after December 15, 2003, for variable interest entities in which a public entity holds a variable interest that it acquired before February 1, 2003. As of September 30, 2003, management believes that FIN No. 46 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 surcharges. The Company has implemented customer fuel surcharges 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 will continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of September 30, 2003, 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 2003 and prior periods. To date, 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.

As of the end of the period covered by 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-15(e). 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 changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

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

(a) Exhibits

Exhibit 3(i)(A) Revised and Amended Articles of Incorporation (Incorporated by reference to Exhibit 3 to Registration Statement on Form S-1, Registration No. 33-5245) Exhibit 3(i)(B) Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to the Company's report on Form 10-Q for the quarter ended May 31, 1994) Exhibit 3(i)(C) Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to the Company's report on Form 10-K for the year ended December 31, 1998) Exhibit 3(ii) Revised and Amended By-Laws (Incorporated by reference to Exhibit 3(ii) to the Company's report on Form 10-K for the year ended December 31, 1994)
Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification Exhibit 32.1 Section 1350 Certification Exhibit 32.2 Section 1350 Certification

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed July 17, 2003, regarding a news release on July 16, 2003, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 2003.
(ii) A report on Form 8-K, filed July 24, 2003, regarding a news release on July 23, 2003, announcing the resignation of Curt Werner, an Officer and Vice-Chairman of the Company.
(iii) A report on Form 8-K, filed September 2, 2003, regarding a news release on September 2, 2003, announcing a five-for-four split of the Company's common stock effected in the form of a 25% stock dividend and a quarterly cash dividend.

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 4, 2003	*By: /s/ John J. Steele* *John J. Steele* *Vice President, Treasurer and* *Chief Financial Officer*
Date: November 4, 2003	*By: /s/ James L. Johnson* *James L. Johnson* *Vice President, Controller and* *Corporate Secretary*

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2003

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2003

/s/ John J. Steele

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

Exhibit 32.1

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, 2003, (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 4, 2003

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

Exhibit 32.2

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, 2003, (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 4, 2003

/s/ John J. Steele

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