

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

[Mark one]

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

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

(State or other jurisdiction of
incorporation or organization)

47-0648386

(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 April 30, 2004, 79,379,771 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

PART I - FINANCIAL INFORMATION

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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. 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 period ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended March 31	
	2004	2003
	(Unaudited)	
Operating revenues	\$ 386,280	\$ 347,208
Operating expenses:		
Salaries, wages and benefits	133,312	123,127
Fuel	45,752	44,945
Supplies and maintenance	32,894	28,759
Taxes and licenses	27,512	25,720
Insurance and claims	19,507	19,141
Depreciation	34,985	32,721
Rent and purchased transportation	63,150	50,082
Communications and utilities	4,548	3,995
Other	(239)	(265)
Total operating expenses	361,421	328,225
Operating income	24,859	18,983
Other expense (income):		
Interest expense	2	305
Interest income	(535)	(274)
Other	37	9
Total other expense (income)	(496)	40
Income before income taxes	25,355	18,943
Income taxes	9,787	7,104
Net income	\$ 15,568	\$ 11,839
Average common shares outstanding	79,594	79,701
Basic earnings per share	\$.20	\$.15
Diluted shares outstanding	81,357	81,423
Diluted earnings per share	\$.19	\$.15
Dividends declared per share	\$.025	\$.016

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	March 31	December 31
	2004	2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,680	\$ 101,409
Accounts receivable, trade, less allowance of \$7,224 and \$6,043, respectively	154,116	152,461
Other receivables	11,592	8,892
Inventories and supplies	9,458	9,877
Prepaid taxes, licenses and permits	11,677	14,957
Other current assets	19,396	17,691
Total current assets	324,919	305,287
Property and equipment	1,277,995	1,261,252
Less - accumulated depreciation	473,840	455,565
Property and equipment, net	804,155	805,687
Other non-current assets	10,746	10,553
	\$1,139,820	\$1,121,527
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 38,238	\$ 40,903
Insurance and claims accruals	58,908	55,201
Accrued payroll	18,441	15,828
Income taxes payable	9,709	2,288
Current deferred income taxes	15,151	15,151
Other current liabilities	14,915	13,104
Total current liabilities	155,362	142,475
Insurance and claims accruals, net of current portion	74,301	71,301
Deferred income taxes	195,795	198,640
Stockholders' equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 79,287,257 and 79,714,271 shares outstanding, respectively	805	805
Paid-in capital	108,211	108,706
Retained earnings	627,596	614,011
Accumulated other comprehensive loss	(790)	(837)
Treasury stock, at cost; 1,246,279 and 819,265 shares, respectively	(21,460)	(13,574)
Total stockholders' equity	714,362	709,111
	\$1,139,820	\$1,121,527
	=====	

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31	
	2004	2003
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 15,568	\$ 11,839
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	34,985	32,721
Deferred income taxes	(2,845)	3,031
Gain on disposal of property and equipment	(2,000)	(1,355)
Tax benefit from exercise of stock options	369	359
Other long-term assets	(105)	28
Insurance claims accruals, net of current portion	3,000	5,500
Changes in certain working capital items:		
Accounts receivable, net	(1,655)	(4,989)
Other current assets	(706)	4,120
Accounts payable	(2,665)	(16,994)
Other current liabilities	15,562	6,002
Net cash provided by operating activities	59,508	40,262
Cash flows from investing activities:		
Additions to property and equipment	(48,099)	(20,738)
Retirements of property and equipment	15,678	10,682
Decrease in notes receivable	880	357
Net cash used in investing activities	(31,541)	(9,699)
Cash flows from financing activities:		
Dividends on common stock	(1,993)	(1,275)
Repurchases of common stock	(9,443)	(1,993)
Stock options exercised	645	838
Net cash used in financing activities	(10,791)	(2,430)
Effect of exchange rate fluctuations on cash	95	-
Net increase in cash and cash equivalents	17,271	28,133
Cash and cash equivalents, beginning of period	101,409	29,885
Cash and cash equivalents, end of period	\$118,680	\$ 58,018
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 2	\$ 305
Income taxes	\$ 4,705	\$ 78
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	\$ 968	\$ 54

WERNER ENTERPRISES, INC.

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 \$95 and (\$87) (in thousands) for the three-month periods ended March 31, 2004 and 2003, respectively.

(2) Long-Term Debt

As of March 31, 2004, 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 March 31, 2004, the credit available pursuant to these bank credit facilities is reduced by \$29.1 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. While the Company had no borrowings pursuant to these credit facilities as of March 31, 2004, the Company was in compliance with these covenants at March 31, 2004.

(3) Commitments

As of March 31, 2004, the Company has commitments for net capital expenditures of approximately \$117 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	
	March 31	
	2004	2003
Net income	\$ 15,568	\$ 11,839
Average common shares outstanding	79,594	79,701
Common stock equivalents	1,763	1,722
Diluted shares outstanding	81,357	81,423
Basic earnings per share	\$.20	\$.15
Diluted earnings per share	\$.19	\$.15

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 March 31, 2004, the Company has a nonqualified stock option plan. The Company did not grant any stock options during the three-month periods ended March 31, 2004 and 2003. 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	
	March 31	
	2004	2003
Net income, as reported	\$ 15,568	\$ 11,839
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	354	629
Net income, pro forma	\$ 15,214	\$ 11,210
Earnings per share:		
Basic - as reported	\$.20	\$.15
Basic - pro forma	\$.19	\$.14
Diluted - as reported	\$.19	\$.15
Diluted - pro forma	\$.19	\$.14

The maximum number of shares of common stock that may be optioned under the Stock Option Plan is 14,583,334 shares, and the maximum aggregate number of options that may be granted to any one person is 1,562,500 options. The Board of Directors has unanimously approved and recommended that the stockholders consider and approve an amendment to increase the maximum number of shares that may be optioned or sold under the Stock Option Plan by 5,416,666 shares and an amendment to increase the maximum aggregate number of options that may be granted to any one person under the Plan by 1,000,000. If a quorum exists at the May 11, 2004 Annual Meeting of Stockholders, and if the votes cast favoring the Plan Amendments exceed the votes cast opposing the Plan Amendments, the maximum number of shares that may be optioned or sold under the Stock Option Plan will be increased to 20,000,000 and the maximum aggregate number of options that may be granted to any one person under the Plan will be increased to 2,562,500.

(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 "Non-trucking and 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	
	March 31	

	2004	2003

Truckload Transportation Services	\$347,704	\$325,081
Non-trucking and other	38,576	22,127

Total	\$386,280	\$347,208
	=====	
	Operating Income	

	Three Months Ended	
	March 31	

	2004	2003

Truckload Transportation Services	\$24,034	\$18,322
Non-trucking	1,923	788
Corporate and other	(1,098)	(127)

Total	\$24,859	\$18,983
	=====	

The 2003 amounts of Truckload Transportation Services and Non-trucking and Corporate and other operating income have been reclassified to account for a change in the way the operations are grouped.

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, 2003. 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.

Overview:

The Company operates in the truckload segment of the trucking industry, with a focus on transporting consumer nondurable products that ship more consistently throughout the year. Operating revenues consist of trucking revenues generated by the Company's five trucking fleets (medium/long-haul van, dedicated, regional short-haul, flatbed, and temperature-controlled) and non-trucking revenues generated primarily by the Company's Value Added Services division. Trucking revenues accounted for 91% of total operating revenues in first quarter 2004, and non-trucking and other operating revenues accounted for 9%.

Trucking services typically generate revenue on a per-mile basis. Other sources of trucking revenue include fuel surcharges and accessorial revenue such as stop charges, loading/unloading charges, and equipment detention charges. Because fuel surcharge revenues fluctuate in response to changes in the cost of fuel, these revenues are identified separately within the operating statistics table and are excluded from the statistics to provide a more meaningful comparison between periods. The key statistics used to evaluate trucking revenues, excluding fuel surcharges, are revenue per truck per week, the per-mile rates charged to customers, the average monthly miles generated per tractor, the percentage of empty miles, the average trip length, and the number of tractors in service. General economic conditions, seasonal freight patterns in the trucking industry, and industry capacity are key factors that impact these statistics.

The primary industry measure used to evaluate the profitability of the Company and its trucking operating fleets is the operating ratio (operating expenses as a percentage of operating revenues). The most significant variable expenses that impact the trucking operation are driver salaries and benefits, payments to owner-operators (included in rent and purchased transportation expense), fuel, fuel taxes (included in taxes and licenses expense), supplies and maintenance, and insurance and claims. These expenses generally vary based on the number of miles generated. As such, the Company also evaluates these costs on a per-mile basis to adjust for the possible distortion of the percentage of total operating revenues caused by changes in fuel surcharge revenues and non-trucking revenues. As discussed further in the comparison of operating results for first quarter 2004 to first quarter 2003, several industry-wide issues, including the new hours of service regulations, a challenging driver recruiting market, and rising fuel prices, could cause costs to increase in future periods. The Company's main fixed costs include depreciation expense for tractors and trailers, equipment licensing fees (included in taxes and licenses expense), and the fixed component of insurance and claims expense representing cargo and liability insurance premiums. These costs have been affected by the new engine emission standards that became effective in October 2002 and are increasing truck purchase costs and the increases in insurance premiums over the last few years. The trucking operations require substantial cash expenditures for tractors and trailers. The Company has maintained a three-year replacement cycle for company-owned tractors. These purchases are funded by net cash from operations, as the Company repaid its last remaining debt in December 2003.

Non-trucking services provided by the Company include freight brokerage, freight transportation management, intermodal, and other services. Unlike the Company's trucking operations, the non-trucking operation is a non-asset-based business dependent upon information systems, qualified employees, and the services of other third-party freight

providers. For shipments where a third-party provider is utilized to provide some or all of the service, the Company records revenue for the shipment for the dollar value of services billed by the Company to the customer, and records the costs of transportation paid by the Company to the third-party provider as rent and purchased transportation expense. Other expenses include salaries and benefits and system-related depreciation. The Company evaluates the non-trucking operations by reviewing the gross margin (non-trucking revenues less non-trucking rent and purchased transportation expense) and the operating ratios. The operating ratios for the non-trucking business are generally higher than those of the trucking operations resulting in lower operating margins, but the returns on assets are generally higher.

Financial Condition:

During the three months ended March 31, 2004, the Company generated cash flow from operations of \$59.5 million, a 47.8% increase (\$19.2 million) in cash flow compared to the same three-month period a year ago. This increase was primarily due to a \$17.9 million decrease in the accounts payable for revenue equipment from December 2002 to March 2003 compared to a \$2.7 million decrease in the accounts payable for revenue equipment from December 2003 to March 2004. These changes were primarily 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 an increase in cash flow from operations between periods of \$15.2 million. The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of \$32.4 million, repurchase common stock of \$9.4 million, and pay common stock dividends of \$2.0 million. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Net cash used in investing activities in first quarter 2004 increased by \$21.8 million from \$9.7 million in the first quarter 2003 to \$31.5 million in first quarter 2004. The large increase was due primarily to the Company's accelerated purchases of tractors with pre-October 2002 engines in the latter part of 2002 and purchasing fewer tractors in 2003, including first quarter. The Environmental Protection Agency (EPA) required all truck engines manufactured after October 1, 2002 to comply with new engine emission standards. In 2002, the Company purchased a significant number 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. During first quarter 2004 the Company increased the percentage of its fleet that consisted of trucks with new EPA-compliant engines to approximately 15% at March 31, 2004 from approximately 10% at December 31, 2003. To date, the Company's testing indicates that the fuel mile per gallon (mpg) degradation with the new engines is a reduction of approximately 0.3 mpg to 0.5 mpg. Also, depreciation expense is increasing due to the higher cost of the new engines. The average age of the Company's truck fleet was 1.7 years at March 31, 2004. The Company now plans to maintain its three-year sale/trade cycle for tractors and does not expect the age of its truck fleet to increase significantly during 2004.

Management believes the Company's financial position at March 31, 2004 is strong. As of March 31, 2004, the Company had \$118.7 million of cash and cash equivalents, no debt, and \$714.4 million of stockholders' equity. As of March 31, 2004, the Company has no equipment operating leases, and, therefore has no off-balance sheet equipment debt. The Company maintains \$29.1 million in letters of credit as of March 31, 2004. These letters of credit are primarily required as security for insurance policies. As of March 31, 2004, 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 \$29.1 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 March 31	
	2004	2003
Operating revenues	100.0%	100.0%
Operating expenses:		
Salaries, wages and benefits	34.5	35.5
Fuel	11.9	12.9
Supplies and maintenance	8.5	8.3
Taxes and licenses	7.1	7.4
Insurance and claims	5.0	5.5
Depreciation	9.1	9.4
Rent and purchased transportation	16.4	14.4
Communications and utilities	1.2	1.2
Other	(0.1)	(0.1)
Total operating expenses	93.6	94.5
Operating income	6.4	5.5
Total other expense (income)	(0.1)	0.0
Income before income taxes	6.5	5.5
Income taxes	2.5	2.1
Net income	4.0%	3.4%

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

	Three Months Ended		
	March 31	March 31	%
	2004	2003	Change
Trucking revenues, net of fuel surcharge (1)	\$329,733	\$306,514	7.6%
Trucking fuel surcharge revenues (1)	17,971	18,567	(3.2%)
Non-trucking revenues (1)	36,253	20,149	79.9%
Other operating revenues (1)	2,323	1,978	17.4%
	-----	-----	
Operating revenues (1)	\$386,280	\$347,208	11.3%
	=====	=====	
Average monthly miles per tractor	10,034	9,908	1.3%
Average revenues per total mile (2)	\$1.298	\$1.247	4.1%
Average revenues per loaded mile (2)	\$1.470	\$1.395	5.4%
Average percentage of empty miles	11.69%	10.59%	10.4%
Average trip length in miles (loaded)	580	663	(12.5%)
Average tractors in service	8,436	8,268	2.0%
Average revenues per truck per week (2)	\$3,007	\$2,852	5.4%
Total tractors (at quarter end)			
Company	7,495	7,275	
Owner-operator	930	1,000	
	-----	-----	
Total tractors	8,425	8,275	
Total trailers (at quarter end)	22,960	21,040	

(1) Amounts in thousands.

(2) Net of fuel surcharge revenues.

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Operating revenues increased 11.3% for the three months ended March 31, 2004, compared to the same period of the prior year. Excluding fuel surcharge revenues, trucking revenues increased 7.6% due primarily to a 4.1% increase in revenue per total mile, excluding fuel surcharges, a 2.0% increase in the average number of tractors in service, and a 1.3% increase in average miles per tractor. Revenue per total mile, excluding fuel surcharges, increased due to customer rate increases, an improvement in freight selection, and a 12.5% decrease in the average loaded trip length due to growth in the Company's regional and dedicated fleets. The Company grew its dedicated fleet by 850 trucks, from almost one-quarter of the total truck fleet in first quarter 2003 to over one-third of the total truck fleet in first quarter 2004. The majority of the growth in the dedicated fleet was offset by a decrease in the Company's medium-to-long haul van fleet. Dedicated fleet business tends to have lower miles per trip, a higher empty mile percentage, a higher rate per loaded mile, and lower miles per truck. The growth in dedicated business had a corresponding effect on these same operating statistics for the entire Company, as reported on the previous page. Freight demand in first quarter 2004 was stronger than the weaker demand of first quarter 2003. Typically freight volumes weaken in first quarter from the seasonally strong fourth quarter and then begin improving near the end of the quarter. However, in first quarter 2004, the normal seasonal freight decline was much lower. As the quarter progressed, freight volumes continued their expected seasonal improvement which continued into the month of April 2004.

On January 4, 2004, new hours of service (HOS) regulations became effective for the trucking industry. The Company anticipated that the new regulations could have an overall negative impact on our average miles per tractor due to operational changes, primarily resulting from the new 14-hour on-duty rule. However, for first quarter 2004 compared to first

quarter 2003, average miles per tractor increased 1.3%, even after considering the 12.5% decline in average trip length. This increase is attributable to the Company's extensive HOS planning and driver training, effective utilization of its paperless log software, improved freight demand, better throughput at customer shipping and receiving facilities, the new 34-hour restart driving rule, and one more business day in first quarter 2004 compared to first quarter 2003 (64 business days compared to 63 business days).

Fuel surcharge revenues, which represent collections from customers for the higher cost of fuel, decreased from \$18.6 million in first quarter 2003 to \$18.0 million in first quarter 2004 due to lower average fuel prices in first quarter 2004 (see fuel explanation below).

Non-trucking revenues increased by 79.9% for the three months ended March 31, 2004, compared to the same period of the prior year. Most of this revenue growth came from the Company's brokerage group. Non-trucking revenue consists of freight brokerage, freight transportation management, and intermodal services. During the latter part of 2003 and continuing into 2004, the Company expanded its brokerage and intermodal service offerings by adding senior management and developing new computer systems. The following table details the non-trucking revenue and the related rent and purchased transportation expense:

Non-trucking operations	Three Months Ended	
	March 31	
	2004	2003
-----	-----	-----
Revenues	\$ 36,253	\$ 20,149
Rent and purchased transportation expense	32,954	18,691
	-----	-----
Gross margin	\$ 3,299	\$ 1,458
	=====	=====

Operating expenses, expressed as a percentage of operating revenues, were 93.6% for the three months ended March 31, 2004, compared to 94.5% for the three months ended March 31, 2003. Other expense items, when expressed as a percentage of total revenues, appear lower in first quarter 2004 versus first quarter 2003 because of the additional non-trucking revenue as well as the higher revenue per mile. Owner-operator miles as a percentage of total miles were 12.3% in first quarter 2004 compared to 13.3% in first quarter 2003. 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 35.5% to 34.5% of revenues due primarily to the effect of the increases in non-trucking revenue and revenue per mile, partially offset by the growth in the percentage of company-owned trucks to total trucks from 87.9% in first quarter 2003 to 89.0% in first quarter 2004. On a cost per total mile basis, salaries, wages and benefits increased from 50.1 cents per mile to 52.5 cents per mile. The increase on a cost per mile basis is primarily the result of higher non-driver salaries, wages, and benefits related to the non-trucking operations and higher driver pay per mile. As a result of the new hours of service (HOS) regulations effective at the beginning of first quarter 2004, the Company increased driver pay in the non-dedicated fleets for multiple stop shipments. Additional revenue from increased rates per stop offset most of the increased driver pay. In addition, effective July 2003, the Company changed its monthly mileage bonus pay program for Van solo drivers. The monthly mileage bonus pay increased from \$0.8 million in first quarter 2003 to \$1.3 million in first quarter 2004. The increase in dedicated business as a percentage of total trucking business also contributed to the increase in driver pay per mile as dedicated drivers are usually compensated at a higher rate per mile due to the lower average miles per truck. The Company renewed its workers' compensation insurance coverage, and for the policy year beginning April 2004, the Company continues to maintain a self-insurance retention of \$1.0 million per claim and is now responsible for an annual aggregate amount of \$1.0 million for claims above \$1.0 million and below \$2.0 million. The

Company's premiums for this coverage decreased slightly over the premiums from the prior policy year.

The market for recruiting drivers became increasingly challenging in first quarter 2004. For over two years, the owner-operator driver market has been difficult. In recent months, the market for recruiting experienced drivers tightened. While also challenging, the Company continues to have success recruiting drivers from driver training schools. In addition to the driver stop pay and detention pay changes and increased mileage bonus pay for Van solo drivers described above, the Company also instituted an optional per diem reimbursement program for eligible company drivers beginning in April 2004. This program is expected to increase a company driver's net pay per mile, after taxes. The tax benefits of this per diem program are going to the Company's drivers. As a result, it is expected that salaries, wages, and benefits will be slightly lower, and the Company's effective income tax rate will be higher beginning in second quarter 2004 than in first quarter 2004. The per diem program is expected to be cost neutral to the Company and increase driver satisfaction through higher net pay per mile. 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 additional 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 12.9% to 11.9% of revenues due primarily to lower fuel prices and the effect of the increases in non-trucking revenue and revenue per mile, partially offset by the growth in the percentage of company-owned trucks to total trucks from 87.9% in first quarter 2003 to 89.0% in first quarter 2004. Average fuel prices in first quarter 2004 were three cents a gallon, or 3%, lower than the record-high fuel prices of first quarter 2003. Fuel prices in first quarter 2004 were significantly higher than historical price levels and were thirty-three cents a gallon higher than average prices during the first quarters of the four years prior to 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 first quarter 2004. The Company's fuel surcharge program recoups much of the higher cost of fuel, except for miles not billable to customers, out of route miles, and truck engine idling. Fuel expense, after considering the amounts collected from customers through fuel surcharge programs, net of reimbursement to owner-operators, had no positive or negative impact on first quarter 2004 earnings per share compared to first quarter 2003 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 continue to increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of March 31, 2004, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Fuel prices for the month of April 2004 were 22 cents a gallon, or 24%, higher than the same period in April 2003. Fuel prices declined in the latter part of March 2003 after the beginning of the war in Iraq. As disclosed previously by the Company, during second quarter 2003 earnings per share were positively impacted by two cents a share compared to second quarter 2002 due to the temporary lag benefit of fuel surcharge revenues. Assuming that current fuel price levels as of April 30 continue through the remainder of second quarter 2004, the Company anticipates that fuel will have a negative impact of approximately five cents per share in second quarter 2004 compared to second quarter 2003.

In April 2004, the price of diesel fuel in the Western United States, particularly California, spiked well above the national average. As of April 26, 2004, the Department of Energy (DOE) weekly survey price per gallon for diesel fuel (which includes fuel taxes) was \$2.103 per gallon in the Western five states (PADD 5), \$2.247 in California, and \$1.718 for the National Average. Most shipper/carrier contracts use the DOE National

Average fuel price to determine the weekly fuel surcharge rate per mile. Since the Company's trucks have historically yielded about six miles per gallon, before considering the mpg degradation related to the new engines, each six-cent per gallon increase in the cost of fuel increases the Company's cost per mile by about one cent per mile. Approximately 10% of the Company's miles during first quarter 2004 were in the Western five states (PADD 5). Management is currently meeting with its larger customers that have a significant amount of miles in these Western states to discuss the recent rapid increase in fuel pricing in the West. Management is also negotiating changes to its fuel surcharge contracts for certain of these customers, with the goal to recover as much of the Western fuel price increase as possible.

Insurance and claims decreased from 5.5% to 5.0% of revenues due primarily to decreases in both the number of claims and cost per claim, primarily offset by an increase in the cost of catastrophic claims and negative reserve development on certain significant claims during first quarter 2004. The increases in non-trucking revenue and revenue per mile also contributed to the decrease as the percentage of revenue. 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. The Company has been responsible for liability claims up to \$500,000, plus administrative expenses, for each occurrence involving personal injury or property damage since August 1, 1992. The Company is also responsible for varying annual aggregate amounts of liability for claims above \$500,000 and below \$10.0 million. For the policy year beginning August 1, 2003, these annual aggregate amounts total \$13.5 million. For the policy year beginning August 1, 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 to coverage levels that management considers adequate. The Company's primary liability insurance policies for coverage ranging from \$500,000 per claim to \$10,000,000 per claim renew on August 1, 2004. Based on current insurance market conditions, the Company expects the annual premium cost for renewing the insurance coverage for the \$500,000 - \$3,000,000 layer it has maintained for the last six years (which is currently less than 5% of total insurance and claims expense) may be substantially higher. As a result, the Company may elect to increase its self-insurance retention amount from \$500,000 per claim to a higher amount per claim in August 2004.

Rent and purchased transportation increased from 14.4% to 16.4% of revenues due primarily to the increase in non-trucking revenues and the corresponding increase in purchased transportation expense related to this business, as described above, offset partially by a decrease in the number of owner-operator tractors. The Company has experienced difficulty recruiting and retaining owner-operators because of challenging operating conditions. This has resulted in a reduction of the number of owner-operator tractors from 1,000 as of March 31, 2003, to 930 as of March 31, 2004.

Other operating expenses were (0.1)% of revenues in first quarter 2003 and first quarter 2004. In first quarter 2004, the Company realized gains of \$1.6 million on sales of used revenue equipment, primarily trucks, to third parties through its Fleet Truck Sales retail network, compared to gains of \$1.4 million in first quarter 2003. The gains increased primarily due to an increase in the number of trucks sold in first quarter 2004.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) increased from 37.5% for the three-month period ended March 31, 2003 to 38.5% for the three-month period ended March 31, 2004 due to an increase in non-deductible expenses for tax purposes related to the implementation of a per diem pay program for student drivers in fourth quarter 2003. The implementation of an additional per diem pay program for eligible company drivers in April 2004 is expected to further increase the Company's effective income tax rate in second quarter 2004.

from the 38.5% effective income tax rate reported in first quarter 2004.

Regulations:

The Federal Motor Carrier Safety Administration (FMCSA) of the U.S. Department of Transportation issued a final rule on April 24, 2003 that made several changes to the regulations which govern truck drivers' hours of service (HOS). The new rules became effective on January 4, 2004. Beginning October 2003, Werner Enterprises started testing the HOS with its drivers using its proprietary Paperless Log System software, modified for the new HOS rules. This testing, combined with a comprehensive driver- training program, helped to prepare the Company for the HOS changes. The Company anticipated that the new regulations could have an overall negative impact on its average miles per tractor due to operational changes; however, average miles per tractor were essentially flat when comparing first quarter 2004 to first quarter 2003, after adjusting for the one additional business day in first quarter 2004. Effective January 2004, the Company increased its accessorial charges to customers for multiple stop shipments and its rates for tractor detention. Werner also raised its driver pay for multiple stop shipments and unanticipated delays.

On April 13, 2004, oral arguments were heard before the United States Circuit Court of Appeals for the District of Columbia on a lawsuit filed by Public Citizen challenging the revised hours-of-service regulations that went into effect on January 4, 2004. The American Trucking Associations and several other motor carrier organizations filed briefs supporting the new hours-of-service. A ruling is expected within two to six months and could be as early as June or July.

The Court has several options that range from making no changes to the existing regulations, to sending the regulations back to the federal government for further justification, to throwing out the new regulations entirely.

Accounting Standards:

In December 2003, the Financial Accounting Standards Board (FASB) revised FASB Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities. FIN No. 46(R) addresses consolidation by business enterprises of certain variable interest entities. For public entities that are not small business issuers, the provisions of FIN No. 46(R) are effective no later than the end of the first reporting period that ends after March 15, 2004. If the variable interest entity is considered to be a special-purpose entity, FIN No. 46(R) shall be applied no later than the first reporting period that ends after December 15, 2003. As of March 31, 2004, management has determined that adoption of this interpretation did not have any material effect on the financial position, results of operations, and cash flows of the Company.

The FASB issued an exposure draft on March 31, 2004 addressing accounting for share-based payments. The objective of this proposed statement is to make one accounting standard available for share-based payments that would require a company to recognize in its financial statements the cost of employee services received in exchange for valuable equity instruments issued, and liabilities incurred, to employees in share- based payment transactions. For public entities, the proposed statement would be applied prospectively for awards that are granted, modified, or settled in fiscal years beginning after December 15, 2004. Additionally, public entities would apply the provisions of the proposed statement in recognizing compensation cost for any portion of awards granted or modified after December 15, 1994, that is not yet vested at the date the standard is adopted. If the final statement is issued as proposed, management anticipates that adopting the new statement will have a negative impact of approximately one cent per share for the year ending December 31, 2005, representing the expense to be recognized for the unvested portion of awards which were granted prior to January 1, 2005.

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 March 31, 2004, 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 first quarter 2004 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 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

On December 29, 1997, the Company announced that its Board of Directors had authorized the Company to repurchase up to 4,166,666 shares of its common stock. On November 24, 2003, the Company announced that its Board of Directors approved an increase to its authorization for common stock repurchases of 3,965,838 shares for a total of 8,132,504 shares. As of March 31, 2004, the Company had purchased 3,674,104 shares pursuant to this authorization and had 4,458,400 shares remaining available for repurchase. The Company may purchase shares from time to time depending on market, economic, and other factors. The authorization will continue until withdrawn by the Board of Directors.

The following tables summarize the Company's common stock repurchases during the first quarter of 2004 made pursuant to this authorization. No shares were purchased during the quarter other than through this program.

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2004	-	-	-	4,970,000
February 1-29, 2004	224,700	\$18.5937	224,700	4,745,300
March 1-31, 2004	286,900	\$18.3533	286,900	4,458,400
Total	511,600	\$18.4589	511,600	4,458,400

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 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 January 28, 2004, regarding a news release on January 22, 2004, announcing the Company's operating revenues and earnings for the fourth quarter and year ended December 31, 2003.

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: May 3, 2004

By: /s/ John J. Steele
John J. Steele
Vice President, Treasurer and
Chief Financial Officer

Date: May 3, 2004

By: /s/ James L. Johnson
James L. Johnson
Vice President, Controller and
Corporate Secretary

**REVISED AND AMENDED BY-LAWS
OF
WERNER ENTERPRISES, INC.
(Amended April 30, 2004)**

**ARTICLE I.
SHAREHOLDERS**

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held on the second Tuesday in the month of May in each year, or such other time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Nebraska, such meeting shall be held on the next succeeding business day. Annual meetings shall be held in the office of the corporation or at such other place, either within or without the State of Nebraska, as shall be determined by the Board of Directors. If the election of Directors shall not be held on the day designated herein for any annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as conveniently may be.

Section 2. Special Meetings. Special meetings of the Shareholders may be called by the Chairman of the Board, the President or a majority of the Board of Directors. Special meetings shall be held at such place, either within or without the State of Nebraska, as shall be stated in the notice.

Section 3. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each Shareholder of record entitled to vote at such meeting.

Section 4. Closing of Transfer Books or Fixing of Record

Date. For the purpose of determining Shareholders entitled to

notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of Shareholders, such date in any case to be not more than fifty (50) days and, in the case of a meeting of Shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of Shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be

the record date for such determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 5. Voting Record. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten (10) days before each meeting of Shareholders, a complete record of the Shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order with the address of and the number of shares held by each. For a period of ten (10) days prior to such meeting, the list shall be kept on file at the registered office of the corporation and shall be subject to inspection by any Shareholder at any time during usual business hours. Such record, or a duplicate thereof, shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the Shareholders entitled to examine such record or transfer books or to vote at any meeting of Shareholders.

Section 6. Quorum. A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. The holders or their representatives of a majority of the shares present at a meeting, even though less than a majority of the shares outstanding, may adjourn the meeting from time to time without notice other than an announcement at the meeting, until such time as a quorum is present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the Shareholders, unless the vote of a greater number is required by law, by the Articles of Incorporation, or by these By-Laws.

Section 7. Proxies. At all meetings of the Shareholders, a Shareholder may vote either in person or by proxy executed in writing by a Shareholder or his duly authorized attorney in fact. Proxies solicited on behalf of the management shall be voted as directed by the Shareholder or, in the absence of such direction, as determined by a majority of the Board of Directors. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy.

Section 8. Voting of Shares. Subject to the provisions of Sections 9 and 10 of this Article I, each Shareholder entitled to vote shall be entitled to one (1) vote for each share of stock held by him upon each matter submitted to a vote at a meeting of Shareholders.

Section 9. Voting of Shares by Certain Holders.

Treasury shares shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Shares standing in the name of another corporation may be voted by such officer, agent, or proxy as the By-Laws of such corporation may prescribe, or in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, guardian, or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so be contained in an appropriate order of the Court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee and thereafter the pledgee shall be entitled to vote the shares so transferred.

Section 10. Cumulative Voting. At each election for directors, every Shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate said shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them upon the same principle among as many candidates as he shall think fit.

Section 11. Informal Action by Shareholders. Any action required to be taken at a meeting of the Shareholders, or any action which may be taken at a meeting of the Shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Shareholders entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Shareholders and may be stated as such in any articles or document filed with the Secretary of State under applicable state law.

Section 12. Inspectors of Election. In advance of any meeting of Shareholders, the Board of Directors may appoint any persons, other than nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one (1) or three (3). If the Board of Directors so appoints either one (1) or three (3) inspectors, that appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the Chairman of the Board of Directors or the President may make such appointment at the meeting. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the Chairman of the Board of Directors or the President.

Unless otherwise prescribed by applicable regulations, the duties of such inspectors shall include: determining the number of shares of stock and the voting power of each share, the shares of stock represented at the meeting, the existence of a quorum,

the authenticity, validity, and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all Shareholders.

Section 13. Nominations. The Board of Directors shall act as a nominating committee for selecting the management nominees for election as directors. Except in the case of a nominee substituted as a result of the death or other incapacity of a management nominee, the nominating committee shall deliver written nominations to the Secretary no less than fifteen (15) days prior to the date of the annual meeting. Provided such committee makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by Shareholders are made in writing and delivered to the Secretary of the corporation at least ten (10) days prior to the date of the annual meeting.

Section 14. New Business. Any new business to be taken up at the annual meeting shall be stated in writing and filed with the Secretary of the corporation at least twenty (20) days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. Any Shareholder may make any other proposal at the annual meeting and the same may be discussed and considered, but, unless stated in writing and filed with the Secretary at least twenty (20) days before the meeting, such proposal shall be laid over for action at an adjourned, special, or annual meeting of the Shareholders taking place thirty (30) days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors and committees, but, in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

ARTICLE II **DIRECTORS**

Section 1. Number and Qualifications. The business and affairs of the corporation shall be managed by a Board of Directors consisting of eight (8) Directors. The Directors need not be residents of the State of Nebraska, nor Shareholders of the corporation. Although the number and qualifications of the Directors may be changed from time to time by amendment to these By-Laws, no change shall affect the incumbent Directors during the terms for which they were elected.

Section 2. Classification of Board. The Board of Directors shall be divided, with respect to the time during which the Directors shall hold office, into classes which are designated as Classes I, II and III. The number of Directors in each such class shall be the same as in each other such class to the extent possible. When creating a new directorship through expansion of the size of the Board of Directors or when eliminating a directorship through reduction of the size of the Board of Directors, the Board shall designate the class of the new or eliminated directorship and any newly created or eliminated directorships resulting from an increase or decrease shall be apportioned by the Board among the classes of Directors

so as to maintain such classes as nearly equal as possible. The term of office of the Class I will expire at the 1995 annual meeting of Shareholders, the term of office of the Class II will expire at the 1996 annual meeting of Shareholders and the term of office of the Class III will expire at the 1997 annual meeting of Shareholders with Directors in each class to hold office until his or her successor shall have been duly elected and qualified. The class into which each Director elected at the 1994 annual meeting of Shareholders shall be designated and the Directors then elected will hold office for terms corresponding to their respective class. At each subsequent annual meeting of Shareholders, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of Shareholders after their election, with each Director to hold office until his or her successor is elected and qualified.

Section 3. Removal and Vacancies. A Director may be removed by vote of the holders of a majority of the shares entitled to vote at an election of Directors which vote is taken at a meeting of the Shareholders called expressly for that purpose. However, if less than the entire Board is to be removed at such special meeting, then no individual Director may be removed if the votes cast against the removal of such Director would be sufficient to elect such Director if then cumulatively voted at an election of Directors for the class of which such Director is a member. Any vacancies in the Board of Directors, occurring for any reason, shall be filled by the vote of the remaining Directors, even if less than a quorum, or by a sole remaining Director. The Director class of any Directors chosen to fill vacancies shall be designated by the Board and such Directors shall hold office until the next election of Directors of the class of which they are a member and until their successors shall be elected and qualified.

Section 4. Quorum. A majority of the number of directors fixed by the By-Laws shall constitute a quorum for the transaction of any business at any meeting of the Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is specified by the Articles of Incorporation or these By-Laws. If less than a quorum is present at any meeting, the majority of these present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 5. Annual Meeting. The annual meeting of the Board of Directors shall be held without notice other than this By-Law immediately following adjournment of the annual meeting of Shareholders and shall be held at the same place as the annual meeting of Shareholders unless some other place is agreed upon.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or a majority of the Board of Directors, and shall be held at the office of the corporation or at such other place, either within or without the State of Nebraska, as the notice may state.

Section 7. Notice. Notice of special meetings shall be mailed to each director at his last known address at least five (5) days prior to the date of holding said meetings. Any director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business

because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 8. Action Without a Meeting. Any action required to be taken at a meeting of the Board of Directors, or of any committee, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote. The consent may be executed by the directors in counterparts.

Section 9. Voting. At all meetings of the Board of Directors, each director shall have one (1) vote irrespective of the number of shares he may hold. Members of the Board of Directors may vote and participate in meetings by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other.

Section 10. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 11. Compensation. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 12. Committees. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, appoint an executive committee, an audit committee, and one or more other committees, each committee to consist of two (2) or more directors of the corporation, which committees shall, to the extent permitted by law, have and may exercise such powers of the Board of Directors in the management of the business and affairs of the corporation as shall be delegated to them.

Section 13. Advisory Directors. The Board of Directors may by resolution appoint advisory directors to the Board, who shall serve as directors emeritus, and shall have such authority and receive such compensation and reimbursement as the Board of Directors shall provide. Advisory directors shall not have the authority to participate by vote in the transaction of business.

ARTICLE III
OFFICERS

Section 1. Number and qualifications. The officers of the corporation shall be a Chairman of the Board, one or more Vice Chairmen (as the Board of Directors shall determine), a President, one or more Vice-Presidents (including Executive Vice Presidents or Senior Vice Presidents, as the Board of Directors shall determine), a Secretary, and a Treasurer and such other officers and agents as may be deemed necessary by the Board of Directors. Any two (2) or more offices may be held by the same person.

Section 2. Election and Tenure. The officers of the corporation shall be elected by the Board of Directors at its annual meeting. Each officer shall hold office for a term of one (1) year or until his successor shall have been duly elected and shall have become qualified, unless his service is specified by an employment contract of greater length or is terminated sooner because of death, resignation, or otherwise. The Board of Directors may authorize the corporation to enter into an employment contract with any officer in accordance with state law.

Section 3. Removal. Any officer or agent of the corporation, elected or appointed by the Board of Directors, may be removed by the Board of Directors whenever in its judgment the best interests of the corporation should be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. Vacancies occurring in any office by reason of death, resignation, or otherwise may be filled by the Board of Directors at any meeting.

Section 5. Chairman of the Board. The Chairman of the Board shall be the Chief Executive Officer of the corporation and, subject to the control of the Board of Directors, shall, in general, supervise and control all of the business and affairs of the corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incidental to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-Chairman of the Board. The Vice- Chairman, whether one or more, of the Board, shall, subject to the control of the Board of Directors, advise and assist the Chairman in the general supervision and control of the business and affairs of the corporation. The Vice-Chairman shall, in the absence of the Chairman (or in the event there should be more than one Vice-Chairman, the Vice Chairmen in the order designated at time of their election, or in the absence of any such designation, then in the order of their election) preside at all meetings of the Shareholders and of the Board of Directors. He

may sign with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties as may be prescribed by the Board of Directors from time to time.

Section 7. The President. The President shall be the principal operating officer of the corporation and, subject to the control of the Board of Directors and the direction of the Chairman of the Board, shall in general supervise and control the operation of the business and affairs of the corporation. He shall, in the absence of the Chairman of the Board, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the corporation, certificates for shares of the corporation, and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general, shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 8. The Vice-Presidents. In the absence of the President or in the event of his death, inability, or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. In that event, the Executive Vice-President, Senior Vice-President, or Vice-President, designated at time of his election, shall perform the duties of the President. In the absence of any such designation, the position shall be filled by the first elected Executive Vice-President, or if none, the first elected Senior Vice-President, or if none, the first elected Vice-President. Any Executive Vice-President, Senior Vice-President, or Vice-President may sign with the Secretary or any other proper officer of the corporation, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. Secretary. The Secretary shall: (a) keep minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be the custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder (e) sign with the Chairman of the Board of Directors, President or a Vice- President, certificates for shares of the corporation, the issuance of which shall be authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 10. The Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such banks, trust companies, or in other depositories as shall be selected in accordance with the provisions of these By-Laws; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 11. Other Officers. Other officers shall perform such duties and have such powers as may be assigned to them by the Board of Directors.

Section 12. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE IV **SEAL**

The corporate seal of the corporation shall contain the name of the corporation and shall be in such form as the Board of Directors shall prescribe.

ARTICLE V **CERTIFICATES FOR SHARES AND THEIR TRANSFER**

Section 1. Certificates for Shares. The shares of the corporation shall be represented by certificates signed by the Chairman of the Board of Directors or by the President or a Vice- President and by the Treasurer or by the Secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. Any or all of the signatures upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or an employee of the corporation. If an officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before the certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

Section 2. Form of Share Certificates. Each certificate representing shares shall state upon the face thereof; that the corporation is organized under the laws of the State of Nebraska; the name of the person to whom issued; the number and class of shares; the designation of the series, if any, which such certificate represents; the par value of each share represented by such certificate, or a statement that the shares are without par value. Other matters in regard to the form of the certificates shall be determined by the Board of Directors.

Section 3. Loss or Destruction. In case of loss or destruction of a certificate of stock, no new certificate shall be issued in lieu thereof except upon satisfactory proof to the Board of Directors of such loss or destruction, and upon the giving of satisfactory security by bond or otherwise against loss to the corporation.

Section 4. Transfer of Shares. Transfer of shares of capital stock of the corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

ARTICLE VI

DIVIDENDS AND BANK ACCOUNT

Section 1. Dividends. In addition to other dividends authorized by law, the Board of Directors, by resolution, may from time to time declare dividends to be paid out of the unreserved and unrestricted earned surplus of the corporation, but no dividend shall be paid when the corporation is insolvent, when the payment thereof would render the corporation insolvent or when otherwise prohibited by law.

Section 2. Bank Account. The funds of the corporation shall be deposited in such banks, trust funds, or depositories as the Board of Directors may designate and shall be withdrawn upon the signature of the President and upon the signatures of such other person or persons as the directors may by resolution authorize.

ARTICLE VII

AMENDMENTS

These By-Laws may be altered, amended or repealed and new By- Laws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE VIII

WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the corporation under the provisions of the Articles of Incorporation or under the provisions of applicable state law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE IX
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

At the discretion of the Board of Directors, and subject to the provisions of the Articles of Incorporation, the corporation may indemnify any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or other agent of another corporation, partnership, trust, or other enterprise as permitted by the Nebraska Business Corporation Act, as amended from time to time.

ARTICLE X
DIRECTORS' INTEREST IN CONTRACTS

In the absence of fraud, no contract or other transaction between the corporation and any other person, corporation, firm, syndicate, association, partnership or joint venture shall be either void or voidable or otherwise affected by reason of the fact that one or more directors of the corporation are or become directors or officers of such other corporation, firm, syndicate or association or members of such partnership or joint venture, or are pecuniarily or otherwise interested in such contract or transaction, provided that (1) the fact such director or directors of the corporation are so situated or so interested, or both, is disclosed or known to the Board of Directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; (2) that such fact is disclosed or known to the Shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or (3) the contract or transaction is fair and reasonable to the corporation. Any director of the corporation who is also a director or officer of such other corporation, firm, syndicate, or association, or a member of such partnership or joint venture or is pecuniarily or otherwise interested in such contract or transaction, may be counted for the purpose of determining the presence of a quorum at any meeting of the Board of Directors which shall authorize any such contract or transaction.

ARTICLE XI
FISCAL YEAR

Section 1. Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of January in each year, or at such other time as may be determined by the Board of Directors.

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: May 3, 2004

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

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: May 3, 2004

/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 March 31, 2004, (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.

May 3, 2004

/s/ Clarence L. Werner

Clarence L. Werner

Chairman and Chief Executive Officer

**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 March 31, 2004, (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.

May 3, 2004

/s/ John J. Steele

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