WERNER ENTERPRISES INC
Form 10-Q
August 02, 2007

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 June 30, 2007
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-14690

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

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

| | |
|---|---|
| 14507 FRONTIER ROAD<br>POST OFFICE BOX 45308<br>OMAHA, NEBRASKA | 68145-0308 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (402) 895-6640

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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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___

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

As of July 27, 2007, 72,848,612 shares of the registrant's common stock, par value $.01 per share, were outstanding.

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# PART I

# FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

Operating results for the three-month and six-month periods ended June 30, 2007, are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. 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, 2006.

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WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

| (In thousands, except per share amounts) | Three Months Ended June 30 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | |
| Operating revenues | $ 531,286 | $ 528,889 |
| Operating expenses: | | |
| Salaries, wages and benefits | 150,335 | 149,743 |
| Fuel | 99,918 | 102,812 |
| Supplies and maintenance | 40,077 | 38,982 |
| Taxes and licenses | 29,317 | 27,905 |
| Insurance and claims | 23,922 | 21,613 |
| Depreciation | 41,629 | 41,072 |
| Rent and purchased transportation | 108,903 | 101,335 |
| Communications and utilities | 5,182 | 4,827 |
| Other | (6,383) | (5,751) |
| Total operating expenses | 492,900 | 482,538 |
| Operating income | 38,386 | 46,351 |
| Other expense (income): | | |
| Interest expense | 1,057 | 4 |
| Interest income | (923) | (1,221) |
| Other | 46 | 85 |
| Total other expense (income) | 180 | (1,132) |
| Income before income taxes | 38,206 | 47,483 |
| Income taxes | 15,952 | 19,462 |
| Net income | $ 22,254 | $ 28,021 |
| Earnings per share: | | |
| Basic | $ .30 | $ .36 |
| Diluted | $ .30 | $ .35 |

| | | |
|---|---|---|
| Dividends declared per share | $ .050 | $ .045 |
| Weighted-average common shares outstanding: | | |
| Basic | 73,395 | 78,236 |
| Diluted | 74,748 | 79,689 |



WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

| (In thousands, except per share amounts) | Six Months Ended June 30 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | |
| Operating revenues | $ 1,035,199 | $ 1,020,811 |
| Operating expenses: | | |
| Salaries, wages and benefits | 300,856 | 296,356 |
| Fuel | 189,003 | 191,458 |
| Supplies and maintenance | 79,668 | 76,774 |
| Taxes and licenses | 59,480 | 57,374 |
| Insurance and claims | 48,127 | 40,808 |
| Depreciation | 84,186 | 82,173 |
| Rent and purchased transportation | 209,118 | 189,354 |
| Communications and utilities | 10,274 | 9,722 |
| Other | (11,165) | (6,381) |
| Total operating expenses | 969,547 | 937,638 |
| Operating income | 65,652 | 83,173 |
| Other expense (income): | | |
| Interest expense | 2,393 | 277 |
| Interest income | (1,974) | (2,216) |
| Other | 118 | 126 |
| Total other expense (income) | 537 | (1,813) |
| Income before income taxes | 65,115 | 84,986 |

| | | |
|---|---|---|
| Income taxes | 27,193 | 34,936 |
| Net income | $ 37,922 | $ 50,050 |
| Earnings per share: | | |
| Basic | $ .51 | $ .63 |
| Diluted | $ .50 | $ .62 |
| Dividends declared per share | $ .095 | $ .085 |
| Weighted-average common shares outstanding: | | |
| Basic | 74,080 | 78,837 |
| Diluted | 75,477 | 80,324 |



WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

| (In thousands, except share amounts) | June 30 | December 31 |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 32,897 | $ 31,613 |
| Accounts receivable, trade, less allowance of $9,381 and $9,417, respectively | 223,747 | 232,794 |
| Other receivables | 13,890 | 17,933 |
| Inventories and supplies | 10,862 | 10,850 |
| Prepaid taxes, licenses and permits | 8,217 | 18,457 |
| Current deferred income taxes | 27,440 | 25,251 |
| Other current assets | 19,904 | 24,143 |
| Total current assets | 336,957 | 361,041 |
| Property and equipment | 1,662,218 | 1,687,220 |
| Less - accumulated depreciation | 610,540 | 590,880 |
| Property and equipment, net | 1,051,678 | 1,096,340 |

| | | |
|---|---|---|
| Other non-current assets | 19,488 | 20,792 |
| | $ 1,408,123 | $ 1,478,173 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 66,487 | $ 75,821 |
| Current portion of long-term debt | 30,000 | - |
| Insurance and claims accruals | 82,609 | 73,782 |
| Accrued payroll | 23,786 | 21,344 |
| Other current liabilities | 18,683 | 19,963 |
| Total current liabilities | 221,565 | 190,910 |
| Long-term debt, net of current portion | 20,000 | 100,000 |
| Other long-term liabilities | 6,897 | 999 |
| Insurance and claims accruals, net of current portion | 101,000 | 99,500 |
| Deferred income taxes | 207,030 | 216,413 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, $.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 72,947,352 and 75,339,297 shares outstanding, respectively | 805 | 805 |
| Paid-in capital | 102,429 | 105,193 |
| Retained earnings | 893,084 | 862,403 |
| Accumulated other comprehensive income (loss) | 106 | (207) |
| Treasury stock, at cost; 7,586,184 and 5,194,239 shares, respectively | (144,793) | (97,843) |
| Total stockholders' equity | 851,631 | 870,351 |
| | $ 1,408,123 | $ 1,478,173 |



WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Six Months Ended June 30 | |
|---|---|---|
| | 2007 | 2006 |

| | (Unaudited) | |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 37,922 | $ 50,050 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 84,186 | 82,173 |
| Deferred income taxes | (6,502) | 2,697 |
| Gain on disposal of property and equipment | (13,779) | (15,958) |
| Stock based compensation | 794 | 1,312 |
| Other long-term assets | 1,688 | 68 |
| Insurance claims accruals, net of current portion | 1,500 | 2,500 |
| Other long-term liabilities | 560 | 219 |
| Changes in certain working capital items: | | |
| Accounts receivable, net | 9,047 | 6,720 |
| Other current assets | 18,510 | 10,969 |
| Accounts payable | (9,334) | 10,886 |
| Other current liabilities | 9,732 | (4,521) |
| Net cash provided by operating activities | 134,324 | 147,115 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (87,125) | (129,893) |
| Retirements of property and equipment | 57,750 | 88,058 |
| Decrease in notes receivable | 3,246 | 2,561 |
| Net cash used in investing activities | (26,129) | (39,274) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 10,000 | - |
| Repayments of long-term debt | (60,000) | - |
| Repayments of short-term debt | - | (60,000) |
| Dividends on common stock | (6,716) | (6,328) |
| Repurchases of common stock | (58,123) | (39,477) |
| Stock options exercised | 4,870 | 3,112 |
| Excess tax benefits from exercise of stock options | 2,745 | 2,089 |
| Net cash used in financing activities | (107,224) | (100,604) |
| Effect of exchange rate fluctuations on cash | 313 | (1,010) |
| Net increase in cash and cash equivalents | 1,284 | 6,227 |
| Cash and cash equivalents, beginning of period | 31,613 | 36,583 |
| Cash and cash equivalents, end of period | $ 32,897 | $ 42,810 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 3,061 | $ 388 |
| Income taxes | $ 30,865 | $ 34,370 |
| Supplemental schedule of non-cash investing activities: | | |
| Notes receivable issued upon sale of revenue equipment | $ 3,630 | $ 3,526 |

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(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 $892 and ($712) (in thousands) for the three-month periods and $313 and ($1,010) (in thousands) for the six-month periods ended June 30, 2007 and 2006, respectively.

(2) Long-Term Debt

Long-term debt consisted of the following (in thousands):

| | June 30 2007 | December 31 2006 |
|---|---|---|
| Notes payable to banks under committed credit facilities | $ 50,000 | $ 100,000 |
| Less current maturities | 30,000 | - |
| Long-term debt, net | $ 20,000 | $ 100,000 |

The notes payable to banks under committed credit facilities bear variable interest (5.7% at June 30, 2007) based on the London Interbank Offered Rate ("LIBOR") and mature at various dates from May 2008 to May 2011. As of June 30, 2007, the Company has an additional $175.0 million of available credit under these credit facilities with two banks which is further reduced by $37.1 million in letters of credit the Company maintains. Subsequent to June 30, 2007, the Company repaid $10.0 million on these notes shown as current maturities above. Each of the debt agreements include, among other things, two financial covenants that the Company (1) not exceed a maximum ratio of total debt to total capitalization and (2) not exceed a maximum ratio of total funded debt to earnings before interest, income taxes, depreciation, amortization and rentals payable as defined in the credit facility. The Company was in compliance with these covenants at June 30, 2007.

(3) Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the adoption of FIN 48, the Company recognized an additional $0.3 million net liability for unrecognized tax benefits, which was accounted for as a reduction to retained earnings. After recognizing the additional liability, the Company had a total gross liability for unrecognized tax benefits of $5.3 million as of the adoption date, which is included in other long-term liabilities. If recognized, $3.4 million of unrecognized tax benefits would impact the Company's effective tax rate. Interest of $1.4 million has been reflected as a component of the total liability. It is the Company's policy to recognize as additional income tax expense the items of interest and penalties directly related to income taxes.

For the three-month and six-month periods ended June 30, 2007, there were no material changes to the total amount of unrecognized tax benefits. The Company does not expect any significant increases or decreases for uncertain tax positions during the next 12 months, except for the potential outcome of the matter discussed in Note 4.



The Company files income tax returns in the U.S. and various states as well as several foreign jurisdictions. The Company has tax returns, subject to examination, primarily for tax returns filed during 2003 through 2007 in addition to returns filed during 1999 through 2002 due to an extension of the statute of limitations.

(4) Commitments and Contingencies

As of June 30, 2007, the Company has commitments for net capital expenditures of approximately $19.8 million.

During first quarter 2006, in connection with an audit of the Company's federal income tax returns for the years 1999 to 2002, the Company received a notice from the Internal Revenue Service ("IRS") proposing to disallow a significant tax deduction. This deduction is a timing difference between financial reporting and tax reporting and, if the Company did not ultimately prevail, would result in interest charges, which the Company records as a component of income tax expense in the Company's financial statements. This timing difference deduction reversed in the Company's 2004 income tax return. The Company filed a protest in this matter in April 2006, which is currently under review by an IRS appeals officer. The initial conference with the appeals officer occurred in March 2007. The Company and its tax advisors believe the Company has a strong position and, therefore, at this time the Company has not recorded an accrual for interest for this issue in the financial statements. It is possible the Company may not ultimately prevail in its position, which may have a material impact on the Company's financial condition. The Company estimates the accrued interest, net of taxes, if the Company would not prevail in its position with the IRS to be no more than $6.5 million as of June 30, 2007.

(5) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. The difference between basic and diluted earnings per share for all periods presented is due to the common stock equivalents that are assumed to be issued upon the exercise of stock options. The computation of basic and diluted earnings per share is shown below (in thousands, except per share amounts).

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Net income | $ 22,254 | $ 28,021 | $ 37,922 | $ 50,050 |

| | | | | |
|---|---|---|---|---|
| Weighted-average common shares outstanding | 73,395 | 78,236 | 74,080 | 78,837 |
| Common stock equivalents | 1,353 | 1,453 | 1,397 | 1,487 |
| Shares used in computing diluted earnings per share | 74,748 | 79,689 | 75,477 | 80,324 |
| Basic earnings per share | $ .30 | $ .36 | $ .51 | $ .63 |
| Diluted earnings per share | $ .30 | $ .35 | $ .50 | $ .62 |



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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Number of options | 29,500 | 24,500 | 29,500 | 5,000 |
| Range of option purchase prices | $19.26-$20.36 | $19.84-$20.36 | $19.26-$20.36 | $20.36 |

(6) Stock Based Compensation

At the May 8, 2007 Annual Meeting of Stockholders, the stockholders approved and adopted an amended and restated plan and renamed the amended plan the "Werner Enterprises, Inc. Equity Plan" (the "Equity Plan"), pursuant to which it will be able to grant shares of restricted stock and grant awards of stock options and stock appreciation rights to employees and non-employee directors. A copy of the Equity Plan is filed as an exhibit to this 10-Q and is incorporated by reference to the Company's Current Report on Form 8-K dated May 8, 2007.

The Equity Plan provides for grants of nonqualified stock options, restricted stock and stock appreciation rights. Options are granted at prices equal to the market value of the common stock on the date the option is granted. The Board or Compensation Committee will set the vesting conditions of the award. Option awards currently outstanding become exercisable in installments from eighteen to seventy-two months after the date of grant. The options are exercisable over a period not to exceed ten years and one day from the date of grant. The maximum number of shares of common stock that may be awarded under the Equity Plan is 20,000,000 shares. The maximum aggregate number of shares that may be awarded to any one person under the Equity Plan is 2,562,500. At June 30, 2007, 8,892,657 shares were available for granting additional awards.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("No. 123R") using a modified version of the prospective transition method. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures. Stock-based employee compensation expense was $0.4 million and $0.6 million for the three-month periods and $0.8 million and $1.3 million for the six-month periods ended June 30, 2007 and 2006, respectively, and is included in salaries, wages and benefits within the consolidated statements of income. The total income tax benefit recognized in the income statement for stock-based compensation arrangements was $0.1 million and $0.2 million for the three-month periods and $0.3 million and $0.5 million for the six-month periods ended June 30, 2007 and 2006, respectively. There was no cumulative effect of initially adopting SFAS No. 123R.

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The following table summarizes Stock Option Plan activity for the six months ended June 30, 2007:

| | Number of Options (in 000's) | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (in 000's) |
|---|---|---|---|---|
| Outstanding at beginning of period | 4,565 | $ 11.03 | | |
| Options granted | - | $ - | | |
| Options exercised | (608) | $ 8.01 | | |
| Options forfeited | - | $ - | | |
| Options expired | (2) | $ 8.65 | | |
| Outstanding at end of period | 3,955 | $ 11.49 | 4.65 | $ 34,231 |
| Exercisable at end of period | 2,906 | $ 9.97 | 3.88 | $ 29,584 |

The Company granted no stock options during the three-month and six-month periods ended June 30, 2007 and granted 5,000 options during the three-month and six-month periods ended June 30, 2006. The fair value of stock options granted was estimated using a Black-Scholes valuation model with the following assumptions:

| | Six Months Ended June 30 |
|---|---|

| | 2006 |
|---|---|
| Risk-free interest rate | 4.7% |
| Expected dividend yield | 0.88% |
| Expected volatility | 36% |
| Expected term (in years) | 4.9 |
| Grant date fair value | $7.37 |

The risk-free interest rate assumption was based on average 5-year U.S. Treasury note yields. The expected volatility was based on historical daily price changes of the Company's stock since June 2001. The expected term was the average number of years that the Company estimated these options will be outstanding. The Company considers groups of employees that have similar historical exercise behavior separately for valuation purposes.

The total intrinsic value of share options exercised was $6.0 million and $0.4 million for the three-month periods and $6.7 million and $5.1 million for the six-month periods ended June 30, 2007 and 2006, respectively. As of June 30, 2007, the total unrecognized compensation cost related to nonvested stock option awards was approximately $1.8 million and is expected to be recognized over a weighted average period of 1.2 years.

Although the Company does not a have a formal policy for issuing shares upon exercise of stock options, such shares are generally issued from treasury stock. From time to time, the Company has repurchased shares of its common stock, the timing and amount of which depends on market and other factors. Historically, the shares acquired under these regular repurchase programs have provided sufficient quantities of stock for issuance upon exercise of stock options. Based on current treasury stock levels, the Company does not expect the need to repurchase additional shares specifically for stock option exercises during 2007.

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(7) Segment Information

The Company has two reportable segments - Truckload Transportation Services and Value Added Services ("VAS"). The Truckload Transportation Services segment consists of six operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Dedicated Services fleet provides truckload services required by a specific customer, generally for a distribution center or manufacturing facility. The medium-to-long-haul Van fleet transports a variety of consumer, nondurable 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 regions. The Expedited fleet provides time-sensitive truckload services utilizing driver teams. The Flatbed and Temperature-Controlled fleets provide truckload services for products with specialized trailers. Revenues for the Truckload Transportation Services segment include non-trucking revenues of $2.3 million and $2.8 million for the three-month periods and $5.4 million and $5.6 million for the six-month periods ended June 30, 2007 and 2006, respectively, which consist primarily of the portion of shipments delivered to or from Mexico where the Company utilizes a third-party capacity provider.

The VAS segment, which generates the majority of the Company's non-trucking revenues, provides truck brokerage, freight management (single-source logistics), intermodal, and international services.

The Company generates other revenues related to third-party equipment maintenance, equipment leasing, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Other" in the tables below. "Corporate" includes revenues and expenses that are incidental to the activities of the Company and are not attributable to any of its operating segments. The Company does not prepare separate balance sheets by segment 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.

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

| | Revenues | | | |
|---|---|---|---|---|
| | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2007 | 2006 | 2007 | 2006 |
| Truckload Transportation Services | $ 451,069 | $ 456,920 | $ 880,876 | $ 889,917 |
| Value Added Services | 75,849 | 68,807 | 145,726 | 124,978 |
| Other | 3,795 | 2,418 | 7,397 | 4,280 |
| Corporate | 573 | 744 | 1,200 | 1,636 |
| Total | $ 531,286 | $ 528,889 | $1,035,199 | $1,020,811 |

| | Operating Income | | | |
|---|---|---|---|---|
| | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2007 | 2006 | 2007 | 2006 |
| Truckload Transportation Services | $ 34,632 | $ 44,043 | $ 58,408 | $ 79,126 |
| Value Added Services | 3,457 | 2,365 | 6,397 | 3,876 |
| Other | 814 | 167 | 1,643 | 630 |
| Corporate | (517) | (224) | (796) | (459) |
| Total | $ 38,386 | $ 46,351 | $ 65,652 | $ 83,173 |

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

This report contains historical information, as well as forward-looking statements that are based on information currently available to the Company's management. The forward-looking statements in this report, including those made in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. The Company believes the assumptions underlying these forward-looking statements are reasonable based on information currently available; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those anticipated in the forward-looking statements as a result of certain risks and uncertainties. These risks include, but are not limited to, those discussed in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Caution should be taken not to place undue reliance on forward-looking statements made herein, since the statements speak only as of the date they are made. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Overview:

The Company operates in the truckload sector of the trucking industry, with a focus on transporting consumer nondurable products that ship more consistently throughout the year. The Company's success depends on its ability to efficiently manage its resources in the delivery of truckload transportation and logistics services to its customers. Resource requirements vary with customer demand, which may be subject to seasonal or general economic conditions. The Company's ability to adapt to changes in customer transportation requirements is a key element in efficiently deploying resources and in making capital investments in tractors and trailers. Although the Company's business volume is not highly

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concentrated, the Company may also be affected by the financial failure of its customers or a loss of a customer's business from time-to-time.

Operating revenues consist of trucking revenues generated by the six operating fleets in the Truckload Transportation Services segment (dedicated, medium-to-long-haul van, regional short-haul, expedited, flatbed, and temperature-controlled) and non-trucking revenues generated primarily by the Company's VAS segment. The Company's Truckload Transportation Services segment ("truckload segment") also includes a small amount of non-trucking revenues, which consist primarily of the portion of shipments delivered to or from Mexico where it utilizes a third-party capacity provider. Non-trucking revenues reported in the operating statistics table include those revenues generated by the VAS segment, as well as the non-trucking revenues generated by the truckload segment. Trucking revenues accounted for approximately 84% of total operating revenues in second quarter 2007, and non-trucking and other operating revenues accounted for approximately 16%.

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. Non-trucking revenues generated by a fleet whose operations are part of the truckload segment are included in non-trucking revenues in the operating statistics table so that the revenue statistics in the table are calculated using only the revenues generated by company-owned and owner-operator trucks. The key statistics used to evaluate trucking revenues, excluding fuel surcharges, are average revenues per tractor per week, the per-mile rates charged to customers, the average monthly miles generated per tractor, the average percentage of empty miles, the average trip length, and the average 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 Company's most significant resource requirements are company drivers, owner-operators, tractors, trailers, and related costs of operating its equipment (such as fuel and related fuel taxes, driver pay, insurance, and supplies and maintenance). The Company has historically been successful mitigating its risk to increases in fuel prices by recovering additional fuel surcharges from its customers that recoup a majority of the increased fuel costs; however, there is no assurance that current recovery levels will continue in future periods. The Company's financial results are also affected by availability of company drivers and owner-operators and the market for new and used revenue equipment. Because the Company is self-insured for a significant portion of cargo, personal injury, and property damage claims on its revenue equipment and for workers' compensation benefits for its employees (supplemented by premium-based coverage above certain dollar levels), financial results may also be affected by driver safety, medical costs, weather, the legal and regulatory environment, and the costs of insurance coverage to protect against catastrophic losses.

A common industry measure used to evaluate the profitability of the Company and its trucking operating fleets is the operating ratio (operating expenses expressed 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 impact on the percentage of total operating revenues caused by changes in fuel surcharge revenues, per-mile rates charged to customers, and non-trucking revenues. As discussed further in the comparison of operating results for second quarter 2007 to second quarter 2006, several industry-wide issues, including a softer freight market, changing fuel prices, and a challenging driver recruiting and retention market, could cause costs to increase in future periods. The Company's main fixed costs include depreciation expense for tractors and trailers and equipment licensing fees (included in taxes and licenses expense). Depreciation expense has been affected by the new engine emission standards that became effective in



October 2002 (phase 1) for all newly purchased trucks, which have increased truck purchase costs. In addition, beginning in January 2007, a new set of more stringent engine emissions standards mandated by the Environmental Protection Agency ("EPA") became effective for all newly manufactured trucks. The Company expects that the engines produced under the 2007 standards will be less fuel-efficient and have a higher cost than the current engines. The trucking operations require substantial cash expenditures for the purchase of tractors and trailers. In 2005 and 2006, the Company accelerated its normal three-year replacement cycle for company-owned tractors. These purchases were funded by net cash from operations and financing available under the Company's existing credit facilities, as management deemed necessary. The Company's new truck fleet will allow it to delay purchases of trucks with the 2007 engines.

Non-trucking services provided by the Company, primarily through its VAS division, include truck brokerage, freight management (single-source logistics), intermodal, and international, as discussed further on page 18. Unlike the Company's trucking operations, the non-trucking operations are less asset-intensive and are instead dependent upon qualified employees, information systems, and the services of qualified third-party capacity providers. The most significant expense item related to these non-trucking services is the cost of transportation paid by the Company to third-party capacity providers, which is recorded as rent and purchased transportation expense. Other expenses include salaries, wages and benefits and computer hardware and software depreciation. The Company evaluates the non-trucking operations by reviewing the gross margin percentage (revenues less rent and purchased transportation expense expressed as a percentage of revenues) and the operating income percentage. The operating income percentage for the non-trucking business is lower than those of the trucking operations, but the return on assets is substantially higher.

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Results of Operations:

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

| | Three Months Ended June 30 | | % | Six Months Ended June 30 | | % |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | Change | 2007 | 2006 | Change |
| Trucking revenues, net of fuel surcharge (1) | $375,169 | $375,897 | -0.2% | $741,475 | $744,153 | -0.4% |
| Trucking fuel surcharge revenues (1) | 73,403 | 78,213 | -6.1% | 133,786 | 140,101 | -4.5% |
| Non-trucking revenues, including VAS (1) | 78,184 | 71,569 | 9.2% | 151,135 | 130,549 | 15.8% |
| Other operating revenues (1) | 4,530 | 3,210 | 41.1% | 8,803 | 6,008 | 46.5% |
| Operating revenues (1) | $531,286 | $528,889 | 0.5% | $1,035,199 | $1,020,811 | 1.4% |
| Operating ratio (consolidated) (2) | 92.8% | 91.2% | | 93.7% | 91.9% | |
| Average monthly miles per tractor | 10,078 | 9,938 | 1.4% | 9,792 | 9,886 | -1.0% |
| Average revenues per total mile (3) | $1.463 | $1.463 | 0.0% | $1.453 | $1.456 | -0.2% |
| Average revenues per loaded mile (3) | $1.685 | $1.679 | 0.4% | $1.680 | $1.671 | 0.5% |
| Average percentage of empty miles | 13.19% | 12.84% | 2.7% | 13.51% | 12.87% | 5.0% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Average trip length in miles (loaded) | 561 | 584 | -3.9% | 567 | 585 | -3.1% |
| Total miles (loaded and empty) (1) | 256,486 | 256,852 | -0.1% | 510,200 | 511,169 | -0.2% |
| Average tractors in service | 8,483 | 8,615 | -1.5% | 8,684 | 8,618 | 0.8% |
| Average revenues per tractor per week (3) | $3,402 | $3,356 | 1.4% | $3,284 | $3,321 | -1.1% |
| Total tractors (at quarter end) | | | | | | |
| Company | 7,530 | 7,905 | | 7,530 | 7,905 | |
| Owner-operator | 820 | 805 | | 820 | 805 | |
| Total tractors | 8,350 | 8,710 | | 8,350 | 8,710 | |
| Total trailers (truck and intermodal, at quarter end) | 24,800 | 25,180 | | 24,800 | 25,180 | |

(1) Amounts in thousands.
(2) Operating expenses expressed as a percentage of operating revenues. Operating ratio is a common measure in the trucking industry used to evaluate profitability.
(3) Net of fuel surcharge revenues.



The following table sets forth the revenues, operating expenses, and operating income for the truckload segment. Revenues for the truckload segment include non-trucking revenues of $2.3 million and $2.8 million for the three-month periods and $5.4 million and $5.6 million for the six-month periods ended June 30, 2007 and 2006, respectively, as described on page 11.

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| Truckload Transportation Services (amounts in 000's) | $ | % | $ | % | $ | % | $ | % |
| Revenues | $451,069 | 100.0 | $456,920 | 100.0 | $880,876 | 100.0 | $889,917 | 100.0 |
| Operating expenses | 416,437 | 92.3 | 412,877 | 90.4 | 822,468 | 93.4 | 810,791 | 91.1 |
| Operating income | $ 34,632 | 7.7 | $ 44,043 | 9.6 | $ 58,408 | 6.6 | $ 79,126 | 8.9 |

Higher fuel prices and higher fuel surcharge collections have the effect of increasing the Company's consolidated operating ratio and the truckload segment's operating ratio when fuel surcharges are reported on a gross basis as revenues versus netting against fuel expenses. Eliminating fuel surcharge revenues, which are generally a more volatile source of revenue, provides a more consistent basis for comparing the results of operations from period to period. The following table calculates the truckload segment's operating ratio as if fuel surcharges were excluded from revenue and instead reported as a reduction of operating expenses.

| Truckload Transportation Services (amounts in 000's) | Three Months Ended June 30 2007 $ | % | 2006 $ | % | Six Months Ended June 30 2007 $ | % | 2006 $ | % |
|---|---|---|---|---|---|---|---|---|
| Revenues | $451,069 | | $456,920 | | $880,876 | | $889,917 | |
| Less: trucking fuel surcharge revenues | 73,403 | | 78,213 | | 133,786 | | 140,101 | |
| Revenues, net of fuel surcharges | 377,666 | 100.0 | 378,707 | 100.0 | 747,090 | 100.0 | 749,816 | 100.0 |
| Operating expenses | 416,437 | | 412,877 | | 822,468 | | 810,791 | |
| Less: trucking fuel surcharge revenues | 73,403 | | 78,213 | | 133,786 | | 140,101 | |
| Operating expenses, net of fuel surcharges | 343,034 | 90.8 | 334,664 | 88.4 | 688,682 | 92.2 | 670,690 | 89.4 |
| Operating income | $ 34,632 | 9.2 | $ 44,043 | 11.6 | $ 58,408 | 7.8 | $ 79,126 | 10.6 |

The following table sets forth the non-trucking revenues, rent and purchased transportation and other operating expenses, and operating income for the VAS segment. Other operating expenses for the VAS segment primarily consist of salaries, wages and benefits expense. VAS also incurs smaller expense amounts in the supplies and maintenance, depreciation, rent and purchased transportation (excluding third-party transportation costs), communications and utilities, and other operating expense categories.

| Value Added Services (amounts in 000's) | Three Months Ended June 30 2007 $ | % | 2006 $ | % | Six Months Ended June 30 2007 $ | % | 2006 $ | % |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 75,849 | 100.0 | $ 68,807 | 100.0 | $145,726 | 100.0 | $124,978 | 100.0 |
| Rent and purchased transportation expense | 67,308 | 88.7 | 62,204 | 90.4 | 129,237 | 88.7 | 113,095 | 90.5 |
| Gross margin | 8,541 | 11.3 | 6,603 | 9.6 | 16,489 | 11.3 | 11,883 | 9.5 |
| Other operating expenses | 5,084 | 6.7 | 4,238 | 6.2 | 10,092 | 6.9 | 8,007 | 6.4 |
| Operating income | $ 3,457 | 4.6 | $ 2,365 | 3.4 | $ 6,397 | 4.4 | $ 3,876 | 3.1 |

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Operating Revenues

Operating revenues increased 0.5% for the three months ended June 30, 2007, compared to the same period of the prior year. Excluding fuel surcharge revenues, trucking revenues decreased 0.2% due primarily to a 1.5% decrease in the average number of tractors in service, as discussed further below, offset by a 1.4% increase in average monthly miles per tractor. The average percentage of empty miles increased to 13.2% in second quarter 2007 from 12.8% in second quarter 2006. A significant portion of the increase in the empty mile percentage is due to the softer freight market. Average revenues per loaded mile increased by 0.4% which offset the increase in the average percentage of empty miles as average revenues per total mile was the same in second quarter 2007 compared to second quarter 2006.

Market conditions continued to be challenging during second quarter 2007 due to (1) the immense truck prebuy prompted by the changes to the engine emission regulations that became effective for newly manufactured engines beginning January 2007, which added 6% more trucks than are normally produced in the years 2005 and 2006 (or 170,000 extra trucks) and (2) a softer freight market due to weakness in the housing and automotive sectors, inventory tightening, and moderating growth in the retail sector. Load volumes for the Company's Van Network (comprised of the medium-to-long-haul van, regional short-haul, and expedited operating fleets) were lower in April and May 2007 than in the same months of the previous four years. Load volumes in the first half of June 2007 improved meaningfully to levels nearly as high as those during the first half of June 2006, and then declined in the second half of June 2007 below levels in the second half of June of the prior four years. Load volumes in second quarter 2007 progressively improved from April to May to June, which is a typical seasonal pattern for second quarter.

Load volumes were softer for the Van Network during July 2007 compared to July 2006, particularly in the latter half of the month of July 2007. Prebook percentages of loads to trucks were comparable in July 2007 and July 2006, after considering the effect of the medium-to-long-haul Van fleet reduction that was intitiated in mid-March 2007 and completed in June 2007.

The Company has historically served its partner customers by making available a portion of its medium-to-long-haul Van fleet to meet their flex and surge shipment needs, at contractually agreed terms and rates. This fleet, which has the greatest exposure to the spot freight market, faced the most operational challenges since August 2006. In mid-March 2007 the Company began reducing its medium-to-long-haul Van fleet by 250 trucks to better match freight and trucks and to improve profitability. By the latter part of April 2007, this initial goal was achieved, and the Company had not yet achieved the desired balance of trucks and freight. As a result, the Company decided to further reduce its medium-to-long-haul Van fleet by an additional 400 trucks, which was completed by the end of June 2007. The Company was able to transfer a portion of its Van fleet trucks to other more profitable fleets. The net impact to the total fleet was an approximate 500-truck reduction from mid-March 2007 to the end of June 2007. The Company intends to meet its partner customers' flex and surge shipment needs using the breadth and depth of the 5,000 qualified carriers managed by the experienced Brokerage team.

Fuel surcharge revenues, which represent collections from customers for the higher cost of fuel, decreased to $73.4 million in second quarter 2007 from $78.2 million in second quarter 2006. To lessen the effect of fluctuating fuel prices on the Company's margins, the Company collects fuel surcharge revenues from its customers. The Company's fuel surcharge programs are designed to recoup the higher cost of fuel from customers when fuel prices rise and provide customers with the benefit of lower costs when fuel prices decline. The truckload industry's fuel surcharge standard is a one-cent per mile increase in rate for every five-cent per gallon increase in the Department of Energy ("DOE") weekly retail on-highway diesel prices that are used for most fuel surcharge programs. As discussed further on page 20, decreases in the DOE national average fuel price, changes to



customer fuel surcharge programs, and a change in the mix of customers contributed to the decrease in fuel surcharge revenues even though costs per gallon were essentially flat in both periods.

VAS revenues increased 10% to $75.8 million for the three months ended June 30, 2007 from $68.8 million for the three months ended June 30, 2006. VAS revenues are generated by the following VAS operating divisions: truck brokerage, freight management (single-source logistics), intermodal, and international. Brokerage continued to produce strong results with 33% revenue growth and improved operating income as a percentage of revenues. During the three-month period ended June 30, 2007, Brokerage generated revenue at an annualized rate of $135 million. Freight Management successfully distributed freight to other operating divisions and continues to secure new customer business awards that are generating growth across all Company business units. Intermodal revenues declined due to a more difficult intermodal market, but produced significant operating income improvement as the Company benefited from intermodal strategy changes that it began implementing during the latter part of 2006. In addition, Freight Management and Brokerage provided more freight for the truckload divisions in second quarter 2007 compared to second quarter 2006. This freight is included in truckload revenue and not included in VAS revenues.

Werner Global Logistics ("WGL") is actively assisting customers with innovative global supply chain solutions. Business licenses have been obtained; an experienced management team is fully staffed and trained in Shanghai and Shenzen, China and in Omaha; and WGL has successfully managed over 1,000 international container shipments to date. Customer development efforts are actively in process, and WGL is expecting to be a positive operating income contributor by the end of third quarter 2007. WGL continues to produce several new and meaningful customer business awards. WGL is a licensed U.S. NVOCC, U.S. Customs Broker, Class A Freight Forwarder in China, licensed China NVOCC and a TSA approved Indirect Air Carrier.

Effective at the beginning of third quarter 2007, the Company and a large VAS customer negotiated a structural change to their continuing arrangement related to the use of third-party carriers that will affect the reporting of VAS revenues and purchased transportation expenses for this customer in future periods. Because of this structural change, the Company will report future VAS revenues for this customer on a net basis (revenues net of purchased transportation expense) rather than on a gross basis. While the reported amount of VAS revenues and purchased transportation expenses will be lower, it is expected that this change will have no impact on the dollar amount of VAS gross margin or operating income. The amount of these revenues and purchased transportation expenses averaged $18.7 million per quarter over the last four quarters.

Operating Expenses

Operating expenses, expressed as a percentage of operating revenues, were 92.8% for the three months ended June 30, 2007, compared to 91.2% for the three months ended June 30, 2006. Expense items that impacted the overall operating ratio are described on the following pages. The tables on page 16 show the operating ratios and operating margins for the Company's two reportable segments, Truckload Transportation Services and Value Added Services.

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The following table sets forth the cost per total mile of operating expense items for the truckload segment for the periods indicated. The Company evaluates operating costs for this segment on a per-mile basis, which is a better measurement tool for comparing the results of operations from period to period.

| | Three Months Ended June 30 | | Increase (Decrease) | Six Months Ended June 30 | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | per Mile | 2007 | 2006 | per Mile |
| Salaries, wages and benefits | $0.566 | $0.567 | $(0.001) | $0.570 | $0.565 | $0.005 |
| Fuel | 0.388 | 0.398 | (0.010) | 0.368 | 0.372 | (0.004) |
| Supplies and maintenance | 0.147 | 0.144 | 0.003 | 0.148 | 0.144 | 0.004 |
| Taxes and licenses | 0.114 | 0.108 | 0.006 | 0.116 | 0.112 | 0.004 |
| Insurance and claims | 0.093 | 0.084 | 0.009 | 0.094 | 0.080 | 0.014 |
| Depreciation | 0.157 | 0.155 | 0.002 | 0.159 | 0.156 | 0.003 |
| Rent and purchased transportation | 0.162 | 0.152 | 0.010 | 0.156 | 0.148 | 0.008 |
| Communications and utilities | 0.020 | 0.018 | 0.002 | 0.020 | 0.019 | 0.001 |
| Other | (0.023) | (0.019) | (0.004) | (0.019) | (0.010) | (0.009) |
| Total | $1.624 | $1.607 | $ 0.017 | $1.612 | $1.586 | $0.026 |

Owner-operator costs are included in rent and purchased transportation expense. Owner-operator miles were a greater percentage of total miles at 12.4% in second quarter 2007 compared to 11.6% in second quarter 2006 due to the van fleet reduction (as discussed on page 17). 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. This increase in owner-operator miles as a percentage of total miles shifted costs to the rent and purchased transportation category from other expense categories. The Company estimates that rent and purchased transportation expense for the truckload segment was higher by approximately 1.0 cent per total mile due to this increase, and other expense categories had offsetting decreases on a total-mile basis, as follows: salaries, wages and benefits (0.4 cents), fuel (0.3 cents), depreciation (0.1 cent), supplies and maintenance (0.1 cent), and taxes and licenses (0.1 cent).

The decrease in salaries, wages and benefits of 0.1 cent per mile for the truckload segment is primarily due to lower driver pay per total mile resulting from the decrease in the percentage of company truck miles versus owner-operator miles (see above) and a decrease in state unemployment taxes offset by an increase in student driver pay. Student pay increased as the average number of student drivers being trained during second quarter 2007 was higher than in second quarter 2006. Salaries, wages and benefits for non-drivers increased in second quarter 2007 compared to second quarter 2006 due to an increase in personnel to support the growth in the VAS segment.

The Company renewed its workers' compensation insurance coverage, and for the policy year beginning April 2007, the Company continues to maintain a self-insurance retention of $1.0 million per claim and is no longer responsible for an annual aggregate amount of $1.0 million for claims above $1.0 million and below $2.0 million. The Company's workers' compensation insurance premiums for the policy year beginning April 1, 2007 are slightly higher than the previous policy year, but the Company expects to realize cost savings by eliminating its liability for the portion of claims that occur between $1.0 million and $2.0 million.

The driver market remained challenging in second quarter 2007. Normally in the spring and summer months, the driver market is difficult due to outdoor jobs that become available with improving weather conditions. 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 were to occur and additional increases in



driver pay rates were 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 1.0 cent per mile for the truckload segment despite steady diesel fuel prices, due primarily to the decrease in the percentage of company truck miles versus owner-operator miles, increasing percentages of aerodynamic trucks to improve fuel miles per gallon, and lowering out of route miles. Average fuel expense per gallon in second quarter 2007 was the same as second quarter 2006. The DOE national average fuel price was three cents per gallon lower in second quarter 2007 than second quarter 2006. The DOE price, which is reported each Monday, establishes the fuel surcharge rate per mile billable to the customer for shipments dispatched the following week. The Company's actual fuel costs are based on supplier rack fuel prices and can vary significantly from day-to-day, while the surcharge revenue rate typically changes only once a week. As a result, there can be significant variations between fuel costs and fuel surcharge revenues. During second quarter 2007 compared to second quarter 2006, the effect of the lower average DOE price per gallon compared to the flat fuel price per gallon caused fuel surcharge revenues to decline more than fuel costs in second quarter 2007 and resulted in a one-cent per share negative impact to earnings per share. In addition, there was a shifting of revenues from fuel surcharges to base rates due to (1) increased brokerage freight with all-in base and surcharge rates during the first five months of 2007 and (2) a few customers changing their fuel surcharge programs which had the effect of lowering fuel surcharge revenues and increasing base rate revenues. The industry-wide adoption of ultra-low sulfur diesel ("ULSD") fuel beginning in fourth quarter 2006 resulted in an approximate 2% degradation of fuel mile per gallon for all trucks, due to the lower energy content (btu) of ULSD.

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 June 30, 2007, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance for the truckload segment increased 0.3 cents on a per-mile basis in second quarter 2007 due primarily to increases in over-the-road tractor repairs.

Taxes and licenses for the truckload segment increased 0.6 cents per total mile due to higher state sales tax credits recognized in second quarter 2006.

Insurance and claims for the truckload segment increased 0.9 cents on a per-mile basis due primarily to less favorable claims experience on higher-dollar liability claims and on cargo claims in second quarter 2007 compared to second quarter 2006. For the policy year that began August 1, 2006, the Company is responsible for the first $2.0 million per claim with an annual aggregate of $2.0 million for claims between $2.0 million and $3.0 million, and the Company is fully insured (i.e., no aggregate) for claims between $3.0 million and $5.0 million. 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 the policy year. The Company maintains liability insurance coverage with reputable insurance carriers substantially in excess of the $10.0 million per claim. For the policy year beginning August 1, 2007, the Company will be responsible for the first $2.0 million per claim with an annual aggregate of $8.0 million for claims between $2.0 million and $5.0 million and an annual aggregate of $5.0 million for claims between $5.0 million and $10.0 million. The Company's liability insurance premiums for the policy year beginning August 1, 2007 are slightly lower than the previous policy year.

Rent and purchased transportation consists mainly of payments to third-party capacity providers in the VAS and other non-trucking operations and payments to owner-operators in the trucking operations. As shown in the VAS statistics table on page 16, rent and purchased transportation expense for the VAS segment increased in response to higher VAS revenues. These expenses generally vary depending on changes in the volume of services



generated by the segment. VAS lowered its rent and purchased transportation expense as a percentage of VAS revenues to 88.7% in second quarter 2007 compared to 90.4% in second quarter 2006.

Rent and purchased transportation for the truckload segment increased 1.0 cent per total mile in second quarter 2007 due primarily to the increase in the percentage of owner-operator truck miles versus company truck miles and an increase of the van and regional over-the-road owner-operators' settlement rate by two cents per mile effective May 1, 2006, offset by slightly lower reimbursements to owner-operators for fuel. The Company's customer fuel surcharge programs do not differentiate between miles generated by Company-owned trucks and miles generated by owner-operator trucks; thus, the small decrease in owner-operator fuel reimbursements is included with Company fuel expenses in calculating the per-share impact of fuel prices on earnings.

The Company continues to experience difficulty attracting and retaining owner-operator drivers due to the challenging operating conditions including inflationary cost increases that are the responsibility of the owner-operators. The number of owner-operators increased slightly to 820 as of June 30, 2007 from a total of 805 as of June 30, 2006. The Company has historically been able to add company-owned tractors and recruit additional company drivers to offset any decreases in owner-operators. If a shortage of owner-operators and company drivers were to occur and additional increases in per mile settlement rates became necessary to attract and retain owner-operators, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Other operating expenses for the truckload segment decreased 0.4 cents per mile in second quarter 2007. Gains on sales of assets (a reduction of other operating expenses), primarily trucks and trailers, increased to $7.6 million in second quarter 2007 compared to $7.1 million in second quarter 2006. In second quarter 2007, the Company continued to sell its oldest van trailers that are fully depreciated, replacing them with new trailers, and expects to continue doing so throughout the remainder of 2007.

The Company's effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 41.8% for second quarter 2007 versus 41.0% for second quarter 2006.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006
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Operating Revenues

Operating revenues increased by 1.4% for the six months ended June 30, 2007, compared to the same period of the previous year. Excluding fuel surcharge revenues, trucking revenues decreased 0.4%, due primarily to a 0.2% decrease in average revenues per total mile. VAS revenues increased by $20.7 million (16.6%) due to ongoing growth in brokerage.

Operating Expenses

Operating expenses, expressed as a percentage of operating revenues, were 93.7% for the six months ended June 30, 2007, compared to 91.9% for the same period of the previous year. Expense items that impacted the overall operating ratio are described below. The tables on page 16 show the operating ratios and operating margins for the Company's two reportable segments, Truckload Transportation Services and Value Added Services.

Owner-operator miles as a percentage of total miles increased to 12.1% for the six months ended June 30, 2007, from 11.7% for the six months ended June 30, 2006. This increase in owner-operator miles as a percentage of total miles shifted costs to the rent and purchased transportation category from other expense categories. The Company estimates that rent and purchased transportation expense for the truckload segment was higher by



approximately 0.5 cents per total mile due to this increase, and other expense categories had offsetting decreases on a total-mile basis, as follows: salaries, wages and benefits (0.2 cents), fuel (0.2 cents), and depreciation (0.1 cent).

Salaries, wages and benefits for non-drivers increased to support the growth in the VAS segment. Salaries, wages and benefits for the truckload segment increased 0.5 cents on a per-mile basis due to higher driver pay per mile resulting from the increase in discretionary pay items and higher group health insurance costs, offset by lower state unemployment tax expense and workers' compensation costs. Fuel decreased 0.4 cents per total mile due primarily to lower fuel expense per gallon and the decrease in the percentage of company truck miles versus owner-operator miles (see above). Supplies and maintenance increased 0.4 cents per total mile due to increases in over-the-road tractor repairs. Taxes and licenses were 0.4 cents per mile higher during the first six months of 2007 than the same period of 2006 due to increases in state fuel tax rates in 2007 and higher state sales tax credits recognized by the Company in 2006. Insurance increased 1.4 cents on a per-mile basis due primarily to an increase in the frequency and severity of claims. Rent and purchased transportation for the truckload segment increased 0.8 cents per total mile due primarily to an increase in the number of owner-operator tractors and the corresponding increase in owner-operator miles. Rent and purchased transportation expense for the VAS segment increased in response to higher VAS revenues. Other operating expenses decreased 0.9 cents per total mile as lower gains on sales of assets in 2007 were offset by the additional $7.2 million of bad debt expense recorded in first quarter 2006 related to the bankruptcy of one of the Company's customers, APX Logistics, Inc. The Company's effective income tax rate was 41.8% and 41.1% for the six months ended June 30, 2007 and 2006, respectively.

Liquidity and Capital Resources:

During the six months ended June 30, 2007, the Company generated cash flow from operations of $134.3 million, a 8.7% decrease ($12.8 million) in cash flow compared to the same six-month period a year ago. The decrease in cash flow from operations is due primarily to a $7.8 million increase in accounts payable for revenue equipment from December 2005 to June 2006 compared to a $15.6 million decrease in accounts payable for revenue equipment from December 2006 to June 2007 as the Company is currently delaying the purchase of trucks with 2007 engines and lower net income in 2007, offset partially by improved working capital changes in other current assets and other current liabilities. Cash flow from operations enabled the Company to make net capital expenditures, make net repayments of debt, and repurchase common stock as discussed below.

Net cash used in investing activities for the six-month period ended June 30, 2007 decreased by $13.1 million, from $39.3 million for the six-month period ended June 30, 2006 to $26.1 million for the six-month period ended June 30, 2007. Net property additions, primarily revenue equipment, were $29.4 million for the six-month period ended June 30, 2007 versus $41.8 million during the same period of 2006. The decrease was due primarily to the Company taking delivery of substantially fewer new trucks during the first half of 2007 as it delays purchases of trucks with the 2007 engines. The average age of the Company's truck fleet is 1.68 years at June 30, 2007 compared to 1.32 years as of June 30, 2006.

As of June 30, 2007, the Company has committed to property and equipment purchases of approximately $19.8 million. The Company intends to fund these net capital expenditures through cash flow from operations and through financing available under its existing credit facilities, as management deems necessary.

Net financing activities used $107.2 million and $100.6 million during the six months ended June 30, 2007 and 2006, respectively. The $6.6 million increase in cash used for financing activities was primarily the result of an increase in $18.6 million of repurchases of the Company's common stock in 2007, offset by $10.0 million in lower repayments of debt (net of borrowings) and an additional $2.4 million of proceeds and tax benefits from the exercise of stock options in 2007. The Company paid dividends of $6.7 million in the six-month period ended June 30, 2007 and $6.3 million in the six-month period ended June 30, 2006. The Company increased its quarterly dividend rate by $.005 per share beginning with the dividend paid in July 2006 and by an additional $.005 per share beginning with the dividend paid in July 2007. Financing activities also included common stock repurchases of $58.1 million and $39.5 million in the six-month periods ended June 30, 2007 and 2006, respectively. From time to time, the Company has repurchased, and may continue to repurchase, shares of its common stock. The timing and amount of such purchases depends on market and other factors. As of June 30, 2007, the Company had purchased 3,791,200 shares pursuant to its current repurchase authorization and had 2,208,800 shares remaining available for repurchase.

Management believes the Company's financial position at June 30, 2007 is strong. As of June 30, 2007, the Company had $32.9 million of cash and cash equivalents and $851.6 million of stockholders' equity. As of June 30, 2007, the Company had $225.0 million of available credit pursuant to credit facilities, of which it had borrowed $50.0 million. The credit available under these facilities is further reduced by the $37.1 million in letters of credit the Company maintains. These letters of credit are primarily required as security for insurance policies. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Off-Balance Sheet Arrangements:

As of June 30, 2007, the Company had no non-cancelable revenue equipment operating leases, and had no other arrangements that meet the definition of an off-balance sheet arrangement.

Regulations:

Effective October 1, 2005, all truckload carriers became subject to revised hours of service ("HOS") regulations issued by the Federal Motor Carrier Safety Administration ("FMCSA"). The most significant change for the Company from the previous regulations is that drivers using the sleeper berth provision must take at least eight consecutive hours in the sleeper berth during their ten hours off-duty. Previously, drivers were allowed to split their ten hour off-duty time in the sleeper berth into two periods, provided neither period was less than two hours. This more restrictive sleeper berth provision is requiring some drivers to plan their time better. The greatest impact of these HOS changes was lower mileage productivity for those customers with multiple-stop shipments or those shipments with pickup or delivery delays. The Owner-Operator Independent Drivers Association ("OOIDA") filed a petition for review of the current HOS regulations with the U.S. Court of Appeals for the District of Columbia, challenging several issues, including the FMCSA justification for the 8-hour sleeper berth requirements described above. Public Citizen, a consumer safety organization, also filed a petition for review of the HOS regulations, challenging an 11-hour daily drive time limit and the 34-hour restart rule, which permits drivers who are off duty for 34 consecutive hours to reset their 8-day, 70-hour clock to zero hours.

On December 4, 2006, a three-judge panel heard arguments on the petitions for review, and on July 24, 2007, the U.S. Court of Appeals issued its decision on the challenges made by OOIDA and Public Citizen to the driver HOS rules issued in 2005 by FMCSA. The Court rejected the OOIDA claims, including its challenge to the 8-hour sleeper berth requirements, and ruled in favor of Public Citizen on the 11-hour daily driving limit rule and the 34-hour restart rule.

The Court described its concerns as procedural and vacated only the 11-

hour daily driving limit and 34-hour restart provisions, leaving the rest of the 2005 rule in place. FMCSA has 45 days to petition for reconsideration. After that time, unless a stay is granted, the Court's mandate will issue within seven (7) days and the daily driving limit would be reduced to 10 hours and the 34-hour restart provision eliminated. The flaws that the Court found were procedural in nature and can be corrected by FMCSA should it elect to do so. The American Trucking Associations ("ATA") has indicated that it will work to provide support to FMCSA for re-adoption of the



11-hour daily driving limit and 34-hour restart, and in the meantime, will seek a stay from the Court that would allow those provisions to stay in place pending FMCSA's reevaluation.

If not reversed, both rule changes could have a negative impact on mileage productivity for many carriers, since both rules can, in certain circumstances, have the effect of restricting a driver's hours on duty. The Company has begun the process of evaluating the impact of this ruling on its operations and is preparing to make modifications to its electronic driver hours of service system (paperless logs system) to implement the rules as modified by the Court's ruling, should that become necessary.

On January 18, 2007, the Federal Motor Carrier Safety Administration published a Notice of Proposed Rulemaking ("NPRM") in the Federal Register on the use of Electronic On-Board Recorders ("EOBRs") by the trucking industry for compliance with HOS rules. The intent of this proposed rule is to improve highway safety by fostering development of new EOBR technology for HOS compliance, encouraging its use by motor carriers through incentives, and requiring its use by operators with serious and continuing HOS compliance problems. Comments on the NPRM were to be received by April 18, 2007. Over eight years ago, the Company became the first, and only, trucking company in the United States to receive authorization from the DOT to use a global positioning system based paperless log system in place of the paper logbooks traditionally used by truck drivers to track their daily work activities. While the Company does not believe the rule, as proposed, would have a significant effect on its operations and profitability, it will continue to monitor future developments.

Beginning in January 2007, all newly manufactured truck engines must comply with a new set of more stringent engine emission standards mandated by the Environmental Protection Agency ("EPA"). Trucks manufactured with these new engines are estimated to cost $5,000-$10,000 more per truck, have slightly lower miles per gallon ("mpg"), and have higher maintenance costs. To delay the cost impact of these new emission standards, the Company kept its truck fleet new relative to historical company and industry standards. The Company's capital expenditures for new trucks have been and are expected to continue to be much lower in 2007. A new set of more stringent emissions standards mandated by the EPA will become effective for newly manufactured trucks beginning in January 2010.

Several states, counties and cities have enacted legislation or ordinances restricting idling of trucks to short periods of time. This is significant when it impacts the ability of the driver to idle the truck for purposes of operating air conditioning and heating systems particularly while in the sleeper berth. Many of the statutes or ordinances, recognizing the need of the drivers to have a comfortable environment in which to sleep, have made exceptions for those circumstances. California currently has such an exemption, however, the sleeper berth exemption will no longer exist after January 1, 2008. The Company is currently working on plans to address this issue in California. California has also enacted restrictions on

Transport Refrigeration Units ("TRUs") emissions, which are scheduled to be phased in over several years beginning year-end 2008. Although legal challenges may be mounted, if the law becomes effective as scheduled it will require companies to operate only compliant TRUs in California. There are several alternatives for meeting these requirements which the Company is currently evaluating.

Critical Accounting Policies:

The most significant accounting policies and estimates that affect our financial statements include the following:

* Selections of estimated useful lives and salvage values for purposes of depreciating tractors and trailers. Depreciable lives of tractors and trailers range from 5 to 12 years. Estimates of salvage value at the expected date of trade-in or sale (for example, three years for tractors) are based on the expected market values of equipment at the time of disposal. Although the Company's current replacement cycle for tractors is three years, the Company calculates depreciation expense for financial reporting purposes using a



five-year life and 25% salvage value. Depreciation expense calculated in this manner continues at the same straight-line rate, which approximates the continuing declining market value of the tractors, in those instances in which a tractor is held beyond the normal three-year age. Calculating depreciation expense using a five-year life and 25% salvage value results in the same annual depreciation rate (15% of cost per year) and the same net book value at the normal three-year replacement date (55% of cost) as using a three-year life and 55% salvage value. The Company continually monitors the adequacy of the lives and salvage values used in calculating depreciation expense and adjusts these assumptions appropriately when warranted.
* The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An impairment loss would be recognized if the carrying amount of the long-lived asset is not recoverable, and it exceeds its fair value. For long-lived assets classified as held and used, if the carrying value of the long-lived asset exceeds the sum of the future net cash flows, it is not recoverable. The Company does not separately identify assets by operating segment, as tractors and trailers are routinely transferred from one operating fleet to another. As a result, none of the Company's long-lived assets have identifiable cash flows from use that are largely independent of the cash flows of other assets and liabilities. Thus, the asset group used to assess impairment would include all assets and liabilities of the Company. Long-lived assets classified as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.
* Estimates of accrued liabilities for insurance and claims for liability and physical damage losses and workers' compensation. The insurance and claims accruals (current and long-term) are recorded at the estimated ultimate payment amounts and are based upon individual case estimates, including negative development, and estimates of incurred-but-not-reported losses based upon past experience. The Company's self-insurance reserves are reviewed by an actuary every six months.
* Policies for revenue recognition. Operating revenues (including fuel surcharge revenues) and related direct costs are recorded when the

shipment is delivered. For shipments where a third-party capacity provider (including owner-operator drivers under contract with the Company) is utilized to provide some or all of the service and the Company is the primary obligor in regards to the delivery of the shipment, establishes customer pricing separately from carrier rate negotiations, generally has discretion in carrier selection, and/or has credit risk on the shipment, the Company records both revenues for the dollar value of services billed by the Company to the customer and rent and purchased transportation expense for the costs of transportation paid by the Company to the third-party capacity provider upon delivery of the shipment. In the absence of the conditions listed above, the Company records revenues net of expenses related to third-party capacity providers.

* Accounting for income taxes. Significant management judgment is required to determine the provision for income taxes and to determine whether deferred income taxes will be realized in full or in part. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been deemed to be necessary due to the Company's profitable operations. Accordingly, if the facts or financial circumstances were to change, thereby impacting the likelihood of realizing the deferred income tax assets, judgment would need to be applied to determine the amount of valuation allowance required in any given period.



Management periodically evaluates these estimates and policies as events and circumstances change. There have been no changes to these policies that occurred during the Company's most recent fiscal quarter. Together with the effects of the matters discussed above, these factors may significantly impact the Company's results of operations from period to period.

Accounting Standards:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. As of June 30, 2007, management believes that SFAS No. 157 will not have a material effect on the financial position, results of operations, and cash flows of the Company.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of SFAS No. 159 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. As of June 30, 2007, management believes that SFAS No. 159 will not have a material effect on the financial position, results of operations, and cash flows of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in commodity prices, foreign currency exchange rates, and interest rates.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, refining capacity, seasonality, weather, and other market factors. Historically, the Company has been able to recover a significant portion 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 June 30, 2007, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Foreign Currency Exchange Rate Risk

The Company conducts business in Mexico and Canada and has begun operations in Asia. Foreign currency transaction gains and losses were not material to the Company's results of operations for second quarter 2007 and prior periods. To date, virtually all foreign revenues are denominated in U.S. dollars, and the Company receives payment for foreign freight services primarily in U.S. dollars to reduce direct 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.



Interest Rate Risk

The Company had $50.0 million of debt outstanding at June 30, 2007. The interest rates on the variable rate debt are based on the London Interbank Offered Rate ("LIBOR"). Assuming this level of borrowings, a hypothetical one-percentage point increase in the LIBOR interest rate would increase the Company's annual interest expense by $500,000. The Company has no derivative financial instruments to reduce its exposure to interest rate increases.

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). The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. 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.

Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, concluded that there have been no changes in the Company's internal control 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.

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



PART II

OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On April 17, 2006, the Company announced that its Board of Directors approved an increase to its authorization for common stock repurchases of 6,000,000 shares. As of June 30, 2007, the Company had purchased 3,791,200 shares pursuant to this authorization and had 2,208,800 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 unless withdrawn by the Board of Directors.

The following table summarizes the Company's common stock repurchases during the second quarter of 2007 made pursuant to this authorization. No shares were purchased during the quarter other than through this program, and all purchases were made by or on behalf of the Company and not by any "affiliated purchaser", as defined by Rule 10b-18 of the Securities Exchange Act of 1934.

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 Approximat Dollar Value) o Shares (or Units) May Yet Be Purchased Under Plans or Progra |
|---|---|---|---|---|
| April 1-30, 2007 | 502,300 | $19.23 | 502,300 | 3,206,500 |
| May 1-31, 2007 | 604,900 | $18.95 | 604,900 | 2,601,600 |
| June 1-30, 2007 | 392,800 | $19.03 | 392,800 | 2,208,800 |
| Total | 1,500,000 | $19.06 | 1,500,000 | 2,208,800 |

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders of Werner Enterprises, Inc. was held on May 8, 2007 for the purpose of electing two directors for three-year terms, adopting an amended and restated Equity Plan, and approving three proposed amendments to the Company's Articles of Incorporation. Proxies for the meeting were solicited pursuant to Regulation 14A of the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees, and all such nominees were elected. Of the 73,900,461 shares entitled to vote, stockholders representing 72,297,798 shares (97.8%) were present in person or by proxy. The voting tabulation was as follows:

| | Shares Voted "FOR" | Shares Voted "ABSTAIN" |
|---|---|---|
| Gerald H. Timmerman | 68,216,571 | 4,081,227 |
| Kenneth M. Bird | 69,106,935 | 3,190,863 |



Clarence L. Werner, Gary L. Werner, Gregory L. Werner, Michael L. Steinbach, Patrick J. Jung, and Duane K. Sather continued as directors after the meeting.

The stockholders approved the adoption of an amended and restated Equity Plan. The voting tabulation was as follows:

| | Shares Voted "FOR" | Shares Voted "AGAINST" | Shares Voted "ABSTAIN" | Broker Non-Votes |
|---|---|---|---|---|
| Amended and Restated Equity Plan | 51,808,593 | 15,194,068 | 53,665 | 5,241,472 |

The stockholders approved the amendment to Article III of the Company's Articles of Incorporation regarding the Company's purpose and conduct of business. The voting tabulation was as follows:

| | Shares Voted "FOR" | Shares Voted "AGAINST" | Shares Voted "ABSTAIN" |
|---|---|---|---|
| Articles of Incorporation Amendment | 71,326,904 | 78,640 | 892,254 |

The stockholders approved the amendment to Article VIII of the Company's Articles of Incorporation regarding indemnification provisions. The voting tabulation was as follows:

| | Shares Voted "FOR" | Shares Voted "AGAINST" | Shares Voted "ABSTAIN" |
|---|---|---|---|
| Articles of Incorporation Amendment | 70,376,209 | 1,878,022 | 43,567 |

The stockholders approved the amendment to Article VIII, Section A of the Company's Articles of Incorporation regarding greater limitation on liabilities of directors. The voting tabulation was as follows:

| | Shares Voted "FOR" | Shares Voted "AGAINST" | Shares Voted "ABSTAIN" |
|---|---|---|---|
| Articles of Incorporation Amendment | 70,947,766 | 1,304,109 | 45,923 |



Item 6. Exhibits.

Index of Exhibits

Exhibit 3(i) Restated Articles of Incorporation (filed herewith)
Exhibit 3(ii) Revised and Restated By-Laws (filed herewith)
Exhibit 10.1 Werner Enterprises, Inc. Equity Plan (Incorporated by reference to Exhibit 99.1 to the Company's report on Form 8-K dated May 8, 2007)
Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification (filed herewith)
Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification (filed herewith)
Exhibit 32.1 Section 1350 Certification (filed herewith)
Exhibit 32.2 Section 1350 Certification (filed herewith)



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: August 2, 2007 By: /s/ John J. Steele

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

Date: August 2, 2007 By: /s/ James L. Johnson

James L. Johnson
Senior Vice President, Controller and
Corporate Secretary