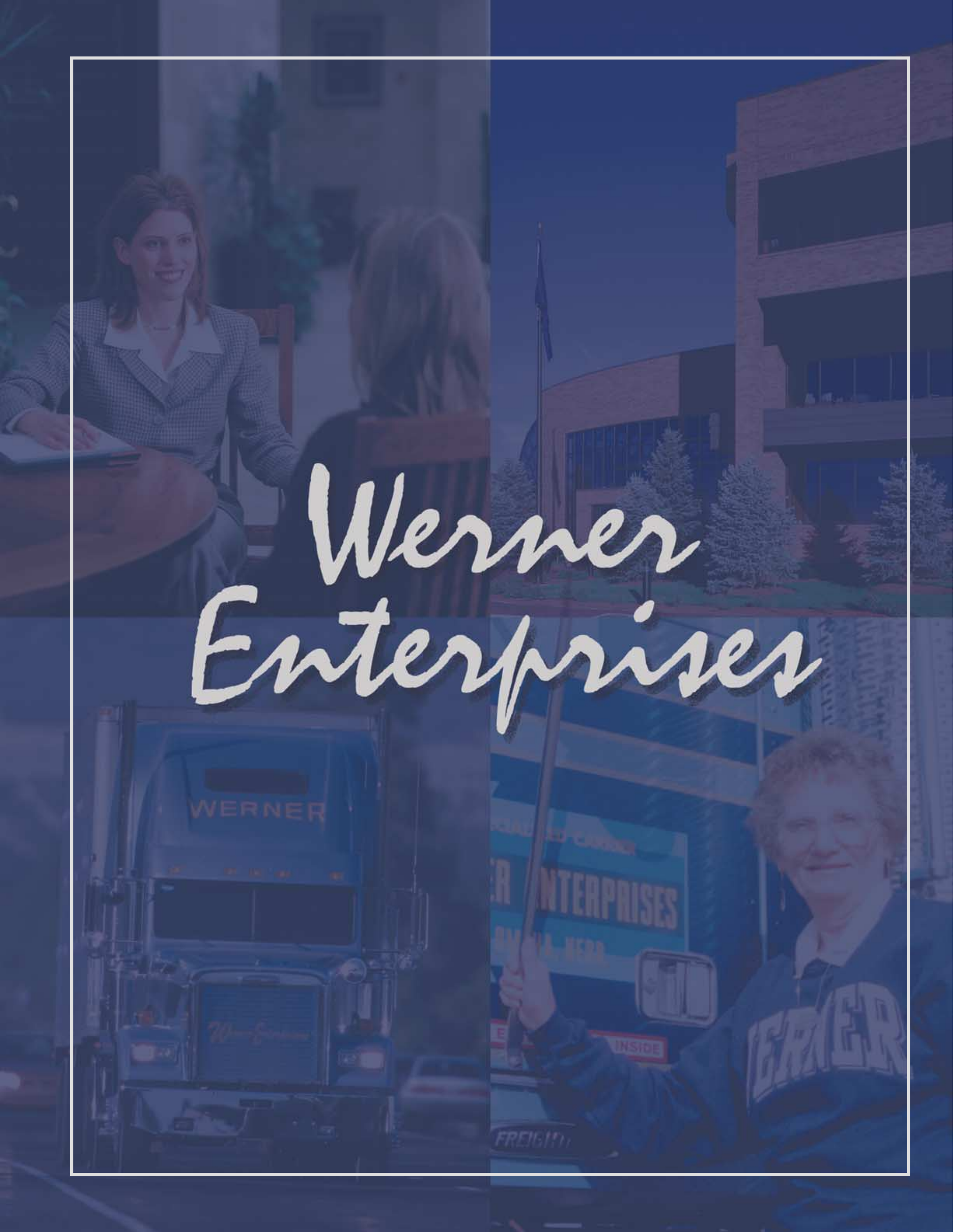
2000 Annual Report

WERNER ENTERPRISES
SPECIALIZED CARRIER®

Werner Enterprises



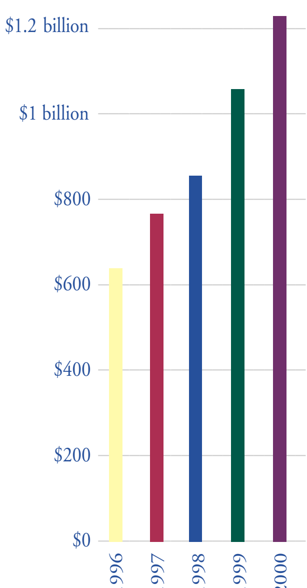
Financial Information

Financial Highlights

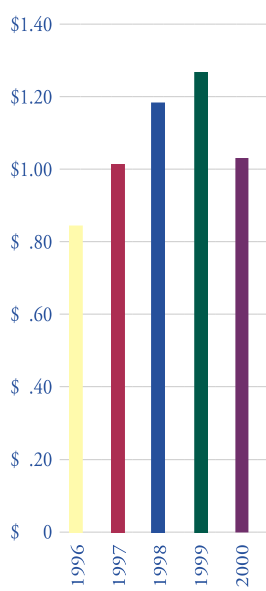
(Dollars in thousands, except per share amounts)

	2000	1999	1998	1997	1996
Operating revenues	**$1,214,628**	$1,052,333	$863,417	$772,095	$643,274
Net income	**48,023**	60,011	57,246	48,378	40,555
Earnings per share (diluted)	**1.02**	1.26	1.19	1.01	.85
Cash dividends declared per share	**.100**	.100	.093	.080	.075
Return on average stockholders' equity	**9.3%**	12.8%	13.7%	13.1%	12.4%
Operating ratio	**93.2%**	90.3%	88.9%	89.9%	89.7%
Book value per share	**11.40**	10.48	9.31	8.27	7.34
Total assets	**927,207**	896,879	769,196	667,638	549,211
Total debt	**105,000**	145,000	100,000	60,000	30,000
Stockholders' equity	**536,084**	494,772	440,588	395,118	348,371

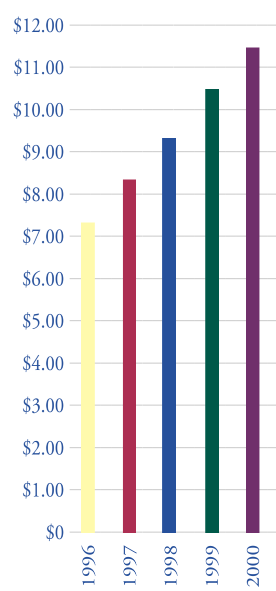
Operating Revenues
(in Millions of Dollars)



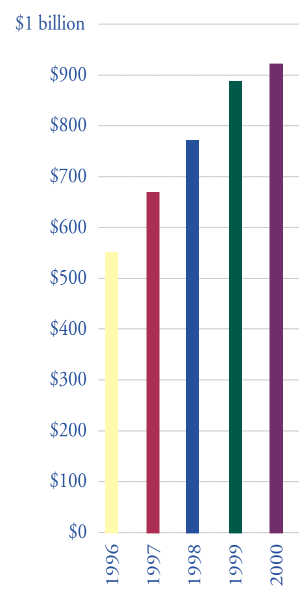
Earnings Per Share (diluted)
(in Dollars)



Book Value Per Share
(in Dollars)



Total Assets
(in Millions of Dollars)



Vision Statement

A clear vision - to be recognized as the premier provider of truckload transportation services.

Letter to Stockholders

2000 Results

The first year of the new millennium brought significant challenges to truckload carriers, including Werner Enterprises. Record high diesel fuel prices, a slower growth domestic economy, and a weak market for the sale of used trucks combined to make 2000 a memorable year. In the short run, these challenges presented problems to overcome. In the long run, these challenges may create opportunities for Werner Enterprises.

Our revenues rose 15% to $1.2 billion while earnings decreased 19% to $1.02 per share, or $48 million. In my letter to you a year ago, I explained our plan to slow fleet growth in 2000 while we focused on improving fuel recovery, customer rates, and margins. By recognizing the challenges of 2000 early on, we were able to respond quickly with our plan. The execution of this plan helped us soften the impact in 2000, particularly as industry operating conditions became increasingly difficult as the year progressed.

Fuel prices were 65% higher in 2000 than 1999, raising our fuel costs by $59 million. With the support of our customers, we lessened the impact on 2000 earnings to 14 cents per share. In the second half of 2000, freight demand softened due to a slower growth economy. Effective fleet management and our diversified freight base helped us minimize the impact on our truck utilization and empty miles. Record levels of trucks manufactured over the past two years, an increased supply of used trucks in the market, and slower industry fleet growth caused decreased used truck values. Lower gains on the sale of used trucks reduced 2000 earnings by 10 cents per share compared to 1999.

We took important steps in 2000 to position Werner Enterprises for the opportunities ahead, including:

- Continuing to provide outstanding on-time service.
- Continuing to reduce our controllable costs.
- Upgrading our premium equipment fleet.
- Expanding business with our top 25 customers by $96 million, or 21%.
- Reducing our debt by $40 million, to further strengthen our solid financial position.
- Improving our cash flow from operations by $38 million, or 29%.

Truckload Industry Trends

Trucking controls almost 80% of the freight transportation dollars in the United States. Werner Enterprises is one of the five largest truckload carriers in the largest sector of the trucking market. However, the truckload sector of the $390 billion a year trucking market remains highly fragmented. A few larger carriers, including Werner Enterprises, have achieved growth through shipper consolidation of its carrier base. This is expected to continue.

The operating conditions of the past year have placed severe financial and economic hardships on many truckload carriers. In the last half of 2000, trucking company failures set new records. Forecasters expect this trend to continue into 2001. Even the five largest public truckload carriers

watched their operating margins decline 26% from 1999 to 2000, from 7.0% of revenues to 5.2% of revenues.

As truckload capacity exits the market, opportunity is created for high-service, cost-efficient, financially stable carriers like Werner Enterprises. As shippers squeeze cost and capital out of their supply chain, they need carriers who will be around for the long haul. They need committed truck capacity; they need dependable, time-definite service; and they need sophisticated technology resources. Drivers (who are paid by the mile) need the freight productivity and financial stability that is available from Werner Enterprises.

2001 and Beyond

We are not satisfied with our 2000 financial results. Even though we quickly recognized and responded to many of the challenges faced this past year, we can do better. While we made improvements as the year progressed, more progress is needed.

Werner Enterprises begins the year 2001 with several positives. Our service levels are strong. We are continuing to expand our customer base. Our equipment fleet is among the newest and most modern in the industry. We are very proud of our safety record and commitment to safety. We are continuing to improve our already strong financial position and cash flow. We are investing in technology to improve service to our customers and our drivers. Finally, we remain proud of the outstanding job performed each and every day by the men and women of Werner Enterprises.

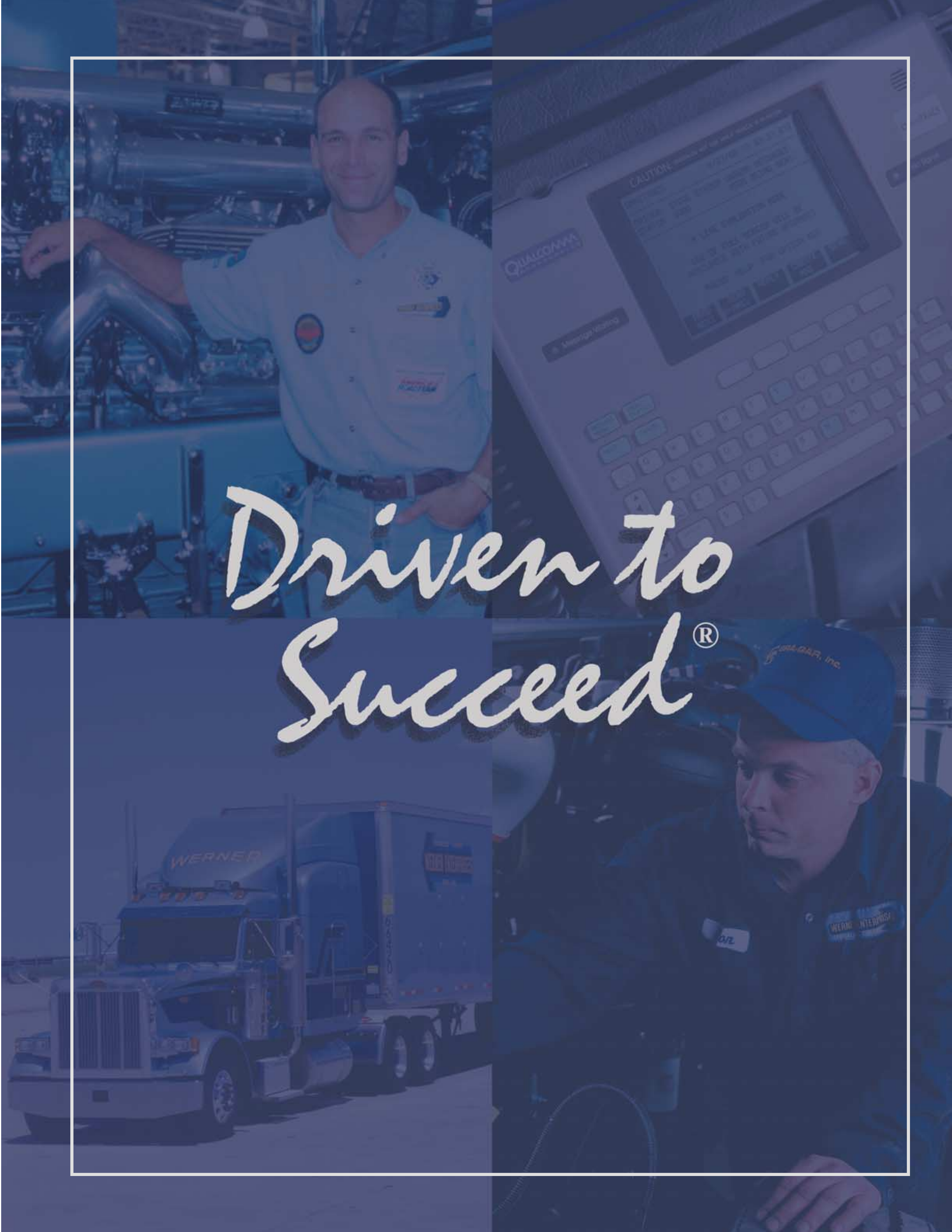
In the short run, we are going to focus on improving our operating margin to improve our financial results. We will keep a close eye on the economy and industry truck capacity to determine when it makes sense to increase our growth rate. Our long-term goal is to grow revenues and earnings at an average annual rate of 15% to 20% per year.

Our people, equipment, and technology provide Werner Enterprises with distinct competitive advantages. We are excited about the opportunities for our company and our future.

Thank you for your investment and support of Werner Enterprises.

C L Werner

Chairman and Chief Executive Officer
February 28, 2001



Driven to Succeed®

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2000
Commission file number 0-14690

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

NEBRASKA	**47-0648386**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

14507 FRONTIER ROAD **POST OFFICE BOX 45308** **OMAHA, NEBRASKA**	**68145-0308**	**(402) 895-6640**
(Address of principal executive offices)	**(Zip code)**	**(Registrant's telephone number)**

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $.01 PAR VALUE

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☐

The aggregate market value of the registrant's $.01 par value common stock held by nonaffiliates of the registrant as of February 28, 2001 was approximately $471 million (based upon $16.688 per share closing price on that date, as reported by Nasdaq). (Aggregate market value estimated solely for the purposes of this report. This shall not be construed as an admission for purposes of determining affiliate status.)

As of February 28, 2001, 47,089,534 shares of the registrant's common stock were outstanding.

Portions of the Proxy Statement of Registrant for the Annual Meeting of Stockholders to be held May 1, 2001 are incorporated in Part III of this report.

TABLE OF CONTENTS

PART I

ITEM 1. *BUSINESS*

General

Werner Enterprises, Inc. ("Werner" or the "Company") is a transportation company engaged primarily in hauling truckload shipments of general commodities in both interstate and intrastate commerce. Werner is among the five largest truckload carriers in the United States and maintains its headquarters in Omaha, Nebraska, near the geographic center of its service area. Werner was founded in 1956 by Chairman and Chief Executive Officer, Clarence L. Werner, who started the business with one truck at the age of 19. Werner completed its initial public offering in April 1986 with a fleet of 630 trucks. Werner ended 2000 with a fleet of 7,475 trucks.

The Company operates throughout the 48 contiguous states pursuant to operating authority, both common and contract, granted by the United States Department of Transportation and pursuant to intrastate authority granted by various states. The Company also has authority to operate in the ten provinces of Canada and provides through trailer service in and out of Mexico. The principal types of freight transported by the Company include consumer products, retail store merchandise, food products, paper products, beverages, industrial products and building materials.

Marketing and Operations

Werner's business philosophy is to provide superior on-time service to its customers at a low cost. To accomplish this, Werner operates premium, modern tractors and trailers. This equipment has a lower frequency of breakdowns and helps attract and retain qualified drivers. Werner has continually invested in technology to improve service to customers and improve retention of drivers. Werner focuses on shippers that value the broad geographic coverage, equipment capacity, technology, customized services, and flexibility available from a large, financially stable carrier. These shippers are generally less sensitive to rate levels, preferring to have their freight handled by a few core carriers with whom they can establish service-based, long-term relationships.

Werner operates in the truckload segment of the trucking industry. Within the truckload segment, Werner provides specialized services to customers based on their trailer needs (van, flatbed, temperature-controlled), geographic area (medium to long haul throughout the 48 contiguous states, regional), or conversion of their private fleet to Werner (dedicated).

On June 30, 2000, the Company, along with five other large transportation companies, contributed their logistics business units into a commonly owned, Internet-based transportation logistics company, Transplace.com. This transaction is dependent upon receiving approval of federal and, perhaps, state regulators regarding antitrust issues and other laws. The Company invested $5 million in cash and has an approximate 15% equity stake in Transplace.com. The Company transferred logistics business representing about 4% of total revenues for the six months ended June 30, 2000 to Transplace.com. The Company is recording its approximate 15% investment in Transplace.com using the equity method of accounting and is accruing its percentage share of Transplace.com's earnings as other non-operating income.

Werner has a diversified freight base and is not dependent on a small group of customers or a specific industry for a majority of its freight. During 2000, the Company's largest 5, 10, and 25 customers comprised 23%, 31%, and 45% of the Company's revenues, respectively. No one customer accounted for more than 9% of the Company's revenues in 2000.

Virtually all of Werner's company and owner-operator tractors are equipped with satellite communications devices that enable the Company and drivers to conduct two-way communication using standardized and freeform messages. The satellite technology also enables the Company to plan and monitor the progress of shipments. The Company obtains specific data on the location of all trucks in the fleet at least every hour of every day. Using the real-time data obtained from the satellite devices, Werner has developed advanced application systems to improve customer service and driver service. Examples of such application systems include (1) automated engine diagnostics to continually monitor mechanical fault tolerances, (2) software which preplans shipments that can be swapped by drivers enroute to meet driver home time needs, without compromising on-time delivery requirements, (3) automated "possible late load" tracking which informs the operations department of shipments that may be operating behind schedule, thereby allowing the Company to take preventive measures to avoid a late delivery, and (4) the Company's proprietary Paperless Log System to automatically keep track of truck movement and drivers' hours of service. In June 1998, Werner Enterprises became the first trucking company in the United States to receive authorization from the Federal Highway Administration, under a pilot program, to use a paperless log system in place of the paper logbooks traditionally used by truck drivers to track their daily work activities.

The Federal Motor Carrier Safety Administration (FMCSA) issued a Notice of Proposed Rulemaking (FMCSA-98-2350) on May 2, 2000 that proposes to make numerous changes to the regulations which govern drivers' hours of service. The comment period for filing comments to the proposed rules was initially scheduled to be due July 31, 2000, but the deadline was extended twice. Werner Enterprises and hundreds of other carriers and industry groups submitted comment letters to the FMCSA in the proceeding by the final deadline of December 15, 2000. The Company believes that the current proposed rules would be, at best, safety neutral, and, more likely detrimental to highway safety. At the same time, the current proposed rules would mandate a huge cost for the American public. If changes are to be made to the current drivers' hours of service regulations, those changes cannot become effective until at least October 2001. It is widely expected that, if new regulations are ultimately enacted, the new regulations will be substantially different from the current proposed regulations.

Seasonality

In the trucking industry, revenues generally show a seasonal pattern as some customers reduce shipments during and after the winter holiday season. The Company's operating expenses have historically been higher in the winter months due primarily to decreased fuel efficiency, increased maintenance costs of revenue equipment in colder weather, and increased insurance and claims costs due to adverse winter weather conditions. The Company attempts to minimize the impact of seasonality through its marketing program that seeks additional freight from certain customers during traditionally slower shipping periods. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers.

Employees and Owner-Operator Drivers

As of December 31, 2000, the Company employed 8,664 drivers, 526 mechanics and maintenance personnel, 1,346 office personnel for the trucking operation, and 121 personnel for the non-trucking operations. The Company also had 1,175 contracts with independent contractors (owner-operators) for services that provide both a tractor and a qualified driver or drivers. None of the Company's employees is represented by a collective bargaining unit, and the Company considers relations with its employees to be good.

The Company recognizes that its professional driver workforce is one of its most valuable assets. Most of Werner's drivers are compensated based upon miles driven. The rate per mile increases with the drivers' length of service. Additional compensation may be earned through a fuel efficiency bonus, a mileage bonus, an annual achievement bonus, and for extra work associated with their job (loading and unloading, extra stops, and shorter mileage trips, for example). The Company conducts a regular schedule of driver management meetings to share information and concerns with its drivers.

At times, there are shortages of drivers in the trucking industry. The Company's management believes the number of qualified drivers in the industry has been reduced because of the elimination of federal funding for driving schools, changes in the demographic composition of the workforce, individual drivers' desire to be home more often, and a declining unemployment rate in the U.S. over the past several years. 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.

The Company also recognizes that carefully selected owner-operators complement its company-employed drivers. Owner-operators are independent contractors that supply their own tractor and driver, and are responsible for their operating expenses. Because owner-operators provide their own tractors, less financial capital is required from the Company for growth. Also, owner-operators provide the Company with another source of drivers to support its growth. The Company intends to continue its emphasis on recruiting owner-operators, as well as company drivers. However, it has been more difficult for the Company and the industry to recruit and retain owner-operators over the past year due to high fuel prices and a weak used truck pricing market.

Revenue Equipment

As of December 31, 2000, Werner operated 6,300 company tractors and had contracts for 1,175 tractors owned by owner-operators. Approximately 70% of the company tractors are manufactured by Freightliner, a subsidiary of DaimlerChrysler. Most of the remaining company tractors are manufactured by Peterbilt. This standardization of the company tractor fleet decreases downtime by simplifying maintenance. The Company adheres to a comprehensive maintenance program for both tractors and trailers. Due to continuous upgrading of the company tractor fleet, the average age was 1.6 years at December 31, 2000. The Company generally adheres to a 3-year replacement cycle for most of its tractors. Owner-operator tractors are inspected prior to acceptance by the Company for compliance with operational and safety requirements of the Company and the Department of Transportation. These tractors are then periodically inspected, similar to company tractors, to monitor continued compliance.

The Company operated 19,770 trailers at December 31, 2000: 17,835 dry vans; 910 flatbeds; 940 temperature-controlled; and 85 other specialized trailers. Most of the Company's trailers are manufactured by Wabash National Corporation. As of December 31, 2000, 97% of the Company's fleet of dry van trailers consisted of 53-foot trailers, and 99% consisted of aluminum plate or composite trailers. Other trailer lengths such as 27-foot and 57-foot are also provided by the Company to meet the specialized needs of customers. The average age of the trailer fleet was 4.2 years at December 31, 2000.

Fuel

The Company purchases approximately 90% of its fuel through a network of approximately 300 fuel stops throughout the United States. The Company has negotiated discounted pricing based on certain volume commitments with these fuel stops. Bulk fueling facilities are maintained at the Company's terminals to further reduce fuel costs.

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. Beginning in the second half of 1999 and continuing throughout 2000, the Company experienced significant increases in the cost of diesel fuel. By the end of 2000, the Company was able to recover most of the increase in the cost of fuel through the use of customer fuel surcharges. The Company cannot predict whether high fuel prices will continue in the future or the extent to which fuel surcharges will be collected to offset such increases. As of December 31, 2000, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

The Company maintains aboveground and underground fuel storage tanks at a few of its terminals. Leakage or damage to these facilities could expose the Company to environmental clean-up costs. The tanks are routinely inspected to help prevent and detect such problems.

Regulation

The Company is a motor carrier regulated by the United States Department of Transportation (DOT). The DOT generally governs matters such as safety requirements, registration to engage in motor carrier operations, accounting systems, certain mergers, consolidations, acquisitions, and periodic financial reporting. The Company currently has a satisfactory DOT safety rating, which is the highest available rating. A conditional or unsatisfactory DOT safety rating could have an adverse effect on the Company, as some of the Company's contracts with customers require a satisfactory rating. Such matters as weight and dimensions of equipment are also subject to federal, state, and international regulations.

The Company has unlimited authority to carry general commodities in interstate commerce throughout the 48 contiguous states. The Company currently has authority to carry freight on an intrastate basis in 44 states. The Federal Aviation Administration Authorization Act of 1994 (the FAAA Act) amended sections of the Interstate Commerce Act to prevent states from regulating rates, routes or service of motor carriers after January 1, 1995. The FAAA Act did not address state oversight of motor carrier safety and financial responsibility, or state taxation of transportation. If a carrier wishes to operate in a state where it did not previously have intrastate authority, it must, in most cases, still apply for authority.

The Company's operations are subject to various federal, state and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. The Company believes that its operations are in material compliance with current laws and regulations.

Competition

The trucking industry is highly competitive and includes thousands of trucking companies. It is estimated that the annual revenue of domestic trucking amounts to $390 billion per year. The Company has a small but growing share (estimated at approximately 1%) of the markets targeted by the Company. The Company competes primarily with other truckload carriers. Railroads, less-than-truckload carriers and private carriers also provide competition, but to a lesser degree.

Competition for the freight transported by the Company is based primarily on service and efficiency and, to some degree, on freight rates alone. Few other truckload carriers have greater financial resources, own more equipment or carry a larger volume of freight than the Company. The Company believes it is one of the five largest carriers in the truckload transportation industry.

Forward Looking Information

The forward-looking statements in this report, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements included herein 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".

ITEM 2. *PROPERTIES*

Werner's headquarters is located along Interstate 80 just west of Omaha, Nebraska, on approximately 210 acres, 153 of which are held for future expansion. During 1999, the Company completed construction of a 166,500 square-foot addition to the Company's headquarters office building. The 286,000 square-foot office building includes a 5,000 square-foot computer center, drivers' lounge areas, a drivers' orientation section, a cafeteria and a Company store. The Omaha headquarters also consists of 131,000 square feet of maintenance and repair facilities containing a central parts warehouse, frame straightening and alignment machine, truck and trailer wash areas, equipment safety lanes, body shops for tractors and trailers and a paint booth including a 77,500 square-foot trailer maintenance facility constructed in 1999. Portions of the former trailer maintenance building are being converted into a driver training facility. The Company owns all of its corporate headquarters facilities.

The Company and its subsidiaries own a 22,000 square-foot terminal in Springfield, Ohio, a 33,000 square-foot facility near Denver, an 18,000 square-foot facility near Los Angeles, a 31,000 square-foot terminal near Atlanta, a 27,000 square-foot terminal in Dallas, and a 32,000 square-foot terminal in Phoenix. The Company leases terminal facilities in Allentown, Pennsylvania and in Indianapolis, Indiana. All eight locations include office and maintenance space. The Company also leases office space in Laredo, Texas and is completing construction of a new 18,000 square-foot office facility there with a tentative completion date in the spring of 2001.

The Company also owns a 73,000 square foot disaster recovery and warehouse facility in another area of Omaha. Additionally, the Company leases several small sales offices and trailer parking yards in various locations throughout the country.

The Company's headquarters facilities have suitable space available to accommodate planned expansion needs for the next 3 to 5 years.

ITEM 3. *LEGAL PROCEEDINGS*

The Company is a party to routine litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The Company has assumed liability up to $500,000, plus administrative expenses, for each occurrence involving personal injury or property damage. The Company is also responsible for a $1,500,000 annual aggregate amount of liability for claims between $500,000 and $1,000,000, and a $1,000,000 annual aggregate amount for claims between $1,000,000 and $2,000,000. The Company maintains insurance, which covers liability in excess of this amount to coverage levels that management considers adequate. The Company believes that adverse results in one or more of these claims would not have a material adverse effect on its results of operations or financial position. See also Note (1) "Insurance and Claims Accruals" and Note (7) "Commitments and Contingencies" in the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

During the fourth quarter of 2000, no matters were submitted to a vote of security holders.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS*

Price Range of Common Stock

The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol WERN. The following table sets forth for the quarters indicated the high and low sale prices per share of the Company's common stock in the Nasdaq National Market and the Company's dividends declared per common share from January 1, 1999, through December 31, 2000.

	High	Low	Dividends Declared Per Common Share
2000			
Quarter ended:			
March 31	$17.63	$12.31	$.025
June 30	19.13	10.81	.025
September 30	14.81	11.44	.025
December 31	17.75	10.06	.025
1999			
Quarter ended:			
March 31	$20.75	$15.75	$.025
June 30	21.63	14.50	.025
September 30	22.25	16.13	.025
December 31	18.34	12.25	.025

As of March 6, 2001, the Company's common stock was held by 257 stockholders of record and approximately 6,000 stockholders through nominee or street name accounts with brokers.

Dividend Policy

The Company has been paying cash dividends on its common stock following each of its quarters since the fiscal quarter ended May 31, 1987. The Company does not currently intend to discontinue payment of dividends on a quarterly basis and does not currently anticipate any restrictions on its future ability to pay such dividends. However, no assurance can be given that dividends will be paid in the future since they are dependent on earnings, the financial condition of the Company and other factors.

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected financial data should be read in conjunction with the consolidated financial statements and notes under Item 8 of this Form 10-K.

	2000	1999	1998	1997	1996
	(In thousands, except per share amounts)				
Operating revenues	$1,214,628	$1,052,333	$863,417	$772,095	$643,274
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Return on average stockholders' equity	9.3%	12.8%	13.7%	13.1%	12.4%
Operating ratio	93.2%	90.3%	88.9%	89.9%	89.7%
Book value per share	11.40	10.48	9.31	8.27	7.34
Total assets	927,207	896,879	769,196	667,638	549,211
Long-term debt	105,000	120,000	100,000	60,000	30,000
Total debt (current and long-term)	105,000	145,000	100,000	60,000	30,000
Stockholders' equity	536,084	494,772	440,588	395,118	348,371

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION*

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

	2000	1999	1998
Operating revenues	100.0%	100.0%	100.0%
Operating expenses			
Salaries, wages and benefits	35.4	36.4	37.7
Fuel	11.3	7.5	6.6
Supplies and maintenance	8.5	8.3	8.4
Taxes and licenses	7.3	7.8	7.9
Insurance and claims	2.8	3.0	2.7
Depreciation	9.0	9.5	9.6
Rent and purchased transportation	17.9	17.6	16.1
Communications and utilities	1.2	1.3	1.2
Other	(0.2)	(1.1)	(1.3)
Total operating expenses	93.2	90.3	88.9
Operating income	6.8	9.7	11.1
Net interest expense and other	.4	.5	.4
Income before income taxes	6.4	9.2	10.7
Income taxes	2.4	3.5	4.1
Net income	4.0%	5.7%	6.6%

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

	2000	1999	1998	1997	1996
Operating ratio	93.2%	90.3%	88.9%	89.9%	89.7%
Average revenues per tractor per week (1)	$ 2,889	$ 2,813	$ 2,783	$ 2,755	$ 2,710
Average annual miles per tractor	125,568	125,856	126,492	126,598	126,221
Average miles per trip	746	734	760	799	808
Average revenues per total mile (1)	$ 1.197	$ 1.162	$ 1.144	$ 1.132	$ 1.116
Average revenues per loaded mile (1)	$ 1.328	$ 1.287	$ 1.265	$ 1.251	$ 1.236
Average tractors in service	7,303	6,769	5,662	5,051	4,372
Total tractors (at year end)					
Company	6,300	5,895	5,220	4,490	3,840
Owner-operator	1,175	1,230	930	860	760
Total tractors	7,475	7,125	6,150	5,350	4,600
Total trailers (at year end)	19,770	18,900	16,350	14,700	12,170

(1) Net of fuel surcharge revenues.

Results of Operations

2000 Compared to 1999

Operating revenues increased 15% over 1999, due to an 8% increase in the average number of tractors in service, a 3% increase in average revenue per mile (excluding fuel surcharges), and a 5% increase in revenues due to fuel surcharges. Customer rate increases were the primary factor in the increase in average revenue per mile. Fuel surcharges were collected from customers in 2000 to recover a majority of the increase in fuel expense caused by higher fuel prices.

The company's operating ratio (operating expenses expressed as a percentage of operating revenues) increased from 90.3% to 93.2%.

Salaries, wages and benefits decreased from 36.4% to 35.4% of revenues by maintaining the average payroll cost per mile while at the same time increasing average revenue per mile. Offsetting this, workers' compensation expense increased due to rising medical costs and higher weekly claim payments.

Fuel increased from 7.5% to 11.3% of revenues due to substantially higher fuel prices. The average price per gallon of diesel fuel, excluding fuel taxes, was 65% higher in 2000 than 1999. The Company implemented customer fuel surcharge programs to recover a majority of the increased fuel cost. The Company is unable to predict whether higher fuel price levels will continue or the extent to which fuel surcharges will be collected in the future from customers.

Taxes and licenses decreased from 7.8% to 7.3% of revenues due to higher revenue per mile. On a cost per mile basis, taxes and license expenses were about the same. Insurance and claims decreased slightly from 3.0% to 2.8% of revenues. Improved liability claims experience was offset by increased cargo claims. Depreciation decreased from 9.5% to 9.0% of revenues due to higher revenue per mile. On a cost per mile basis, depreciation was slightly higher.

Rent and purchased transportation expense increased from 17.6% to 17.9% of revenues due primarily to increases in rental expense on leased tractors (.3% of revenue in 2000 compared to .1% in 1999) and payments to owner-operators (12.6% of revenue in 2000 compared to 12.4% in 1999). Owner-operators are independent contractors that supply their own tractor and driver and are responsible for operating expenses such as fuel, supplies and maintenance, fuel taxes, and payroll. Payments to owner-operators increased slightly in 2000 compared to 1999 caused in part by an increase in owner-operator miles as a percentage of total Company miles. On a per-mile basis, payments to owner-operators increased due to amounts reimbursed by the Company to owner-operators for the higher cost of fuel. Increases in logistics and other non-trucking transportation services in the first half of 2000 offset the decrease in the latter half of the year due to transferring most of the Company's logistics business to Transplace.com.

On June 30, 2000, the Company transferred its logistics business unit to Transplace.com. The Company is one of six large truckload transportation companies that contributed their logistics businesses to this commonly owned, Internet-based logistics company. Each of the six founding members of Transplace.com contributed their logistics business, related intangible assets, and $5 million of cash. The Company transferred logistics business representing about 4% of total revenues for the six months ended June 30, 2000 to Transplace.com. The Company is recording its approximate 15% investment in Transplace.com using the equity method of accounting and is accruing its percentage share of Transplace.com's earnings as other non-operating income.

Other operating expenses changed from (1.1%) to (0.2%) of revenues due to a weak market for the sale of used trucks. During 2000, the Company traded more of its used trucks, and the excess of the trade price over the net book value of the truck reduced the cost basis of the new truck. In 1999, the Company sold most of its used trucks to third parties through its Fleet Truck Sales retail network and realized gains of $13.0 million. Due to a reduced number of trucks sold to third parties and a lower average gain per truck, in 2000 the Company realized gains of $5.1 million.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 38.0% in 2000 and 1999, as described in Note 5 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

1999 Compared to 1998

Operating revenues increased by 22% over 1998, primarily due to a 20% increase in the average number of tractors in service and a 2% increase in the average revenue per mile, excluding fuel surcharges. Customer rate increases and a higher percentage of freight in the regional and dedicated fleets were the primary factors in the increased revenue per mile. Regional and dedicated trips have a shorter length of haul, on average, than medium- to long-haul van trips. Revenue per mile tends to increase as length of haul decreases. An $18.6 million increase in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues.

The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) increased from 88.9% to 90.3%. Owner-operator miles as a percentage of total miles increased from 16.6% in 1998 to 18.2% in 1999, resulting in a shift in costs to the rent and purchased transportation expense category from several other expense categories. The increase in expenses paid to third-party companies for logistics and other non-trucking transportation services also contributed to this shift among expense categories.

Salaries, wages and benefits decreased from 37.7% to 36.4% of revenues primarily due to increased revenues from logistics and other non-trucking transportation services, more owner-operator miles as a percentage of total miles, and a higher ratio of tractors to non-driver employees.

Fuel increased in 1999 from 6.6% to 7.5% of revenues due primarily to a 22% increase in average fuel prices (excluding fuel taxes) in 1999 compared to 1998. This increase was partially offset by the increases in owner-operator miles and logistics and non-trucking revenues. The Company has implemented customer fuel surcharge reimbursement programs to recover a portion of the increased fuel cost. However, a significant portion of the fuel expense increase was not recovered during 1999. This is due to several factors, including: the fuel price levels which determine when fuel surcharges are collected, unreimbursed empty miles between freight shipments, unreimbursed out-of-route miles caused in part by driver home time needs, and the unreimbursed costs of truck idling.

Insurance and claims increased from 2.7% to 3.0% of revenues due in part to an increase in the frequency of property damage claims. Rent and purchased transportation increased from 16.1% to 17.6% of revenues primarily due to the Company's increase in logistics and other non-trucking transportation services and the increase in owner-operator miles. Other operating expenses changed from (1.3%) of revenues to (1.1%) of revenues due in part to lower gains per tractor sold, net of repair costs.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 38.0% in 1999 and 1998, as described in Note 5 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

Liquidity and Capital Resources

Net cash provided by operating activities was $170.1 million in 2000, $132.0 million in 1999, and $137.9 million in 1998. The 29% increase in operating cash flows from 1999 to 2000 was primarily due to improved billing and collection of accounts receivable, increased depreciation due to more revenue equipment, and other working capital improvements. Activity with Transplace.com included a $3.2 million short-term note and a $2.1 million operating advance, both of which were repaid by Transplace.com subsequent to year-end. The cash flow from operations enabled the Company to make capital expenditures and repay debt as discussed below.

Net cash used in investing activities was $113.2 million in 2000, $171.0 million in 1999, and $172.4 million in 1998. The growth of the Company's business has required significant investment in new revenue equipment. Net capital expenditures in 2000, 1999, and 1998 were $108.5 million, $171.0 million, and $172.4 million, respectively. The capital expenditures were financed primarily with cash provided by operations and, to a lesser extent in 1999 and 1998, borrowings. Capital expenditures were lower in 2000 due to the Company's planned slower fleet growth. The Company also invested $5.0 million in Transplace.com in 2000.

As of December 31, 2000, the Company has committed to approximately $9 million of net capital expenditures, which is a small portion of its estimated 2001 capital expenditures.

Net financing activities used $46.8 million in 2000 and generated $38.5 million in 1999 and $28.1 million in 1998. In 2000, the Company repaid $40 million of debt compared to net borrowings of $45 million and $20 million in 1999 and 1998, respectively. The Company paid dividends of $4.7 million in 2000 and 1999, and $4.2 million in 1998. Financing activities also included common stock repurchases of $2.8 million in 2000, $3.9 million in 1999, and $9.1 million in 1998. From time to time, the Company has and may continue to repurchase shares of its common stock. The timing and amount of such purchases depends on market and other factors. The Company's board of directors has authorized the repurchase of up to 2,500,000 shares. As of December 31, 2000, the Company has purchased 1,278,526 shares pursuant to this authorization.

The Company's financial position is strong. As of December 31, 2000, the Company had $105 million of debt and $536 million of stockholders' equity. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary, to continue with its growth plans.

Inflation

Inflation can be expected to have an impact on the Company's operating costs. A prolonged period of inflation could cause interest rates, fuel, wages, and other costs to increase and could adversely affect the Company's results of operations unless freight rates could be increased correspondingly. However, the effect of inflation has been minimal over the past three years.

Year 2000 Issue

The impact of the Year 2000 issue on the Company's operations was insignificant.

Forward-Looking Statements

This report contains forward-looking statements that are based on information currently available to the Company's management. Although the Company believes the expectations reflected in such forward-looking statements to be reasonable, no assurance can be given that the expectations will be realized. Factors currently known to management that could cause actual results to differ materially from the expectations reflected in forward-looking statements include, but are not limited to, the following: price and availability of diesel fuel; availability of an adequate number of qualified drivers; competitive factors including rate competition; unanticipated changes in laws, regulations, and taxation; the market value for used revenue equipment; and the amount and severity of accident claims. General economic conditions and weather conditions may also significantly affect the Company's results, as equipment utilization and rate levels depend on the level of business activity of shippers in a variety of industries. The Company assumes no obligation to update any forward-looking statements to the extent it becomes aware that it will not be achieved for any reason.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

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

Interest Rate Risk

The Company had $55 million of variable rate debt at December 31, 2000. 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 $550,000.

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 cannot predict the extent to which high fuel price levels will occur in the future or the extent to which fuel surcharges could be collected to offset such increases. As of December 31, 2000, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
Werner Enterprises, Inc.:

We have audited the accompanying consolidated balance sheets of Werner Enterprises, Inc. and subsidiaries as of December 31, 2000, and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2000. In connection with our audits of the consolidated financial statements, we have also audited the information in the financial statement schedule for each of the two years in the period ended December 31, 2000 listed in Item 14(a)(2) of this Form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit. The consolidated financial statements and financial statement schedule of Werner Enterprises, Inc. and subsidiaries for the year ended December 31, 1998 were audited by other auditors whose report dated January 20, 1999, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2000 and 1999 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Werner Enterprises, Inc. and subsidiaries as of December 31, 2000, and 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information for each of the two years in the period ended December 31, 2000 set forth therein.

KPMG LLP

Omaha, Nebraska
January 22, 2001

WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	2000	1999	1998
Operating revenues	$1,214,628	$1,052,333	$863,417
Operating expenses:			
Salaries, wages and benefits	429,825	382,824	325,659
Fuel	137,620	79,029	56,786
Supplies and maintenance	102,784	87,600	72,273
Taxes and licenses	89,126	82,089	67,907
Insurance and claims	34,147	31,728	23,875
Depreciation	109,107	99,955	82,549
Rent and purchased transportation	216,917	185,129	139,026
Communications and utilities	14,454	13,444	10,796
Other	(2,173)	(11,666)	(11,065)
Total operating expenses	1,131,807	950,132	767,806
Operating income	82,821	102,201	95,611
Other expense (income):			
Interest expense	8,169	6,565	4,889
Interest income	(2,650)	(1,407)	(1,724)
Other	(154)	245	114
Total other expense	5,365	5,403	3,279
Income before income taxes	77,456	96,798	92,332
Income taxes	29,433	36,787	35,086
Net income	$ 48,023	$ 60,011	$ 57,246
Average common shares outstanding	47,061	47,406	47,667
Basic earnings per share	$ 1.02	$ 1.27	$ 1.20
Diluted shares outstanding	47,257	47,631	47,910
Diluted earnings per share	$ 1.02	$ 1.26	$ 1.19

The accompanying notes are an integral part of these consolidated financial statements.

WERNER ENTERPRISES, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31 2000	December 31 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,485	$ 15,368
Accounts receivable, trade, less allowance of $3,994 and $3,236, respectively	123,518	127,211
Receivable from unconsolidated affiliate	5,332	—
Other receivables	10,257	11,217
Inventories and supplies	7,329	5,296
Prepaid taxes, licenses, and permits	12,396	12,423
Current deferred income taxes	11,552	8,500
Other	10,908	8,812
Total current assets	206,777	188,827
Property and equipment, at cost		
Land	19,157	14,522
Buildings and improvements	72,631	65,152
Revenue equipment	829,549	800,613
Service equipment and other	100,342	90,322
Total property and equipment	1,021,679	970,609
Less—accumulated depreciation	313,881	262,557
Property and equipment, net	707,798	708,052
Notes receivable	4,420	—
Investment in unconsolidated affiliate	5,324	—
Other non-current assets	2,888	—
	$ 927,207	$896,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 30,710	$ 35,686
Short-term debt	—	25,000
Insurance and claims accruals	36,057	32,993
Accrued payroll	12,746	11,846
Income taxes payable	7,157	926
Other current liabilities	14,749	14,755
Total current liabilities	101,419	121,206
Long-term debt	105,000	120,000
Deferred income taxes	152,403	130,600
Insurance, claims and other long-term accruals	32,301	30,301
Commitments and contingencies		
Stockholders' equity		
Common stock, $.01 par value, 200,000,000 shares authorized; 48,320,835 shares issued; 47,039,290 and 47,205,236 shares outstanding, respectively	483	483
Paid-in capital	105,844	105,884
Retained earnings	447,943	404,625
Accumulated other comprehensive loss	(34)	—
Treasury stock, at cost; 1,281,545 and 1,115,599 shares, respectively	(18,152)	(16,220)
Total stockholders' equity	536,084	494,772
	$ 927,207	$896,879

The accompanying notes are an integral part of these consolidated financial statements.

WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 48,023	$ 60,011	$ 57,246
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	109,107	99,955	82,549
Deferred income taxes	18,751	22,200	14,700
Gain on disposal of operating equipment	(5,055)	(13,047)	(12,251)
Equity in income of unconsolidated affiliate	(324)	—	—
Tax benefit from exercise of stock options	130	663	389
Other long-term assets	(2,888)	—	—
Insurance, claims and other long-term accruals	2,000	(500)	1,472
Changes in certain working capital items:			
Accounts receivable, net	3,693	(32,882)	(868)
Prepaid expenses and other current assets	(8,474)	(8,725)	(5,186)
Accounts payable	(4,976)	(12,460)	3,979
Accrued and other current liabilities	10,160	16,762	(4,090)
Net cash provided by operating activities	170,147	131,977	137,940
Cash flows from investing activities:			
Additions to property and equipment	(169,113)	(255,326)	(258,643)
Retirements of property and equipment	60,608	84,297	86,260
Investment in unconsolidated affiliate	(5,000)	—	—
Proceeds from collection of notes receivable	287	—	—
Net cash used in investing activities	(113,218)	(171,029)	(172,383)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,000	30,000	40,000
Repayments of long-term debt	(25,000)	—	—
Proceeds from issuance of short-term debt	—	30,000	20,000
Repayments of short-term debt	(25,000)	(15,000)	(20,000)
Dividends on common stock	(4,710)	(4,740)	(4,201)
Repurchases of common stock	(2,759)	(3,941)	(9,072)
Stock options exercised	657	2,188	1,335
Net cash provided by (used in) financing activities	(46,812)	38,507	28,062
Net increase (decrease) in cash and cash equivalents	10,117	(545)	(6,381)
Cash and cash equivalents, beginning of year	15,368	15,913	22,294
Cash and cash equivalents, end of year	$ 25,485	$ 15,368	$ 15,913
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	$ 7,876	$ 7,329	$ 4,800
Income taxes	3,916	13,275	26,100
Supplemental disclosures of non-cash investing activities:			
Notes receivable from sale of revenue equipment	$ 4,707	—	—

The accompanying notes are an integral part of these consolidated financial statements.

WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 1997	$387	$104,764	$296,533	$—	$ (6,566)	$395,118
Purchases of 592,600 shares of common stock	—	—	—	—	(9,072)	(9,072)
Dividends on common stock ($.09 per share)	—	—	(4,428)	—	—	(4,428)
Five-for-four stock split	96	(96)	—	—	—	—
Exercise of stock options, 119,391 shares	—	670	—	—	1,054	1,724
Comprehensive income:						
Net income	—	—	57,246	—	—	57,246
BALANCE, December 31, 1998	483	105,338	349,351	—	(14,584)	440,588
Purchases of 302,600 shares of common stock	—	—	—	—	(3,941)	(3,941)
Dividends on common stock ($.10 per share)	—	—	(4,737)	—	—	(4,737)
Exercise of stock options, 198,526 shares	—	546	—	—	2,305	2,851
Comprehensive income:						
Net income	—	—	60,011	—	—	60,011
BALANCE, December 31, 1999	483	105,884	404,625	—	(16,220)	494,772
Purchases of 225,201 shares of common stock	—	—	—	—	(2,759)	(2,759)
Dividends on common stock ($.10 per share)	—	—	(4,705)	—	—	(4,705)
Exercise of stock options, 59,255 shares	—	(40)	—	—	827	787
Comprehensive income (loss):						
Net income	—	—	48,023	—	—	48,023
Foreign currency translation adjustments	—	—	—	(34)	—	(34)
Total comprehensive income	—	—	$ 48,023	$(34)	—	$ 47,989
BALANCE, December 31, 2000	$483	$105,844	$447,943	$(34)	$(18,152)	$536,084

The accompanying notes are an integral part of these consolidated financial statements.

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1)—Summary of Significant Accounting Policies

Nature of Business

Werner Enterprises, Inc. (the Company) is a truckload transportation company operating under the jurisdiction of the Department of Transportation and various state regulatory commissions. The Company maintains a diversified freight base with no one customer or industry making up a significant percentage of the Company's receivables or revenues.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Werner Enterprises, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions relating to these majority-owned entities have been eliminated. The equity method of accounting is used for the Company's investment in Transplace.com (see Note 2).

Use of Management Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

Inventories and Supplies

Inventories and supplies consist primarily of revenue equipment parts, tires, fuel and supplies and are stated at average cost.

Tires placed on new revenue equipment are capitalized as a part of the equipment cost. Replacement tires are expensed when placed in service.

Property, Equipment and Depreciation

Additions and improvements to property and equipment are capitalized at cost, while maintenance and repair expenditures are charged to operations as incurred. If equipment is traded rather than sold, the cost of new equipment is recorded at an amount equal to the lower of the monetary consideration paid plus the net book value of the traded property or the fair value of the new equipment.

Depreciation is calculated based on the cost of the asset, reduced by its estimated salvage value, using the straight-line method. Accelerated depreciation methods are used for income tax purposes. The lives and salvage values assigned to certain assets for financial reporting purposes are different than for income tax purposes. For financial reporting purposes, assets are depreciated over the estimated useful lives of 30 years for buildings and improvements, 5 to 10 years for revenue equipment and 3 to 10 years for service equipment and other.

Insurance and Claims Accruals

Insurance and claims accruals, both current and noncurrent, reflect the estimated cost for cargo loss and damage, bodily injury and property damage (BI/PD), group health, and workers' compensation claims, including estimated loss development and loss adjustment expenses, not covered by insurance. The costs for cargo and BI/PD are included in insurance and claims expense, while the costs of group health and workers' compensation claims are included in salaries, wages and benefits expense in the Consolidated Statements of Income.

The Company is responsible for liability up to $500,000, plus administrative expenses, for each occurrence involving personal injury or property damage. The Company is also responsible for a $1,500,000 annual aggregate amount of liability for claims between $500,000 and $1,000,000, and a $1,000,000 annual aggregate amount for claims between $1,000,000 and $2,000,000. Liability in excess of these amounts is assumed by the insurance carriers in amounts which management considers adequate.

The Company has assumed responsibility for workers' compensation, maintains a $15,000,000 bond, has statutory coverage and has obtained insurance for individual claims above $500,000.

Under these insurance arrangements, the Company maintains $9,300,000 in letters of credit, as of December 31, 2000.

Revenue Recognition

The Consolidated Statements of Income reflect recognition of operating revenues and related direct costs when the shipment is delivered.

Foreign Currency Translation

Local currencies are generally considered the functional currencies outside the United States. Assets and liabilities are translated at year-end exchange rates for operations in local currency environments. Income and expense items are translated at average rates of exchange prevailing during the year.

Income Taxes

The Company uses the asset and liability method of Statement of Financial Accounting Standards (SFAS) No. 109 in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Common Stock and Earnings Per Share

The Company computes and presents earnings per share (EPS) in accordance with SFAS No. 128 "Earnings per Share". The difference between the Company's weighted average shares outstanding and diluted shares outstanding is due to the dilutive effect of stock options for all periods presented. There are no differences in the numerator of the Company's computations of basic and diluted EPS for any period presented.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive loss. Other comprehensive income (loss) refers to revenues, expenses, gains and losses that are not included in net income, but rather are recorded directly in stockholders' equity. For the year ended December 31, 2000, comprehensive income consists of net income and foreign currency translation adjustments. For the years ended December 31, 1999 and 1998, the Company had no items of other comprehensive loss, and, accordingly, comprehensive income is the same as net income.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS 133, effective for all fiscal quarters of fiscal years beginning after June 15, 2000, establishes standards for reporting and display of derivative instruments and for hedging activities. As of December 31, 2000, the Company had no derivative financial instruments. Because of the Company's minimal historical use of derivatives, management believes that SFAS 133 will not have a material effect on the financial position or results of operations of the Company.

(2)—Investment in Unconsolidated Affiliate

Effective June 30, 2000, the Company contributed its non-asset based logistics business to Transplace.com, LLC (TPC), in exchange for an equity interest in TPC of approximately 15%. TPC is an Internet-based logistics company founded by six large transportation companies—Covenant Transport, Inc.; J.B. Hunt Transport Services, Inc.; M.S. Carriers, Inc.; Swift Transportation Co., Inc.; U.S. Xpress Enterprises, Inc.; and Werner Enterprises, Inc. The Company is accounting for its investment in TPC using the equity method. At December 31, 2000, the investment in unconsolidated affiliate includes a $5,000,000 cash investment in TPC plus the Company's 15% equity in the estimated cumulative earnings of unconsolidated affiliate of $324,000.

In October 2000, the Company provided funds of $3,200,000 to TPC in the form of a short-term note that bears interest at the rate of 8%. The Company recorded interest income on the note from TPC of approximately $61,000 during 2000. As of December 31, 2000, the receivable from unconsolidated affiliate included this $3,200,000 note as well as an operating advance to TPC. Interest is not accrued on the operating advance. Both the note receivable, including accrued interest, and operating advance were repaid subsequent to December 31, 2000.

The Company and TPC enter into transactions with each other for certain of their purchased transportation needs. The Company recorded operating revenue from TPC of approximately $15,500,000, and recorded purchased transportation expense to TPC of approximately $1,500,000 during 2000.

The Company also provides certain administrative functions to TPC as well as providing office space, supplies, and communications. The allocation from the Company for these services was approximately $518,000 during 2000. The allocations for rent are recorded in the Consolidated Statement of Income as miscellaneous revenue and the remaining amounts are recorded as a reduction of the respective operating expenses.

The Company believes that the transactions with TPC are on terms no less favorable to the Company than those that could be obtained from unaffiliated third parties, on an arm's length basis.

(3)—Long-Term Debt

Long-term debt consists of the following at December 31 (in thousands):

	2000	1999
Notes payable to banks under committed credit facilities	$ 55,000	$ 95,000
6.55% Series A Senior Notes, due November 2002	20,000	20,000
6.02% Series B Senior Notes, due November 2002	10,000	10,000
5.52% Series C Senior Notes, due December 2003	20,000	20,000
	105,000	145,000
Less short-term debt	—	(25,000)
Long-term debt	$105,000	$120,000

The notes payable to banks under committed credit facilities bear variable interest (7.2% at December 31, 2000) based on the London Interbank Offered Rate (LIBOR), and these credit facilities mature at various dates from August 2002 to May 2003. The Company has an additional $55 million of available long-term credit pursuant to these credit facilities with banks which bear variable interest based on LIBOR, on which no borrowings were outstanding at December 31, 2000. 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 indebtedness to total capitalization. The Company was in compliance with these covenants at December 31, 2000.

The aggregate future maturities of long-term and short-term debt by year consist of the following at December 31, 2000 (in thousands):

2001	$ —
2002	55,000
2003	50,000
	$105,000

The carrying amount of the Company's long-term debt approximates fair value due to the duration of the notes and their interest rates.

(4)—Leases

The Company leases certain revenue equipment under operating leases which expire through 2003. At December 31, 2000, the future minimum lease payments under non-cancelable revenue equipment operating leases are as follows (in thousands):

2001	$3,732
2002	3,219
2003	100

Rental expense under non-cancelable revenue equipment operating leases (in thousands) was $3,185 in 2000, $596 in 1999, and $0 in 1998.

(5)—Income Taxes

Income tax expense consists of the following (in thousands):

	2000	1999	1998
Current			
Federal	$ 9,132	$11,787	$17,186
State	1,550	2,800	3,200
	10,682	14,587	20,386
Deferred			
Federal	16,001	19,112	12,378
State	2,750	3,088	2,322
	18,751	22,200	14,700
Total income tax expense	$29,433	$36,787	$35,086

The effective income tax rate differs from the federal corporate tax rate of 35% in 2000, 1999, and 1998 as follows (in thousands):

	2000	1999	1998
Tax at statutory rate	$27,110	$33,879	$32,316
State income taxes, net of federal tax benefits	2,795	3,827	3,589
Income tax credits	(638)	(691)	(536)
Other, net	166	(228)	(283)
	$29,433	$36,787	$35,086

At December 31, deferred tax assets and liabilities consisted of the following (in thousands):

	2000	1999
Deferred tax assets:		
Insurance and claims accruals	$ 24,706	$ 22,715
Allowance for uncollectible accounts	1,425	874
Other	3,099	3,266
Gross deferred tax assets	29,230	26,855
Deferred tax liabilities:		
Property and equipment	161,338	142,312
Prepaid expenses	4,431	5,982
Other	4,312	661
Gross deferred tax liabilities	170,081	148,955
Net deferred tax liability	$140,851	$122,100

These amounts (in thousands) are presented in the accompanying Consolidated Balance Sheets as of December 31 as follows:

	2000	1999
Current deferred tax asset	$ 11,552	$ 8,500
Noncurrent deferred tax liability	152,403	130,600
Net deferred tax liability	$140,851	$122,100

The Company believes its history of profitability and taxable income and its utilization of tax planning sufficiently supports the carrying amount of the deferred tax assets. Accordingly, the Company has not recorded a valuation allowance as all deferred tax benefits are more likely than not to be realized.

(6)—Stock Option and Employee Benefit Plans

Stock Option Plan

The Company's Stock Option Plan (the Stock Option Plan) is a nonqualified plan that provides for the grant of options to management employees. Options are granted at prices equal to the market value of the common stock on the date the option is granted.

Options granted become exercisable in installments from six 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 optioned under the Stock Option Plan is 8,750,000 shares.

At December 31, 2000, 3,474,094 shares were available for granting further options. At December 31, 2000, 1999, and 1998, options for 843,689, 669,178, and 522,295 shares with weighted average exercise prices of $13.08, $12.62, and $11.43 were exercisable, respectively.

The following table summarizes Stock Option Plan activity for the three years ended December 31, 2000:

	Options Outstanding	
	Shares	Weighted-Average Exercise Price
Balance, December 31, 1997	1,581,119	$12.95
Options granted	86,250	16.66
Options exercised	(119,391)	11.18
Options canceled	(22,998)	13.01
Balance, December 31, 1998	1,524,980	13.30
Options granted	1,419,510	12.52
Options exercised	(198,526)	11.02
Options canceled	(20,001)	15.03
Balance, December 31, 1999	2,725,963	13.05
Options granted	1,130,000	12.87
Options exercised	(59,255)	10.90
Options canceled	(206,770)	13.02
Balance, December 31, 2000	3,589,938	13.03

The following tables summarize information about stock options outstanding and exercisable at December 31, 2000:

		Options Outstanding	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$10.46 to $13.25	2,932,375	8.0 years	$12.31
$14.94 to $20.50	657,563	7.0 years	16.21
	3,589,938	7.9 years	13.03

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted-Average Exercise Price
$10.46 to $13.25	562,980	$11.52
$14.94 to $20.50	280,709	16.20
	843,689	13.08

The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its Stock Option Plan. SFAS No. 123 "Accounting for Stock-Based Compensation" requires pro forma disclosure of net income and earnings per share had the estimated fair value of option grants on their grant date been charged to salaries, wages and benefits. The fair value of the options granted during 2000, 1999, and 1998 was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 6.0 percent in 2000, 6.5 percent in 1999, and 5.5 percent in 1998; dividend yield of 0.5 percent; expected life of 8.0 years in 2000, 7.0 years in 1999, and 5.5 years in 1998; and volatility of 35 percent in 2000 and 30 percent in 1999 and 1998. The weighted-average fair value of options granted during 2000, 1999, and 1998 was $6.39, $5.56, and $6.16 per share, respectively. The Company's pro forma net income and earnings per share would have been as indicated below had the fair value of option grants been charged to salaries, wages, and benefits:

		2000	1999	1998
Net income (in thousands)	As reported	$48,023	$60,011	$57,246
	Pro forma	45,735	59,170	56,327
Basic earnings per share	As reported	1.02	1.27	1.20
	Pro forma	.97	1.25	1.18
Diluted earnings per share	As reported	1.02	1.26	1.19
	Pro forma	.97	1.24	1.18

Employee Stock Purchase Plan

Employees meeting certain eligibility requirements may participate in the Company's Employee Stock Purchase Plan (the Purchase Plan). Eligible participants designate the amount of regular payroll deductions and/or single annual payment, subject to a yearly maximum amount, that is used to purchase shares of the Company's common stock on the Over-The-Counter Market subject to the terms of the Purchase Plan. The Company contributes an amount equal to 15% of each participant's contributions under the Purchase Plan. Company contributions for the Purchase Plan were $117,393, $104,304, and $100,045 for 2000, 1999, and 1998, respectively.

Interest accrues on Purchase Plan contributions at a rate of 5.25%. The broker's commissions and administrative charges related to purchases of common stock under the Purchase Plan are paid by the Company.

401(k) Retirement Savings Plan

The Company has an Employees' 401(k) Retirement Savings Plan (the 401(k) Plan). Employees are eligible to participate in the 401(k) Plan if they have been continuously employed with the Company or its subsidiaries for six months or more. The Company matches a portion of the amount each employee contributes to the 401(k) Plan. It is the Company's intention, but not its obligation, that the Company's total annual contribution for employees will equal at least 2½ percent of net income (exclusive of extraordinary items). Salaries, wages and benefits expense in the accompanying Consolidated Statements of Income includes Company 401(k) Plan contributions and administrative expenses of $1,527,502, $1,364,254, and $1,191,372 for 2000, 1999, and 1998, respectively.

(7)—Commitments and Contingencies

The Company has committed to approximately $9 million of net capital expenditures, which is a small portion of its estimated 2001 capital expenditures.

The Company is involved in certain claims and pending litigation arising in the normal course of business. Management believes the ultimate resolution of these matters will not have a material effect on the financial statements of the Company.

(8)—Segment Information

The Company operates in one reportable segment—Truckload transportation services. The reportable Truckload 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 regions. 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.

Operating revenues from external customers for the Company's major service categories were as follows (in thousands):

	2000	1999	1998
Truckload	$1,148,651	$ 991,954	$821,596
Non-trucking	65,977	60,379	41,821
Total operating revenues	$1,214,628	$1,052,333	$863,417

Substantially all of the Company's revenues are generated within the United States or from North American shipments with origins or destinations in the United States. No one customer accounts for more than 9% of the Company's revenues.

(9)—Quarterly Results of Operations (Unaudited)

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000:				
Operating revenues	$291,379	$307,242	$304,572	$311,435
Operating income	18,535	22,418	21,043	20,825
Net income	10,318	12,915	12,291	12,499
Diluted earnings per share	.22	.27	.26	.26
1999:				
Operating revenues	$240,980	$260,646	$270,144	$280,563
Operating income	21,243	29,691	28,841	22,426
Net income	12,622	17,576	16,977	12,836
Diluted earnings per share	.27	.37	.36	.27

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

During the second quarter of 1999, the Company solicited and received formal proposals for accounting and tax services from several accounting firms. Effective June 10, 1999, the Company (a) engaged KPMG LLP as independent accountants and (b) dismissed Arthur Andersen LLP ("AA LLP") as independent accountants. The decision to change accountants was approved by the Company's Board of Directors.

The reports of AA LLP for the past two fiscal years contained no adverse opinion, disclaimer of opinion, or opinion that was qualified or modified as to uncertainty, audit scope, or accounting principles.

During the Company's two most recent fiscal years and subsequent interim periods preceding the effective date of the change in accountants there were no:

1) disagreements between the Company and AA LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of AA LLP, would have caused them to make reference to the subject matter of the disagreements in their reports.
2) reportable events involving AA LLP that would have required disclosure under Item 304(a)(1)(v) of Regulation S-K.
3) consultations between the Company and KPMG LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

Certain information required by Part III is omitted from this report on Form 10-K in that the Company will file a definitive proxy statement pursuant to Regulation 14A (Proxy Statement) not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Compensation Committee Report or the Performance Graph included in the Proxy Statement.

ITEM 10. *DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

PART IV

ITEM 14. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K***

(a) Financial Statements and Schedules.

(1) Financial Statements: See Part II, Item 8 hereof.

(2) Financial Statement Schedules: The consolidated financial statement schedule set forth under the following caption is included herein. The page reference is to the consecutively numbered pages of this report on Form 10-K.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(3) Exhibits: The response to this portion of Item 14 is submitted as a separate section of this report on Form 10-K (see Exhibit Index on page 30).

(b) Reports on Form 8-K:

A report on Form 8-K, filed October 18, 2000, regarding a news release on October 17, 2000, announcing the Company's operating revenues and earnings for the third quarter ended September 30, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 19th day of March, 2001.

WERNER ENTERPRISES, INC.

By: /s/ JOHN J. STEELE

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Position	Date
/s/ CLARENCE L. WERNER **Clarence L. Werner**	Chairman of the Board, Chief Executive Officer and Director	March 19, 2001
/s/ GARY L. WERNER **Gary L. Werner**	Vice Chairman and Director	March 19, 2001
/s/ CURTIS G. WERNER **Curtis G. Werner**	Vice Chairman—Corporate Development and Director	March 19, 2001
/s/ GREGORY L. WERNER **Gregory L. Werner**	President, Chief Operating Officer and Director	March 19, 2001
/s/ JOHN J. STEELE **John J. Steele**	Vice President, Treasurer and Chief Financial Officer	March 19, 2001
/s/ JAMES L. JOHNSON **James L. Johnson**	Vice President, Controller and Secretary	March 19, 2001
/s/ IRVING B. EPSTEIN **Irving B. Epstein**	Director	March 19, 2001
/s/ MARTIN F. THOMPSON **Martin F. Thompson**	Director	March 19, 2001
/s/ GERALD H. TIMMERMAN **Gerald H. Timmerman**	Director	March 19, 2001
/s/ DONALD W. ROGERT **Donald W. Rogert**	Director	March 19, 2001
/s/ JEFFREY G. DOLL **Jeffrey G. Doll**	Director	March 19, 2001

SCHEDULE II

WERNER ENTERPRISES, INC.

VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Off of Doubtful Accounts	Balance at End of Period
Year ended December 31, 2000:				
Allowance for doubtful accounts	$3,236	$2,191	$1,433	$3,994
Year ended December 31, 1999:				
Allowance for doubtful accounts	$2,933	$ 606	$ 303	$3,236
Year ended December 31, 1998:				
Allowance for doubtful accounts	$3,126	$ 206	$ 399	$2,933

EXHIBIT INDEX

Exhibit Number	Description	Page Number or Incorporated by Reference to
3(i)(A)	Revised and Amended Articles of Incorporation	Exhibit 3 to Registration Statement on Form S-1, Registration No. 33-5245
3(i)(B)	Articles of Amendment to Articles of Incorporation	Exhibit 3(i) to the Company's report on Form 10-Q for the quarter ended May 31, 1994
3(i)(C)	Articles of Amendment to Articles of Incorporation	Exhibit 3(i) to the Company's report on Form 10-K for the year ended December 31, 1998
3(ii)	Revised and Amended By-Laws	Exhibit 3(ii) to the Company's report on Form 10-K for the year ended December 31, 1994
10.1	Second Amended and Restated Stock Option Plan	Exhibit 10 to the Company's report on Form 10-Q for the quarter ended June 30, 2000
10.2	Initial Subscription Agreement of Transplace.com, LLC, dated April 19, 2000	Exhibit 2.1 to the Company's report on Form 8-K filed July 17, 2000
10.3	Operating Agreement of Transplace.com, LLC, dated April 19, 2000	Exhibit 2.2 to the Company's report on Form 8-K filed July 17, 2000
11	Statement Re: Computation of Per Share Earnings	Filed herewith
21	Subsidiaries of the Registrant	Filed herewith
23.1	Consent of KPMG LLP	Filed herewith
23.2	Consent of Arthur Andersen LLP	Filed herewith
99	Report of Independent Public Accountants of Arthur Andersen LLP	Filed herewith

Werner Enterprises
Corporate Information

Corporate Offices
Werner Enterprises, Inc.
14507 Frontier Road
P.O. Box 45308
Omaha, Nebraska 68145-0308
Telephone: (402) 895-6640
http://www.werner.com
e-mail: werner@werner.com

Annual Meeting
The Annual Meeting will be held on Tuesday, May 1, 2001 at 10 a.m. in the Embassy Suites, 555 South 10th Street, Omaha, Nebraska.

Stock Listing
The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol WERN.

Independent Public Accountants
KPMG LLP
Two Central Park Plaza, Suite 1501
Omaha, Nebraska 68102

Stock Transfer Agent and Registrar
Wells Fargo Bank Minnesota, N.A.
Shareowner Services
Post Office Box 64854
St. Paul, MN 55164-0854
Telephone: (800) 468-9716

Board of Directors
Clarence L. Werner, 63. Chairman of the Board and Chief Executive Officer. Founder of the Company. Served on Board since inception in 1986. (3)

Gary L. Werner, 43. Vice Chairman. Served on Board since inception in 1986.

Curtis G. Werner, 36. Vice Chairman - Corporate Development. Served on Board since 1991.

Gregory L. Werner, 41. President and Chief Operating Officer. Served on Board since 1994. (1)

Irving B. Epstein, 73. Attorney - Epstein and Epstein. Served on Board since inception in 1986. (1), (2), (3)

Martin F. Thompson, 80. Retired President of Cherry County Livestock Auction Company. Served on Board since inception in 1986. (1), (2), (3)

Gerald H. Timmerman, 61. President - Timmerman and Sons. Served on Board since 1988. (1), (3)

Donald W. Rogert, 73. Chairman - Mallard Sand and Gravel Company. Served on Board since 1994. (1)

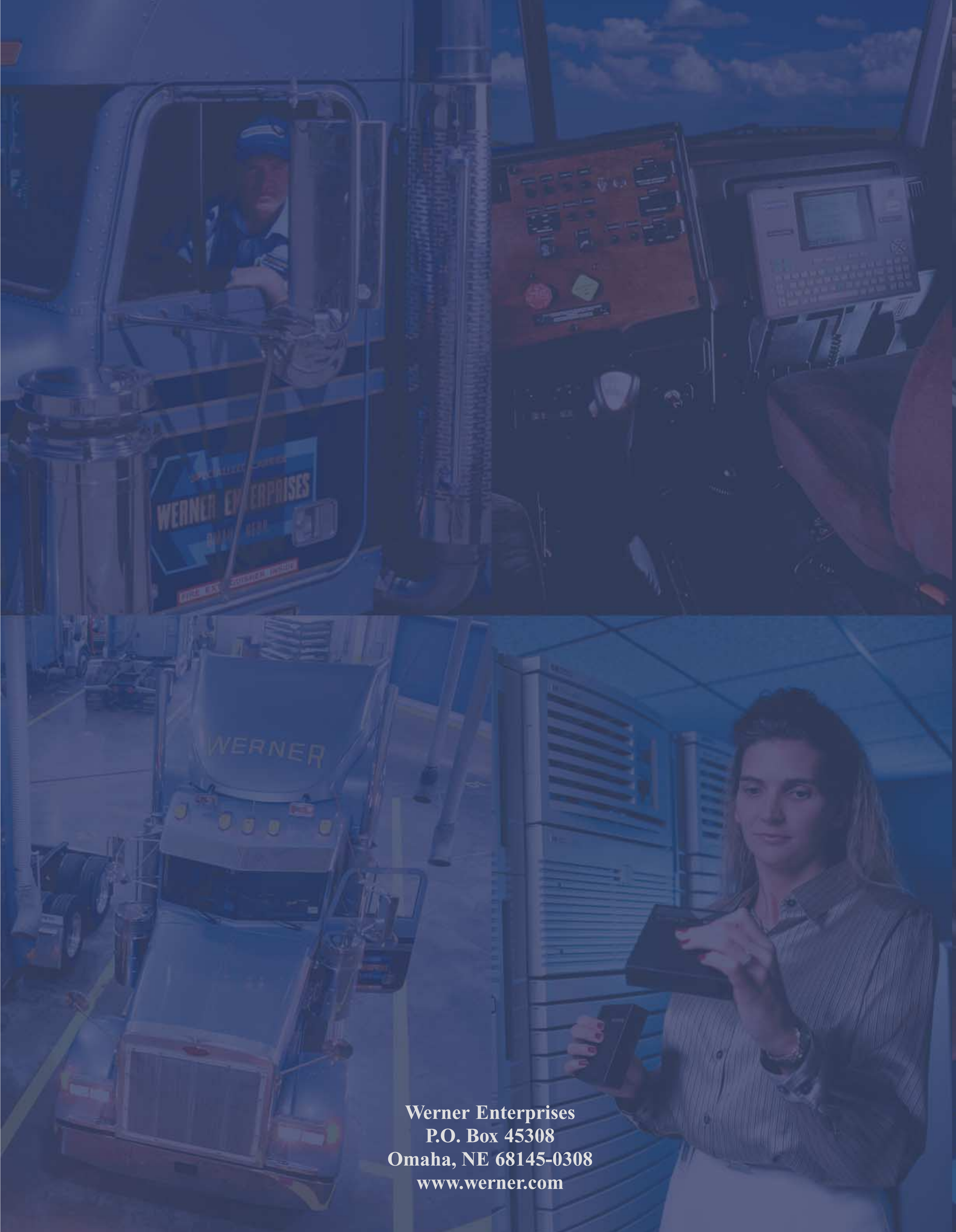
Jeffrey G. Doll, 46. President and Chief Executive Officer - Western Iowa Wine, Inc. Served on Board since 1997. (1), (2)

(1) Serves on audit committee

(2) Serves on option committee

(3) Serves on executive compensation committee

Werner Enterprises
P.O. Box 45308
Omaha, NE 68145-0308
www.werner.com



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